Shikun & Binui Ltd.

Report of the Board of Directors on the State of the Corporation's Affairs

For the Year Ending December 31, 2011

The Board of Directors of Shikun & Binui Ltd. (hereinafter: **“the Company”**) is honored to submit the Company's Financial Statements for the period ending December 31 2011.

1. The Corporation and its Business Environment

a. General

The Company and its investees (“the Shikun & Binui Group” or “the Group”) operate in Israel and outside of Israel in paving and infrastructure contracting work; building contracting; various aspects of real estate, including: purchasing, designing, improving and developing real estate; selling real estate, built-up and not built-up; holding and renting cash-generating properties; performing investments and activity in the fields of renewable energy including thermo-solar energy and photo-voltaic solar energy; treatment of water through water reclamation and desalination facilities; project concessions mainly in the field of infrastructure; as well as other activities concurrent to or complementary with the Group’s stated areas of activity.

The group’s Israeli activity concentrates on the field of residential and non-residential development, construction and infrastructure contracting, as well as projects in the field of infrastructure and construction carried out through private sector financing in lieu of government financing, as well as projects in the fields of renewable energy and the fields of water treatment. Outside of Israel the group is mainly active in West and East African countries, Central America, Eastern and Central Europe and West Asia, mainly in the field of infrastructure contracting, the maintenance and rental of cash-generating properties as well as residential development. Furthermore, the Company has investments in the field of solar energy by way of photo-voltaic projects in Spain.

The Company operates in all areas of its activity according to existing approaches, which demand integration of economic, environmental and social considerations in the management and decision-making processes. The Group’s human resources policy supports the business strategy and places the implementation of the Group’s vision (sustainability) and its values for all of the group’s workers in Israel and abroad at the center of its activities. In recent years the group has developed new and advanced infrastructures for absorbing the appropriate human capital and training it with the aim of establishing a new and powerful organizational culture, matching the Group's vision.

b. The Group’s Areas of Activity

The Group’s activity is carried out on the basis of the five areas of activity detailed below (through seven segments, as detailed in Section 2 of this report).

- **Infrastructure** – in the field of infrastructure the group is mainly active through Shikun & Binui – SBI Infrastructure Ltd. and through its subsidiaries (outside of Israel) and Shikun & Binui – Solel Boneh (Construction and Infrastructure) Ltd. (in Israel).
  Shikun & Binui – SBI Infrastructure Ltd. has over 53 years of experience in the development of infrastructure abroad, mainly in Africa, Central America, East and Central Europe and West Asia. Shikun & Binui Ltd.– SBI Infrastructures is currently active in more than ten countries in the areas of contracting, paving, infrastructure and construction and is acting to deepen and broaden its activity in these countries. Furthermore, based on its accumulated knowledge in these various countries, the project management capabilities it has developed and the many years of reputation it

has accumulated, it is acting to expand its geographical deployment to neighboring countries and new regions, including the United States and South America. In 2010 it began a road project in Azerbaijan, and in 2011 it began a road project in Tanzania, countries in which the group had not been active until that date.

Shikun & Binui – Solel Boneh (Construction and Infrastructure) Ltd. has for over 85 years focused on civil engineering initiatives, national projects in the field of transportation and infrastructure and large-scale construction projects in Israel. In addition to its professional capabilities, Shikun & Binui – Solel Boneh (Construction and Infrastructure) Ltd. has its own independent manufacturing capabilities for pre-cast components, construction waste recycling, asphalt production, concrete factories and special bridging works and the manufacture of special bridging elements.

The Group’s capabilities in Israel and abroad in the field of infrastructures and large project management constitute the basis for expanding its activity in the field of concession projects, which are large-scale projects, and in particular in significant BOT and PFI projects in the field of infrastructure.

- **Real estate ventures** – in the field of real estate venture, the Group is mainly active **in Israel and abroad** through Shikun & Binui Real Estate Ltd. (in Israel), Shikun & Binui Real Estate Development B.V., and A.D.O Group Ltd. (abroad).

  Shikun & Binui Real Estate Ltd. (87% stake), which is active in Israel, combines over 55 years of experience in constructing residential apartments while implementing advanced architectural design, innovative work methods and strict international standards, in particular and while placing special emphasis on green construction standards for creating a sustainable and advanced living environment. Shikun & Binui Real Estate provides a complete envelope of products and services, guaranteeing a high quality of life and a comfortable living environment. Over the past year it has positioned itself as the leader in the field of construction in Israel and most of its buildings that have begun construction since 2009 are being built under the green Israeli Standard 5281, and some are event submitted for certification under the U.S. LEED standard. Shikun & Binui Real Estate is expanding its activity in the high demand area, while placing emphasis on green projects such as its residential project in East Netanya (“Pure”) and the Karkur Dreams Project, which was the first residential project in Israel to receive Green Standard approval. Furthermore, Shikun & Binui Real Estate is active in non-residential real estate activity, particularly in the filed of commercial and office buildings. In this activity as well, the Company places special emphasis on construction in accordance with green construction standards, such as the students’ dormitories project being constructed at Tel Aviv University (BOT project); the Seventh Avenue open shopping center in Beersheba; and the Ir Yamim Mall in Netanya, the design of which also took into account the relevant social and environmental factors from the design stage to the project’s completion and realization.

Shikun & Binui Real Estate Development B.V. is active in Central and Eastern Europe, mainly Hungary, Romania, Poland and the Czech Republic in the development of residential and non-

residential projects intended for sale or rental. As part of the Company's preparations for the financial situation around the world and in the countries it operates in particular, the Company has reduced its activity in some of the countries in which it is active that have yet to emerge from the crisis, and is currently acting to take advantage of business opportunities and investments in projects in countries in which the local economy supports real estate projects.
On June 9 2011 non-residential property activity in Germany was sold from Shikun & Binui Real Estate Development B.V. to the A.D.O Group Ltd., a public company the shares of which are listed for trade on the Tel Aviv Securities Exchange, in return for the issue of A.D.O Group Ltd. shares to the Company. After the allocation in question, the Company holds 48% of the stock capital of the A.D.O Group Ltd. (for further details see Section 1.c. of this Report). The A.D.O Group Ltd. is active in Germany in the purchase and improvement of residential apartments and commercial spaces intended to produce rental income.

- **Concession** – activity in these fields includes the financing, construction and operation of large-scale projects ("mega-project") mainly in the field of infrastructure and construction in Israel and abroad. The Company is continuing to expand its concession activity in Israel and abroad, which in the opinion of Company management offers a significant growth potential. In recent years there has been a trend evident on behalf of the Israeli government to continue the use of the PP format for the construction of infrastructure and to provide concessions to external factors for their execution, which allows, among other things, savings for the Stare's budgets by transferring most of the responsibility for the supervision and control of the construction and operation of the project to the concession holder. On the other hand, following the implications of the current financial crisis, difficulty exists in receiving underwriting commitments at extensive amounts from financing bodies, an increase is evident in financing costs and difficulty exists in raising very long-term financing from international financing bodies, with the exception of governmental development banks (such as the European Investment Bank). These difficulties and changes had a particular impact on the ability of concessionaires to raise money for projects to which they had committed prior to the beginning of the financial crisis and they are taken into account in the new project proposal stage.
  The Company's concession activity includes among other things the construction of the Cross-Israel Freeway and its operation, which covers the central portion including its expansion and Segment 18 of the road (on September 13 2011 an agreement was signed for the sale of the project, subject to certain stipulations – for further details see Section 1.c. of this Report), the construction and operation of the Carmel Tunnel project, the construction of the Hadera Desalination Plant, its expansion and operation, restoring and maintaining roads in Northern Israel and constructing the Tel Aviv Courthouse project. On January 12 2011 a company jointly controlled by the Company and a third party won a tender for the construction and provision of operation, maintenance and training services for the Israel Police's national training center. On February 16 2011 the concession agreement was signed for the training center project and the project's financing agreements (financial closing) are expected to be signed in early April 2012. On October 3 2011 the Company

entered into an agreement for the purchase of rights to a pumped storage project (for further details see Section 1.c. of the report). The Company continues to contend in this type of tenders in Israel and abroad.

- **Renewable energy** – in the field of renewable energy, the Company is active through its subsidiary Shikun & Binui Renewable Energy Ltd., mainly in the fields detailed below:

  Solar-thermal power production field – initiation, financing, construction and operation of thermo-solar projects including:

  1) Initiation of a project in planning stages to the scope up to 120 MW on land owned by Kibbutz Tze'elim in the Negev (the Shneor Project). The scope of the project will be determined according to rate arrangements.
  2) On February 13 2011 the Company submitted, along with Siemens, a bid for a tender published by the Israeli Government for the financing, construction and operation of a thermo-solar project to of a scope of 110 MW at Aashalim. The Company has passed the threshold conditions but has yet to reach an agreement regarding the price.
  3) The development of independent technological-engineering capabilities in the thermo-solar field. Subsequent to the reporting date, an experimental thermo-solar facility was inaugurated at Ardom (near Kibbutz Yotvata).

  Photo-voltaic power production field – initiation, financing, construction and operation of projects for the production of photo-voltaic solar power on rooftops and land in Israel and abroad. In Israel the Company is operating pursuant to the arrangement for the construction of small and medium-sized facilities. In Spain, the Company has a stake in a company (50%) operating photo-voltaic projects with a total installed scope of 15 MW.

  Conventional energy-based power production field – production and sale of power to the Electric Company at a total scope of 26 MW, using the Ashdod Power Station, which operates on mazut, uses "peaker" and operates on an availability basis, and which is expected to be converted to the production of power on a natural gas basis.

  Natural gas power production field – development of a natural gas-based private power production project in the Ashdod Industrial Zone with a combined cycle, at an output of 120 MW, and the development of a project for the conversion of the Ashdod power plant at an output of 26 MW to a natural gas plant.

  Energy efficiency field – the Company has holdings in PowerSines (25.5%), which operates in Israel and abroad in the manufacture and sale of unique technology for the reduction of electric power demand.

- **Water**

  In the field of water, the Group's activity mainly takes place through Shikun & Binui Water Ltd. and includes the design, construction, operation and maintenance of freshwater reclamation facilities, and providing water and sewage infrastructure management services. In addition, the Company is acting to develop additional technological capabilities and to expand its water treatment activity, through the construction of freshwater reclamation facilities as well as the design, construction and operation of salt water desalinization facilities. The Company intends to develop its water activities mainly by purchasing companies or activities in the field and developing its own capabilities, in order to create engineering capabilities that will allow the initiation and execution of projects in the field in Israel and abroad.

c. Material Events During and Subsequent to the Reported Period

Dividend Distribution to Shareholders

On March 28 2011, the Company's Board of Directors decided to distribute dividends totaling 200 million NIS, which constitute, according to the Company's issued stock capital as of the payment date, a dividend of 0.4985648 NIS for each 1.00 NIS NV share. The dividend payment date fell on May 3 2011.

On November 24 2011, the Company's Board of Directors decided to distribute dividends totaling 185 million NIS, which constitute, according to the Company's issued stock capital as of the payment date, a dividend of 0.4574238 NIS for each 1.00 NIS NV share. The dividend payment date fell on December 19 2011.

On March 28 2012, the Company's Board of Directors decided to distribute dividends totaling 65 million NIS, which constitute, according to the Company's issued stock capital as of the payment date, a dividend of 0.160706 NIS for each 1.00 NIS NV share. The the dividend payment date will fall on April 23 2012.

Signing the Concession Agreement for the Israel Police National Training Center Construction Project

On February 16 2011 the concession agreement was signed for a tender published by the State of Israel for the construction of the Israel Police National Training Center, the construction costs of which were estimated at 600 million NIS. The project's financing agreements are expected to be signed in early April 2012. For further details see Note 18.a.9 to the Company's Financial Statements.

Executive Options

On April 28 2011 the Chairman of the Board exercised 3,391,698 Company options, and as a result was allocated 1,337,679 ordinary Company shares, which we sold by her immediately following the exercise date. On April 28 2011 the Company CEO exercised 3,765,891 Company options, and as a result was allocated 1,897,590 ordinary Company shares, which we sold by him immediately following the exercise date. In addition, over the course of the reported period a number of other employees and executives exercised options for non-material sums. For additional details see Notes 34.g.(1), 34.g.(2) and 28.c to the Company's Financial Statements.

The A.D.O. Agreement.

On June 9 2011 the Company completed a transaction with the A.D.O Group Ltd. - a company the shares of which are listed for trade on the Tel Aviv Securities Exchange (hereinafter: "A.D.O"). As part of this transaction, the Company invested in shares, in a loan to be converted to A.D.O shares and in options for the purchase of A.D.O shares issued by A.D.O in return for a total of 189 million NIS. This transaction was involved and intertwined with an agreement to sell companies in Germany and loans given those companies, which were held by a subsidiary, to a foreign company fully owned by A.D.O.

Following the transaction the Company holds a 48% stake in A.D.O's stock capital (not including dilution due to a loan that will be converted to A.D.O. shares and the options). The Company includes 56% of A.D.O's profits in its Financial Statements (under the assumption of dilution due to the loan that will be converted to A.D.O shares).

Immediately prior to the agreement the subsidiary controlled the German companies in question jointly with A.D.O. With the completion of the transaction, the Company has a material influence over A.D.O. Upon the transition of the Company from joint control over the Germany companies to material control over A.D.O, the Company listed a profit from the revaluation of the German companies to their fair value and from the sale of the loans given those companies, in accordance with the price reflected from the price of an A.D.O share on the date of the transaction in question. As a result, the Company listed a profit of 82 million NIS in its Financial Statements, which was included under other operational income in the Statement of Operations. At the same time, A.D.O also listed a profit in is financial statements from revaluation against goodwill. In the fourth quarter of the year A.D.O reduced some of its goodwill (the Company's share is 13 million NIS).

Debenture Repurchase

Over the course of June 2011 the Company repurchased debentures (Series 1) to the amount of 20,224 thousands NIS NV. The proceeds of the purchase (including the cost of the purchase) amounted to a total of 25,967 thousands NIS, and as a result a loss of 2,874 thousands NIS was listed in the reported period, which was included under financing expenses in the Statement of Operations.

Expanding Nigerian Road Paving Agreement

In July 2011 a subsidiary entered into an agreement with the Nigerian government as an appendix to an existing agreement, to expand the scope of works carried out by it in the Harcourt-Eket Port freeway paving project in Nigeria. The project includes adding a 2-lane road, restoring the existing road and constructing a segmented bridge over the Imo River in Nigeria. The scope of the contract increase is $190 million and the total scope of the agreement after the expansion is $420 million. The works included in the contract expansion agreement are expected to be carried out in 2011-2013.

Suspension and Cancellation of Rates in the Olmeda Project in Spain

On May 4 2011 Giltz (a company jointly controlled by a subsidiary that deals in the development of photo-voltaic solar facilities in Spain, and which is stated in the Company's Financial Statements according to the book value method), the owner of a project in Spain known as the Olmeda Project ("the Project") received a notice from the Spanish National Energy Committee ("the Committee), according to which the Committee had decided to temporarily suspend payment of the special rate paid the project for the electric power sold by it as a result of the Committee's initial conclusion, following an examination it conducted, that the Project had not been proven to have met the conditions granting it the special rate, granted the Project by virtue of Royal Decree 661/2007 (hereinafter: the Special Rate). Based on the legal opinion it received, Giltz listed a provision for a loss due to the project’s impairment to the amount of €6.5 million in its first-quarter Financial Statements. The subsidiary’s share of the loss, amounting to €3.25 million, which constitutes 16 million NIS, was included in the first quarter of the year under “share of the losses of subsidiaries handled according to the book value method” in the Statement of Operations.

Giltz approached the Spanish Electrical Authority and claimed that the Project was in compliance with the conditions granting it the special rate. In July 2011 all of the companies holding the Olmeda Project received notice that the suspension of the Special Rate for these companies had been revoked and that these companies were entitled, conclusively, to the Special Rate.

Furthermore, in July 2011 the Spanish Ministry of Industry, Tourism and Trade changed some of the restrictions on parks in Spain, restrictions pertaining to the amount of kilowatts that can be sold at a subsidized rate each year.

In light of these changes, in the third quarter of 2011 Giltz wrote off the entire impairment provision listed in the first quarter of 2011 as well as part of the impairment provision it listed in its December 31 2010 Statements, totaling €7.3 million.

Issuance of Debentures

On August 3 2011 the Company performed an issue (expansion) of its Series 4 debentures. The proceeds from the issue amounted to a total of 192 million NIS. The effective interest due to the expansions in question is at an annual rate of 4.91%. For further details see Section 6 of this Report.
On January 1 2012 the Company issued its Series 5 debentures. The proceeds from the issue amounted to a total of 233 million NIS. The effective interest due to the expansions in question is at an annual rate of 5.74%. For further details see Section 6 of this Report.

Sale of Derech Eretz

On September 13 2011 the Company entered into an agreement with the TSI Roads partnership (hereinafter: TSI) for the sale of the Company's rights to Derech Eretz Highways (1997) Ltd. (hereinafter: “Derech Eretz”) and for the repayment of the shareholders’ loan the Company granted Derech Eretz. Derech Eretz is the concessionaire of a toll road known as the Cross-Israel Highway.

As of this report, the Company holds 50% of the stock capital of Derech Eretz and TSI holds 50% of Derech Eretz, and the Company and TSI have an agreement to jointly control Derech Eretz. The Company and TSI also hold the right to 25.5% of the dividends and loan repayments in Derech Eretz.

