

CLAL INDUSTRIES AND INVESTMENTS REPORTS
PROFITS OF NIS 41 MILLION IN THE FIRST QUARTER OF
2007

THE CONTRIBUTION OF THE SECTORS TO CURRENT PROFITS
INCREASED TO NIS 52M (NIS 36M IN COMPARABLE QUARTER
LAST YEAR)

Avi Fischer and Zvika Livnat, Joint CEOs of Clal Industries, reported:

"Despite the fact that almost no capital gains were recorded in the first quarter, we are satisfied by significant developments both in the existing companies and in new operations. There is continued improvement in the sales and in operational and gross profits of most important companies, including Nesher, Taavura and Golf, and in the American Israeli Paper Mills (AIP) the operational improvement continues in Israel, as well as the massive build up of the brands in the Turkish market.

Clal Biotechnology Industries successfully completed the institutional stage in its issue according to a value of about \$250 million, while the exclusive Israel-China Infinity Fund performed a first closing in the amount of \$155 million, half of which from foreign investors. In view of the strong interest, the fund is expected to reach a total scope of over a quarter of a billion dollars. In addition, considerable investments were approved in the industrial firms such as AIP and Nesher, in particular in natural gas energy projects. In the next few months, AIP will begin to base its operations on natural gas as its main source of energy."

The contribution of activity sectors to the current profits in the quarter grew to NIS 52M, compared to NIS 36M in the same quarter last year. In most of the major companies (Nesher, Taavura, Golf, AIP, ECI, Fundtech, etc.) the growth of turnover continues, which was also reflected in the growth of gross and operational profits.

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

- The institutional stage in the share issue of Clal Biotechnology Industries was successfully completed according to a value of about \$250 million. The public issue (secured by underwriting) should be completed by the end of May. Following the issue, some \$50 million of cash will flow into CBI's coffers, which will be used to develop existing companies and to invest in additional biotech firms.
- AIP shows a significant improvement in operational profits in Israel, and concurrently massive investment continues towards building up the Huggies and Kotex brands in Turkey.
- Record results in Golf, which reports sales of nearly NIS 160M for the quarter and profits of NIS 17.6M (compared to NIS 134M and NIS 8.1M respectively in Q1/06). The company's

market value surged to some NIS 800M, a growth of over 130% since the first public issue, in March 2006.

- An additional issue, the third, carried out in March by Golf, in the amount of about NIS 20M to institutions and options converted into shares, resulted in registering a capital gain of about NIS 17M which will be reflected in the financial results of the second quarter.
- In April 2007, Veraz, a subsidiary of ECI, made an issue on NASDAQ according to a \$316M value; subsequently Clal Industries will attain a capital gain of some NIS 20M in 2007.
- The results of Fundtech reflect a rate of growth of 20%, while the company reports an additional significant contract, this time with Barclays Bank of the U.K., which is expected to contribute about 10% of the annual revenues.
- On May 3, 2007, the first closing of the exclusive fund Infinity Israel-China was completed, with a record result of about \$155M, half of which from foreign investors. Concurrently, the fund announced it would be increased to \$250M, and in addition a parallel Chinese investment of tens of millions of dollars is expected. The business model is based on Israeli and Chinese investments on Israeli companies who extend their operations to China, and at the same time investments will be made in Chinese companies who adopt the technologies of the above Israeli firms. The fund has already made its first investment in a \$6M fund raising round for Mate.
- In January 2007, a funding of NIS 500M was completed in bonds with duration of nearly 10 years and with 4.9% interest (from the time the bonds are registered for trade this month).

Sincerely,
Ran Rahav
Clal Industries Spokesperson