

Israel Opportunity

2015

Q2



TEL-AVIV STOCK EXCHANGE

To Our Guests

It is my pleasure to welcome you to Israel Opportunity 2005, our fourth Annual Conference for international investors. At this year's conference we are proud to bring together prominent leaders of the Israeli economy as well as global investment managers and securities analysts. Our speakers include the Minister of Finance, the Chairman of the Israel Securities Authority and top executives of leading TASE-listed companies.

Four years ago, when we started these conferences, we made a pledge to revisit London may "rain or shine". Fortunately, the last two years had a lot more shine than rain. The continuous upturn in the Israeli economy, coupled with local and regional political changes had a positive impact on the market landscape.

We at the Tel-Aviv Stock Exchange, firmly believe in the strong fundamentals of the Israeli economy. We also believe in the ability of TASE-listed companies to build value for international and local investors. The TASE is dedicated to helping its listed companies and worldwide investors to communicate efficiently and build long-term relationships.

I thank you for joining us today and look forward to hearing from and working with you in the future.

Sincerely yours,

A handwritten signature in blue ink that reads "Yair E. Orgler". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Prof. Yair E. Orgler, Chairman
The Tel-Aviv Stock Exchange



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News Headlines

HSBC Joins the TASE

HSBC Bank joined the TASE at the beginning of May and became the first fully chartered foreign bank operating as an exchange member. HSBC operates locally through a branch established in 2001 and offers a wide variety of services in commercial, personal, and investment banking.

HSBC is the TASE third international member, as well as UBS, which joined the exchange in 1997, and Deutsche Bank, which joined last year.

UBS Issues TA-25 Open End Certificates in Germany

Open End Certificates (OEC) tracking the TA-25, TASE's flagship index, began trading on the Deutsche Börse and Börse Stuttgart in May. The international investment bank UBS issued the certificates, at a value of 60 million Euro, enabling international investors to increase their exposure to the Israeli market.

New Products: Reverse Certificates on TASE Major Indices

Eight reverse certificates tracking local and international indices were issued on the TASE in June, by KSM Financial Instruments and Clal Finance. The certificates track the leading international indices Nasdaq-100 and S&P 500, in addition to the TASE major indices: TA-25, TA-75, and TA-100. Buying these reverse certificates is similar to a short sale of the underlying assets.

The new products joined ten ETFs traded on the TASE, which track eight international indices, enabling exposure to international markets, easily and cost-effectively, through the TASE. Eighteen additional ETFs that are traded on the TASE track local indices.

Lipman and Koor Join the TA-25 Index

Koor Industries and Lipman Electronic Engineering joined the TA-25 Index on July 3. Joining the flagship TA-25 index has proven to have a major contribution to the value and trading volumes of constituent shares.

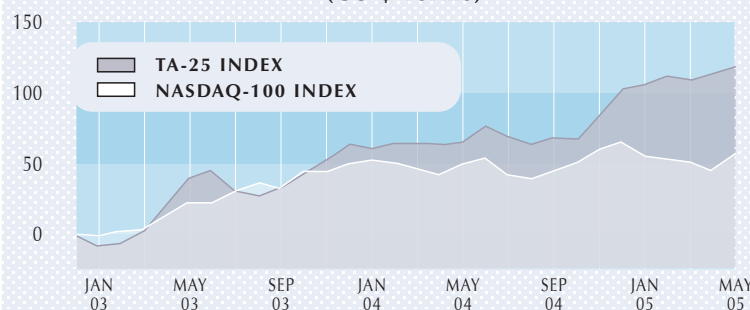
The Maala SRI (Socially Responsible Investing) Index composite was updated on June 1. Bezeq, The Israel Corporation, Tower Semiconductor, Delta-Galil Industries, Scitex Corporation, and Alvarion joined the Index.

LSE and Nasdaq-SC Companies Allowed to Dual-List on the TASE

The Israeli Parliament has approved expanding dual-listing on the TASE to London Stock Exchange Official List companies and Nasdaq Small-Cap listed companies. These companies will be allowed to list in Israel with no additional regulatory requirements. Currently 17 Israeli companies are traded on the London Stock Exchange or Nasdaq Small-Cap, but not listed on the TASE. Until now, the dual-listing law applied only to shares traded on the Nasdaq National Market, as well as NYSE and AMEX. Forty one Israeli companies are currently traded both on the TASE and on U.S. markets.