Over the course of October 2011 the State exercised the option granted it to purchase rights in Derech Eretz and immediately afterward sold its rights in Derech Eretz to the Noy Fund. As a result, the Noy Fund holds the right to 49% of the dividends and loan repayments in Derech Eretz. Upon the option’s exercise Derech Eretz repaid part of the shareholder’s loan and the Company’s share of these sums was 121 million NIS.

According to the sales agreement, if and when the sale is completed, a total of 650 million NIS will be received for the sale of the rights and for the repayment of the loans. The sum in question is subject to adjustments for the period up to the completion date of the transaction covered by the Sales Agreement (hereinafter: “the Transaction”). The value of Derech Eretz as reflected in the Sales Agreement is based on the value set for Derech Eretz in a procedure administered by the State of Israel for the sale of its rights in Derech Eretz. TSI also undertook to ensure that the Company, by itself or through related companies, would be the one to carry out future paving works on the Route 6 project, at market prices and in accordance with a mechanism established between them.

The agreement depends on several stipulations including the receipt of approvals from the State, the approval of Derech Eretz’s chief creditors and other relevant regulatory approvals, which have yet to be received as of the reported date. Taking into account that the realization of the transaction has been longer than expected, it is not certain if and when the transaction will even be concluded. For further details see Note 18.a.6 to the Company’s Financial Statements.

Purchase of Pumped Storage Project

On October 3 2011 the Company signed a memorandum of understanding with Ortam Sahar Engineering Ltd. (hereinafter, in this paragraph: “the Seller”), a company not related to the Company or its controlling shareholders, arranging the purchase of the Seller’s entire holdings and rights (including those of its subsidiaries) in a pumped storage energy project in Ma’aleh Gilboa (hereinafter: the Ma’aleh Gilboa Project) in return for a total sum of 42 million NIS (the sum may be adjusted downward to a sum of 37 million NIS under the circumstances set in the memorandum); furthermore, on December 31 2011 the Company signed an agreement with the Seller for the purchase of the Seller’s entire holdings and rights (including those of its subsidiaries) in a pumped storage energy project in Manara in return for a repayment of the Seller’s expenses pertaining to the project, currently estimated at 15 million NIS (hereinafter: “the Manara Project”).

The Seller holds a 38% stake in the company intending to construct the Ma’aleh Gilboa Project and is entitled, along with another third party not related to the Company or its controlling shareholders, to carry out the construction of the Ma’aleh Gilboa Project. The Seller also holds a 25% stake in the company intending to construct the Manara Project and which is entitled, along with the same third party, to carry out the construction of the Manara Project.

The Ma’aleh Gilboa Project is an initiative for the construction of a hydroelectric power plant in the Mt. Gilboa area, with an expected production capability of 300 MW, based on pumped storage technology, with its construction cost, as the Company was informed, estimated at 1,450 million NIS (not including financing costs). The Ma’aleh Gilboa Project is an initiative for the construction of a hydroelectric power plant in the Manara area, with an expected production capability of 200 MW, based on pumped storage technology, with its construction cost, as the Company was informed, estimated at 1,100 million NIS (not including financing costs). Pumped storage technology is based on height differences with the water from the upper reservoir descending to the lower reservoir while operating turbines that produce electric power.

Each of the transactions for the purchase of the Ma’aleh Gilboa Project and for the purchase of the Manara Project are subject to a number of stipulations, and there is no certainly when these will be met, if at all.

Purchase of Paz Solar

On November 22 2011 an agreement was signed between Paz Industries and Services (Petroleum) Ltd. (hereinafter: "Paz Industries") and Shikun & Binui Renewable Energy Ltd., according to which the latter will purchase from Paz Industries all of its shares of Paz Solar Ltd., a fully-owned company dealing in the development, construction and operation of photo-voltaic solar energy projects (hereinafter: Paz Solar). It was also decided that the stock purchase would be in return for a minimum sum of 12.2 million NIS. To this sum will be added additional stipulated sums depending on the maturity and size of projects covered by the agreement, as well as the electric power rates awarded these projects. The completion of the transaction depends, among other things, on the approval of the Minister of national Infrastructure and the Electric Authority and the approval of the financing bodies for all matters pertaining to the financial closing, which as of this report have yet to be received.

Sale of 235 Residential Apartments in the Hadera Dreams Project

On November 25 2011 Shikun & Binui real Estate Ltd. held a sales conference for Hever organization members, in which it offered 235 residential apartments for sale in the Hadera Dreams project it is developing. Pursuant to the conference Shikun & Binui Real Estate Ltd. received registration requests for the purchase of all of the apartments it offered in the project. The total proceeds expected from the sale of the residential apartments in question amounts to 259 million NIS (including VAT), and is expected to be received by Shikun & Binui Real Estate Ltd. by 2013, in accordance with the timetables set for the construction and delivery of the apartments in question in the project.

Agreement to Construct Bridge over Benue River in Nigeria

Over the course of December 2011 a subsidiary entered into an agreement with the Nigerian government to carry out a contracting project in Nigeria, to construct a bridge over the River Benue and access roads. The project's works including the construction of a one-road, two-lane bridge 2.1 km long, foundation work (for a bridge with an additional lane), and access routes 22 km long. The expected duration of works is 3 years and the scope of the compensation for the project is $210 million US, which is expected to be received throughout the implementation period.

Sale of Land in Kiryat Atta and IKEA Store Operation Agreement

On December 26 2011 Shikun & Binui Real Estate Ltd. (hereinafter, in this paragraph: "the Seller") entered into an agreement to sell 50% of its rights in a 97 hectare real estate compound located in the Atta Intersection area of Kiryat Atta (hereinafter, in this paragraph: "the Real Estate") to a third party (hereinafter, in this paragraph: "the Buyer") in return for a total of 55 million NIS. The Buyer is a subsidiary of Livneh Tzfoni Ltd., operator of IKEA stores in Israel (hereinafter: "IKEA Israel Operator"), a third party not related to the Company or its controlling shareholders.

Alongside the signature on the sales agreement in question, the Seller entered into an system of agreements pertaining to the Real Estate and to the development and construction of a joint project on it (the Seller's share being 50%). Within this framework, the Seller and the Buyer signed a joint agreement pursuant to which they intend to construct a project on the Real Estate that will include, subject to the approval of the proper authorities, an IKEA store, a commercial center, parking areas and a gas station ("the Project"). In addition, the Seller and the Buyer entered into a rental agreement with the IKEA Israel Operator, in which the IKEA Israel Operator undertook to rent a structure from the Seller and the Buyer to be raised on the Real Estate for the operation of an IKEA store for a period of 24 years. Furthermore, the Seller entered into an agreement to purchase the right to initiate construction of an IKEA store on the Real Estate. According to the Seller's current estimate, the scope of the project including land, development and construction costs is currently estimated at 600 million NIS. Upon completing the sales agreement in question, Shikun & Binui Real Estate Ltd. listed a profit in its 2011 Consolidated Financial Statements for the sale of the rights to the aforementioned Real Estate to the amount of 37 million NIS before tax.

Tel Aviv University Broshim Dormitories Financing Agreement

On February 21 2012 Shikun & Binui Real Estate Ltd. entered into an agreement with Migdal Group companies (hereinafter: Migdal) to undertake to provide credit and financing for the construction of the student dormitory compound at Tel Aviv University known as the Broshim Compound ("the Broshim Financing Agreement"). The sum of the loans provided the subsidiary pursuant to the Broshim Financing Agreement will not exceed 255 million NIS and shall be no less than the sum agreed upon in the agreement.

The Broshim Financing Agreement was signed as a continuation to a previous financing agreement, to the amount of 70 million NIS, signed between the subsidiary and Migdal for the restoration of a different Tel Aviv University dormitory compound (known as the "Einstein Compound"). The Broshim Compound and the Einstein Compound are the two compounds intended for financing, renovation, construction and operation for 25 years of student dormitories in Tel Aviv University, by virtue of agreements signed in 2008 between the subsidiary and Tel Aviv University. For further details see Note 36a to the Company's Financial Statements.

2. Business Activity Results

The following is concise data regarding the business activity results.

	For the Year Ending December 31		For the Three Month Period Ending December 31	
	2011	2010	2011	2010
	Millions of NIS		Millions of NIS	
Revenues from works and sales	5,335	4,871	1,408	1,245
Cost of works performed and sales	4,285	3,865	1,199	962
Gross earnings	1,050	1,006	209	283
Proceeds from the sale of investment property	51	15	40	1
Sales and marketing expenses	(39)	(27)	(10)	(10)
Administrative and general expenses	(343)	(316)	(87)	(96)
Other revenues, net	81	223	5	238
Operating earnings	800	901	157	416
Net financing expenses	(167)	(169)	(50)	(44)
Company's share of losses of affiliates	(45)	(43)	(13)	(37)
Profit before taxes on income	588	689	94	335
Taxes on income	(144)	(144)	(25)	(40)
Total for period	444	545	69	295

Shikun & Binui's operating segments are:

- Overseas infrastructure and construction – carried out through Shikun & Binui SBI Infrastructures Ltd.
- Infrastructure and construction in Israel – carried out via Shikun & Binui – Solel Boneh (Construction and Infrastructure) Ltd. (in Israel).
- Real estate development in Israel – carried out via Shikun & Binui Real Estate Ltd.
- Real estate development abroad – carried out via B.V. Shikun & Binui Real Estate Development and the A.D.O. Group Ltd.
- Renewable Energy – carried out via Shikun & Binui Renewable Energy Ltd.
- Water – carried out via Shikun & Binui Water Ltd.
- Concession activity – includes concession activity in Israel, carried out directly and through affiliated companies: Derech Eretz Highways (1997) Ltd., the Carmelton Group Ltd., H2ID Ltd., the Shoval Project Tel Aviv Ltd. and Polycity Ltd., as well as a group of operation companies operating on concession projects. Activity is also carried out via Shikun & Binui – Northern Lanes Ltd.
- Others – includes all of the Company's holdings in activities not part of its core business, most of which have been sold as part of its focusing of its activities

For further information see Note 35 to the Company's Financial Statements.

a. Revenues from Works and Sales

	For the Year Ending December 31			For the Three Month Period Ending December 31		
	2011	2010	2009	2011	2010	2009
	Millions of NIS			Millions of NIS		
Infrastructure and construction abroad	2,727	2,500	2,200	685	581	500
Infrastructure and construction in Israel	1,614	1,499	1,436	464	410	347
Israeli real estate ventures	940	827	813	238	232	241
Foreign real estate ventures	5	7	7	1	2	3
Renewable energy	113	74	76	40	24	28
Water	39	53	50	10	9	11
Concessions	277	127	-	47	55	-
Others	-	-	-	-	-	-
Adjustments	(380)	(216)	(128)	(77)	(68)	(36)
Total consolidated	5,335	4,871	4,454	1,408	1,245	1,094

Revenues from works and sales increased by 464 million NIS in 2011 (a 9.5% increase) compared to last year, amounting to a total of 5,335 million NIS compared to 4,871 million NIS in 2010. If the dollar’s average exchange rate had not dropped the Group’s revenues would have amounted to 5.5 billion NIS (a 12% increase). The main changes that occurred in 2011 compared to last year are as follows: the foreign infrastructure and construction segment saw a 227 million NIS increase in revenues. This increase in revenues derives from the expansion of activities in the countries in which the Company is active, mainly Kenya, Uganda and Nigeria as well as the beginning of activity in Tanzania. Note that the changes in exchange rates between the NIS and the USD have an offsetting effect on the growth in revenues, and if the dollar’s average rate of exchange hadn’t dropped relative to last year, an additional 123 million NIS growth in revenues would have been listed in this segment. Furthermore, the Israeli infrastructure and construction segment saw a 115 million NIS increase. In the real estate venture sector recognition of income from the sale of apartments occurs upon delivery to the customer and not upon sale. In practice, over the course of 2011 the Company performed a higher number of apartment deliveries relative to last year (610 residential units compared to 442 residential units for which income was recognized last year). On the other hand, there was a decrease in revenues from the sale of lots and land (proceeds to the amount of 87 million NIS from sales in Kiryat Ono, Ashkelon, Kfar Saba, Tzur Hadassah and Pardes Hannah compared to proceeds from the sale of lots and land to the amount of 219 million in Ramat Aviv, Ir Yamim, Beersheba, Tzur Hadassah and Kiryat Ono in the corresponding period last year), so that in total, a 113 million NIS increase was listed compared to last year in the Israeli real estate venture sector. A 150 million NIS increase was also listed in the concession segment due to the expansion of work on the restoration and maintenance of roads in northern Israel.

Revenues from works and sales in the fourth quarter of the year increased by 163 million NIS relative to the same quarter last year, amounting to 1,408 million NIS. The key changes compared to the corresponding period last year are as follows: a 104 million NIS increase in the foreign infrastructure and construction segment, deriving mainly from the beginning of activity in Tanzania and the expansion of activity in Kenya and Uganda. Furthermore, the Israeli infrastructure and construction segment saw a 54 million NIS increase.

Revenues from works and sales in 2010 increased by 417 million NIS relative to 2009, amounting to 4,871 million NIS. The key changes that occurred in 2010 compared to 2009 are as follows: a 300 million NIS increase deriving from the overseas infrastructure and construction segment deriving from an increase in the scope of activity abroad, and a 127 million NIS increase in the concession segment due to the beginning of work on a BOT project – restoration and maintenance of roads in northern Israel. Furthermore, the Israeli infrastructure and construction segment saw a 63 million NIS increase.

Revenues from works and sales in the fourth quarter of 2010 amounted to 1,245 million NIS, compared to 1,094 million NIS in the same quarter in 2009.

b. **Gross Profits**

	For the Year Ending December 31			For the Three Month Period Ending December 31		
	2011	2010	2009	2011	2010	2009
	Millions of NIS			Millions of NIS		
Infrastructure and construction abroad	596	572	517	113	167	110
Infrastructure and construction in Israel	101	92	87	25	28	21
Israeli real estate ventures	348	316	275	68	83	80
Foreign real estate ventures	(18)	-	(4)	-	-	(3)
Renewable energy	21	16	6	5	5	2
Water	5	11	8	(1)	(1)	2
Concessions	(2)	2	-	(4)	1	
Others	-	-	1	-	-	-
Adjustments	(1)	(3)	(7)	3	-	(2)
Total consolidated	1,050	1,006	883	209	283	210
	=====	=====	=====	=====	=====	=====

Gross profits in 2011 amounted to a total of 1,050 million NIS compared to a total of 1,006 million NIS last year. Gross profits dropped to 20% in 2011 compared to 21% in 2010. Gross profits increased by 44 million compared to last year, 24 million NIS of which deriving from the overseas infrastructure and construction segment, mainly as a result of the increase in the scope of activity and the conclusion of accounting for completed projects. Note that the changes in exchange rates between the NIS and the USD have an offsetting effect on total gross revenues, and if the dollar’s average rate of exchange hadn’t dropped relative to last year, an additional 24 million NIS growth in revenues would have been listed in this segment.

The Israeli real estate venture segment saw a 32 million NIS increase in gross profits compared to 2010. The increase in gross profits in this segment derives mainly from the increase in the scope of revenues in this segment and from the continuous increase in the price of apartments compared to the corresponding period last year (in practice, over the course of 2011 the Company performed a higher number of apartment deliveries relative to last year, 614 residential units compared to 442 residential units for which income was recognized last year). On the other hand, an impairment provision was listed for land for the construction of a residential project in Hungary, which led to an 18 million NIS drop in gross profits in the foreign real estate ventures segment.

Gross profits in the fourth quarter of 2011 amounted to 209 million NIS, a 74 million NIS drop relative to the same quarter in 2010. The decrease in gross profits derives mainly from the overseas infrastructure and construction segment (54 million NIS). The drop in gross profits in this segment derives among other things from a provision listed for riot and looting damages in the Cote d'Ivoire project as well as result of the fact that a number of new projects were included in the reported period for which no gross profit was listed for their performance in the period; on the other hand, the receipt of final accounts and the approval of claims had contributed to additional receipts and to a high level of profitability in the corresponding quarter last year. The Israeli real estate venture segment saw a 15 million NIS decrease compared to the same quarter last year, despite the fact that over the course of the fourth quarter of the year the Company performed a higher number of apartment deliveries compared to the corresponding period last year (139 housing units compared to 55 housing units for which income was recognized last year), this segment listed an offsetting influence of profits from the sale of land and lots that reduced the increase in gross profits compared to last year. In addition, a drop was listed in gross profits in the Israeli construction and infrastructure segment (3 million NIS).

Gross profits in 2010 amounted to a total of 1,006 million NIS, a 123 million increase (some 14%) over 2009. Gross profits increased to 21% in 2010 compared to 20% in 2009. The increase in gross profits compared to 2009 mostly derived from the overseas infrastructure and construction segment, some 55 million NIS, mainly as a result of the increase in the scope of activity and the end of accounting for completed projects. Note that if the dollar's average rate of exchange hadn't dropped relative to 2009, an additional 36 million NIS growth in gross foreign profit would have been listed. The Israeli real estate venture segment also saw a 41 million NIS increase in gross profits in 2010 compared to 2009. The increase in gross profits in this segment derived mainly from land and lot sale transactions.

