

**Clal Industries and Investments (CII) reports a net income of NIS 126 million for the second quarter of 2007, compared with NIS 55 million during the corresponding period last year.**

**During the first half of 2007, net income totaled NIS 167 million, compared with NIS 131 million during the first half of 2006.**

**The Board of Directors has declared a cash dividend distribution of NIS 240 million [NIS 1.52 per share].**

**Avi Fischer and Zvika Livnat, Joint CEOs of Clal Industries, stated today: "Results for the first half of 2007 are in direct line with Clal Industries' consistent improvement in profitability over the last four years. Moreover, during this quarter, most companies of the group, from both the industrial and technological sectors, have reported improvements in sales and gross operating profits, including Mashav, Golf, American Israeli Paper Mills (AIP), ECI, Fundtech and Nova. During this quarter, we finalized the CBI issue, and the Israel–China Infinity Fund recorded its first closing of \$165 million, half from foreign investors. In addition, significant investments were approved for industrial companies such as AIP and Neshet, *inter alia*, in natural gas energy projects. During the coming months, AIP will start using natural gas as the main energy source for its operations."**

**The contribution to current income of the operating sectors during the second quarter totaled NIS 85 million, compared with NIS 80 million during the corresponding period last year. During the first half of 2007, this contribution totaled NIS 137 million, compared with NIS 117 million during the corresponding period last year, mainly due to continuing improvements in results reported by Neshet, Taavura and Golf. In fact, the companies' contribution to current income during the second quarter was the highest since the year 2000.\***

The following are the main events and significant points in the operations of Clal Industries from the start of 2007:

- The Clal Biotechnology Industries (CBI) issue was successfully completed, and due to the fact that most companies of the CBI group have sufficient funds to finance themselves for at least 18 months, the issue proceeds, of NIS 190 million, are targeted mainly for investment in additional biotechnology companies and for developing existing companies.
- AIP shows a significant improvement in operating income in Israel, and concurrently the massive investment is continuing, to build up the Huggies and Kotex brands in Turkey. In addition, investments of \$140 million were made to expand the paper packaging production system.
- Record results at Golf, which reported sales of NIS 312 million during the first half of the year and income of NIS 40 million (compared with NIS 291 million and NIS 25 million, respectively, during the first half of 2006).

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\* After the exceptional transaction at KBA, which was classified as current income during 2004

- In March, Golf made an additional issue, the third, of NIS 20 million to institutional investors and options that were converted to shares; this resulted in a capital gain of NIS 17 million, which was reflected in the second quarter's financial results.
- During April 2007, Veraz, an ECI subsidiary, issued shares on NASDAQ to a value of \$316 million; and accordingly Clal Industries recorded a capital gain of NIS 23 million during the first half of 2007.
- Fundtech reported another improved quarter, and updated its sales and net income projections upwards.
- Nova benefited from an innovative business approach under the leadership of its new Chairman and CEO, resulting in a shift to net operating income for the first time in 7 years.
- On May 3, 2007, the first closing of the unique Israel-China Infinity Fund was completed, raising a record \$165 million, half from foreign investors. At the same time, Infinity announced that its funds would be increased to \$250 million, and that a parallel Chinese investment of tens of millions of dollars is expected. The business model of the Fund (in whose management company 25% of shares are held by CII, and whose Chairman is Avi Fischer), is based on Israeli and Chinese investments in Israeli companies that are expanding their operations to China, while, in parallel, investments will be made in Chinese companies that adopt the technologies of these Israeli firms. The Fund has already made its first investment in a \$6 million fund-raising round for Mate Intelligent Video.
- In January 2007, NIS 500 million was raised by issuing a promissory note, with an average life until maturity of nearly 10 years, and bearing interest of 4.9%.
- ECI transaction - in July 2007, Clal Industries announced that ECI had signed an agreement for the sale of all its shares to a group of investors headed by Swarth Investments, which is controlled by Mr. Shaul Shani, at a price of \$10 per share. Clal made a commitment to the purchasers to use the voting powers of its shares in ECI to approve the merger transaction. This commitment will expire, should ECI's Board of Directors change its recommendation to approve the purchase of ECI by this group. The transaction is subject to various approvals, including approval of the General Meeting of ECI, with a majority of 75%. Should the transaction be finalized, Clal will receive \$152 million for its ECI holdings, and, based on the results for the second quarter and on the exchange rate of August 13, 2007, will record a capital gain of NIS 267 million.

Yours truly,

Ran Rahav  
Clal Industries Spokesperson