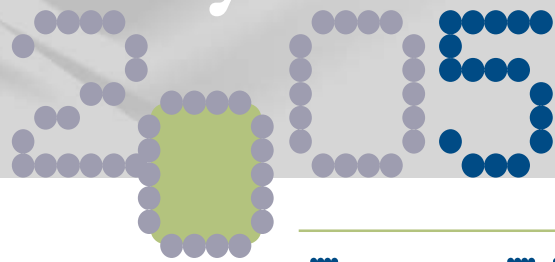


# Israel Opportunity



Sep. 05



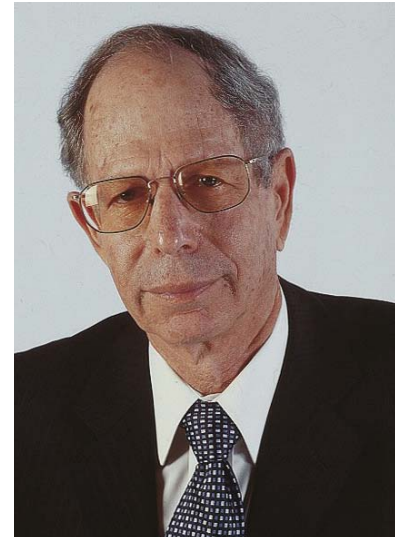
TEL-AVIV STOCK EXCHANGE

# Dear Guest,

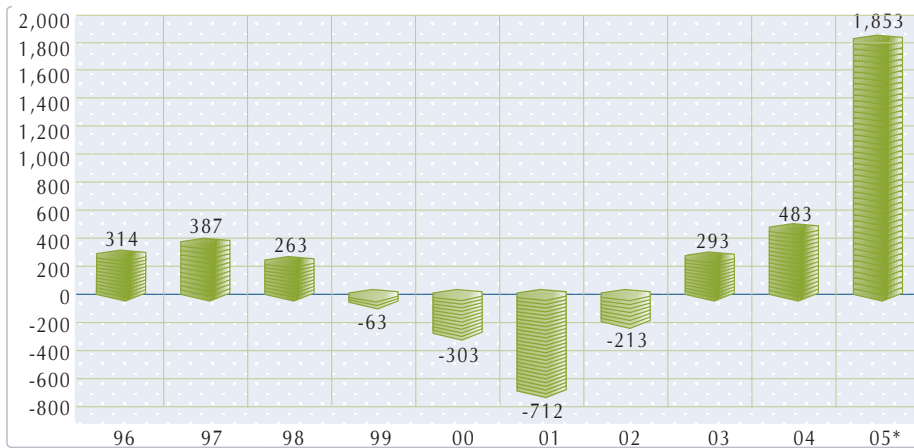
I have the pleasure to welcome you to Israel Opportunity 2005, our rescheduled Annual Conference for international investors.

Our keynote speakers are Mr. Ehud Olmert, Vice Prime Minister and Prof. Stanley Fischer, Governor of the Bank of Israel. Top executives of leading TASE-listed companies will present the highlights of their activities and their plans.

We at the Tel-Aviv Stock Exchange believe in the strength of the Israeli economy. We also believe in the ability of TASE-listed companies to create value for international and local investors. The graph below demonstrates that, so far, 2005 recorded the highest international investments ever on the TASE.



## Net Flow of International Portfolio Investments - Equities US \$ millions

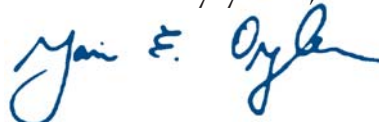


\*January - July 2005

Source: Bank of Israel

The TASE is dedicated to help its listed companies and worldwide investors to communicate efficiently and build long-term relationships. I thank you for joining us today, proving yet again that we do not succumb to terror. I look forward to hearing from and working with you in the future.

Sincerely yours,



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

## Dear Investor,

The TASE's annual conference, Israel Opportunity 2005, ended abruptly shortly after its opening on Thursday, July 7, 2005, due to the murderous terrorist attack in London. The State of Israel sent its condolences and sympathy to the victims and their families.

The Israeli economy is part of the globalization processes taking place around the world, and from year to year it is becoming more open and accessible to the foreign investor. The improved stability in the geopolitical arena and the continued implementation of the Government's economic policy ensure continued economic growth and progress in Israel. We have become one of the world's leading technological powers and Israel's high-tech industry is thriving. Israel has become an innovation hub and a center for development of most advanced products.

The Tel Aviv Stock Exchange reflects the positive economic mood in Israel, as well as the many opportunities that exist there for both Israeli and global investors. The TASE has withstood the upheavals in global capital markets over the past years, and has maintained admirable stability and strength.

I would like to welcome you, on behalf of the Israeli Government to this important event and invite you to take an active role at the Israeli capital market.

With kind regards,



Ehud Olmert  
Vice Prime Minister,  
Acting Minister of Finance,  
Minister of Industry, Trade and Labor





Sep.

## News Headlines

### Record Dividend Distribution on the TASE

The amount of dividends paid by TASE-listed companies doubled in 2004, reaching a total of NIS 12 billion, versus NIS 6 billion in 2003. Concurrently, the number of TASE companies distributing a dividend increased by some 30%, to 177. The sharp increase in dividend payments in 2004 resulted from the ongoing improvement in the profitability of TASE companies, which reflects the improvement in economic conditions.

