

Clal Industries and Investments (CII) today published its financial statements for the first six months of 2009:

CII reports a net income of NIS 211 million, a marked increase compared with the net income in the corresponding six months last year (NIS 13 million).

The Company shows a significant improvement in the contribution of its subsidiary companies to the income for the six-month period, amounting to NIS 255 million, compared with NIS 168 million in the corresponding period last year, with an improvement in gross profitability in a large proportion of the companies (including Nesher, Taavura, Golf and 013 NetVision), although there was a slight reduction in the revenues of some of these companies.

The net income in the second quarter amounted to NIS 104 million, compared with NIS 5 million in the corresponding quarter in 2008. The contribution of the companies in the various operating sectors in the second quarter amounted to NIS 156 million, compared with NIS 77 million in the corresponding quarter last year. An improvement was recorded in the gross profitability of the major companies (e.g., Nesher and Taavura), even though sales in the quarter fell.

Mr. Avi Fischer and Mr. Zvika Livnat, Co-Chief Executive Officers of Clal Industries, said today in relation to the financial results for the reported period: "We derive encouragement from the fact that, despite the impact of the global and domestic slowdown, which is reflected, amongst other things, in a slight reduction in the revenues of the major companies in the Group, there has been a significant improvement in the contribution of companies in the various operating sectors. However, we are concerned about the increase in the inflation rate and the erosion in the rate of exchange against the dollar – which impair the profitability of the manufacturing and exporting companies.

Significant progress and success in milestones have been recorded in the major companies in Clal Biotechnology Industries Ltd. (CBI), which is advancing and investing in more than a dozen research and development companies in the biotech industry, and in the meantime, has managed to make a nice profit in the current quarter and in the first six months of 2009. In the past week, the company made a successful initial public issue of shares in its subsidiary, D-Pharm, the first on the Tel Aviv Stock Exchange since the global financial crisis erupted.

Clal Industries today announced its intention to propose for the approval of the general meeting a transaction, whereby it will purchase the entire shareholding of Discount Investment Corporation (DIC) in Hadera Paper, increasing its holding in Hadera Paper to 60%. In addition, Clal Industries announced its intention to propose for the approval of the general meeting a transaction whereby Clal Industries and DIC, pro rata, would purchase the entire shareholding of Elron in 013 NetVision, increasing Clal Industries' holding in 013 NetVision to 31%. Clal Industries continues its advancement of future growth engines, such as energy production, which is gathering momentum, alongside the close day-to-day management of traditional industry companies and veteran companies – which promise stability and a strong cash flow.'

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Events and main activities of Clal Industries since the beginning of 2009:

- **Mashav** – An agreement has been signed, subject to the approval of the Antitrust Authority Commissioner, for the purchase of Hanson Israel, a company engaged in the production and marketing of aggregates, concrete and asphalt for the building material market, which, as in most countries in the world, will constitute a vertical merger that will complement a much wider basket of products or will enable Mashav to market building material products, if and when the transaction is approved.
- **The cement sector** reports a slight reduction in the volume of sales in the last half year (approximately 4.3%), mainly because of a reduction in the quantities of cement sold on the domestic market, alongside the continuation of efficiency measures in response to an intensification of the recession.
- **Golf** – Despite a reduction in the volume of sales of approximately 9% compared with the corresponding period last year, Golf succeeded in recording a moderate increase in gross profit, while maintaining a nice profit and a strong cash flow from current activity, which amounted to NIS 46 million in the period under review. As in previous years in which Golf distributed significant dividends, a dividend has just been declared, totalling NIS 40 million, of which Clal Industries will receive NIS 28 million.
- **Hadera Paper** – Despite the substantial slowdown in activity in the area of packing materials and paper recycling, against a background of a global and cyclical slowdown in the industry, Hadera Paper recorded stability in the level of combined sales in the first six months of 2009, amounting to NIS 1,619 million, mainly due to good performance by Hogla and a consistent increase in the sales of KCTR (Turkey), which crossed the bar of NIS 260 million in the six-month period, with a slight increase also in the combined gross profit amounting to NIS 118 million, compared with NIS 114 million in the first half of 2008.
- **Fundtech** showed a slight reduction (9%) in revenues in the first six months of 2009, against the background of the global economic crisis, but succeeded in retaining its major customers

and promoting new transactions. The company has identified an opportunity to increase its activity with new customers in the United States. Also, in April, Fundtech completed the purchase of the British company, Intersoftware, expanding the range of the company's corporate (non-bank) customers. Fundtech continues to maintain a substantial level of liquid resources amounting to US\$ 44 million, this, after reporting that it is continuing to repurchase its own shares, amounting, since the beginning of the year, to US\$ 5.8 million.

- **013 NetVision** showed a significant increase in its business results for the first six months of 2009, amongst other things, due to efficiency measures: a consistent increase in its revenues, with an increase in operating profit (from NIS 54 million to NIS 80 million), and in net income – NIS 55 million in the period under review, compared with NIS 47 million in the corresponding period last year, with peak results in EBITDA, amounting to NIS 135 million in the six-month period, compared with NIS 109 million last year.

- **Clal Biotechnology Industries (CBI)**, which holds a rich and diverse portfolio, on the one hand, and large cash balances (approximately NIS 192 million), on the other, continued its business progress.

On August 12, 2009, the initial offering of the shares of D-Pharm, a subsidiary of CBI (47% after the issue) was completed successfully, the first offering to the public since the start of the financial crisis in 2007, raising a total amount of NIS 85 million, which will enable it to proceed towards the completion of Phase III trials in the United States.