Gross profits in the fourth quarter of 2010 amounted to 283 million NIS, a 73 million NIS increase relative to the same quarter in 2009. The increase in gross profits mainly derives from the overseas infrastructure and construction segment (some 57 million NIS), and derives from the expansion of activity in countries in which the Company is active as well as from entry into new countries such as Azerbaijan. Likewise, the Israeli infrastructure and construction segment and the Israeli real estate ventures segment saw a 7 million NIS and a 3 million increase, respectively.

c. Administrative and General Expenses

Administrative and general expenses amounted to 343 million NIS in 2011, a 27 million NIS increase compared to 2010 (a total of 316 million NIS). Most of the growth derives from the increase in the number of tenders the Company is contending for in Israel and abroad in the fields of concession and infrastructure (an 18 million NIS increase compared to 2010). In addition, an 8 million NIS increase was listed for expenses, mainly office maintenance expenses, which include rental expenses for the new office building to which the Company moved over the course of the year (last year, the offices were in a building owned by the Company).

Administrative and general expenses amounted to 87 million NIS in the fourth quarter of 2011, compared to the corresponding period last year when these expenses amounted to 96 million NIS; the 9 million NIS drop compared to the same period last year derived from reduced salary expenses deriving from charging the value of a bonus for the issue of options to workers and executives.

Administrative and general expenses amounted to 316 million NIS in 2010, a 47 million NIS increase compared to 2009 (a total of 269 million NIS). Most of the change derives from an increase in salary (35 million NIS) deriving both from attributing the value of a bonus for options to workers and executives (14 million NIS) and from the expansion of activity in the field of renewable energy and adapting the organizational structure to the expanding scope of activity abroad, including entry into new countries. Furthermore, an increase was listed in provisions for bonuses deriving from business results. An additional increase derives from expenses form marketing activities (7 million NIS).

Administrative and general expenses increased by a total of 16 million NIS in the fourth quarter of 2010 compared to the corresponding quarter in 2009, amounting to a total of 96 million NIS. Most of the change derived from an increase due to those factors noted above.

d. Other Operating Revenues (Expenses), Net

These revenues amounted to 81 million NIS in 2011, compared net revenues of 223 million NIS last year.

The following are details of the key revenues and expenses included in this item:

	For the Year Ending December 31	
	2011	2010
	Millions of NIS	
Capital gain from the sale of fixed assets	-	2
Profit from the revaluation of investment in affiliate **(1)**	82	256
Capital gain from realization of investment in affiliates	1	1
Capital profit (loss) from the realization of investments in consolidated companies.	2	(11)
Asset impairment provision	(2)	(1)
Provisions due to balances the realization of which is in doubt	-	(2)
Expenses due to streamlining plan	-	(16)
Others, net	(2)	(6)
	81	223

(1) The revaluation profit was listed as a result of loss of material influence or shared control in accordance with the value of the associated companies as reflected in transactions with third parties; see also Note 18.a.11 to the Financial Statements and regarding last year, see also Note 18.a.6 to the Financial Statements.

e. Operating Earnings

	For the Year Ending December 31			For the Three Month Period Ending December 31		
	2011	**2010**	**2009**	**2011**	**2010**	**2009**
	Millions of NIS			Millions of NIS		
Infrastructure and construction abroad	462	449	409	77	135	80
Infrastructure and construction in Israel	37	14	-	11	(3)	(17)
Israeli real estate ventures	307	247	215	83	60	63
Foreign real estate ventures	52	(13)	(20)	(3)	(4)	(10)
Renewable energy	(20)	(13)	(10)	(6)	(6)	(4)
Water	(6)	(12)	(2)	4	(7)	(4)
Concessions	(13)	(5)	(6)	(5)	(4)	(2)
Others	(1)	(4)	(5)	(1)	-	-
Adjustments	115	118	84	32	30	21
Total by operating segments	933	781	665	192	201	127
Segment-wide revenues (expenses)	(133)	120	42	(35)	216	106
Total operating earnings	800	901	707	157	417	233

Operating earnings in 2011 amounted to 800 million NIS, a 101 million NIS decrease from 2010. Neutralizing these events, the operational profit increased by 90 million NIS.

Most of the decrease in operating earnings derives from segment-wide expenses, which amounted to 133 million NIS compared to 120 million NIS in revenues. The decrease in inter-segment revenues derives from the fact that last year revenue was included from revaluation in an affiliate to the amount of 256 million NIS (see Note 18.a.6 to the Financial Statements). On the other hand, a 65 million increase was listed in the overseas real estate ventures segment deriving from income listed for the revaluation of in investment in affiliates (to the amount of 82 million NIS), offset by an impairment provision due to land in Hungary (18 million NIS).

Furthermore, an increase was also listed to the amount of 60 million NIS in the Israeli real estate venture segment deriving among other things as a result of increased in apartment prices and in the number of apartments delivered, from the realization of investment property creating profits to the amount of 50 million mostly from the sale of real estate in Kiryat Atta to the company operating IKEA stores in Israel, a 13 million NIS increase in the overseas infrastructure and construction segment and a 23 million NIS increase in the Israeli infrastructure and construction segment.

Operating earnings in the fourth quarter of 2011 amounted to 157 million NIS compared to 417 million NIS in 2010. Most of the decrease derives from the fact that in the corresponding quarter last year revenue from the revaluation of an investment in an affiliate to the amount of 256 million NIS was included under segment-wide revenues. After neutralizing this profit, the operational profit remains similar to the corresponding quarter last year. Furthermore, a 58 million NIS decrease was listed in the foreign infrastructure and construction segment. On the other hand, a 23 million NIS increase was listed in the Israeli real estate ventures segment and a 14 million increase was listed in the Israeli infrastructure and construction segment compared to the same quarter last year.

Operating earnings in 2010 amounted to 901 million NIS, a 194 million NIS increase over 2009. The increase derives both from the increase in operational profits in the Israeli real estate venture segment (32 million NIS) as well as from a 40 million NIS increase in operational profits in the foreign infrastructure and construction segment mainly due to the expansion of the scope of the Company's foreign activity, which was offset by a 16 million NIS provision to the Solel Boneh streamlining plan and a 11 million NIS loss from the sale of waste treatment activity. In addition, a total of 256 million NIS was included in 2010 within the framework of segment-wide revenues deriving from the revaluation of an investment in an affiliate as noted above (in 2009 this item included a 130 million NIS profit from the allocation of shares in Shikun and Binui Real Estate).

Operating earnings in the fourth quarter of 2010 increased by 184 million NIS compared to the same quarter of the previous year, amounting to 417 million NIS. Most of the increase derived from an increase in segment-wide revenues, mainly due to income deriving from the revaluation of investments in an affiliate, as noted above, as well as due to the overseas infrastructure and construction segment (55 million NIS).

f. **Financing Costs, Net**

Net financing costs in 2011 amounted to a total of 167 million NIS compared to a total of 169 million NIS in the corresponding period last year. Financing costs referring to long-term credit amounted to a total of 298 million NIS this year compared to a total of 259 million NIS in the corresponding period last year. Most of the costs due to long-term credit are influenced by the changes in the rate of increase of the Consumer Price Index. The change in the CPI increase rate, an increase of 2.28% in the corresponding period last year to a 2.55% increase in the reported period, led to a 7 million NIS increase in these expenses. The expansion of debentures and added credit led to an additional increase in financing expenses referring to long-term credit to the amount of 33 million NIS. On the other hand, an offsetting influence was listed to the amount of 14 million NIS due to the increase listed in financing revenues deriving from loans granted to affiliates, which are also mostly influenced by the change in the CPI increase rate, as well as as a result of the fact that revenues from concession arrangements were included in the reported period (mainly due to the Northern Lanes Project) at higher rates than last year by some 21 million NIS.

Net financing costs in the fourth quarter of the year amounted to 50 million NIS compared to a total of 44 million NIS in the same quarter last year. The increase in net financing costs in the fourth quarter of the year derives mainly from raising short-term loans. At the same time, financing expenses due to long-term credit decreased relative to the corresponding quarter last year by some 13 million NIS as a result of the fact that the CPI increase was low in the fourth quarter of the year (a 0.2% decrease) compared to last year (a 0.65% increase). The CPI influence in question (to the amount of 21 million NIS) was offset from the increase in interest expenses (to the amount of 8 million NIS), due to the expansion of debentures and raising additional credit.

Net financing costs in 2010 amounted to a total of 169 million NIS compared to a total of 261 million NIS in the 2009. 54 million NIS from the decrease in net financing expenses (amounting to a total of 92 million NIS) derives from hedging activity of foreign currency transactions that the Company performs for part of the foreign currency exposure in its reports. An offsetting influence was listed in 2010 on hedging agreements that offset most of the influence of the change in exchange rates included within the framework of financing expenses, while in 2009 the hedging agreements had only a partially offsetting influence on the currency erosion in question. In addition, a 46 million NIS decrease was listed in financing expenses referring to long-term credit (mostly linked to the Consumer Price Index), mainly as a result of the fact that a 2.28% increase occurred in the CPI in 2010 compared to a 3.8% increase in 2009.

Net financing expenses in the fourth quarter of 2010 increased by a total of 7 million NIS compared to the corresponding quarter in 2009 and amounted to a total of 44 million NIS, compared to a total of 37 million NIS last year. Most of the change derives from the fact that a 0.65% increase occurred in the CPI in the fourth quarter of 2010 compared to a 0.2% increase in 2009.

g. Taxes on Income

Tax expenses amounted to 144 million NIS, unchanged compared to last year and compared to a total of 147 million NIS in 2009. Note that tax revenues to the amount of 9 million NIS were listed in the reported period as a result of updates to deferred taxes, the use of which is expected in coming years as a result of changes in tax rates. Israeli tax expenses amounted to 56 million NIS (identical to last year) while overseas tax expenses amounted to 88 million NIS (identical to last year).

h. Profits of Investees, Net

The Company's share of the results of investees in 2011 amounted to a loss of 44 million NIS, compared to a 43 million NIS loss last year. The reported period included losses listed by an affiliate dealing in the construction and operation of the Carmel Tunnels as well as losses due to an impairment provision listed by an affiliate acting to rent residential structures in Germany (the Company's share of these losses amounted to a total of 26 million NIS).

The Company's share of the results of investees in the fourth quarter of the year amounted to a loss of 13 million NIS, compared to a 37 million NIS loss ion the same quarter last year. The primary change derives from the fact that earnings were listed in the fourth quarter or the year for the Company's share of the results of Derech Eretz (the Cross-Israel highway concessionaire), compared to a loss included in this activity last year (the change in the results of Derech Eretz derives mainly from tax revenues listed due to the influence of the expected change on the tax rate). Furthermore, the fourth quarter of the year included an impairment loss listed by an affiliate operating in the rental of residential structures in Germany (the Company's share being 26 NIS), as noted above, while last year an impairment provision was listed by an affiliate operating in the production of electric power in Spain (the Company's share being 11 million NIS).

i. Earnings for the Period

Earnings in 2011 amounted to 444 million NIS (a 101 million NIS drop from last year) compared to 545 million NIS last year, and compared to 232 million NIS in 2009. After neutralizing the one-time profits, as detailed above, the profit increased by 89 million NIS in 2011, from 290 million NIS in 2010 to 379 million NIS in 2011.

A 69 million NIS profit was listed in the fourth quarter of the year compared to 295 million NIS in 2010 and compared to 133 million NIS in the corresponding quarter of 2009. Revenue was included in the fourth quarter of 2010 from the revaluation of an investment in an affiliate to the amount of 256 million NIS as noted above. Most of the profit in fourth quarter 2009 derived from the issuance of shares in a subsidiary to institutional investors to the amount of 130 million NIS. After neutralizing these events, the net profit in the fourth quarter of the year amounted to 69 million NIS compared to the net profit in the corresponding quarter last year to the amount of 39 million NIS.

3. Accumulated Orders

The Company's accumulated orders in the field of building and construction contracting as of December 31 2011 amounts to 9.6 billion NIS, of which 7.8 billion NIS ($2.05 billion) is for overseas activity. This accumulation reflects an 11.6% increase compared to the Company's accumulated orders on December 31 2010, which amounted to 8.6 billion NIS, of which 6.6 billion NIS ($1.8 billion) is for overseas activity.

4. Liquidity and Financing Sources

The cash flow from current activity amounted to 44 million NIS in 2011 compared to 733 million NIS last year. The decrease derives mainly from changes in property items and in liabilities that increased the cash flow from current activity by 57 million NIS last year while in the reported period created a 659 million NIS decrease in cash flow from current activity. This change mostly derives from a 708 million NIS change in the balance of clients ordering works and from changes in advance payments from clients, mostly abroad.

The cash flow used for investment activity in 2011 amounted to 57 million NIS, compared to a total of 389 million NIS used by the Company last year. The change compared to last year derives mainly from an additional investment in Derech Eretz in December 2010. The cash flow for investment activity is used by the Company mainly for investments in fixed assets which amounted to 378 million NIS this year, mainly for supporting the increase in infrastructure activity abroad.

The cash flow used by the Company for financing activity in 2011 amounted to a total of 135 million NIS compared to 125 million NIS used for financing activity last year. In 2011 the Company redeemed credit to the amount of 576 million NIS and paid interest to the amount of 234 million NIS, and paid dividends to shareholders to the amount of 379 million NIS (see Section 1.c. of this report). At the same time, the Company received credit to the amount of 1,135 million NIS. On the other hand, in 2010 the Company redeemed credit to the amount of 836 million NIS, paid interest to the amount of 195 million NIS, paid dividends to shareholders to the amount of 108 million NIS while at the same time, received credit to the amount of 1,061 million NIS.

The Company's working capital as of December 31 2011 amounted to 471 million NIS compared to 954 million NIS at the end of 2010.

The Company has balances of cash and cash equivalents as of December 31 2011 to the amount of 1,255 million NIS and unused credit frameworks to the amount of 430 million NIS.

	Debentures and Credit from Banks and Others	Cash and Cash Equivalents	Deposits and Short and Long-Term Loans	Net
		Millions of NIS		
Infrastructure and construction abroad	11	603	85	(677)
Infrastructure and construction in Israel	2	314	69	(381)
Israeli real estate ventures	1,044	123	325	596
Foreign real estate ventures	243	7	14	222
Renewable energy	51	14	9	28
Water	14	1	4	9
Concessions (Netivei Hatzafon)	359	6	29	324
Company HQ	3,020	188	5	2,827
Total consolidated	4,744	1,256	540	2,948

5. Financial Status

a. Equity

The Company’s equity as of December 31 2011 amounted to 969 million NIS, compared to 875 million NIS on December 31 2010. The increase in equity largely derives from 444 million NIS in profits in, from adjustments due to the translation of the financial statements of overseas subsidiaries to the amount of 87 million NIS (largely prepared in dollars and euros), and from the attribution of a benefit from the issue of 8 million NIS of options to employees and executives offset by dividends declared for shareholders to the amount of 379 million NIS and from dividends paid minority shareholders to the amount of 66 million NIS.

b. Current Assets

Total current assets held by the Company amount to 5,026 million NIS as of December 31 2011. The balance of current assets increased by 140 million NIS this past year, compared to the end of the previous year. The key changes derive from a 435 million NIS increase in the balance of customer income receivable (407 million NIS abroad). The increase in the foreign customers balance derives mainly from delays in collecting the debts of the Nigerian government during the Nigerian election period. The balance of customer income also increased in Uganda due to the implementation of large projects. In addition, a 139 million NIS increase occurred in the balance of buildings for sale. The increase in the inventory of buildings for sale derives from the operation of lands in the Rehovot Dreams project and the Tzur Natan project (46 million NIS), investment in commercial centers under construction (50 million NIS) and from investments in projects under construction in Kiryat Ono, East Netanya and Givatayim (138 million NIS). On the other hand, the inventory of apartments under construction in Ir Yamim in Netanya and in Talmei Menasheh decreased (by 98 million NIS) as a result of the delivery of apartments to buyers in these projects. Likewise, a 24 million NIS increase was listed in loans and short-term investments, mostly due to the current portion of payables due to concession arrangements following the works in the Netivei Hatzafon project. In addition, the overseas inventory saw a 55 million NIS increase due to the increase in the scope of activity. On the other hand, a 102 million decrease was listed in the cash balance (a decrease of 110 million NIS abroad and increase of 8 million NIS from activity in Israel). A 273 million decrease was also listed in deposits in banking corporations, most of which was used to repay short-term credit for real estate venture activity abroad. In addition, a 113 NIS decrease was listed the balance of short-term loans to investees, deriving from the sale to A.D.O (an affiliate) of holdings in affiliates in Germany to which these loans were granted (113 million NIS) (see also Section 1.c of this report), and from the repayment of loans granted investees (a total of 46 million NIS). On the other hand, a 9 million NIS revaluation was listed due to a loan in euros granted an affiliate operating in Spain due to the increase in the exchange rate of the euro and its classification to current assets to the amount of 35 million NIS of long-term loans granted investees in the field of concessions that are expected to be repaid in the near future.

c. Non-Current Assets

Total non-current assets amount to 4,581 million NIS, a 913 million NIS increase over the end of the previous year. Key changes derive from a 215 million NIS increase over the end of last year in the balance of fixed assets, mainly due to the purchase of machinery and equipment overseas to support the Company’s infrastructure activity abroad. Furthermore, a 291 million NIS increase occurred in receivables due to concession arrangements following the works in the Northern Lanes Project (272 million NIS) and following progress in the Tel Aviv student dormitory construction project and a project for the construction of a pneumatic garbage removal system in Yavneh (both together 19 million NIS). A 163 million increase was also listed in investments in investees, largely deriving from the purchase of a 48% stake in A.D.O in return for 189 million NIS (see also Section 1.c. of this Report). In addition, a 132 million increase was listed in the inventory of land, comprised of a 153 million increase in Israel offset by a 21million decrease abroad (an impairment provision was listed abroad for land for the construction of a residential project in Hungary). The increase in land in Israel derives mainly from investments in real estate in Rosh Ha’ayin, Tzur Natan and Yokneam.