The average dividend return soared by 40% in 2004, to 3.4%. This year's dividend return in Israel is high compared to other markets: dividend return in 2004 was 1.9% on the AMEX, 3.2% in London, and 1.1% in Japan.

### Additional Open End Certificates Tracking the TA-25 Index to Trade in Europe

ABN Amro has launched two new Open End Certificates (OEC) tracking the TA-25 index. The OECs were issued on the Zurich Stock Exchange, as well as the Frankfurt and Stuttgart exchanges. These OECs will provide foreign investors with a simple and convenient instrument tracking the TA-25, the Tel Aviv Stock Exchange's flagship index.

The OECs issued by ABN Amro join the OECs issued by UBS two months ago on German stock exchanges. These issues demonstrate the confidence and interest shown by international investors in the TASE in general, and in the TA-25 index in particular.

### New Products: Reverse Certificates on TASE's Major Indices

Nine reverse certificates tracking local and international indices were issued on the TASE since June, by KSM Financial Instruments, Clal Finance and Psagot-Ofek. The certificates track the TASE major indices: TA-25, TA-100, and TA-75 as well as Nasdaq-100 and S&P 500. 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. Twenty additional ETFs that are traded on the TASE track local indices.

### The Equity Market

	2003	2004	2005*
Average Daily Turnover (US \$ millions)	80	147	212
Market Capitalization (US \$ billions)	70	92	104
Capital Raised (US \$ billions)	0.7	3.6	2.4
TA-25 Index (US \$ terms)	63.3%	24.6%	8.9%
TA-100 Index (US \$ terms)	73.9%	21%	6.5%
Price/Earnings	29	16.2	15.5
Price/Book	1.8	1.9	2.2

\*As Of August 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 (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

13 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.

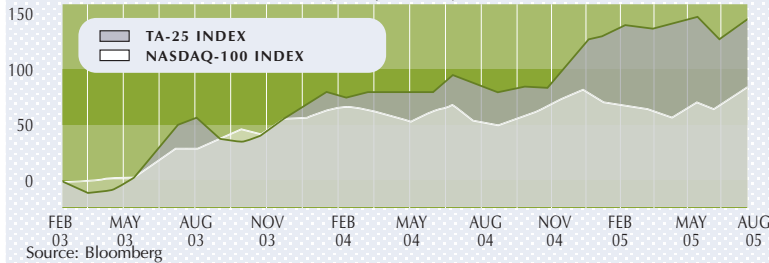
For further information, Visit our Website at: [www.tase.co.il](http://www.tase.co.il)

You are also welcome to contact the Marketing and Media Relations Unit

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

## The TA-25 and the NASDAQ-100 Indices

(US \$ Terms)



## The TA-25 Index Composition

Company	Market Capitalization* (in US \$ millions)	Weighting** (%)
1. Teva	20,493	9.50%
2. Israel Chemicals	4,758	9.50%
3. Bank Hapoalim	4,545	9.50%
4. Bank Leumi	4,084	8.98%
5. Bezeq	3,373	7.42%
6. Israel Corporation	2,604	5.73%
7. Makhteshim-Agan	2,471	5.44%
8. Africa	1,739	3.83%
9. IDB Development	1,687	3.71%
10. Migdal Insurance	1,354	2.98%
11. Discount Bank	1,335	2.94%
12. Partner	1,294	2.85%
13. Perrigo	1,258	2.77%
14. Discount Investment	1,188	2.61%
15. Clal Insurance	1,083	2.38%
16. Bank Mizrahi	1,050	2.31%
17. Delek Group	1,028	2.26%
18. Elbit Systems	985	2.17%
19. Lipman	933	2.05%
20. Koor	892	1.96%
21. Strauss-Elite	884	1.94%
22. Osem	872	1.92%
23. Harel Insurance	868	1.91%
24. IDB Holdings	811	1.78%
25. Clal Industries	711	1.56%
<b>TOTAL</b>	<b>62,300</b>	<b>100%</b>

\* As of August 24, 2005.

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

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

Contributing to the optimistic atmosphere in the markets are the developments in the diplomatic arena subsequent to the successful implementation of the disengagement plan, the low interest rate, and the release of favorable macro-economic data. The resignation of Finance Minister Netanyahu in August and the worldwide increase in oil prices had almost no adverse effect on the market.

The TA-100 index increased by 7% since January, reaching a peak during August, following a 19% increase since mid-October 2004.

Daily turnovers in shares and bonds increased by 40% this year compared to 2004, to an average of \$210 millions and \$295 millions, respectively. These are the highest average trading volumes ever recorded on the TASE.

Capital raising through shares floated to the public on the TASE for the first eight months of 2005 totaled \$2.1 billions, 1.5 times the amount raised in 2004. A record-setting additional amount of \$4.4 billions was raised via bond issues, versus \$2.1 billions in 2004.

In recent months, **Internet Zahav**, **Shamir Optical Industry**, **TAT Technologies**, and the American company **Perrigo** have dual-listed on the TASE. **XTLbio**, a primary-listed company on the London Stock Exchange, was the first company of its kind to dual-list in Tel Aviv, in July, joining the 29 new U.S dual-listed companies.

As part of the privatization process, the State raised \$445 millions by selling 10% of the shares of **Bank Leumi** to institutional investors. An additional \$300 millions will be raised upon conclusion of the sale of 26% of the shares of **Discount Bank** to the Bronfman-Schron Group, and a further \$970 millions once 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 daily turnovers in the period under review reaching 240,000 contracts, versus 155,000 daily contracts last year.