

The Largest Sector on TASE- "Real Estate and Construction" - to be Split Into Two Sub-Sectors – “Income-Producing Real-Estate” and “Construction”

The Sector Consists of 91 Equity Companies, the Largest 72 Companies are Included in the TA-RealEstate Index

The Split Will Enable TASE to Launch Separate Indices in the Future to Track Each Sub-Sector

The Tel-Aviv Stock Exchange (TASE) is to split the real estate and construction sector into two separate sub-sectors – “Income-Producing Real-Estate” and “construction”. This step is being taken due to the fact that the nature of the activities of the companies engaged in Income-Producing Real- Estate and the risks inherent in their activities is different from the nature of the activities of companies engaged in construction and the risks inherent in such activities.

The real estate and construction sector consists of 91 companies having a market cap. of NIS 133 billion, with 72 of the largest of these, being included in the TA-RealEstate Index with market cap. of NIS 128 billion. The split into two sub-sectors will enable to launch separate indices in the future to track each sub-sector, alongside the continued publication of the existing TA-RealEstate Index.

The “Income-Producing Real-Estate” sub-sector will include companies, most of whose activities are in the field of Income-Producing Real- Estate in Israel and/or overseas. Yield-producing property is investment in property that generates ongoing revenue. Falling within the definition of Income-Producing Real- Estate are companies that operate, either by themselves or through subsidiaries and affiliates, in the field of Income-Producing Real-Estate of various types (commercial, industrial, offices logistic centers, residential, hotels, assisted living facilities, etc.), as well as Real Estate Investment Trusts (REITs).

To qualify for inclusion in the Income-Producing Real- Estate sub-sector, companies have to meet both of the two following criteria: 60% or more of the company’s revenues

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according to its annual consolidated financial statements will have to be from Income-Producing Real-Estate business and also 60% or more of the company's assets according to its annual consolidated balance sheet will have to be Income-Producing Real-Estate assets.

In order to be removed from the Income-Producing Real-Estate sub-sector, companies must meet both of the two following criteria: less than 50% of the company's revenues according to its annual consolidated financial statements will have to be from Income-Producing Real-Estate business and also less than 50% of the company's assets according to its annual consolidated balance sheet will have to be Income-Producing Real-Estate assets.

Currently, based on the above criteria, the sub-sector will consist of 51 equity companies, 42 of which are companies that are included in TASE indices and whose total market value is NIS 110 billion.

The “construction” sub-sector will include all the companies that are included in the real estate and construction sector that are engaged in construction initiation, construction project contracts, urban renewal and infrastructure projects and will also include all the companies that are at present included in the real estate and construction sector but which will not be included in the yield-producing property sub-sector.

Currently this sub-sector will include 40 equity companies, 30 of which are companies that are included in TASE indices and whose total market value is NIS 18 billion.

Checking of companies' compliance with the criteria will be conducted based solely on their annual financial statements, relying on the comprehensive notes that appear in the annual financial statements. Based on this, an updating of the sectoral classification of the real estate sector **will be performed once a year** – at the end of June.

The split of the sector is scheduled to take place at the end of June 2019.