Furthermore, a 144 million increase was listed in payables, loans and deposits comprised from a 68 million NIS increase in Israel mostly deriving from an engagement with the operator of IKEA stores in Israel for the construction of a project in Kiryat Shmona (our stake being 50%), which will include a commercial center and parking areas, and loans granted the land’s owners pertaining to the Hadera project for the purpose of removing liens from the land and for the partial payment of the betterment tax, less the repayment of a loan using receipts from the sale of nearby land. In addition, a 76 million NIS increase was listed abroad deriving from long-term deposits.

On the other hand, an 56 million NIS decrease was listed in loans to investees mainly due to 122 million NIS repaid in the reported period and due to the classification of 35 million NIS that are supposed to be repaid in the near future to the current assets group (within the framework of short-term loans to investees), offset by 107 million NIS in interest and linkage accumulated on loans granted investees. Furthermore, a net decrease of 10 million NIS was listed in the balance of deferred tax assets originating in 19 million NIS constituting use of tax assets. On the other hand, deferred tax assets were listed to the amount of 9 million NIS as a result of the influence of the expected change in the tax rate in the future due to activity in Israel.

d. Current Liabilities

Current liabilities increased by 623 million NIS in 2011, compared to the end of 2010, amounting to 4,555 million NIS. The key changes are: a 247 million NIS increase in short-term credit from banking and other corporations deriving mainly from a 243 million NIS increase in current maturities. Note that net short-term credit was raised in Israel in the reported period to the amount of 227 million NIS, offset by the redemption of short-term credit for loans abroad to the amount of 223 million, as the result of the sale of the holdings of investees in Germany to A.D.O (see Section 1.c. of this report). A 165 million NIS increase occurred in subcontractors, suppliers and service providers (30 million NIS of which deriving from works abroad), a 28 million NIS increase in the balance of advance payments from customers, mainly from apartment buyers in Israel and a 27 million NIS increase in current tax liabilities abroad as a result of an increase in the scope of activity. In addition, a 76 million NIS increase was listed in the balance of payables – work commissions, mainly as a result of advance payments received in projects abroad (113 million NIS), offset in part by a 38 million NIS decrease listed in Israel, among other things due to progress in projects and the use of advance payments received in the Tel Aviv Courthouse project.

e. Non-Current Liabilities

The main component of this item are the debentures issued to institutional investors and liabilities to banking and other corporations amounting to 3,848 million NIS as of December 31 2011, a 374 million NIS increase compared to the end of the previous year. Most of the net increase derives from additional credit raised (a total of 1,135 million NIS), the revaluation of loans to the amount of 66 million NIS, an increase in current maturities (243 million NIS), the repayment of credit to the amount of 398 million NIS, the self-purchase of debentures (a total of 26 million NIS, see Section 1.c. of this report), and the reclassification of loans from long to short term (a total of 160 million NIS).

Total other liabilities (due to employee benefits, deferred taxes, provisions and surplus losses accumulated in affiliates) amount to 234 million NIS, a decrease of 38 million NIS compared to the end of 2010.

6. **Details Regarding Bonds (Debentures)**

Debentures – Series 2

Issue date	April 18 2007
Trustee:	The Union Bank Trust Company Ltd. 6 Ahuzat Bayit Tel Aviv

The Company has received announcements from the Union Bank Trust Company Ltd. according to which it has entered into an agreement with Clal Finances Trusts 2007 Ltd., in which Clal Trusts 2007 Ltd. would take upon itself the position of trustee for this series.

NV Upon issue:	1,000,000,000 NIS
Balance of notational value in circulation as of December 31 2011	600,000,000 NIS (in March 2010 a total of 400,000,000 NIS of the series was replaced with Series 4).
The balance of the notational value in circulation is revalued according to the linkage terms:	703,568,251 NIS.
Linked interest – 5.2%, sum of interest accumulated as of December 31 2011	7,317,110 NIS
Market value of 1 NIS NV as of December 31 2011	1.2179

The principal shall be repaid in 4 equal payments on April 18 of each of the years from 2012 through 2015.

Interest shall be paid twice a year on April 18 and on October 18 of each year until the debentures' final repayment date (April 18 2015).

The debentures (Series 2) were rated by A2 by Midroog and classified as long-term.

The principal and interest are linked to the March 2008 Consumer Price Index published on April 15 2007 (98.9).

According to the terms of the debentures, a number of cases were established in which the trustee will be entitled to repay the uncleared balance of the debentures immediately. These cases include: failure to repay any sum within 7 business days of its repayment, the appointment of a liquidator for the Company, whose appointment is not revoked within 30 business days, the rating of the debentures drops below A3 from Midroog or (A-) from Ma'alot, the Company becomes private, the Company loses control over Shikun & Binui Real Estate or the Arison Group is no longer the Company's controlling shareholder and a procedure freezing motion has been filed against the Company, which has not bee revoked within 45 days.

As of the reported date and as of the approval of this report, none of the cases listed above have occurred.

Debentures – Series 3

Issue date:	September 29 2009 (the series was expanded according to the August 4 2010 shelf offering)
Trustee:	Clal Finance Trusts 2007 Ltd. 37 Menachem Begin St. Tel Aviv.
NV Upon issue:	200,000,000 NIS
Balance of notational value in circulation as of December 31 2011:	289,920,000 NIS
Interest 7.9% unlinked, sum of interest accumulated as of December 31 2011:	7,570,939 NIS
Market value of 1 NIS NV as of December 31 2011	1.0918

On September 29 2009 the Company performed a private issuance of 200 million debentures worth 1 NIS NV each (Series 3) to institutional investors. The proceeds from the issue amounted to a total of 200 million NIS (the net yield after issuing costs is 197 million NIS).

In August 2010 the Company performed an additional issue (expansion) of additional debentures (Series 3) to the amount of 89,206,000 NIS NV debentures worth 1 NIS NV each (expansion to Series 3). The proceeds from the issue amounted to a total of 101 million NIS (the net yield after issuing costs is 100 million NIS). The expansion in question of the debentures series (Series 3) was carried out in accordance with the shelf offer report published on August 4 2010 on the basis of the shelf prospectus published by the Company on May 26 2010.
The debentures (Series 3) will be redeemed in 8 equal semiannual payments, for each of the years from 2013 to 2016. The debentures are not linked to any linkage basis and bear interest at a yearly effective rate of 8.4% (listed interest is 7.9%). Interest shall; be paid every six months. The debenture issue in question was carried out in accordance with the shelf offer report published on September 23 2009 on the basis of the shelf prospectus published by the Company on May 19 2008 (including the amendment published on July 23 2009).

The debentures in question were rated by A2 by Midroog and classified as long-term.
According to the terms of the debentures, a number of cases were established in which the trustee will be entitled to repay the uncleared balance of the debentures immediately. These cases include: failure to repay any sum within 60 days of its redemption date, the appointment of a liquidator for the Company whose appointment is not revoked within 60 days, a material foreclosure on the Company or on any of its material assets that is not removed within 60 days, forfeiture of the Company's material assets that is not revoked within 60 days, appointment of a permanent receiver, the Company’s announcement that it would no longer repay its debentures, discontinuation of the Company’s activity, immediate repayment of another of the Company’s debenture series, the Company’s liquidation or erasure and any other event that constitutes a material impact on the rights of the debenture holders.
As of the reported date and as of the approval of this report, not of the cases listed above have occurred.

Debentures – Series 4

Issue date:	March 4 2010 (the series was expanded according to the August 4 2010 shelf offering).
Trustee:	Hermetic Trusteeship (1975) Ltd. 113 Hayarkon Tel Aviv.
NV on the issue date:	492,000,000 NIS.
Balance of notational value in circulation as of December 31 2011:	1,169,216,065 NIS
Balance of the notational value in circulation revalued according to the linkage terms:	1,234,602,187 NIS.
Linked interest – 4.8%, sum of interest accumulated as of December 31 2011	18,107,499 NIS
Market value of 1 NIS NV as of December 31 2011	1.0914

The debentures (Series 4) are linked to the January 2010 Consumer Price Index (principal and interest) and bear an annual effective interest rate of 6.6% (the listed interest rate is 4.8%). The debentures (Series 4) are redeemable (principal) in 5 yearly payments, paid on March 10 of each of the years from 2015 through 2019. Interest is paid in two equal semiannual payments on September 10 and March 10 of each year up to and including March 2019. Midroog has given the debentures (Series 4) a rating of A2.

In July 2011 the Company’s Board of Directors decided to make a private issue to classified investors of debentures (Series 4) traded on the Tel Aviv Securities Exchange Ltd. (“the Debentures”). The debenture issue was carried out through the expansion of the series, at a notational value of 147,000,000 NIS and in return for a sum of 160,965,000 NIS at a cost of 109.50 NIS per 100 NIS NV debentures. After the private issue, the balance of the debentures amounts to 1,140,216,065 NIS NV, in accordance with the provisions of the debentures’ indenture, the Company informed the debentures’ trustee of the series expansion in question, and the trustee informed the Company that these debentures would constitute part of the series of debentures (Series 4) and the provisions of the indenture shall apply to them. The price of the debentures on the stock market as of July 21 2011 was 1.1035 NIS per debenture.

In addition, in July 2011 the Company’s Board of Directors decided to perform a private issue (which was not a material private offering) to classified investors of debentures (Series 4) traded on the Tel Aviv Securities Exchange Ltd. (“the Debentures”). The debenture issue was carried out through the expansion of the series, at a notational value of 29,000,000 NIS and in return for a sum of 31,755,000 NIS at a cost of 109.50 NIS per 100 NIS NV debentures. After the private issue in question the balance of the series of debentures amounts to 1,169,216,065 NIS NV, in accordance with the provisions of the debentures’ indenture, the Company informed the debentures’ trustee of the expansion of the series in question, and the trustee informed the Company that these debentures would constitute part of the series of debentures (Series 4) and the provisions of the indenture shall apply to them. The price of the debentures on the stock market as of July 26 2011 was 1.1077 NIS per debenture.

The terms of the debentures are identical to the terms of the debentures (Series 4) as described in the shelf offer report published by the Company on February 18 2010. The debentures were issued above their adjusted value (principal and interest). The debentures shall be listed for trade on the stock exchange but shall be limited by the blocking restrictions set in Section 15c of the Securities Law, 1968 and resulting regulations.

On August 1 2011 Midroog announced a rating of A2 Stable Horizon for the debenture series in circulation and Midroog also granted an identical rating to the offering noted above.
The issues in question were carried out on August 3 2011, in return for a total of 193 million NIS (the net yield after issuing costs is 192 million NIS). The effective interest due to the expansions in question is at an annual rate of 4.48%.

Debentures – Series 5 (issued subsequent to the reporting date)

Issue date	January 1 2012
Trustee:	Hermetic Trusteeship (1975) Ltd. 113 Hayarkon Tel Aviv
NV on issue date: January 1 2012	235,000,000 NIS

Balance of the notational value in circulation revalued according to the linkage terms: 235,000,000 NIS.
Linked interest – 5.5%

The principal shall be repaid in 6 equal payments on June 30 of each of the years from 2017 through 2022.
Interest shall be paid twice a year on June 30 and on December 18 of each year until the debentures' final repayment date (June 30 2022).
The debentures (Series 5) were rated by A2 by Midroog and classified as long-term.
The principal and interest are linked to the November 2011 Consumer Price Index published on December 15 2011 (104.0).
According to the terms of the debentures, a number of cases were established in which the trustee will be entitled to repay the uncleared balance of the debentures immediately. These cases include: failure to repay any sum within 14 business days of its repayment, the appointment of a liquidator for the Company, whose appointment is not revoked within 45 business days, the rating of the debentures drops below Baa3 from Midroog or BBB from Ma'alot, control of the Company is transferred in such a manner that as a result the rating of the debentures from the relevant series is decreased (with the exception of changes in control as a result of regulatory requirements), and this transfer was not approved by the debenture holders' meeting via regular majority.
As of the reported date and as of the approval of this report, none of the cases listed above have occurred.

7. Sustainability

Since 2008 the Shikun & Binui Group has managed its activity at the structural level in accordance with the sustainability principle, with the aim of realizing the Group's vision of creating a sustainable living environment in Israel in particular and in the world in general. The sustainability principle requires the implementation of economic, environmental and social considerations in management and decision making processes, and in deciding to adopt this approach, Shikun & Binui chose to join an ever-growing number of leading world companies seeking to promote proper business behavior, that will allow global growth and prosperity without having a negative impact on humanity and the environment and the needs of future generations.
If in the past this behavior was particularly vital for companies active on the international stage, today sustainability is also vital to domestic companies and the influence of sustainability on the activities of these companies is evident.

To establish the sustainability management, the Shikun & Binui Group management has decided to adopt the Sam Group Holdings index, which implements the Dow Jones sustainability index. Adoption of the index is a voluntary process. The measurement takes place as part of the Company’s decision to act in preparation for compliance with international goals and implementing best practices in the fields of sustainability, in congruence with the behavior of leading world companies.

For this purpose the group performs analyses of the SAM reports, providing, among other things, grades according to sectors (for instance for the field of renewable energy, water etc.); as well as average grades and threshold grades that allow an in-depth learning process, alongside new goals to achieve, thus challenging the companies and giving them the opportunity to improve their grades accordingly.

Over the course of the year the group began to apply required actions in order to improve its grades in the measurement that is supposed to take place in the end of 2012, this improvement will allow the Company to be tested according to leading global criteria and estimate its sustainability, thus deriving the Group’s improvement and development challenges in the field of sustainability. SAM indices are detailed on matters pertaining to aspects of the Group’s management as a whole, in economic, social and environmental fields. Out of these detailed indices the Group has constructed an internal management array that includes a series of questionnaires for accompanying central projects and managing human resources.

With Israel joining the OECD, an examination has begun of the Group’s compliance with advanced sustainability standards, and the Group has begun taking part in the “Green Growth – Green Construction” project.

A key challenge in sustainability management derives from the absence of agreed-upon management tools. Therefore, the Group has chosen to develop unique management tools appropriate to the Group’s needs and those of its subsidiaries. These include formulating processes, constructing procedures and establishing computerized management systems. In order to establish and deepen capabilities in the field of sustainability, it was decided to appoint a sustainability supervisor in each of the subsidiaries in the Group subordinate to the VP of Sustainability, in order to implement these tools.

The Group continued to deepen sustainability management processes in 2011. The following steps were taken, among others:

- The process of improving tools for promoting sustainable design and construction tools has continued, both through the implementation of systematic principles for the selection of architects, whose work is compatible with the Group’s sustainability principles, and through a regular plan assessment system, with the aim of ensuring the optimal application of sustainability principles in the design of the projects the Group is involved in.
- The process of formulating the Group’s employment policy within the framework of the sustainability forum, which is compatible with the sustainability principle, is being continued.

- The implementation of interested party participation principle, a subject declared a central goal of the Group for 2011, continued.
- The office building to which the Group moved in 2011 was designed according to the Group’s sustainability principles, taking into account social considerations and the possibility of adapting the existing building to green standards, while applying a rational economic approach. In addition, green construction principles were applied: added insulation (over the existing frame), use of natural light, use of shading systems (rolling shutters to modulate light); use of water savers in all taps and showers, double-flush toilet tanks, collection of condensation from air conditioning for irrigation and installation of cost-efficient lighting system in the underground parking garage (60% savings in power consumption). During the implementation stage, proper work processes were carefully observed, including supervision of subcontractors working in the building and treatment of construction water during the restoration. The structure’s operational approach also involved sustainable thinking, including taking care to use cleaning methods that did not involve hazardous materials, use of green gases for the air conditioning system as well as care for the workers’ welfare by installing a workers’ shower an creating pleasant and varied dining areas.

The office building was submitted for documentation pursuant the LEED standard, the U.S. standard for sustainable construction, in the “Gold” category for existing buildings.

- In order to reduce the Group’s environmental footprint, a process of mapping and analyzing environmental influences was carried out, focusing on carbon emissions and fuel consumption. The Group plans to process the mapping data in question and put together a work plan to reduce these influences.

  A great deal of activity was carried out to reduce the environmental footprints in concrete factories by recycling water, using fly ash, crushing concrete and using crushed waste. Extensive use was made of recycled materials for filling and beddings (hundreds of thousands of tons in Route 6) and as flooring infrastructure (sand recycled from quarry waste, instead of dune sand).

  The implementation of Israeli Standard 5821 in the Group's projects was expanded (in the fields of development and infrastructure in Israel) along with the implementation of the American LEED standard in the Ir Yamim and student dormitory projects.
- Pursuant to the field of renewable energy, the Tze’elim project was submitted and approved for the reduction of greenhouse gas emissions and as a result of these the project will be entitled to grants for 10 years.
- The Company has continued with its involvement in the Standards Institute. Group employees have made a significant contribution to the formulation of the new green construction standard (5281), to the promotion of the new standard for managing sustainability (social responsibility) (IS 10000) and to the development of additional standards. In addition, Group representatives have continued with their activity within the framework of the Israeli Council for Green Construction. Improvement process were put together in preparation for performing reporting and controlling steps for the Group’s sustainability activity, such as within the framework of SAM reports.
- Within the framework of orientation meetings given new employees hired by the Group, sustainability content were also provided workers, with the aim of deepening the shared language and understanding of the sustainability concept among all employees.