The TA-25 and the NASDAQ-100 Indices

(US \$ Terms)



Source: Bloomberg

The TA-25 Index Composition

Company	Market Capitalization* (in US \$ millions)	Weighting** (%)
1. Teva	20,637	9.50%
2. Israel Chemicals	4,336	9.50%
3. Bank Hapoalim	4,222	9.50%
4. Bank Leumi	3,821	8.75%
5. Bezeq	3,045	6.98%
6. Makhteshim-Agan	2,302	5.28%
7. Israel Corporation	2,219	5.09%
8. Africa	1,757	4.03%
9. IDB Development	1,728	3.96%
10. Migdal Insurance	1,392	3.19%
11. Perrigo	1,356	3.11%
12. Discount Bank	1,343	3.08%
13. Partner	1,216	2.79%
14. Discount Investment	1,114	2.55%
15. Clal Insurance	1,031	2.36%
16. Bank Mizrahi	975	2.23%
17. Delek Group	962	2.20%
18. Elbit Systems	952	2.18%
19. Koor	949	2.17%
20. Strauss-Elite	908	2.08%
21. Lipman	903	2.07%
22. Harel Insurance	846	1.94%
23. Osem	834	1.91%
24. IDB Holdings	820	1.88%
25. Clal Industries	728	1.67%
TOTAL	60,396	100%

* As of June 15, 2005.

**Weightings is adjusted according to the 9.5% cap

Market Watch

2005 is emerging as a third consecutive boom year in the Israeli capital market, evidenced by price gains, brisk turnovers and an unprecedented wave of capital raising.

Contributing to the optimistic atmosphere in the market are the progress in the political and diplomatic process, the low interest rate, favorable macro-economic developments and good financial results of listed companies.

Turnover in stocks and bonds increased by 40% this year compared to 2004, to an average of \$209 million and \$290 million, respectively. These are the highest average volumes ever recorded on the TASE.

Capital raising through shares floated to the public on the TASE totaled \$1.8 billion in the first half of 2005, 1.3 times greater than the total amount raised in 2004. A record-setting \$3.7 billion was raised via corporate bond issues, versus \$2.1 billion last year.

The exchange-traded fund market continued to expand, with fourteen new ETFs tracking Israeli and international stock indices issued in the first half of the year, including eight reverse certificates.

In recent months, **Internet Gold**, **Shamir Optical**, and the American company **Perrigo** have dual-listed on the TASE, joining 25 companies listed under the dual-listing law.

As part of the privatization process, the Government raised \$270 million by selling 6.5% of the shares of **Bank Leumi** to institutional investors. An additional \$300 million will be raised upon conclusion of the sale of 26% of the shares of **Discount Bank** to the Bronfman Group, and a further \$970 million when the sale of 30% of the shares of **Bezeq** to the Saban-Arkin-Apax Group is completed.

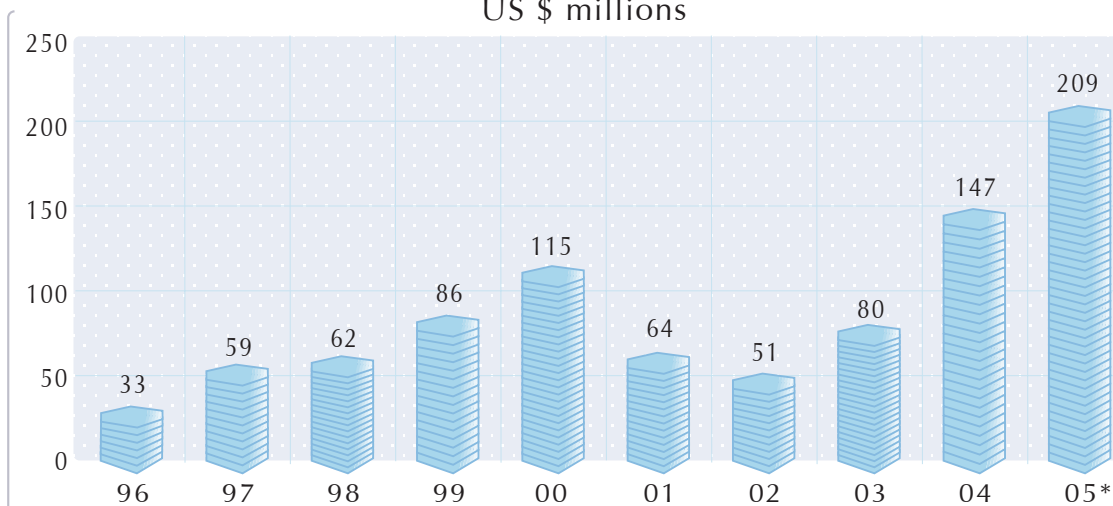
Trading in TA-25 index options also grew, with average daily turnover in the first half of the year reaching 205,000 contracts, versus 155,000 contracts last year.

