

## **Clal Industries Publishes Its Financial Statements For The First Half of 2008:**

**The company reports sharp growth in the contribution of held companies to its current profits that totaled NIS 166 million, compared to NIS 107 million during the corresponding half last year and NIS 265 million for all of 2007.**

**Concurrently, the company announces a cash dividend distribution of NIS 126 million.**

**The sharp improvement in the contribution by the companies was largely offset by an increase in financing expenses, primarily due to the continued weakening of the dollar exchange rate and the sharp rise in the Consumer Price Index for this half. As a result, current net profits totaled NIS 34 million as opposed to NIS 91 million for the corresponding period in 2007.**

**The absence of capital profits for the first half of 2008, as opposed to substantial capital profits and positive non-recurrent effects in the corresponding period in 2007 in the amount of NIS 217 million (primarily due to profit from the issue of Clal Biotech Industries and the 013Netvision merger in 2007), produced a net profit of NIS 13 million as compared with NIS 308 million for the corresponding period in 2007.**

**In the first half of 2008, Clal added the energy industry to its spheres of activity when it established the Clal Energy Partnership, headed by Dan Vardi. Within the partnership framework, the first agreements were signed in the area of wind energy (in collaboration with Ampal-Merhav), and the “pump storage power station” on the slopes of Mount Carmel is being pursued. Concurrently Clal continues to pursue projects in the sphere of generating electricity and the use of natural gas to supply energy for Hadera Paper and Nesher. Progress has been made in preparations for the solar energy tender.**

**Avi Fischer and Zvika Livnat, Clal Industries' joint CEOs, had the following to say regarding the financial results of the first half of 2008: “In this period of global shocks, whose effects can be perceived in local markets as well, and despite high financing expenses recorded in this half, we draw confidence from the results recorded by the major companies in the Clal Industries Group.” The growth in sales of the major companies in the Group, headed by Nesher, Ta'avura, Hadera Paper, Golf, Fundtech,**

**and 013Netvision, has been maintained while the profitability rates of most Group companies have improved and this is especially true of Nesher, Hadera Paper and Golf.**

**In April, Fundtech successfully consummated its special tender offer in which we invested some USD 26 million, so that Clal Industries' stake in Fundtech rose to 56.3%. The purchase of the minority shares in ClalCom for some NIS 26 million brings Clal Industries aggregate holding of 013Netvision to about 25%."**

**The contribution of operational sectors rose sharply during the first half of 2008 and totaled NIS 166 million, as opposed to NIS 107 million for the corresponding half in 2007, primarily thanks to the growth in income of most of the Group's companies and improved results at Nesher, Hadera Paper, Golf and Fundtech.**

**Thanks to this the company has maintained profitability for five years (20 consecutive quarters), despite the sharp increase in the (already reported) Consumer Price Index in the first half of 2008 (2.1% as opposed to 0.3% in the corresponding half of 2007) and a continued weak dollar exchange rate,**

**The following are the major events and highlights of Clal Industries activities since the beginning of 2008:**

- Nesher is contending with a sharp rise recorded in energy inputs, especially given the rise in the quantity of mortar marketed locally.
- Golf presented a record quarter both in sales volume and its bottom line – sales of NIS 185 million and a net profit of NIS 34 million in the second quarter, while aggregate net profits for the first half total NIS 53 million.
- During the first half, Hadera Paper presented a sharp increase in aggregate sales (from NIS 1,493 million in H2/07 to NIS 1,619 million in H2/08) and in aggregate operational profitability (from some NIS 71 to 111 million). During the first half, Hadera Paper recorded a significant improvement in its operating profit in Israel, alongside a sharp increase in sales in Turkey, while significantly reducing the operating loss from this activity. Hadera Paper is making progress with its strategic plan for Turkey and is continuing to develop its Huggies & Kotex brands. Hadera Paper initiated investment in expanding wrapping paper facilities (an investment of some USD 170 million, which was approved this year), and Hadera Paper became the first industrial enterprise to be connected to natural gas this year, a course of action that has effectively contributed some NIS 25 million to Hadera Paper's net profit.
- The operations in the energy field have been centralized under Clal Energy which was formally established in March 2008, and headed by Dan Vardi. The company is at different stages of examining alternative energy projects in Israel and abroad, including wind energy, pumped energy and solar energy. With regard to wind energy, the company

has made its first agreements in Greece and is making progress with its surveys in India and Poland.