  The employment policy form has yet to be approved.

8. Social Involvement and Contribution to the Community

Over the course of 2011 the Group expanded its community relations activities, while emphasizing the Group's commitment to future generations by investing in projects promoting sustainability education. As Israel's largest and leading infrastructure and real estate group, Shikun & Binui sees itself as responsible not only for building and developing the country in such a way so as to prevent harm to the environment and to the future, but also for nurturing the human society in which its business activity takes place.

The Group invested some 1 million NIS in 2011 in various social and educational activities, including: adopting the ORT Avin School (which was certified as a green school), accompanying the "young business leadership" project in Beersheba (including dedicating an AKIM preschool and turning it into a green institution), founding a library in the Yarden School, accompanying schools in nature outings, adopting the LOTAR unit as part of the "Adopt a Warrior" campaign, handing out 8 scholarships, supporting 30 non-profit organizations, Tu Bishvat planting activity in schools around the country with the participation of LOTAR soldiers and more.

Beyond the economic investment in social activity, the Group encourages its workers to take an active part in volunteer activity, and over the course of 2011 invested 1000 hours of volunteerism by employees in lieu of work hours. Community volunteering contributes to deepening the relationship between the Group and the people influenced by its activities and projects.

In addition to investing economic and human resources in community relations projects, Shikun & Binui harnesses the professional capabilities, knowledge, experience and capabilities it has accumulated over the years in favor of social activity, such as: repair and carpentry work carried out by Shikun & Binui Construction Accessories Department workers at a school in central Israel, the construction of an awning (in addition to financing), the construction of new structures including a shelter for the school, assistance in renovating a library in a school in central Israel and more.

The Arison Group Good Deeds Day – this year some 130 Shikun & Binui workers take part, for the fifth time in a row, in various activities as part of the Good Deeds Day – a day that has become a tradition among Group workers, who gladly apply their capabilities, creativity and work for the welfare of children in Israel and around the world; painting walls and decorating them with beautiful drawings and constructing two gardens for a Ramlah after-school center for at-risk youth, setting up drawing boards and putting together an interactive game in the yard of a school for special-needs children, constructing a garden and performing painting works in conjunction with the children of an ORT school in northern Israel, painting and providing floor art for the yard of a school in Beersheba, renovating a playground in an ADO structure in Berlin, recruiting the LOTAR soldiers (a unit adopted by Shikun & Binui as part of "Adopt a Warrior") to paint the apartments of children from a school in central Israel.

9. Reporting on Exposure and Market Risk and Management Thereof

a. The Party Responsible for Market Risk Management at the Corporation

The party responsible for risk management at the Company is Doron Blachar, the Chief Financial Officer, a senior Company executive (see Regulation 26a in the report on additional information regarding the corporation).

b. Description of the Market Risks to which the Company is Exposed

1. Industry and National Economy Risks

- Slowdown and recession and financial uncertainty – activity in the field of real estate and in the field of infrastructure contracting is significantly influenced by the economic situation in the countries in which the group is active, including Israel. Slowdown and recession and economic uncertainty in the Israeli economy may lead to a drop in demand and in work orders, which may harm the Group's revenues and profitability. The global economy is still going through a deep economic crisis, particularly in the Euro zone countries (Portugal, Ireland, Greece, Spain, Italy); the EU has provided Greece with financial assistance in return for a commitment to perform significant budget cuts.

  Certain states are undergoing a deep business and financial freeze, which is evident in the lowered ratings by the leading rating agencies including the United States and France, the AAA rating of whom has been reduced after remaining unchanged for several decades. Concerns still exist regarding the stability of several countries and for the IMF's need to intervene, a fact that influences financing capabilities, exchange rates, project financing by large bodies such as the World Bank, and in particular winning and financing BOT projects.

- State budget – projections regarding the implementation of works in contracting and manufacturing companies in Israel and abroad, particularly Solel Boneh Infrastructures and Shikun & Binui S.B.A. infrastructures is mainly based on the companies' existing work inventory, and to a lesser degree, the receipt of new works for which tenders are issued in 2011-2012. In the event of cuts in the development budgets of the Ministries of Transportation in Israel and in the countries in which Shikun & Binui S.B.A. is active, as well as those of the government companies and other work providers dependant on government budgets, there may be an impact on the Company's scope of activity and profitability. The influence in this case is multi-year.

- Lack of political instability in the foreign countries in which the Group is active – a significant portion of the Group's activity in the field of infrastructure contracting is concentrated in Africa and Central America and in third world counties, which are exposed to frequent political changes. These changes may have an impact, among other things, on the economic state in these countries and may lead to economic, fiscal and monetary instability.

  Frequent changes in economic legislation, asset expropriation or nationalization, disruption or discontinuation of financing from international financing bodies and so on, may impact the Group's activity in these countries, including its ability to continue acting in the countries, its ability to back up debts for works carried out, the ability to remove equipment and machinery form the countries and so on. The lack of stability that characterizes the third world and developing nations in which the Group is active, may also lead to changes in the exchange rates of the local currencies relative to the dollar or the euro (customer debts denominated in local currency, which is exposed to the risk of changes in exchange rates), restrictions placed on the movement of foreign currency or other restrictions placed on foreign countries, that may prevent or limit the withdrawal of profits from the local company to the Company.

In addition, most of the operating countries in Africa are dependent on a single export product (commodity), such as oil or cocoa beans, and fluctuations in their international process have an immediate and significant impact on the country's economy.

- Security situation – a worsening of the security situation around the world, including in Israel and in countries in which the Group is active which are characterized by unstable governments, may have an impact on the Group's activities, expressed, among other ways, in the inability to operate in the active countries, manpower shortages in its areas of activity, shortages in raw materials, raised project costs and so on.

- Workers – the ability to recruit a sufficient amount of trained workers and administrative staff constitutes a threat to the ability of contracting companies to carry out the projects and increase their activity. The price of an hour of work and output varies according to the type of worker or work group, government legislation, type of work, as well as supply and demand.

The Israeli government is applying a multi-year policy to limit the number of foreign workers in the Israeli economy in general and in the construction industry in particular. In recent years, this policy has led to a reduction in the number of trained workers, an increase in salary costs and extended work times. This change is only slightly expressed in the residential construction receipts index.

Over the course of 2012, foreign workers in Israel are expected to be gradually replaced by workers from Bulgaria and Romania following agreements with these countries.

In the event of a severe shortage in manpower as a result of an additional limitation in the number of foreign workers by the government and/or failure to apply bilateral agreements or an increase in the cost of hiring a foreign worker past the cost taken intro account in pricing projects, an impact in the projects' results may be possible.

In addition, the ability to carry out projects in Israel and abroad as well as the potential to increase the scope of activity is limited by the scope of the managerial staff that can be hired – project managers, project engineers and foremen. IN the event that the contracting companies are incapable of locating appropriate managers at the required amounts, am impact is possible on the ability to carry out the projects and on their results, as well as the ability of the companies to continued growing at the required rates.

- Land management – the regulatory process in effect in Israel in the field of land betterment and rezoning often lead to delays in long-term development plans and create uncertainty regarding the dates on which the required planning approvals are received. Such a situation can lead to delays, to harm to projects and to failure to meet the Group's goals. In addition, a drop in land values, among other things as a result of security situations, economic crises and more, may have an effect on the feasibility of projects and on profit projections.
  In addition, the expropriation of land for public purposes ay lead to a drop in the value of the land and to an impact on the ability to use them.

- Partners – the Group is party to shared activity with other factors in the construction industry in general and in the field of concessions and infrastructure in particular. Financial and other problems partners are undergoing as well as conflicts of interest between the partners and the Group may lead to delays in carrying out the joint projects, to increases in project costs, to the discontinuation and failure to achieve the earning potential of these projects. Furthermore, the selection of strategic partners has an impact on the PR level and problems may arise in cases of agreements with partners whose images contradict the Group's sustainability values.

- Winning tenders and increasing accumulated orders – the Company's ability to win tenders and increase its accumulated orders is a crucial component of its ability to increase the scope of its activity and profits, particularly in the fields of concessions and infrastructure. In the event that the Company fails to win tenders and receive works at the required scopes, among other things due to multiple competitors, the Company's ability to expand its activity may be harmed, and damage may be caused to its profits and cash flows.

- Acquisition of companies – as part of the Company's strategic plans, the Company from time to time studies the option of purchasing companies, in order to expand its operations and to enter into new areas of activity while realizing growth and profitability projections. Failure to assimilate the acquired activities and the inability to meet projections may lead to failure to achieve the added value expected from these purchases and even the drop in value of intangible assets included in the purchases in question. Furthermore, the acquisition of companies will required additional financing resources, which may increase the Company's leverage ratio, harm its financial stability, and even impact its rating company rating.

- Entry into new areas of activity and new countries – as part of the expansion of its activities, the Company acts to enter into new areas of activity and new countries. Entry into new countries involves, among other things, investing significant managerial and financial resources and dealing with risks, some of which are unfamiliar to the Company, including matters pertaining to the local market characteristics, regulation and local business culture, in such a manner that may harm the Group's profitability and cash flow.

- Changes in capital markets in Israel and around the world – a slump in capital markets inside and out of Israel may have a negative impact on the prices of the tradable securities held by the group and by its investees, influence their ability to produce capital gains from the realization of their holdings, hard their ability to go public on stock exchanges in Israel and elsewhere, as well as impact the Group's debt repayment rating and that of companies held by it from rating bodies. In addition, a worsening in market conditions may raise difficulties in finding sources of finance when these are required by the Group and companies held by it to finance their current activities, to recycle the loans and debentures in circulation today as well as impact financing costs.

- The euro zone crisis – the financial crisis in the countries belonging to the euro zone had a minor impact on the Company in 2011.
  Over the course of this crisis, in the past two months the international credit rating has been lowered for a significant number of key euro zone states including France, Spain, Ireland, Greece, Portugal, Belgium, Cyprus and Slovenia, with the credit rating of some of these countries lowered by more than one international agency. In addition, Eastern European countries such as Hungary and Romania in which they are active were significantly impacted by the crisis. The continuation of the crisis may harm the value of the assets and the Group’s operating ability in these countries.
  Furthermore, recently there have been more and more estimates among international investment house and analysts that that European economy might enter a recession and the state of the euro zone may continue to deteriorate and reach as far as liquidation; these estimates still hold, despite the agreement reached some two months ago at the EU leaders’ summit regarding the imposition of a new fiscal treaty.

- Concession projects – the Company, by itself and through subsidiaries, acts within the framework of a number of BOT/PFI projects (hereinafter: “**Concession Projects**”) both as a partner in the concession holder, as a partner in the construction contractor (and carrying out contracting works for the construction contractor), and as a partner in the operation and maintenance contractor, as detailed extensively above. The concession projects, by their very nature, are based on a division of risks between the commissioning party (largely the State) and the concessionaire, between the concessionaire and the financing body, and between the concessionaire and the construction and operation contractors. The division of risks is different, to a certain degree, in each of the projects, but there are a number of key material risks that are borne by the concessionaire, the construction contractor or the operation and maintenance contractor, as the case may be. Note that pursuant to the concession agreement signed in relation to the projects in question, the State took some of the risks in question upon itself, and some were borne by the concessionaire, in accordance with risk division mechanisms set in the concession agreements. Most of the risks derive from the need to perform long-term estimates and evaluations characterizing projects in the field of concessions.

The following are partial details of material risks borne by the Company pursuant to its participation in the projects in question:

- Demand risks – this risk is mostly divided between the commissioning party and the concessionaire, with the concessionaire bearing the risk in a partial manner. In the event that the risk is realized (meaning – a decrease in risk), the yield from the shareholders' investment in the concessionaire will drop, and in extreme cases the shareholders may even lose all or some of their investments in a concessionaire.

- Financial risks – most of the financial risk in the project is borne by the State, including CPI and exchange rate risks, and interest change risks. At the same time, not all of the risk was passed on to the State and the concessionaire is also exposed to these risks. Until the financial closing, exposure exists to possible changes in the state of the financial markets that may influence the concessionaire's ability to raise the loans required to finance the projects and on the prices of foreign capital, in this regard there is also a certain exposure of the influence of the Israeli political-security situation on the state of Israeli financial markets and on willingness to provide loans for projects in Israel.

- Construction risks – these risks are borne in full, as a rule, by the construction contractor, who takes upon himself the implementation of the project "back to back" with the concessionaire's obligations in accordance with the concession agreement, in a turnkey agreement. Key construction risks are: licensing and design risks, timetables, performance quality and deviations in construction costs. Note that in all projects the construction price is linked to the CPI or to a relevant index basket, in accordance with the linkage mechanisms set in the concession agreements. Pursuant to the concession agreements, the state bears the index change risk. At the same time, this mechanism provides partial protection only to the construction contractor, as in most case the input basket in practice in construction is different from the relevant index component. The Company is active in a variety of ways to reduce its exposure to changes in input prices, but this does not neutralize the influence of the change in input prices in full.

- Operation and maintenance risks – these risks are borne, as a rule, on the operation and maintenance contractor, subject to price adjustment mechanisms in accordance with the increase in the relevant indices and with other arrangements set in the concession agreements.

For the exposure to risks deriving from engagements in concession agreements, construction and operation agreement and financing agreements, the Company and its subsidiaries provide performance and quality collateral to guarantee their commitments in accordance with these agreements, and the realization of the risks in question may bring about the forfeiture of this collateral.

- Raw materials availability – disruptions in the supply of various raw materials including imported products as a result of port strikes, or products manufactured in the country of activity as a result of strikes in specific industries, or as a result of security or economic conditions in the countries of supply or destination, may lead to the delay or discontinuation of projects by the Group.

- Exposure to government policy in the field of real estate and regulation – the Group is exposed to government policies both in Israel and in countries active outside of Israel, such as apartment purchasers' assistance policies; taxation policies, mortgage policies; land unfreezing and marketing policies; planning policies. Furthermore, changes in the laws and standards relevant to the Group's activities in Israel and around the world may have a certain impact on the Group's profitability and cash flow.
  The Group's activity is exposed to regulatory restrictions on concentration in accordance with the Restraint of Business Law, 1988. Increased regulation in this area may reduce and/or limit the Company's investment and/or holding options.
  The final recommendations of the Centralization Committee were published in February 2012. Included in the recommendations were instructions regarding the separation between real and financial holdings and instructions regarding pyramidal holding structures and "gap companies". The final recommendations of the Centralization Committee and particularly those pertaining to the separation between real and financial holdings, if and when these are adopted and anchored in legislation, may have a negative impact on the scope of credit Group members will be able to receive and even limit it to a very significant degree, in light of the fact that the Company's controlling shareholder, as of the report date, is also a controlling shareholder in a financial institution. Note that to date the legislation and regulations processes required for the recommendations to come into effect have not yet been concluded.

- Exposure to changes in government budgets and in international financing institutions – the Group's activity, mainly in the field of infrastructure contracting, is exposed to changes in government budgets and in international financing institutions (such as the World bank) and to the willingness of international financing institutions to operate in the country of activity, and accordingly, regarding the establishment of their policy regarding the documentation of the goals and areas in which the projects they are financing are carried out, and regarding the scope of financing intended for these needs. A reduction of budgets directed toward infrastructure projects may lead to a reduction in works offered and in works carried out in practice (as in the absence of means of payment delays are made to their performance), which may lead to work shutdowns and an according reduction in the scope of the group's activities.

2. Base Risks

- Price fluctuations in commodity markets – oil, metals and other commodities, the products of which constitute a material component of the raw materials employed by the Group, are commodities the prices of which are subject to market price fluctuations, which are often severe. The increase in the prices of commodities and products manufactured from them employed by the Company may have an impact on the profitability and feasibility of the projects carried out or initiated by the Company.

- Financing and loan recycling difficulties – in light of the global financial crisis and the liquidity crisis, banks around the world have reduced the credit provided in general and the credit provided the construction and real estate industries in particular. In addition, the banks increased the guarantee requirements from contractors (generally performance guarantees) and from developers (equity required for a project). The toughening of bank policy in granting credit may have an impact on the Company's ability to recycle existing loans and to raise new loans, as well as the costs and terms involved in taking the loans.

- Increase in financing expenses and exposure to changes in interest rates – an increase in the interest rates in variable interest loans taken by the Company may lead to an increase in the Company's financing expenses and impact the Company's profitability and cash flow. The increase in the interest rates of new loans raised by the Company alongside the repayment of existing loans the redemption date of which has arrived that were at a lower interest rate may lead to an increase in the Company's financing expenses and impact its profitability and cash flow, harm its financial stability, and even impact its rating company ratings.

- Exposure to changes in the Consumer Price Index and changes in exchange rates – the Group is exposed to increases in the CPI and to changes in exchange rates of foreign currencies (mainly the U.S. dollar, the euro and the Nigerian naira). As of December 31 2011 the Company has CPI-linked liabilities to the amount of 1.7 billion NIS relative to its linked assets. A high CPI increase is expected therefore to lead to high financing expenses and impact the Group's profitability and cash flow. An increase in the exchange rate relative to the NIS of currencies in which the Company has a high level of liabilities relative to its assets or a decrease in the exchange rate of currencies in which the Company has assets to a higher extant that liabilities is expected to cause a decrease in the value of its assets or an increase in its liabilities, and accordingly impact the Group's profitability and cash flow.

  The Company has foreign subsidiaries the functional currency of which is the USD and the euro.