- In **Andromeda Biotech**, which focuses on the treatment of juvenile onset diabetes and in which Teva has completed a cumulative investment of US\$ 13.5 million, the enrolment of 450 patients for the Phase III trial will be completed within the next few days.
- **D-Pharm** has received approval from the FDA for an IND (International New Drug) request for the performance of a Phase III trial for the purpose of registering a drug. The trial, which is planned to start in the next quarter, is expected to include 770 patients who are suffering from an ischemic stroke of a medium to high degree, in more than 100 medical centres in North America, Europe, South America and Israel.
- **MediWound** – a company that is in the advanced stage towards the completion of Phase III in Europe, and at the same time, is working with the FDA in the United States towards Phase III trials in the US.
- In April 2009, an interim report was received on a trial being carried out by **Polyheal**, indicating the statistically significant effectiveness of the product in all of the targets determined for the trial and the absence of side effects. In view of the results, Polyhill is contacting various pharmaceutical companies to investigate opportunities for cooperation.
- **CureTech** – has widened its product range, which is in the advanced clinical development stage, and in the meantime, the company continues to advance its Phase II clinical trials in indications of cancer of the large intestine and lymphoma.

- **The progress made in clinical studies and the large number of companies that are approaching advanced development stages confirm the maturity of the portfolio.**

- **Clal Energy** – The company is at various stages of investigating projects in alternative energy fields in Israel and abroad, including wind power, pumped storage energy and solar power,

which it has undertaken together with the Spanish company Abengoa, a world leader in its field, up to the stage of preliminary selection for setting up a thermal solar power station in the Negev.

In March 2009, Clal Industries received a conditional licence from the Public Utilities Authority – Electricity, for the construction of a stored energy facility for the production of electricity using pumped storage technology, signed by the Minister of National Infrastructures.

Data on main subsidiary companies and their contribution to profits

Data from the financial statements of the main subsidiary companies¹ (million NIS) as follows:

Revenues					
	For the six months ended June 30		For the three months ended June 30		For the year ended December 31
	2009	2008	2009	2008	2008
Companies preparing their financial statements in NIS (million NIS)					
Mashav (without Taavura)	761	795	397	426	1,560
Taavura	1,021	1,124	509	634	2,339
Hadera Paper	434	276	204	133	673
Golf	319	349	167	187	706
KBA	17	153	13	27	240
CBI	108	16	53	13	35
013 NetVision	611	599	305	299	1,235
Companies preparing their financial statements in dollars (million dollars)					
Fundtech ²	54	60	28	32	121

Net income (loss)					
	For the six months ended June 30		For the three months ended June 30		For the year ended December 31
	2009	2008	2009	2008	2008
Companies preparing their financial statements in NIS (million NIS)					
Mashav (without Taavura)	153	121	104	74	183
Taavura	83	53	61	21	77
Hadera Paper	35	39	16	18	70
Golf	49	53	25	34	101
KBA	10	92	7	14	145
CBI	63	(64)	31	(36)	(83)
013 NetVision	55	47	25	21	87
Companies preparing their financial statements in dollars (million dollars)					
Fundtech ²	(0.3)	2	0.5	1.7	1.2

¹ The data presented relates to the results of the subsidiary companies, as shown in the financial statements, ignoring the percentage of the company's shareholding in them and ignoring the cancelling out of transactions between the companies and the sectors.

² Relates to the statement of Fundtech published in accordance with generally accepted accounting principles in the United States. The company consolidates Fundtech's statements in accordance with IFRS principles.

c. Analysis of the results by operating sectors³ (in million NIS)

	For the six months ended June 30, 2009			For the six months ended June 30, 2008		
	Current	Other	Total	Current	Other	Total
<u>Operating sectors</u>						
Nesher Cement	118	(3)	115	90	-	90
Taavura	16	12	28	19	-	19
Hadera Paper	7	6	13	15	-	15
Golf	36	15	51	39	-	39
KBA	4	-	4	46	-	46
Fundtech	(8)	-	(8)	(1)	-	(1)
CBI	5	37	42	(43)	-	(43)
013 NetVision	1	1	2	1	-	1
Others	8	-	8	-	2	2
Total contribution of sectors	187	68	255	166	2	168
Financial and HQ	(44)	-	(44)	(131)	(24)	(155)
Net income	143	68	211	35	(22)	13

	For the three months ended June 30, 2009			For the three months ended June 30, 2008		
	Current	Other	Total	Current	Other	Total
<u>Operating sectors</u>						
Nesher Cement	79	-	79	55	-	55
Taavura	8	12	20	7	-	7
Hadera Paper	6	-	6	7	-	7
Golf	18	1	19	24	-	24
KBA	3	-	3	7	-	7
Fundtech	(1)	-	(1)	(1)	-	(1)
CBI	(8)	28	20	(25)	-	(25)
013 NetVision	1	1	2	(1)	-	(1)
Others	7	-	7	1	3	4
Total contribution of sectors	113	42	155	74	3	77
Financial and HQ	(51)	-	(51)	(69)	(3)	(72)
Net income	62	42	104	5	-	5

³ The analysis of results according to operating sector and the review of the sectors are calculated on the basis of Clal Industries' shareholding percentage in the companies in the relevant sector, while the analysis of the operating results of the sector is made on the basis of the actual performance of the companies in the sector.

	For the year ended December 31, 2008		
	Current	Other	Total
<u>Operating sectors</u>			
Nesher Cement	153	(16)	137
Taavura	26	2	28
Hadera Paper	26	1	27
Golf	75	2	77
KBA	71	-	71
Fundtech	(9)	(2)	(11)
CBI	(57)	1	(56)
013 NetVision	5	(4)	1
Others	(31)	(22)	(53)
Total contribution of sectors	259	(38)	221
Financial and HQ	(196)	1	(195)
Net income	63	(37)	26