

Ad-Hoc Release

Metis Capital Ltd: Bank orders repayment of credit from Ofakim

Tel Aviv/ Israel; June 4, 2008 – Metis Capital Ltd. (Prime Standard: EIC; TASE: MTSC)

Ofakim Capital Ltd., holding about 47.72% of the issued capital of the Company (before full dilution), have informed the Company that on June 3rd, 2008, it received a letter from Bank Mizrahi Tefahot, according to which Mizrahi Tefahot decided to put the credit it provided to Ofakim in order to purchase shares of the company for a sum of NIS 42,500,000, for immediate repayment. The shares are mortgaged in favor of Mizrahi Tefahot as a security for the credit. Mizrahi Tefahot explained its decision to put the sum of the loan for immediate repayment as follows:

- a. It was lately brought to Mizrahi Tefahot's attention that a severe conflict broke out between the controlling parties of the Company, during which an application for liquidation of Ofakim has been filed, and, inter alia, the immediate repayment was requested for the loan provided to Ofakim by S. Harmon Holdings and Properties Ltd. (a company controlled by Moni Harel), holding 98 regular shares out of 198 shares of the issued capital of Ofakim.
- b. It was also brought to Mizrahi Tefahot's attention of a suit filed by Gad Ze'evi and Mirage Israel Development Ltd. against the Company and Mr. Amnon Barzilay.
- c. The market value of the Company's shares mortgaged in favor of Mizrahi Tefahot has declined about 30% since the loan was provided, and the severe conflicts between the shareholders of Ofakim and of the Company are expected to negatively affect the value of the securities Mizrahi Tefahot holds.

Ofakim has informed the Company, that on June 3rd, 2008, it responded to Mizrahi Tefahot through its representative that:

- a. Ofakim has complied with all its obligations toward Mizrahi Tefahot, and therefore it cannot put for "immediate repayment" the "loan" S. Harmon provided to Ofakim.
- b. The securities provided to Mizrahi Tefahot by Ofakim are not based on the market value of the company shares, but on the value of its assets as thoroughly examined by Mizrahi Tefahot prior to providing the credit to Ofakim, and in addition, Mizrahi Tefahot has a deposit in US Dollars, serving as an additional security to the credit it provided. Therefore, the decline of the market share of the company shares cannot be a cause for immediate repayment.
- c. Gad Ze'evi and Mirage Development's claim against the company and Mr. Amnon Barzilay is a groundless claim, and anyway cannot affect the repayment of the credit to Mizrahi Tefahot. The same applies to the application for liquidation of Ofakim, for which a judicial decision has not been given yet.

Mizrahi Tefahot is required to withdraw its letter and set up an immediate meeting with Ofakim, in order to discuss the matters between Mizrahi Tefahot and Ofakim. Ofakim estimates that it has good arguments in this regard, and that the bank will not take further steps to realize the mortgage, or alternatively, it will be able to appeal for legal remedies against the bank in order to prevent the realization of the mortgage.

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