  Strengthening by the NIS vs. the USD will have a negative effect on the results of subsidiary S.B.A. Infrastructures, which constitutes a significant portion of the Company's profits and cash flow and will have a direct negative impact on the Company's results.

Furthermore, the Group is exposed to risks as a result of changes in exchange rates, as most of the Group's large projects in the field of infrastructure contracting are carried out outside of Israel in foreign currencies (mainly USD, euro and naira). The yields from parties commissioning work in these countries are in foreign currency that does not fully overlap the currencies in which the expenses for these works are paid. In addition, the change in exchange rates has an impact on the demand for new apartments and on raised input prices.

- Increased prices of raw materials and construction input and failure to receive full and satisfying expression in the index – an increase in the price of key inputs including the price of oil and its derivatives, the price of iron and various metal products, the price of concrete, stone and the price of working wages leads to an increase in the construction and paving inputs index. Most of the Company's implementation projects are linked to indices that fully or partially protect the Company from input price increases. The Group is exposed in the event that the composition of the inputs in a project is materially different from the composition of the index to which the receipts are linked, and in cases in which a sharp increase in the price of inputs does not receive a full and satisfying expression in the relevant index.

  In most apartment sales transactions a linkage exists to the CPI while some of the costs are not linked to the construction inputs index. A material gap between the indices may have an impact on the transactions' profitability.

3. Credit Risks

   Credit for parties commissioning work, raw material purchasers and partners – the Group grants parties commissioning works and raw material purchasers credit that is mostly not guaranteed by collateral, and is exposed to redemption risk. Furthermore, the Group may be exposed in shared transaction in which the group guarantees shared debts, together and separately.

4. Credit Rating

   The Company improved its credit rating over the course of 2010 and raised additional debt in 2011 on the basis of this rating.

   A drop in the rating of securities issued by the Company by two ranks may lead to the Company being required to redeem them immediately and influence the interest rates the Company will be required to pay for the debentures, its credit resources and its loan recycling ability.

5. Credit Restrictions

   The Company is restricted in receiving credit from Bank Hapoalim Ltd., by virtue of the Bank of Israel's instructions regarding a "related party" in the Company – the Arison Group which controls Bank Hapoalim. As of this report, to the best of the Company's knowledge, Bank Hapoalim, pursuant to the restrictions in question, may provide the group with credit at material amounts.

   The allocation of a sum of credit between people connected to the banks controlling shareholders is at the bank's discretion. In addition, the Group is considered in the banking system as a whole, in accordance with Bank of Israel directives, as a "borrowers group" under the control of the Arison

Group, and accordingly comes under the restrictions applicable to borrowers groups. The sums of credit the Group is entitled to receive in the various banks depends on the size of each bank's equity, and to the scopes of credit provided, at the bank's discretion, from time to time to other companies in the same borrowers groups. In light of the above, the Group is exposed to credit restrictions due to the relevant legislative provisions.

6. Natural Disaster Damages

Unpredictable physical conditions may impact the success of projects in the field of construction and infrastructure, and mainly: weather damages – heat, cold, storms and floods may bring about the shut-down, delay and destruction of works; earthquakes may harm assets and projects. According to accepted insurance policies, the Group members are required to pay a deductable in the event of earthquake damage. Therefore, in the event that extensive damage is caused the Group's assets as a result of earthquakes, the Group may receive material exposure that cannot be estimated.

7. Exposure to Failure to Comply with Environmental Laws and Regulations

Pursuant to its activities, the Group is exposed to legislative and regulatory requirements in the field of the environment, and failure to uphold them will expose the Group to legal actions that may cause PR damage, revocation of business licenses, closing polluting activities, and monetary losses.

8. Construction Flaws and Inspection Warranty

Material construction flaws in projects carried out by the Group, which the Group is committed to repair and complete in accordance with its inspection warranty, may impact the Group's profitability.

9. Tax Liabilities

Calculation of the Group's tax liabilities involves the interpretation and application of various laws and tax treaties from a variety of sources. The Groups activities are subject to a number of different and contradictory legal systems simultaneously. The Group's understanding of tax laws, and accordingly the Group's estimates, may not completely match the tax estimates and liabilities applied by the local tax authorities in the Group's countries of operation. Therefore, the Group may be exposed to additional or other payments and liabilities.

c. Description of the Corporation's Policy for Management of Market Risk

1. Linkage Bases

- The Company acts to create a correspondence, when possible and in accordance with market conditions, between the Company's revenues and inputs in Israel and abroad.

- The Company regularly examines the correspondence of linkage bases between the Company's assets and liabilities in Israel and abroad.

- In order to reduce as much as possible exposure to fluctuations in exchange rates and the erosion of value of local currencies in countries with extreme exchange rate fluctuations, the Company tends to convert some of its cash balances in local currencies to foreign currency (mostly to USD) and deposit them outside of the countries of operation. Furthermore, the Company finances its activity in these countries by taking credit through local companies, in local currencies, from banks in the countries of operation, in return for encumbering equipment and/or revenues from projects.

- The Group members test the feasibility of the protection and perform accordingly protections using derivative financial instruments in return for currency and CPI risk exposure.

- From time to time Group members place protections on the prices of key raw materials linked to prices in global markets.

2. Interest Risks

   - The Company's interest risk mainly derives from an increase in the interest rate in variable-interest loans received by the Company. An increase in the interest rates in question may lead to an increase in the Company's financing expenses and impact the Company's profitability and cash flow. The increase in the interest rates of new loans raised by the Company alongside the repayment of existing loans the redemption date of which has arrived that were at lower interest rates may also lead to an increase in the Company's financing expenses and impact its profitability and cash flow.

d. Means of Supervision for Implementation of Policies

The following are means of supervision for the implementation of policies applied by the Company:

1. Performing a periodic risk survey and defining managerial responsibility for management of the significant risks.

2. Reporting to the Board of Directors regarding the risk management.

3. Providing regular reports to the Board or Directors on unusual developments in Israel and abroad.

4. Use of derivative instruments in order to reduce the exposure to changes in exchange rates and exposure to tradability prices. The Company's derivative transactions are carried out solely through banking corporations and securities exchanges that are required to meet capital adequacy requirements or observe a level of securities in accordance with various scenarios. The Company keeps internal documentation on the designation of the financial instruments to exposures indicating the link between the devices and the exposures. From time to time the Company's Board of Directors discusses the Company's exposure to market risks and the actions the Company takes in order to reduce these risks.

5. The Company's Financial Department keeps regular track of foreign currency exposures with the subsidiaries, accompanied by an outside consulting firm specializing in this area.

e. Linkage Basis Report – December 31 2011	Non-Linked	Linked to CPI	Dollars	Euros	Naira	Other Foreign Currencies	Others	Total
	Thousands of NIS							
Cash and cash equivalents	551,882	-	347,730	102,459	206,617	46,788	-	1,255,476
Deposits in banking corporations	131,993	-	3,618	11,424	-	1,285	-	148,320
Loans and short-term investments	31,971	53,901	-	8,286	-	-	12,903	107,061
Short-term loans to investees	-	35,000	-	104,266	-	-	-	139,266
Customers – income receivable	361,411	3,524	97,595	195,180	340,027	213,101	-	1,210,838
Inventory of buildings for sale	-	-	-	-	-	-	1,529,088	1,529,088
Receivables and others	31,475	-	2,063	98	-	96	227,597	261,329
Other investments including derivatives	1,375	-	-	-	-	-	-	1,375
Current tax assets	2,766	59,299	902	34	-	15,359	-	78,360
Inventories	-	-	-	-	-	-	292,549	292,549
Assets held for sale	-	-	-	-	-	-	2,326	2,326
Receivables due to concession arrangements	-	337,780	-	-	-	-	178,818	516,598
Non-currency inventory of owned lands	-	-	-	-	-	-	406,788	406,788
Non-currency inventory of leased lands	-	-	-	-	-	-	334,090	334,090
Investment property, net	-	-	-	-	-	-	310,291	310,291
Interests in land	-	-	-	-	-	-	16,096	16,096
Long-term pre-paid expenses	-	-	-	-	-	-	5,884	5,884
Accounts receivable, loans and deposits	135,134	27,425	121,794	-	-	-	-	284,353
Investments in associates handled using the book value method	-	-	-	-	-	-	562,240	562,240
Loans to investees	161,496	640,469	32,335	202,519	-	11,530	(242,142)	806,207
Deferred tax assets	-	-	-	-	-	-	93,518	93,518
Fixed assets, net	-	-	-	-	-	-	1,138,974	1,138,974
Intangible assets, net	-	-	-	-	-	-	106,419	106,419
Total assets	**1,409,503**	**1,157,398**	**606,037**	**624,266**	**546,644**	**288,159**	**4,975,439**	**9,607,446**
Short-term credit from banking and other corporations	352,409	397,831	-	122,896	-	22,727	-	895,863
Subcontractors, suppliers and service providers	793,677	-	41,202	7,892	52,420	114,035	-	1,009,226
Short-term employee benefits	33,040	-	2,763	-	24,703	3,446	-	63,952
Accounts payable including derivatives	269,209	3,476	35,192	2,566	16,713	29,377	142,497	499,030
Current tax liabilities	853	4,418	6,052	-	18,070	77,811	-	107,204
Provisions	55,408	46,548	33,980	-	75,900	59,865	-	271,701
Payables – parties commissioning work	92,640	-	50,951	175,208	449,124	26,402	-	794,325
Unearned revenue	-	-	-	-	-	-	901,049	901,049
Dividends payable	12,947	-	-	-	-	-	-	12,947
Liabilities to banking corporations and others	979,259	436,499	76,420	89,750	-	18,566	-	1,600,494
Debentures	292,070	1,955,156	-	-	-	-	-	2,247,226
Employee benefits	77,574	-	-	-	17,741	16,690	-	112,005
Deferred tax liabilities	-	-	-	-	-	-	43,896	43,896
Provisions	-	-	-	-	-	-	43,756	43,756
Surplus of losses accumulated over the cost of the investment and deferred credit balance in investees	(6,721)	-	-	-	-	-	42,109	35,388
Equity	-	-	-	-	-	-	969,384	969,384
Total liabilities and equity	**2,952,365**	**2,843,928**	**246,560**	**398,312**	**654,671**	**368,919**	**2,142,691**	**9,607,446**
Assets less liabilities	**(1,542,862)**	**(1,686,530)**	**359,477**	**225,954**	**(108,027)**	**(80,760)**	**2,832,748**	**-**

e.	Non-Linked	Linked to CPI	Dollars	Euros	Naira	Other Foreign Currencies	Others	Total

Linkage Basis Report – December 31 2010

				Thousands of NIS				
Cash and cash equivalents	420,018	203,098	452,347	70,040	194,024	18,086	-	1,357,613
Deposits in banking corporations	90,410	-	4,630	317,804	-	8,093	-	420,937
Loans and short-term investments	1,886	77,990	-	-	-	-	2,805	82,681
Short-term loans to investees	-	22,052	-	(*)230,652	-	-	-	252,704
Customers – income receivable	331,076	3,710	127,256	65,789	79,231	169,083	-	776,145
Inventory of buildings for sale	-	-	-	-	-	-	1,390,397	1,390,397
Receivables and others **(*)**	20,381	1,202	703	1,941	1,374	90	266,112	291,803
Other investments including derivatives	784	-	-	-	-	-	-	784
Current tax assets	1,800	49,656	64	937	-	8,974	-	61,431
Inventories	-	-	-	-	-	-	238,015	238,015
Assets held for sale	-	-	-	-	-	-	13,478	13,478
Receivables due to concession arrangements	-	**(*)** 157,085	-	-	-	-	68,732	**(*)** 225,817
Non-currency inventory of owned lands	-	-	-	-	-	-	443,956	443,956
Non-currency inventory of leased lands	-	-	-	-	-	-	164,672	164,672
Investment property, net	-	-	-	-	-	-	286,936	286,936
Interests in land	-	-	-	-	-	-	17,163	17,163
Long-term pre-paid expenses	-	-	-	-	-	-	4,798	4,798
Accounts receivable, loans and deposits	60,347	41,289	39,085	-	-	-	-	140,721
Investments in associates handled using the book value method	-	-	-	-	-	-	399,311	399,311
Loans to investees	**(*)** 77,624	**(*)** 779,556	27,961	**(*)** 198,597	-	**(*)** 7,263	**(*)**(228,922)	862,079
Deferred tax assets	-	-	-	-	-	-	103,201	103,201
Fixed assets	-	-	-	-	-	-	923,617	923,617
Intangible assets	-	-	-	-	-	-	**(*)** 95,728	**(*)** 95,728
Total assets	**1,004,326**	**1,335,638**	**652,046**	**885,760**	**274,629**	**211,589**	**4,189,999**	**8,553,987**
Short-term credit from banking and other corporations	128,546	150,799	1,660	345,364	-	22,421	-	648,790
Subcontractors, suppliers and service providers	654,192	-	70,407	40,196	18,632	60,636	-	844,063
Short-term employee benefits	32,699	1,416	-	-	1,462	2,790	-	38,367
Accounts payable including derivatives	**(*)** 246,444	1,055	48,803	**(*)** 2,576	15,719	**(*)** 17,653	**(*)** 158,320	490,570
Current tax liabilities	677	906	7,226	-	5,643	65,741	-	80,193
Provisions	52,008	40,038	122,287	-	5,153	19,376	-	238,862
Payables – parties commissioning work	130,082	-	169,898	37,282	381,326	-	-	718,588
Unearned revenue	-	-	-	-	-	-	872,999	872,999
Liabilities to banking corporations and others	798,116	279,130	-	181,026	-	18,807	-	1,277,079
Debentures	294,203	1,902,299	-	-	-	-	-	2,196,502
Employee benefits	77,351	9,586	14,760	-	32,483	14,190	-	148,370
Deferred tax liabilities	-	-	-	-	-	-	33,682	33,682
Provisions	36,372	-	-	-	-	-	-	36,372
Surplus of losses accumulated on the cost of the investment and deferred credit balance in affiliates	(6,483)	(2,924)	-	(10,106)	-	-	73,780	54,267
Equity	-	-	-	-	-	-	875,283	875,283
Total liabilities and equity	**2,444,207**	**2,382,305**	**435,041**	**596,338**	**460,418**	**221,614**	**2,014,064**	**8,553,987**
Assets less liabilities	**(1,439,881)**	**(1,046,667)**	**217,005**	**289,422**	**(185,789)**	**(10,025)**	**2,175,935**	**-**

(*) Reclassified – see Note 2g to the Company's Financial Statements.

10. Sensitivity Tests

Hedging Instruments Recognized for Accounting Purposes

Sensitivity Analyses as of December 31 2011

The following is a sensitivity table for sensitive instruments in accordance with changes in market factors as of December 31 2011, relevant to the Company in accordance with the risks described above. The sensitivity tests were carried out on financial instruments the sensitivity of which to the various factors was material.

