

Clal Industries and Investments (CII) Clal Industries published its financial statements for the first half of 2010 today:

CII reports a cumulative net profit of NIS 126 million since the beginning of the year. At the same time, this quarter it announces the distribution of a dividend of NIS 120 million.

The contribution of the operating sectors to the current profit amounted in the first half of the year to NIS 144 million, thanks to an increase in operational profitability of a significant number of the companies in the group (such as Nesher, Hadera Paper, Golf and Fundtech), along with an increase in sales for most of the companies in the group.

Hadera Paper recently began regular production using a packing paper production machine, which is entirely based on recycled waste paper. The machine, in which approximately \$180 million was invested, is one of the most advanced in the world of its kind and is operated *inter alia* using natural gas.

Fundtech reports a record quarter, with a sharp increase in income and operational profit in the first half of 2010 (\$58 million and \$8 million, respectively), and it is revising its growth forecasts for the second time since the beginning of the year.

Clal Biotechnology recorded progress in the clinical sphere in most of its major companies. The purchase of Biomedical was made through a cash and share transaction. As a result of the purchase, several companies were added to the portfolio at various stages. An agreement in principle was

signed for cooperation between Medi Vend, Polyheal and Teva in the field of wound healing. After they reach final and binding agreements, Clal Biotechnology and Teva will be partners in significant manufacturing and marketing activity in the field of wound healing.

The total assets of CII and its consolidated companies amounted to a sum of NIS 11.4 billion, similar to the amount at the end of 2009. At the end of June 2010, the capital attributed to the shareholders of CII stood at approximately NIS 2.31 billion.

Avi Fisher and Zvika Livnat, joint CEOs of Clal Industries, said: "In a complex business environment, Clal Industries continues to show stability and strength, while most of the companies in the portfolio show growth in sales and an increase in profits."

The net profit in the second quarter amounted to NIS 41 million, compared with NIS 104 million in the corresponding period last year, and cumulatively since the beginning of the year, a net profit of NIS 126 million was recorded, compared with NIS 211 million in the previous year, mainly against a background of recording a significant capital profit and recording income with regard to the investment of Teva and Clal Biotechnological Industries in Andromeda in the first half of 2009. Ignoring the effects of Clal Biotechnological Industries, as aforesaid, the current profit remains on a similar level to the corresponding period last year.

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The following are the main events and points of emphasis in CII activities since the beginning of 2010:

- **The cement sector – an increase (of 2%) in sales, thanks to an increase in the quantities of cement that were sold both to the local market and to the Palestinian Authority. A decrease was recorded in the operating and**

net profit, mainly because of the changeover to financing expenses due to unusual increases in the capital markets last year.

- **Clal Biotechnological Industries (CBI)**: progress is continuing in all of the main companies, together with a strengthening of the capital basis and enlargement of the portfolio.
 - In June 2010, an agreement in principle was signed for cooperation in the field of wound healing between Medi Vend, Polyheal and Teva, leading to an expansion of CII's activity in the operative field. The receipts for sale of holdings are likely to amount to hundreds of millions of shekels, subject to compliance with milestones. According to the plan, Clal Biotechnology should remain a partner in approximately 30% of the activities of Teva in the field of wound healing. The parties are currently working on reaching binding agreements.
 - D-Pharm – expanding the basket of products by promoting an additional product, now at the clinical trial stage, is possible thanks to capital that was raised by Clal Biotechnology for CII, by exercising options and selling shares and options belonging to D-Pharm.
 - In April 2010, the purchase of Biomedical was completed in return for shares, options and cash, with a total value of NIS 95 million. This purchase significantly enlarges the mature holdings of CBI. The main company in Biomedical is Gamida-Cell.
 - In the clinical sphere, the following significant events occurred: D-Pharm received SPA approval; Medi Vend received a final report of the Phase III testing; Andromeda began Phase III verification testing; Gamida-Cell received approval that enables a dispensation in testing requirements, and acceleration of the registration procedure; Curetech continues to recruit patients for its many tests; Biokine successfully completed Phase I/II testing, Thrombotech completed its first Phase I testing on human beings, the results of which are expected shortly, and Biocancell Therapeutics will soon complete a stage of testing for bladder cancer.
- **Hadera Paper** – An increase in the cumulative scope of sales in the first half of 2010, which amounted to approximately NIS 1,641 million, thanks to an increase in sales in the field of packing and recycled paper, which resulted from a quantitative increase as a result of putting the new production system for packing paper into operation, machine 8, an increase in exports to Europe, an increase in local market demand and an increase in sale prices as compared with last year.

- **Fundtech** – In the first half of 2010, the company showed record results against a background of a recovery in demand – sales of \$68 million and operating profit of \$8 million. For the second time this year, the company increased its forecast for 2010 for sales of \$138-140 million. The company continues to maintain a balance of liquid assets in a significant amount of approximately \$55 million, and after a self-purchase of its shares (in an amount of approximately \$4.4 million so far), it announced its intention to continue self-purchases of shares of up to another \$15 million.
- **Golf** – Golf reports an increase in gross profits, while recording a moderate decrease of approximately 2.4% in sales, and a decrease in net profits in the six months, as compared with the corresponding period last year, mainly because of the hot weather at the beginning of the year.