Main Indicators of the Equity Market

Year	Average Daily Turnover (US \$ millions)	Capital Raised (US \$ billions)	Market Capitalization (US \$ billions)	Number of Listed Companies	TA-100 Index % Change (US \$ terms)
1996	33	0.8	35.9	665	(2.4)
1997	59	2.2	46.4	659	26.8
1998	62	2.1	40.9	662	(12.4)
1999	86	1.5	65.4	654	62.7
2000	115	3.3	66.8	665	3.2
2001	64	1.3	57.6	649	(16.4)
2002	51	1.2	42.6	624	(30.6)
2003	80	0.7	70.4	577	73.9
2004	147	3.6	92.1	578	21.0
2005*	209	1.3	103.0	582	3.7

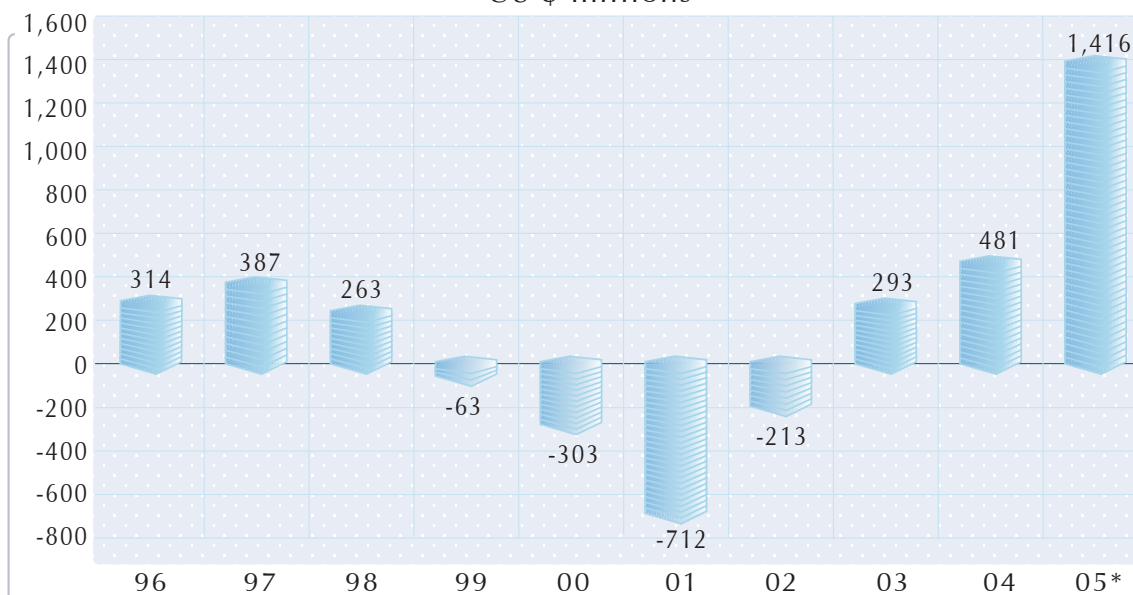
Average Daily Turnover of Equities

US \$ millions



Net Flow of International Portfolio Investments - Equities

US \$ millions



Source: Bank of Israel

*January - May 2005

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

12 banks and 14 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: the Marketing and Media Relations Unit

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