



TEL-AVIV STOCK EXCHANGE

QUARTERLY REPORT

Q1 2004



2004

News Headlines

New ETFs Based on International Indices Are Launched

The local exchange-traded-fund industry is developing rapidly and new products were launched in recent months, including ETFs based on the EuroStoxx-50, the Dow Jones Industrial Average and the Nikkei-225. Additional ETFs, based on international indices, are in the pipeline.

Investors in international indices should take note of the opportunities presented by trading on **Sundays**. When market-moving news break over the weekend, the TASE can be a leading indicator and a valuable venue for international investors to adjust their positions in global stock indices.

Other ETFs track the TASE major indices - the TALI-25 and Mabat-25, both based on the TA-25 Index, have substantial trading volumes. KSM-100 and KSM-Tech track the TA-100 and the Tel-Tech-15 indices, respectively.

New Dual-Listings Join the TA-25 Index

Given Imaging, which dual-listed on the TASE in March, joined the TA-25 Index on May 2. Another dual-listed company, Alvarion, joined the TASE's benchmark index at the beginning of the year.

Both companies, as well as Partner Communications and Blue Square Israel, which also dual-listed on the TASE and joined the TA-25 Index, saw their trading volumes rise substantially after they dual-listed on the TASE.

TASE to Launch New Trading Facility for Non-Listed Corporate Bonds

On May 16, the TASE will launch a fully automated trading facility for non-listed corporate bonds. The facility will enable institutional investors to trade blocks of non-listed corporate bonds via the TASE trading platform.

TASE Upgrades Its Collateral Monitoring System

The TASE implemented a new monitoring system, which helps ensure its members' financial stability in real time. The system allows the execution of derivatives transactions only if the members involved have sufficient collateral. The new system plays an important part in the TASE's risk-management strategy, which aims to strengthen the financial stability of its derivatives clearing house.

Israel Opportunity 2004 - The Annual TASE Investors Conference in London

On June 29, the TASE will hold its third annual investors conference in London. Israel Opportunity 2004 will include presentations by Dr. David Klein, Governor of the Bank of Israel, Dr. Yossi Bachar, Director General of the Ministry of Finance, and executives from leading TASE listed companies.

The Equity Market - Main Indicators

	2002	2003	Q1 2004
Average Daily Turnover (US \$ Millions)	51	80	152
Market Capitalization (US \$ Billions)	43	70	78
TA-25 Index (US\$ terms)	-32.2%	63.3%	0.3%
TA-100 Index (US\$ terms)	-30.6%	73.9%	2.4%
Tel-Tech Index (US\$ terms)	-42.9%	138.1%	9.1%

The TASE indices rose in first-quarter of 2004, with the TA-100 adding 2.4%, and the Tel-Tech increasing 9% after a 138% leap in 2003. Daily share-trading volume averaged \$152 million, almost double the figure of 2003. Daily bond-trading volume averaged \$200 million, 25% above the 2003 level.

The TA-25 Index Composition

As of March 31, 2004

COMPANY	MARKET CAPITALIZATION (in US\$ millions)	WEIGHTING* (%)
1. Teva	19,271	9.50
2. Bank Hapoalim	3,271	9.50
3. Bezeq	2,657	8.45
4. Bank Leumi	2,605	8.30
5. Israel Chemicals	2,005	6.39
6. Partner	1,436	4.57
7. Makhteshim - Agan	1,433	4.56
8. Migdal Insurance	1,382	4.40
9. IDB Development	1,306	4.16
10. Israel Corporation	1,069	3.40
11. Discount Investment	1,053	3.35
12. Bank Discount	1,042	3.32
13. Osem	1,001	3.19
14. Agis	884	2.82
15. Africa Israel	856	2.73
16. Delek Group	818	2.61
17. Clal Industries	815	2.60
18. Clal Insurance	808	2.57
19. IDB Holdings	726	2.31
20. Bank Mizrahi	720	2.29
21. Alvarion	716	2.28
22. Elbit Systems	715	2.28
23. Supersol	489	1.56
24. Phoenix	461	1.47
25. Bank Tefahot	435	1.39
TOTAL	47,974	100%

* Weightings are capped at 9.5%

Positive indicators contributed to the increased activity as the economy pulled itself out of recession and as interest rates continued to decline, dropping to 4.1% at the end of the quarter.

Companies raised \$2.4 billion in equity offerings and \$1.1 billion through sales of bonds.

Activity also increased in TA-25 Index options: Average daily trading reached 132,000 units, up 10% from 120,000 in the year-earlier period. U.S. dollar options traded just 28,000 units a day, down 18% from 34,000 in 2003.

Key Issues for International Investors

International Investments: No Restrictions and Tax-Free

International investors face no regulatory restrictions in buying or selling TASE-listed securities, and they are exempt from capital gains tax.

Market Regulation: Transparency

The market's advanced regulatory framework is based on U.S. legislation. The comprehensive Securities Law, enforced by the Israel Securities Authority, provides investors with a fully transparent investment environment. To maintain market integrity, the ISA puts special emphasis on preventing insider trading and price manipulation. Regulators' efforts have substantially improved corporate-governance standards in recent years.

Membership: Reputation and Reliability

11 banks and 13 brokerage firms are serving local and international investors on the TASE. All are renowned for stability, reliability and professionalism. The capital and liquidity requirements of the Exchange are very stringent, helping ensure the members' financial stability and increasing investor protection.

Trading and Clearing: A Seamless One-Stop Shop

A fully-electronic order-driven and integrated trading system is serving the equity, fixed income and derivatives markets simultaneously. The system's efficiency enables the TASE to consistently cut its commissions. The central order book is based on international mainstream rules.

Trading Hours (GMT+2) - The TA-100 Shares

Pre Opening	08:30-09:45
Opening (Call Auction)	09:45
Continuous Trading	09:45-16:45
Closing (Crossing)	16:45-17:00

All trades are cleared by the TASE Clearing House, Israel's Central Securities Depository. Paperless Straight-Through-Processing technologies enable trade-date clearing, while cash settlement takes place on the following day (T+1). The TASE clearing members comply with strict requirements for capital and liquid assets.

The Derivatives Market: Dynamic and Liquid

The TASE trades various derivative products: TA-25 Index options and futures and currency (shekel-dollar and shekel-euro) options and futures. Trading is executed via the fully automated Tel Aviv Continuous Trading (TACT) system.

About Us

The Tel-Aviv Stock Exchange, founded in 1953, is owned by its member firms and is regulated by the Israel Securities Authority. The Exchange provides a highly advanced electronic trading system for shares, bonds, Treasury bills and derivatives. All trades are cleared and settled by the TASE Clearing House.

The TASE offers international investors a combination of attractive investment opportunities and a full complement of market services.

For further information, Visit our Website at: www.tase.co.il

You are also welcome to contact: Mr. Ofer Simchony, Marketing and Media Relations

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