- Clal Biotechnology Industries (CBI) is continuing to show progress, thanks to a rich and diversified portfolio on the one hand, and high liquid balances on the other hand. D-Pharm is planning to carry out Phase III clinical trials along the format agreed upon with the FDA. Mediwound has completed Phase II trials in the United States and is continuing with Phase III trials in Europe. The Phase III trials in Andromeda are making progress, while the option agreement with Teva (which realized the option and will invest USD 3 million in the first stage) was replaced. An additional interim report is expected by the close of 2008. At the same time Curetech reports an expansion of its agreement with Teva for the purpose of conducting an additional Phase II trial.
- The volume of sales in 013Netvision for the first half of 2008 totaled NIS 599 million, an increase of 13% over 2007, while displaying a net profit of NIS 47 million, thanks to an expanded scope of operations and the initial benefits from the merger.
- Fundtech recorded record sales of NIS 32 million in the second quarter, 24% higher than the corresponding period in 2007 and 12% higher than the previous quarter, boosting income outlook for all of 2008 to a range of USD 123.5-126 million.
- In April 2008, Clal Industries completed the sale of its holdings in most of the startup companies at Clal Industries, which were characterized by marginal holdings, in return for USD 20 million.
- This sale dovetails with Clal's business approach and will allow it to continue concentrating on substantial holdings and on developing the company's future growth engines.
- The signing of an agreement at the close of July 2008 to sell all of the company's holdings in K.B.A. represented an additional measure that is part of Clal Industries corporate focus. Upon completion, the transaction will yield a capital gain of NIS 65 million that should be recorded in the third quarter of 2008.
- The amounts raised for the unique Infinity-Israel-China Fund already total USD 310 million, of which some USD 80 million are from Chinese investors and some USD 70 million from other foreign investors.
- Clal Industries is an active partner in the Fund's management company, and Avi Fischer serves as its chairman. The Fund's business model is based on Israeli and Chinese investments in Israeli companies that are expanding their activities to China. At the same time, Chinese companies that adopt Israeli technologies are receiving investment funds. Up to now, the Fund has invested some USD 20 million in China Medical on-line, Mango DSP and Mate. The company is putting out feelers as a prelude to additional significant transactions in the coming months.



### **Data of the main investee companies and their contributions to profit**

The following table presents data from the financial statements of the principal investee companies. The data are presented according to each company's functional currency:

<b><u>Income</u></b>					
	<b>For the six months ending June 30</b>		<b>For the three months ending June 30</b>		<b>For the year ending December 31</b>
	<b><u>2008</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2007</u></b>	<b><u>2007</u></b>
<b>Companies preparing financial statements in NIS (in NIS millions)</b>					
<b>Mashav</b>	1,325	1,123	724	579	2,281
<b>Golf</b>	349	314	187	154	664
<b>CBI</b>	16	12	13	9	90
<b>013Netvision</b>	599	531	299	299	1,147
<b>Hadera Paper</b>	276	278	133	141	584
<b>Company preparing financial statements in USD (in USD Millions)</b>					
<b>Fundtech<sup>3</sup></b>	\$60	\$49	\$32	\$25	\$105

<b><u>Net profit (loss)</u></b>					
	<b>For the six months ending June 30</b>		<b>For the three months ending June 30</b>		<b>For the year ending December 31</b>
	<b><u>2008</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2007</u></b>	<b><u>2007</u></b>
<b>Companies preparing financial statements in NIS (in NIS millions)</b>					
<b>Mashav</b>	147	137	84	72	266
<b>Golf</b>	53	5	34	6	61
<b>CBI</b>	(64)	(33)	(36)	(24)	(10)
<b>013Netvision</b>	47	36	20	43	19
<b>Hadera Paper</b>	39	6	18	10	32
<b>Company preparing financial statements in USD (in USD Millions)</b>					
<b>Fundtech</b>	\$2	\$2.2	\$1.7	\$1.7	\$7

<sup>3</sup> Relates to financial statements published by Fundtech, in conformance with generally accepted accounting principles in the United States. The company includes Fundtech's results in conformance with the IFRS.

The following table presents a contribution to profit (loss)<sup>4</sup> of the principal companies (in NIS millions)

	For the six months ending June 30		For the three months ending June 30		For the year ending December 31
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2007</u>
<b>Mashav</b>	110	103	63	54	201
<b>Golf</b>	39	4	25	4	46
<b>Fundtech</b>	(1)	3	(2)	2	9
<b>CBI</b>	(43)	(24)	(23)	(16)	(7)
<b>013Netvision</b>	1	(4)	(1)	1	(7)
<b>Hadera Paper</b>	15	2	7	4	12

Generally, the results of most of the Group's companies in the local market were influenced by maintaining the level of demand. The maintenance of operations at a relatively high volume, coupled with the positive impact of efficiency measures implemented by most of the Group's companies, have led to improved results and the realization of a net profit for the quarter by most of the principal companies compared with corresponding periods in 2007, despite the energy price hikes and the rise in financing expenses.

**Sincerely,**  
**Rani Rahav**  
**Spokesman, Clal Industries**

---

<sup>4</sup> The company's contribution to the net profit does not include profits from the realization of investments, amortizations (other than debit differentials) and non-recurrent effects on the company in respect to investments in the investee company.