The company continues to enjoy a good cash flow and strong cash reserves, even after distributing dividends that amounted this year to approximately NIS 90 million.

- **013 Netvision** recorded a moderate increase in income, which derives from an increase in income from the Internet linkage field, while increasing the activity in the field of domestic telephone services (with VOB technology), an activity that admittedly involves entry investments and costs in the first stages of the activity, which affects profits in the short term, but has an important potential for enlarging the basket of the company's products and strengthen it in the medium term.
- **Nova** – Nova presents excellent business results in the first half of 2010: it recorded income of \$35 million, in addition to an operating profit of approximately \$7.4 million, and a net profit of approximately \$7.4 million as compared with a loss of \$1.8 million in the corresponding six months last year. The company increased its forecasts and expects sales of approximately \$80 million in 2010.
- **Clal Energy** – is in various stages of examining projects in the fields of alternative energy in Israel and abroad, including in the fields of wind energy, pumped storage energy and photovoltaic energy.

Figures of the main subsidiaries and their contribution to profits

The following is data from the financial statements of the main subsidiaries¹ (in millions of shekels):

Income					
	For the six months ending June 30		For the three months ending June 30		For the year ending December 31
	2010	2009	2010	2009	2009
Companies preparing financial statements in shekels (in millions of NIS)					
Mashav (without Taavura)	779	761	402	397	1,508
Taavura	1,070	1,021	531	509	2,079
Hadera Paper	489	434	249	204	892
Golf	311	319	145	167	666
Clal Biotechnological Industries	19	108	6	53	183
013 Netvision	628	611	314	305	1,250
Companies preparing financial statements in dollars (in millions of dollars)					
Fundtech²	68.2	54.3	34.8	28.3	117.8

Net profit (loss)					
	For the six months ending June 30		For the three months ending June 30		For the year ending December 31
	2010	2009	2010	2009	2009
Companies preparing financial statements in shekels (in millions of NIS)					
Mashav (without Taavura)	134	153	76	105	284
Taavura	42	83	15	61	122
Hadera Paper	42	35	18	16	91
Golf	43	49	19	25	88
Clal Biotechnological Industries	(43)	63	(19)	31	65
013 Netvision	44	55	24	25	106
Companies preparing financial statements in dollars (in millions of dollars)					
Fundtech²	3.8	(0.3)	2.4	0.5	4.7

¹ The data presented relates to the results of the subsidiaries as they are presented in the financial statements, irrespective of the amount of the company's holding in them and without canceling transactions between the companies and the sectors.

² Relates to financial statements that Fundtech published in accordance with accepted accounting principles in the US. The company consolidates Fundtech's financial statements in accordance with IFRS principles.

C. Analysis of the results according to operational sectors (in millions of NIS):

	6 months ending June 30, 2010			6 months ending June 30, 2009		
	Current ³	Other ⁴	Total	Current ³	Other ⁴	Total
Activity sectors						
Cement	108	(8)	100	118	(3)	115
Taavura	16	-	16	16	12	28
Hadera Paper	19	-	19	7	6	13
Golf	29	-	29	36	15	51
Fundtech	6	-	6	(8)	-	(8)
Clal Biotechnological Industries	(32)	3	(29)	5	37	42
013 Netvision	9	2	11	1	1	2
Others	(11)	17	6	8	-	8
Total contribution of sectors	144	14	158	187	68	255
Group and other financing	(44)	12	(32)	(44)	-	(44)
Net profit	100	26	126	143	68	211

	3 months ending June 30, 2010			3 months ending June 30, 2009		
	Current ³	Other ⁴	Total	Current ³	Other ⁴	Total
Activity sectors						
Cement	58	(1)	57	79	-	79
Taavura	5	-	5	8	12	20
Hadera Paper	8	-	8	6	-	6
Golf	12	-	12	18	1	19
Fundtech	4	-	4	(1)	-	(1)
Clal Biotechnological Industries	(13)	1	(12)	(8)	28	20
013 Netvision	5	1	6	1	1	2
Others	(6)	(1)	(7)	10	-	10
Total contribution of sectors	73	-	73	113	42	155
Group and other financing	(31)	(1)	(32)	(51)	-	(51)
Net profit	42	(1)	41	62	42	104

	Year ending December 31, 2009		
	Current ³	Other ⁴	Total
Activity sectors			
Cement	209	19	228
Taavura	27	15	42
Hadera Paper	18	121	139
Golf	63	33	96
Fundtech	(2)	12	10
Clal Biotechnological Industries	(21)	70	49
013 Netvision	9	1	10
Others	31	(15)	16
Total contribution of sectors	334	256	590
Group and other financing	(129)	(11)	(140)
Net profit	205	245	450

³ Contribution to the net profit of the company does not include: profits from exercising the option on investments, reductions (excepting original provisions) and one-time effects on the company for its investment in the subsidiary.

⁴ Includes results of exercising the investment option, revising the value of investments and one-time effects (both on the subsidiaries and on the company for its investment in the sector.)