

**Clal Industries today reported profits of NIS 423 million for 2007, as compared with NIS 265 million for the same period last year.**

**Avi Fischer and Zvika Livnat, Joint CEOs of Clal Industries, today announced the setting up of an energy company, which will operate under Clal Industries, under the leadership of Dan Vardi.**

**As part of the establishment of the energy company, initial agreements relating to wind energy have been signed (together with Ampal-Merhav) and initial consideration has begun of a "Pumped Storage" project on the slopes of the Carmel. At the same time, the promotion of natural gas projects with AIPM (American Israeli Paper Mills) and Nesher. AIPM was the first industrial company in Israel to start using natural gas as the main source of energy for its operations.**

**Avi Fischer and Zvika Livnat, Joint CEOs of Clal Industries, in relation to the 2007 financial results, said today, "In 2007 the growth in the level of sales continued in most of the companies in the group, with improving operating and net profits in the main companies, such as Nesher, Ta'avura, AIPM, Golf and Fundtech.**

**The process continues of focusing on a limited number of main companies, by completion of the liquidation of a large number of minority shareholdings, increasing holdings in the group's main companies, and strengthening some of these companies by means of equity issues.**

**By way of example – the holdings in Goldbond were liquidated, 14 insignificant holdings in start-ups were realized, for 20 million dollars, and a number of holdings in Infinity were also realized. In the second half of 2007, the sale of ECI was completed, which was the largest ever leveraged acquisition in Israel, with a recorded profit of NIS 225 million.**

**At the same time, CII (Clal Industries and Investments) invested approximately NIS 230 million in 2007, of which approximately NIS 87 million in AIPM as part of a NIS 213 million rights issue, and approximately NIS 86 million in Fundtech, increasing its holdings by approximately 8% (to approximately 43%). In addition, after the financial strength of CBI (Clal Biotechnology Industries) was reinforced, by means of an equity issue, an investment of approximately 30 million dollars in Mediound was completed by Teva and institutional investors in Mediound, alongside further progress in other Clal Biotechnology companies."**

**The contribution of the operating sectors in 2007 increased to approximately NIS 294 million as compared with approximately NIS 237 million in 2006, mainly as result of continuing improvement in the results of Neshor, Ta'avura and Golf.**

**The following are the main events and focal points in CII since the start of 2007:**

- **The ECI transaction** - On September 28, 2007, the sale of all of the CII holdings in ECI was completed, to a group of investors led by Swarth Investments, controlled by Mr. Shaul Shani, at a price of 10 dollars per share. On completion of the transaction, an amount of approximately 152 million dollars was received for its holdings in ECI, with CII showing a capital gain of approximately NIS 225 million.
- In November 2007, the main part of a transaction was completed for the sale of CII's holdings in most of the start-up companies, which had been characterized by a small percentage of holdings, and which were managed on behalf of the company by the IMS management company, for a total price of approximately 20 million dollars, of which approximately 16 million dollars have been received to date. CII recorded a capital gain on this transaction of approximately NIS 18 million in 2007.
- AIPM has shown a significant improvement in operating profits in Israel, and at the same time, massive investment is continuing in building up the Huggies and Kotex brands in Turkey. Investment has commenced in extending the packaging paper operation (an investment of approximately 170 million dollars, which was approved this year). In addition, AIPM was the first industrial plant to connect to natural gas this year, which will contribute approximately 25 million shekels per full operating year to AIPM's net profits.
- The CBI issue was completed successfully, and in view of the fact that most of the CBI companies have balances sufficient for their financing for eighteen months and more, the issue proceeds, approximately NIS 190 million, are designated mainly for investment in additional biotech companies and for the promotion of existing companies.
- Important progress was made by CBI companies in 2007 and at the start of 2008. For example, Mediound successfully completed a 30 million dollar investment round (at a company valuation of \$100 million before the money), and the company is making progress in its Phase II trials in the USA and Phase III in Europe, and in January 2008, D-Pharm received approval in principle for a Pivotal Phase III plan.
- Record results for Golf, which reported sales of approximately NIS 693 million in 2007 and a profit of approximately NIS 79 million (compared with NIS 620 million and NIS 57 million respectively in 2006). An additional flotation, the third one so far, of approximately NIS 20 million, which was completed by Golf in March to institutional investors, and options converted

into shares, produced a recorded capital gain of approximately NIS 18 million in the results for the second quarter.