Sensitivity to Changes in NIS Interest Rate

	Gain (Loss) from Changes		Fair Value	Gain (Loss) from Changes	
	10% Increase	5% Increase		5% Decrease	10% Decrease
	In Interest Rate			In Interest Rate	
	Thousands of NIS				
Receivables due to concession arrangements	(13,086)	(6,614)	505,385	6,815	13,839
Long-term loans granted investees	(42,949)	(22,090)	650,272	23,416	48,260
Long-term loans received	15,902	8,024	(1,005,692)	(8,164)	(16,451)
Debentures	40,396	20,337	(2,599,326)	(20,620)	(41,529)

Sensitivity to Changes in EUR Interest Rate

	Gain (Loss) from Changes		Fair Value	Gain (Loss) from Changes	
	10% Increase	5% Increase		5% Decrease	10% Decrease
	In Interest Rate			In Interest Rate	
	Thousands of NIS				
Long-term loans received	575	291	45,260	(297)	(601)

Risk due to Changes in the USD/NIS Exchange Rate

Influence on Profit (Loss) in the Books as a Result of Cash Flow Risk due to Changes in the USD/NIS Exchange Rate

	Gain (Loss) from Changes In the USD Exchange Rate		Value in the Books	Gain (Loss) from Changes In the USD Exchange Rate	
	10% Increase	5% Increase		5% Decrease	10% Decrease
	Thousands of NIS				
Cash and cash equivalents	8,289	4,145	82,894	(4,145)	(8,289)
Deposits in banking corporations	56	28	561	(28)	(56)
Long-term loans and deposits in assets	4,538	2,269	45,374	(2,269)	(4,538)
Long-term loans to investees	3,234	1,617	32,335	(1,617)	(3,234)
Long-term loans received	(7,642)	(3,821)	(76,420)	3,821	7,642

Risk in EUR/NIS Exchange Rate

Influence on Profit (Loss) in the Books as a Result of Cash Flow Risk due to Changes in the EUR/NIS Exchange Rate

	Gain (Loss) from Changes In the EUR Exchange Rate		Value in the Books	Gain (Loss) from Changes In the EUR Exchange Rate	
	10% Increase	5% Increase		5% Decrease	10% Decrease
	Thousands of NIS				
Cash and cash equivalents	1,168	584	11,681	(584)	(1,168)
Deposits in banking corporations	167	84	1,671	(84)	(167)
Short-term loans to affiliated companies	10,427	5,213	104,266	(5,213)	(10,427)
Long-term loans to affiliated companies	2,636	1,318	26,358	(1,318)	(2,636)
Long-term deposits in banking corporations	-	-	-	-	-

Risk due to Changes in the EUR/USD Exchange Rate

Influence on Profit (Loss) in the Books as a Result of Cash Flow Risk due to Changes in the EUR/USD Exchange Rate

	Gain (Loss) from Changes		Value	Gain (Loss) from Changes	
	10% Increase	5% Increase	in the Books	5% Increase	10% Increase
	In the EUR Exchange Rate vs. the USD			In the EUR Exchange Rate vs. the USD	
	Thousands of NIS				
Cash and cash equivalents	8,464	4,232	84,639	(4,232)	(8,464)
Short-term deposits	579	289	5,789	(289)	(579)
Net customers commissioning work	19,471	9,735	194,707	(9,735)	(19,471)
Subcontractors, suppliers and service providers in liabilities	(702)	(351)	(7,015)	351	702
Other payables	(224)	(112)	(2,239)	112	224

Risk due to Changes in the Naira/USD Exchange Rate

Influence on Profit (Loss) in the Books as a Result of Cash Flow Risk due to Changes in the Naira/USD Exchange Rate

	Gain (Loss) from Changes		Value	Gain (Loss) from Changes	
	10% Increase	5% Increase	in the Books	5% Increase	10% Increase
	In the Rate of the Naira vs. the USD			In the Rate of the Naira vs. the USD	
	Thousands of NIS				
Cash and cash equivalents	20,662	10,331	206,617	(10,331)	(20,662)
Customers commissioning work	34,003	17,001	340,027	(17,001)	(34,003)
Other receivables	313	156	3,126	(156)	(313)
Subcontractors, suppliers and service providers in liabilities	(5,242)	(2,621)	(52,420)	2,621	5,242
Other payables	(1,671)	(836)	(16,713)	836	1,671

Risk due to Changes in the Exchange Rate of Other Currencies vs. the USD

Influence on Profit (Loss) in the Books as a Result of Cash Flow Risk due to Changes in the Exchange Rate of Other Currencies vs. the USD

	Gain (Loss) from Changes		Value in the Books	Gain (Loss) from Changes	
	10% Increase	5% Increase		5% Increase	10% Increase
	In the Rates of Other Currencies vs. the USD			In the Rates of Other Currencies vs. the USD	
	Thousands of NIS				
Cash and cash equivalents	4,580	2,290	47,795	(2,290)	(4,580)
Customers commissioning work	21,236	10,618	212,360	(10,618)	(21,236)
Various receivables and debit balances	2,159	1,080	21,592	(1,080)	(2,159)
Short-term loans received	(1,138)	(569)	(11,379)	569	1,138
Subcontractors, suppliers and service providers in liabilities	(11,285)	(5,642)	(112,846)	5,642	11,285
Other payables	(2,650)	(1,325)	(26,499)	1,325	2,650

Risk due to Changes in the Exchange Rate of Other Currencies vs. the EUR

Influence on Profit (Loss) in the Books as a Result of Cash Flow Risk due to Changes in the Exchange Rate of Other Currencies vs. the EUR

	Gain (Loss) from Changes		Value in the Books	Gain (Loss) from Changes	
	10% Increase	5% Increase		5% Increase	10% Increase
	In the Rates of Other Currencies vs. the EUR			In the Rates of Other Currencies vs. the EUR	
	Thousands of NIS				
Cash and cash equivalents	100	50	996	(50)	(100)
Short-term deposits	128	64	1,285	(64)	(128)
Net customers commissioning work	74	37	738	(37)	(74)
Receivables and others	31	15	307	(15)	(31)
Long-term loans to affiliated companies	149	75	1,491	(75)	(149)
Short-term loans received	(1,135)	(567)	(11,348)	567	1,135
Liabilities to service providers and subcontractors	(119)	(60)	(1,191)	60	119
Other payables	(289)	(144)	(2,888)	144	289
Long-term loans from affiliates	(1,857)	(928)	(18,568)	928	1,857

Influence on Profit (Loss) in the Books as a Result of Cash Flow Risk due to Changes in the Consumer Price Index

	Gain (Loss) from Changes		Value in the Books	Gain (Loss) from Changes	
	3% Increase	1% Increase		1% Increase	3% Increase
	In the CPI Rate			In the CPI Rate	
	Thousands of NIS				
Short-term CPI-linked loans and deposits in assets	1,081	360	36,047	(360)	(1,081)
Trade receivables	106	35	3,524	(35)	(106)
Long-term CPI-linked loans and deposits in assets	833	278	27,757	(278)	(833)
Receivables due to concession arrangements	10,659	3,553	355,294	(3,553)	(10,659)
Long-term loans given investees	20,220	6,740	674,006	(6,740)	(20,220)
Short-term loans from others linked to CPI	(2,045)	(682)	(68,156)	682	2,045
Payables	(104)	(35)	(3,476)	35	104
Long-term CPI-linked loans in liabilities	(15,313)	(5,104)	(510,438)	5,104	15,313
Linked debentures	(66,294)	(22,098)	(2,209,795)	22,098	66,294

As an analysis of a change of constituting a 5% increase (decrease) in the consumer price index does not add relevant information, we have performed the sensitivity tests for rates of 1% and 3%.

Sensitivity to Changes in the Dollar/Shekel Exchange Rate

	Gain (Loss) from Changes		Fair Value	Gain (Loss) from Changes	
	10% Increase in Exchange Rate	5% Increase in Exchange Rate		5% Decrease in Exchange Rate	10% Decrease in Exchange Rate
	Thousands of NIS				
S USD/NIS forward transaction	2,494	1,248	678	(1,248)	(2,494)
Raw material forward S transactions	(10)	(5)	(103)	5	10

ensitivity to Changes in the Euro/NIS Exchange Rate

	Gain (Loss) from Changes		Fair Value	Gain (Loss) from Changes	
	10% Increase in Exchange Rate	5% Increase in Exchange Rate		5% Decrease in Exchange Rate	10% Decrease in Exchange Rate
	Thousands of NIS				
EUR/NIS forward transaction	580	290	(1)	(290)	(580)

Sensitivity to Changes in NIS Interest Rate

	Gain (Loss) from Changes			Fair Value	Gain (Loss) from Changes		
	16% Increase in Interest Rate	10% Increase in Interest Rate	5% Increase in Interest Rate		5% Decrease In Interest Rate	10% Decrease in Interest Rate	16% Decrease in Interest Rate
	Thousands of NIS						
EUR/NIS forward transaction	8	5	2	(1)	(2)	(5)	(8)
USD/NIS forward transaction	7	4	2	678	(2)	(4)	(7)

The sensitivity analysis of the NIS interest rate includes an additional scenario (16% up and 16% down) testing the most extreme daily change occurring in the past ten years.

Sensitivity to Changes in USD Interest Rate

	Gain (Loss) from Changes			Fair Value	Gain (Loss) from Changes		
	26% Increase in Interest Rate	10% Increase in Interest Rate	5% Increase in Interest Rate		5% Decrease in Interest Rate	10% Decrease In Interest Rate	26% Decrease in Interest Rate
	Thousands of NIS						
USD/NIS forward transaction	(3)	(1)	(1)	678	1	1	3

The sensitivity analysis of the USD interest rate includes an additional scenario (26% up and 26% down) testing the most extreme daily change occurring in the past ten years.

Sensitivity to Changes in Raw Material Prices

	Gain (Loss) from Changes			Fair Value	Gain (Loss) from Changes		
	14% Increase	10% Increase	5% Increase		5% Decrease	10% Decrease	14% Decrease
	in Raw Material Prices				in Raw Material Prices		
	Thousands of NIS				Thousands of NIS		
Forward transactions	285	204	102	(103)	(102)	(204)	(285)

On December 31 2008 there was a 14% daily change in raw material prices

Sensitivity to Changes in Real NIS Interest Rate

	Gain (Loss) from Changes			Fair Value	Gain (Loss) from Changes		
	16% Increase	10% Increase	5% Increase		5% Decrease	10% Decrease	16% Decrease
	In Interest Rate				In Interest Rate		
	Thousands of NIS						
CPI transactions	(56)	(35)	(17)	(1,115)	17	35	56

Sensitivity to Changes in Nominal NIS Interest Rate

	Gain (Loss) from Changes			Fair Value	Gain (Loss) from Changes		
	16% Increase	10% Increase	5% Increase		5% Decrease	10% Decrease	16% Decrease
	In Interest Rate				In Interest Rate		
	Thousands of NIS						
CPI transactions	116	73	36	(1,115)	(37)	(73)	(117)

The sensitivity analysis of the real NIS interest rate includes an additional scenario (16% up and 16% down) testing the most extreme daily change occurring in the past ten years.

Sensitivity to Changes in the Consumer Price Index

	Gain (Loss) from Changes			Fair Value	Gain (Loss) from Changes		
	10% Increase	5% Increase	1.5% Increase		1.5% Decrease	5% Decrease	10% Decrease
	In the CPI Increase Rate				In the CPI Increase Rate		
Thousands of NIS							
CPI transactions	10,182	5,091	1,527	(1,115)	(1,527)	(5,091)	(10,182)

The Company purchased two CPI swap agreements in February 2011. The total scope of the agreement is 100 million NIS and the transactions' expiry date is in April 2012. Calculation of the fair value of the CPI forward transactions takes the accumulated indices as of December 31 2011 into account, as well as expected inflation from that date until the transactions expire.

Additional data:

NIS interest rates: 1.044% - 2.341%

USD interest rates: 0.262% - 0.584%

Euro interest rate: 1.478%

The sensitivity analyses are based on the dollar's representative rate of exchange as of December 31 2011 – 3.821 and the euro's representative rate of exchange as of December 31 2011 – 4.9381.

Known CPI (in 2011 terms): 104

Sensitivity to Changes in the Euro/Dollar Exchange Rate

	Gain (Loss) from Changes		Fair Value	Gain (Loss) from Changes	
	10% Increase in Exchange Rate	5% Increase in Exchange Rate		5% Decrease in Exchange Rate	10% Decrease in Exchange Rate
	Thousands of NIS				
EUR/USD forward transaction	(7,937)	(3,969)	(2,239)	3,969	7,937

Sensitivity to Changes in USD Interest Rate

	Gain (Loss) from Changes			Fair Value	Gain (Loss) from Changes		
	26% Increase in Interest Rate	10% Increase in Interest Rate	5% Increase in Interest Rate		5% Decrease in Interest Rate	10% Decrease in Interest Rate	26% Decrease in Interest Rate
	Thousands of NIS						
EUR/USD forward transaction	(44)	(17)	(8)	(2,239)	8	17	44

Sensitivity to Changes in EUR Interest Rate

	Gain (Loss) from Changes		Fair Value	Gain (Loss) from Changes	
	10% Increase in Interest Rate	5% increase in Interest Rate		5% Decrease in Interest Rate	10% Decrease in Interest Rate
	Thousands of NIS				
EUR/USD forward transaction	3	2	(2,239)	(2)	(3)

Sensitivity to Changes in Nominal NIS Interest Rate

	Gain (Loss) from Changes			Fair Value	Gain (Loss) from Changes		
	16% Increase	10% Increase	5% Increase		5% Decrease	10% Decrease	16% Decrease
	In Interest Rate				In Interest Rate		
	Thousands of NIS						
EUR/NIS forward transaction	(727)	(454)	(227)	(749)	227	454	727

The sensitivity analysis of the NIS interest rate includes an additional scenario (16% up and 16% down) testing the most extreme daily change occurring in the past ten years.

Sensitivity to Changes in EUR Interest Rate

	Gain (Loss) from Changes		Fair Value	Gain (Loss) from Changes	
	10% Increase in Interest Rate	5% increase In Interest Rate		5% Decrease In Interest Rate	10% Decrease In Interest Rate
	Thousands of NIS				
EUR/NIS forward transaction	293	147	(749)	(147)	(294)

Sensitivity to Changes in the Euro/Shekel Exchange Rate

	Gain (Loss) from Changes		Fair Value	Gain (Loss) from Changes	
	10% Increase in the Exchange Rate	5% Increase in the Exchange Rate		5% Decrease In the Exchange Rate	10% Decrease In the Exchange Rate
	Thousands of NIS				
EUR/NIS forward transaction	(15,570)	(7,785)	(749)	7,785	15,570

Additional data:

The sensitivity analyses are based on the dollar's representative rate of exchange as of December 31 2010 – 3.821.

The sensitivity analyses are based on the euro's representative rate of exchange as of December 31 2011–4.9381.

Sensitivity Analyses as of December 31 2010

The following is a sensitivity table for sensitive instruments in accordance with changes in market factors as of December 31 2010, relevant to the Company in accordance with the risks described above. The sensitivity tests were carried out on financial instruments the sensitivity of which to the various factors was material.

Sensitivity to Changes in NIS Interest Rate

	Gain (Loss) from Changes		Fair Value	Gain (Loss) from Changes	
	10% Increase	5% Increase		5% Decrease	10% Decrease
	In Interest Rate			In Interest Rate	
	Thousands of NIS				
Long-term loans granted investees	(41,675)	(21,397)	683,835	22,593	46,471
Long-term loans received	10,028	5,057	(623,524)	(5,165)	(10,314)
Debentures	33,030	16,608	(2,568,323)	(16,798)	(33,943)

Sensitivity to Changes in EUR Interest Rate

	Gain (Loss) from Changes		Fair Value	Gain (Loss) from Changes	
	10% Increase	5% Increase		5% Decrease	10% Decrease
	In Interest Rate			In Interest Rate	
	Thousands of NIS				
Long-term loans received	590	299	82,510	(306)	(620)

Risk due to Changes in the USD/NIS Exchange Rate

Influence on Profit (Loss) in the Books as a Result of Cash Flow Risk due to Changes in the USD/NIS Exchange Rate

	Gain (Loss) from Changes		Value in the Books	Gain (Loss) from Changes	
	10% Increase	5% Increase		5% Decrease	10% Decrease
	In the USD Exchange Rate			In the USD Exchange Rate	
	Thousands of NIS				
Cash and cash equivalents	200	100	2,002	(100)	(200)
Deposits in banking corporations	463	232	4,630	(232)	(463)
Long-term loans and deposits in assets	3,909	1,954	39,085	(1,954)	(3,909)
Long-term loans to investees	2,796	1,398	27,961	(1,398)	(2,796)

Risk in EUR/NIS Exchange Rate

Influence on Profit (Loss) in the Books as a Result of Cash Flow Risk due to Changes in the EUR/NIS Exchange Rate

	Gain (Loss) from Changes		Value in the Books	Gain (Loss) from Changes	
	10% Increase	5% Increase		5% Decrease	10% Decrease
	In the EUR Exchange Rate			In the EUR Exchange Rate	
	Thousands of NIS				
Cash and cash equivalents	1,362	681	13,621	(681)	(1,362)
Deposits in banking corporations	31,431	15,715	314,308	(15,715)	(31,431)
Short-term loans to affiliated companies	11,808	5,904	118,077	(5,904)	(11,808)
Long-term loans to affiliated companies	2,507	1,254	25,074	(1,254)	(2,507)

Risk due to Changes in the EUR/USD Exchange Rate

Influence on Profit (Loss) in the Books as a Result of Cash Flow Risk due to Changes in the EUR/USD Exchange Rate

	Gain (Loss) from Changes		Value	Gain (Loss) from Changes	
	10% Increase	5% Increase	in the Books	5% Decrease	10% Decrease
	In the EUR Exchange Rate vs. the USD			In the EUR Exchange Rate vs. the USD	
	Thousands of NIS				
Cash and cash equivalents	5,221	2,610	52,206	(2,610)	(5,221)
Net customers commissioning work	6,298	3,149	62,984	(3,149)	(6,298)
Various receivables and debit balances	207	103	2,066	(103)	(207)
Subcontractors, suppliers and service providers in liabilities	(3,983)	(1,992)	(39,834)	1,992	3,983

Risk due to Changes in the Naira/USD Exchange Rate

Influence on Profit (Loss) in the Books as a Result of Cash Flow Risk due to Changes in the Naira/USD Exchange Rate

	Gain (Loss) from Changes		Value	Gain (Loss) from Changes	
	10% Increase	5% Increase	in the Books	5% Decrease	10% Decrease
	In the Rate of the Naira vs. the USD			In the Rate of the Naira vs. the USD	
	Thousands of NIS				
Cash and cash equivalents	19,402	9,701	194,024	(9,701)	(19,402)
Customers commissioning work	7,923	3,962	79,231	(3,932)	(7,923)
Other receivables	623	311	6,225	(311)	(623)
Subcontractors, suppliers and service providers	(1,863)	(932)	(18,632)	932	1,863
Other payables	(1,572)	(786)	(15,719)	786	1,572

Risk due to Changes in the Exchange Rate of Other Currencies vs. the USD

Influence on Profit (Loss) in the Books as a Result of Cash Flow Risk due to Changes in the Exchange Rate of Other Currencies vs. the USD

	Gain (Loss) from Changes		Value in the Books	Gain (Loss) from Changes	
	10% Increase	5% Increase		5% Decrease	10% Decrease
	In the Rates of Other Currencies vs. the USD			In the Rates of Other Currencies vs. the USD	
	Thousands of NIS				
Cash and cash equivalents	1,760	880	17,603	(880)	(1,760)
Customers commissioning work	16,867	8,434	168,670	(8,434)	(16,867)
Short-term deposits	673	337	6,732	(337)	(673)
Various receivables and debit balances	2,401	1,201	24,013	(1,201)	(2,401)
Short-term loans received	(1,022)	(511)	(10,221)	511	1,022
Subcontractors, suppliers and service providers in liabilities	(5,978)	(2,989)	(59,783)	2,989	5,978
Other payables	(1,733)	(867)	(17,330)	867	1,733

