

Quarterly Report

2015

Q1



TEL-AVIV STOCK EXCHANGE

Key Issues for International Investors

New at the TASE: Remote Membership

The Tel Aviv Stock Exchange enables financial institutions, that have no permanent representation in Israel, to become "remote members" on the TASE.

Eligible companies are international banks and investment firms from specific countries which have been stock exchange members in their home countries for at least ten years on one of the following markets: The London Stock Exchange, Euronext, New York Stock Exchange, DTB (Frankfurt), Eurex (Germany), SWE (Switzerland) or TSE (Tokyo).

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 (ISA), 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, including 4 international ones, 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	09:45-17:15
Closing (Crossing)	17:15-17:30

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

Founded in 1953, the Tel-Aviv Stock Exchange 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 Communications Unit

Phone: (972) 3 567-7405/6 Fax: (972) 3 510-5376 E-Mail: info@tase.co.il



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News Headlines

Professor Yair E. Orgler is Retiring After 10 Years of Chairing the Tel Aviv Stock Exchange. Saul Bronfeld Appointed as Chairman

Professor Yair E. Orgler will step down as chairman of the TASE at the end of May 2006, after serving the maximum period allowed by the Israel Securities Law.

The Board of Directors thanked Prof. Orgler for his countless contributions to the TASE during his ten years in office. The Board of Directors elected Mr. Saul Bronfeld (Currently Managing Director of the TASE) as chairman of the Board. His appointment will take place upon Prof. Orgler's retirement.

Ester Levanon Appointed Managing Director of the Tel Aviv Stock Exchange

The Board of Directors of the Tel Aviv Stock Exchange has approved the appointment of Ms. Ester Levanon as Managing Director of the TASE, as of June first, 2006.

Ms. Levanon began her career at the TASE in 1986, as Vice President for IT. She initiated and spearheaded a computational revolution, in trading, clearing and the dissemination of trading data.

Prior to joining the TASE, Ms. Levanon established and managed the computer division of the Israeli Security Agency. Ms. Levanon holds an MSc in Mathematics from the Hebrew University in Jerusalem.

Citibank has been Accepted as a Member of the Tel Aviv Stock Exchange

The Tel Aviv Stock Exchange Board has admitted Citibank, N.A. as a member of the TASE. The bank has been active in Israel since 2000, operating through a branch in Tel Aviv. It offers a broad range of services in commercial banking, investment banking and private banking.

The addition of the world's largest banking group to the TASE should increase the volume of activity by international investors. Citibank thus joins the three international banks who became members in recent years, which is a manifestation of confidence in the Israeli Market.

TASE Launched a New Product: Shahar Futures

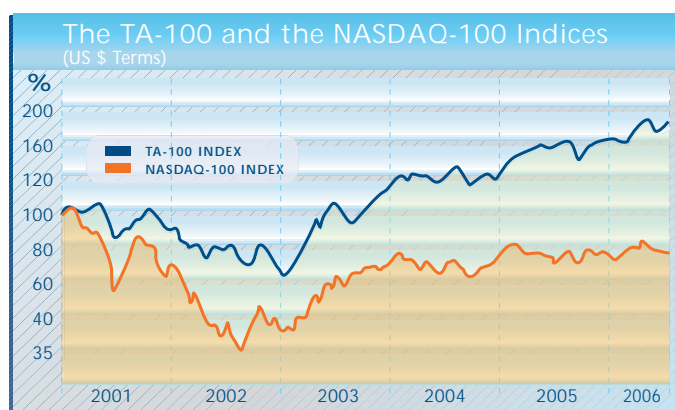
In response to the planned reforms in the government bonds market, the Tel Aviv Stock Exchange launched a new product on April, 2006: futures on "Shahar" government bonds, a leading fixed income product. "Shahar" futures are structured like similar products in international markets, to facilitate trading by international investors and the international banks chosen to be the primary dealers for Shahar bonds, in a new IDS system that will be launched later this year.