- The investment in Fundtech was increased in 2007 by approximately 22 million dollars, to a holding of almost 43%, after a record year, with an upwards update of sales and profit targets for 2008. In addition, CII submitted a purchase offer in March 2008, for 5%-15% of Fundtech shares, at a price of \$12.5 per share.
- The level of capital raised by the special Infinity-Israel-China Fund was increased to more than \$200 million, 40% of which from foreign investors. At the same time, the Fund announced an increased target of \$350 million dollars, with the Chinese partner also announcing an increase of approximately \$50 million in its investment.
- The business model of the Fund, in whose management company CII is an active partner, and in which Avi Fischer acts as Chairman, is based on Israeli and Chinese investment in Israeli companies expanding their operations in China, and at the same time investment will be made in Chinese companies adopting Israeli technologies.
- The Fund has strategic partnerships in China with the CSVP/SIP investment group, China Digital Corporation and the China Development Bank.
- As part of a round of raising capital, the Fund has made an initial investment of approximately \$6 million in Mate, which operates in the field of video analysis, and an investment in Mango DSP (which operates in the area of data analysis), totaling some \$12 million.
- In January 2007, NIS 500 million were raised by CII with an AD of close to 10 years, bearing interest of 4.9%.
- A merger agreement was approved and completed for the full sale of Saifun to Spansion Inc., an American public company listed in the USA (the "Acquirer"), with CII receiving for its holdings approximately \$17 million and approximately 2.1 million Spansion shares.

Data of main held companies<sup>1</sup> and their contribution to profits

The following are data from the financial statements of the main held companies. The data are presented according to the operating currency of each company:

	<u>Revenues</u>					
	<u>For the year ended</u>			<u>For the 3 months ended</u>		
	<u>On 31<sup>st</sup> December</u>			<u>On 31<sup>st</sup> December</u>		
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
<b>Companies preparing financial statements in NIS (millions of NIS)</b>						
<b>Mashav</b>	2,280	1,984	1,771	581	520	440
<b>Golf</b>	659	620	553	185	176	156
<b>AIPM</b>	584	530	482	159	136	118
<b>Netvision (*)</b>	1,209	1,203	421	304	305	
<b>Barak (*)</b>	61	721	659	-	176	171
<b>CBI</b>	19	(6)	(12)	(1)	-	16
<b>Company preparing financial statements in \$ (millions of dollars)</b>						
<b>Fundtech<sup>2</sup></b>	\$105	\$86	\$74	\$30	\$23	\$20

	<u>Net profit (loss)<sup>3</sup></u>					
	<u>For the year ended</u>			<u>For the 3 months ended</u>		
	<u>On 31<sup>st</sup> December</u>			<u>On 31<sup>st</sup> December</u>		
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
<b>Companies preparing financial statements in NIS (millions of NIS)</b>						
<b>Mashav</b>	265	207	205	65	49	28
<b>Golf</b>	79	57	40	26	22	16
<b>AIPM</b>	31	13	46	19	14	8
<b>Netvision (*)</b>	54	14	(2)	14	12	
<b>Barak (*)</b>	3	261	(25)	-	27	15
<b>CBI</b>	(45)	(15)	(57)	(28)	(6)	(13)
<b>Company preparing financial statements in \$ (millions of dollars)</b>						
<b>Fundtech</b>	\$7	\$4	\$4	\$3	\$2	\$2

(\*) The consolidated Netvision statements are presented by way of "interest consolidation", and include the results of Barak and GlobCall, see d. below. The results of Barak are included up to 25<sup>th</sup> January 2007.

<sup>1</sup> Relates to the Fundtech statements published in accordance with US accounting practice. The company includes the Fundtech results in accordance with Israeli accounting practice.

<sup>2</sup> Net Income (Loss) include: profit from realizations and reductions.

<sup>3</sup> Net profit (loss) includes profits from realization of investments, amortizations and one-time effects.

The following is the contribution to profits <sup>4</sup> of the main companies (in millions of shekels):

	<b>For the year ended 31<sup>st</sup> December</b>			<b>For the 3 months ended 31<sup>st</sup> December</b>		
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
<b>Mashav</b>	199	156	152	49	37	21
<b>Golf</b>	56	50	40	16	19	16
<b>AIPM</b>	12	5	18	8	5	3
<b>Netvision/Barak (*)</b>	10	(7)	-	3	(12)	-
<b>CBI</b>	(32)	(13)	(55)	(19)	(5)	(11)
<b>Fundtech</b>	9	9	4	3	3	2

In general, the results of most of the companies in the group in the local market were affected by maintenance of the level of demand. The group's companies in the high-tech sector were usually affected by the continued increase in capital equipment purchases abroad, which contributed to the level of sales in the sector. The maintenance of the relatively high level of activity, together with the positive effect of the efficiency measures taken by most of the companies in the group, and despite increasing energy costs and an increase in finance expenses as compared with the same periods last year, resulted in an improvement in results and a net profit being shown for the reported period and for the quarter for all of the main companies in the group.

**Ran Rahav**  
**Spokesman, Clal Industries ib364**

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<sup>4</sup> Contribution to the net profit of the company does not include: profits from the realization of investments, amortizations (apart from original differences), and one-time effects on the company in respect of its investment in the held company.