Shahar bonds are non-linked bonds bearing a fixed annual interest rate. These bonds were first introduced to the market in August 1995. The Shahar is now the most actively traded bond in the fixed income market in Israel.

New Product at the TASE: Covered Warrants

To further expand the range of investment products, covered warrants on international indexes and on commodities have been introduced to the TASE.

The new instrument complies with the TASE strategy of enabling investments in the international marketplace - easily, proficiently and at low cost. The covered warrants join a growing number of advanced financial instruments broadening the range of investments available to the public, such as TA-25 and other share index linked certificates (ETF), reverse certificates and commodity.



TA-25 INDEX COMPANIES

Security name	Market capitalization (US \$ millions)	Weighting**
1. Teva	32,035	9.50%
2. Bank Hapoalim	5,850	9.50%
3. Bank Leumi	5,154	9.50%
4. Israel Chemicals	4,580	9.45%
5. Bezeq	3,409	7.03%
6. Israel Corporation	2,506	5.17%
7. Makhteshim-Agan	2,285	4.72%
8. Africa	2,092	4.32%
9. Bank Discount	1,857	3.83%
10. IDB Development	1,604	3.31%
11. Delek Group	1,583	3.27%
12. Perrigo	1,510	3.12%
13. Migdal Insurance	1,330	2.75%
14. Mizrahi Tefahot	1,275	2.63%
15. Nice	1,249	2.58%
16. Partner	1,177	2.43%
17. Discount Investment	1,150	2.38%
18. Clal Insurance	1,036	2.14%
19. Elbit Systems	966	1.99%
20. Strauss-Elite	950	1.96%
21. Harel Insurance	871	1.80%
22. IDB Holdings	850	1.76%
23. Koor	822	1.70%
24. Clal Industries	768	1.59%
25. Osem	759	1.57%
TOTAL	77,668	100.00%

*As of March 30, 2006

**Weighting is adjusted according to the 9.5% cap.

Market Watch

Unprecedented volumes of trade on the Tel Aviv Stock Exchange

Share prices at Tel Aviv were highly volatile during the first quarter of 2006. Summing up the quarter, the trend among the main indices was mixed: the TA-25 index retreated by about 2.5%, while the Tel-Tech 15 index - which is heavily influenced by the trends on Nasdaq - jumped by 5.6%. The index tracking small companies (YETER) forged ahead, leaping 10% in the quarter.

During the first quarter, the trade in stocks was characterized by unusually heavy volumes, topping \$300 million a day, about 40% above the daily average for 2005.

Activity in the derivatives market was also perky. Turnover in options on the TA-25 index reached about 310,000 units a day, the highest level ever.

The volume of trade in the bonds market was \$285 million a day in the first quarter, slightly below the average for 2005.

Positive effect throughout most of the first quarter can be attributed to the upbeat macroeconomic information about Israel, and to the strong financial statements the companies were delivering for the year 2005. Negative effects on share prices during the quarter can, on the other hand, be ascribed to the prime minister's illness, the uncertainties generated by the change in Palestinian leadership and by the Israeli election results in late March.

Trade in index-linked notes tracking stock indices continued to expand. By the quarter's end, turnover had reached 21% of the total volume of trade in stocks, compared with 10% in 2005. One reason for the increase was the issue of new series of index-linked notes on domestic and international indices, adding to the dozens already listed for trade on the TASE.

During the first quarter of 2006, Israeli companies raised about \$190 million through issues of stocks and convertibles to the public. About half the amount was raised in 11 IPO's, of which five were R&D companies.

Meanwhile, the government pursued its privatization program by selling 26% of Bank Discount to corporations controlled by the Bronfman and Schron families, for about \$300 million. The buyers also received an option to buy another 25% of the bank's shares from the state.

In the bonds market, companies raised \$685 million through offerings of bonds, mostly linked to the consumer price index, and \$610 million through private placements to institutional investors.