Risk due to Changes in the Exchange Rate of Other Currencies vs. the EUR

Influence on Profit (Loss) in the Books as a Result of Cash Flow Risk due to Changes in the Exchange Rate of Other Currencies vs. the EUR

	Gain (Loss) from Changes		Value in the Books	Gain (Loss) from Changes	
	10% Increase	5% Increase		5% Decrease	10% Decrease
	In the Rates of Other Currencies vs. the EUR			In the Rates of Other Currencies vs. the EUR	
	Thousands of NIS				
Cash and cash equivalents	(48)	24	484	(24)	(48)
Short-term deposits	136	68	1,361	(68)	(136)
Net customers commissioning work	41	21	411	(21)	(41)
Receivables and others	83	42	835	(42)	(83)
Long-term loans to affiliated companies	1,832	916	18,320	(916)	(1,832)
Short-term loans received	1,220	(610)	(12,202)	610	1,220
Liabilities to service providers and subcontractors	(85)	(43)	(852)	43	85
Other payables	(278)	(139)	(2,775)	139	278

Influence on Profit (Loss) in the Books as a Result of Cash Flow Risk due to Changes in the Consumer Price Index

	Gain (Loss) from Changes		Book Value	Gain (Loss) from Changes	
	3% Increase	1% Increase		1% Decrease	3% Decrease
	In the CPI Rate			In the CPI Rate	
	Thousands of NIS				
Cash	6,093	2,031	203,098	(2,031)	(6,093)
Short-term CPI-linked loans and deposits in assets	1,875	625	62,495	(625)	(1,875)
Long-term CPI-linked loans and deposits in assets	1,564	521	52,134	(521)	(1,564)
Short-term loans given investees	662	221	22,053	(221)	(662)
Receivables due to concession arrangements	4,645	1,548	154,849	(1,548)	(4,645)
Long-term loans given investees	23,474	7,825	782,483	(7,825)	(23,474)
Long-term CPI-linked loans in liabilities	(10,081)	(3,360)	(336,028)	3,360	10,081
Linked debentures	(59,886)	(19,962)	(1,996,189)	19,962	59,886

As an analysis of a change of constituting a 5% increase (decrease) in the consumer price index does not add relevant information, we have performed the sensitivity tests for rates of 1% and 3%

Sensitivity to Changes in the Dollar/Shekel Exchange Rate

	Gain (Loss) from Changes		Fair Value	Gain (Loss) from Changes	
	10% Increase in Exchange Rate	5% Increase in Exchange Rate		5% Decrease in Exchange Rate	10% Decrease in Exchange Rate
	Thousands of NIS				
USD/NIS forward transaction	1,879	940	(398)	(940)	(1,879)
Raw material forward transactions	82	41	822	(41)	(82)

Sensitivity to Changes in the Euro/NIS Exchange Rate

	Gain (Loss) from Changes		Fair Value	Gain (Loss) from Changes	
	10% Increase in Exchange Rate	5% Increase in Exchange Rate		5% Decrease in Exchange Rate	10% Decrease in Exchange Rate
	Thousands of NIS				
EUR/NIS forward transaction	284	142	(77)	(142)	(284)

Sensitivity to Changes in NIS Interest Rate

	Gain (Loss) from Changes			Fair Value	Gain (Loss) from Changes		
	16% Increase in Interest Rate	10% Increase in Interest Rate	5% Increase in Interest Rate		5% Decrease in Interest Rate	10% Decrease in Interest Rate	16% Decrease in Interest Rate
	Thousands of NIS						
EUR/NIS forward transaction	-	-	-	(77)	-	-	-
USD/NIS forward transaction	7	5	2	(398)	(2)	(5)	(7)

The sensitivity analysis of the NIS interest rate includes an additional scenario (16% up and 16% down) testing the most extreme daily change occurring in the past ten years.

Sensitivity to Changes in USD Interest Rate

	Gain (Loss) from Changes			Fair Value	Gain (Loss) from Changes		
	26% Increase in Interest Rate	10% Increase in Interest Rate	5% Increase in Interest Rate		5% Decrease in Interest Rate	10% Decrease in Interest Rate	26% Decrease in Interest Rate
	Thousands of NIS						
USD/NIS forward transaction	(6)	(2)	(1)	(398)	1	2	6

The sensitivity analysis of the USD interest rate includes an additional scenario (26% up and 26% down) testing the most extreme daily change occurring in the past ten years.

Sensitivity to Changes in Raw Material Prices

	Gain (Loss) from Changes			Fair Value	Gain (Loss) from Changes		
	14% Increase	10% Increase	5% Increase		5% Decrease	10% Decrease	14% Decrease
	in Raw Material Prices				in Raw Material Prices		
	Thousands of NIS				Thousands of NIS		
Forward transactions	661	472	236	882	(236)	(472)	(661)

On December 31 2008 there was a 14% daily change in raw material prices

Additional data:

NIS interest rates: 1.547% - 0.753%.

USD interest rates: 1.606% - 0.362%.

Euro interest rate: 0.405% - 1.163%.

The sensitivity analyses are based on the dollar's representative rate of exchange as of December 31 2010 – 3.549 and the euro's representative rate of exchange as of December 31 2010 – 4.7379.

Hedging Instruments Not Recognized for Accounting Purposes

Sensitivity to Changes in the Dollar/Shekel Exchange Rate

	Gain (Loss) from Changes		Fair Value	Gain (Loss) from Changes	
	10% Increase in Exchange Rate	5% Increase in Exchange Rate		10% Decrease in Exchange Rate	5% Decrease in Exchange Rate
	Thousands of NIS				
USD/NIS forward transaction	1,471	736	(402)	(736)	(1,471)

Sensitivity to Changes in Nominal NIS Interest Rate

	Gain (Loss) from Changes			Fair Value	Gain (Loss) from Changes		
	26% Increase in Interest Rate	10% Increase in Interest Rate	Increase of 5% In Interest Rate		10% Decrease in Interest Rate	5% Decrease In Interest Rate	26% Decrease in Interest Rate
		Thousands of NIS					
USD/NIS forward transaction	9	6	3	(402)	(3)	(6)	(9)

Sensitivity to Changes in USD Interest Rate

	Gain (Loss) from Changes			Fair Value	Gain (Loss) from Changes		
	26% Increase in Interest Rate	10% Increase in Interest Rate	Increase of 5% In Interest Rate		10% Decrease in Interest Rate	5% Decrease in Interest Rate	26% Decrease in Interest Rate
	Thousands of NIS						
USD/NIS forward transaction	(8)	(3)	(1)	(402)	1	3	8

The sensitivity analysis of the USD interest rate includes an additional scenario (26% up and 26% down) testing the most extreme daily change occurring in the past ten years.

Sensitivity to Changes in the Euro/Dollar Exchange Rate

	Gain (Loss) from Changes		Fair Value	Gain (Loss) from Changes	
	10% Increase in Exchange Rate	5% Increase in Exchange Rate		5% Decrease in Exchange Rate	10% Decrease in Exchange Rate
	Thousands of NIS				
EUR/USD forward transaction	(19,923)	(9,961)	(6,635)	9,961	19,923

Sensitivity to Changes in USD Interest Rate

	Gain (Loss) from Changes			Fair Value	Gain (Loss) from Changes		
	26% Increase in Interest Rate	10% Increase in Interest Rate	5% Increase in Interest Rate		5% Decrease in Interest Rate	10% Decrease in Interest Rate	26% Decrease in Interest Rate
	Thousands of NIS						
EUR/USD forward transaction	(401)	(154)	(77)	(6,635)	77	154	401

Sensitivity to Changes in EUR Interest Rate

	Gain (Loss) from Changes		Fair Value	Gain (Loss) from Changes	
	10% Increase in Interest Rate	5% increase In Interest Rate		5% Decrease In Interest Rate	10% Decrease In Interest Rate
	Thousands of NIS				
EUR/USD forward transaction	181	91	(6,635)	(91)	(182)

Sensitivity to Changes in Nominal NIS Interest Rate

	Gain (Loss) from Changes			Fair Value	Gain (Loss) from Changes		
	16% Increase	10% Increase	5% Increase		5% Decrease	10% Decrease	16% Decrease
	In Interest Rate				In Interest Rate		
	Thousands of NIS						
EUR/NIS forward transaction	(320)	(200)	(101)	(2,030)	101	200	320
EUR/NIS option	(10)	(6)	(3)	(33)	3	6	10

The sensitivity analysis of the NIS interest rate includes an additional scenario (16% up and 16% down) testing the most extreme daily change occurring in the past ten years.

Sensitivity to Changes in EUR Interest Rate

	Gain (Loss) from Changes		Fair Value	Gain (Loss) from Changes	
	10% Increase in Interest Rate	5% increase in Interest Rate		5% Decrease in Interest Rate	10% Decrease in Interest Rate
	Thousands of NIS				
EUR/NIS forward transaction	150	76	(2,030)	(76)	(151)
EUR/NIS option	4	2	(33)	(2)	(4)

Sensitivity to Changes in the Euro/Shekel Exchange Rate

	Gain (Loss) from Changes		Fair Value	Gain (Loss) from Changes	
	10% Increase in Exchange Rate	5% Increase in Exchange Rate		5% Decrease in Exchange Rate	10% Decrease in Exchange Rate
	Thousands of NIS				
EUR/NIS forward transaction	(44,216)	(22,109)	(2,030)	22,109	44,216
EUR/NIS option	(3,109)	(1,153)	(33)	1,169	3,663

Sensitivity to Changes in Standard Deviation

	Gain (Loss) from Changes		Fair Value	Gain (Loss) from Changes	
	10% Increase	5% increase		5% Decrease	10% Decrease
	in Standard Deviation			in Standard Deviation	
	Thousands of NIS				
EUR/NIS option	(3)	(1)	(33)	1	1

Additional data:

The sensitivity analyses are based on the dollar's representative rate of exchange as of December 31 2010 – 3.549.

The sensitivity analyses are based on the euro's representative rate of exchange as of December 31 2010 – 4.7379.

11. Disclosure on Critical Accounting Estimates

The Company's Financial Statements have been prepared in accordance with international financial reporting standards (IFRS). Application of these rules requires that management perform estimates and make assumptions influencing the sums presented in the attached Financial Statements

Below is a description of critical accounting estimates used in preparing the Company's Financial Statements, the formulation of which requires that Company management employ its judgment in its estimates and make assumptions regarding circumstances and events involving significant uncertainty. In determining the estimates, Company management relies on past experience, various facts, external factors and reasonable assumptions according to the circumstances appropriate to each estimate. Actual results may differ from these estimates.

Regarding according estimates as a whole see Note 2f to the Financial Statements.

(1) Impairment of Assets

In accordance with the IAS 36 on each reported date, the Group reviews the book value of its tangible and intangible assets in order to determine if there are any indications of losses from the impairment of said assets. If any such indications exist, the asset's recoverable sum is estimated in order to determine the impairment loss, if any. If the recoverable sum for a single asset cannot be determined, the Group estimates the recoverable sum of the cash-producing unit to which the asset belongs. Joint assets are also allocated to the individual cash-generating units if a reasonable and consistent basis for this allocation can be identified. In the event that the joint assets cannot be allocated to the single cash generating units on the basis in question, the joint assets are allocated to the smallest groups of cash-generating units for which a reasonable and consistent basis of allocation can be identified.

Intangible assets with an undefined useful life span are tested for impairment once per year or more often in the event of indications of possible impairment.

The recoverable amount is the sales price of the assets net of sales costs or its value of use, whichever is higher. When estimating the use value, future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market estimates for time value of money and for asset-specific risks for which the future cash flow estimate has not been adjusted.

If the recoverable sum for an asset (or for a cash-generating unit) is estimated to be lower than its book value, the book value of the asset (or of the cash-generating unit) is depreciated down to its recoverable sum. Impairment loss is immediately recognized as an expense in gain/loss.

If an impairment loss recognized in previous periods is written off, the asset's book value (or that of the cash-generating unit) is increased back to the updated recoverable sum estimate but no greater than the book value of the asset (or of the cash-generating unit) that would have existed if impairment loss had not been recognized for it in previous periods. Writing off impairment loss is immediately recognized in gain/loss.

(2) Contract Work

In accordance with IAS 11, the Company recognizes revenues from works based on implementation contracts in accordance with the "completion rate" method if the following conditions are met: income is known or can be reliably estimated, income collection is expected, the costs involved in carrying out the works are known or can be estimated reliably and there are no material uncertainties regarding the ability to complete the work and uphold the client's contractual conditions. The completion rate is estimated on the basis of cost in practice compared to general projected costs. Regarding construction costs, the Company estimates that profits can be recognized starting from a minimal progress rate of 25% for paving and infrastructure works; the Company recognizes profits from project from the date from which the costs involved in carrying out the project can be estimated reliably.

So long as all of the conditions listed above are not upheld, income is recognized to the amount of costs paid the recovery of which is expected ("zero margin"). Regarding works for which loss is expected, a provision is charged immediately for the entire projected loss; the proceeds referring to the portion carried out are determined according to the average gross profit rate expected for the entire work. Changes in sales and costs estimates by management will be expressed by changing estimates on a here onward basis of the gross profit rate from the project (the prospective method).

A reliable estimate of the project's costs is determined based on detailed calculations prepared for each project. These calculations are based among other things on agreements signed or which are expected to be signed with subcontractors, salary costs are they are known upon the preparation of the calculation, changes occurring from time to time in raw material prices and an estimate of the period of time required to complete the work in accordance with past experience and contractual obligations.

A reliable estimate of the project's revenues is made in accordance with the terms detailed in the contract signed with the party commissioning the work.

Company management studies these estimates on a quarterly basis.

(3) Pending Liabilities

The Company has pending liabilities of sums the maximum exposure due to which is material. The Company performs periodic evaluations of the potential liabilities referring to each claim and requirement. Naturally, it is very hard to determine the results of the claims and the demands. The Company employs its best judgment and the advice of its legal counsel in order to determine whether it is reasonable for the Company to bear the costs involved in settling the claims and demands and whether they can be reasonably enforced.

Taking into account the uncertainty inherent to legal claims, the possibility exists that all or part of them will conclude with the Company liable for various sums. For details of the pending liabilities see Note 31a to the Financial Statements.

(4) Deferred Taxes

Deferred taxes are calculated according to the tax rates expected upon realization. The tax benefit was included in the Financial Statements as according to the Company's business plans, realization of the tax benefit is expected. Naturally, business results may differ from business plans in practice, which may influence the realization of the tax benefit in the future.

(5) Provision to Doubtful Debts.

The provision to doubtful debts is calculated specifically for debts the Company believes the collection of which is doubtful. In determining the propriety of the provisions management relied on, among other things, the risk estimate based on the information in its possession regarding the debtors' financial status, the scope of their activity and an evaluation of the guarantees received from them.

(6) Loss of Material Influence or Joint Control

Starting from the date on which the group loses its material control or joint control over an investee and treats the investment as a financial asset or affiliate, or a jointly-controlled company or a subsidiary, the Group must estimate the fair value of its original investment in the investee and recognize the gain or loss constituting the difference between the fair value of its original investment and ins book value.

12. Remuneration of Interested Parties and Senior Executives

In accordance with Regulation 10(b)(4) of the Securities Regulations (Periodic and Immediate Reports), 1970 ("the Reporting Regulations"), the Company's Board of Directors must explain in the Board of Directors' Report attached to the yearly periodic report the relationship between remuneration to senior management and Company interested parties given in accordance with Regulation 21 of the Reporting Regulations ("the Executives") and the contribution each had made to the Company over the course of the reported period, and the Board of Directors is also required to note whether the remuneration for the executives was fair and reasonable.

Prior to the ratification of the 2011 Financial Statements, the Company Board of Directors held a detailed discussion on each of the executives, in which the relationship between the remuneration each of the executives in question had received in 2011 and the executives' contribution that year was studied, as was the feasibility and fairness of the remuneration; the Company's' Remuneration Committee and Audit Committee held preliminary and detailed discussions on the matter of executive remuneration, while reviewing the information provided on each of them. The committee's recommendations as well as the relevant background material used for their examination was presented to the members of the Company's Board of Directors, and based on these, the Board held a discussion in which the full array of salary payments and bonuses paid each of these executives in 2011 was examined.

In order to prepare the Company for the examination of the subject of executive remuneration, the Board of Directors established the information required by the Board on each of the executives for the purpose of the examination in question, and the criteria according to which the connection between the remuneration and the executive's contribution will be examined, and in light of which it will be decided whether the remuneration given the executive was fair and reasonable. The information defined as required for the purposes of the examination in question included: a summary of the terms of employment of each of the executives in question (in accordance with the format listed in Regulation 21 of Chapter D of the Periodic Report), comparative data regarding the remuneration of executives of similar rank or in similar positions in other companies, data regarding the results of the Company's activities in 2011, as well as concise data regarding each of the executives (their rank and position, seniority in the organization, managerial and professional skills, compliance with the terms of their engagement with the Company, the contribution made to the Company's activity and progress in 2011 as well as an evaluation of how well they met the goals set for them). This information was transferred to the members of the Board of Directors and to members of the Board of Director committees discussing the subject in advance.

The Board of Directors also studied comparison numbers using an analysis prepared by Professor Moshe Tzabiran, which also included information regarding the accepted levels of remuneration for the positions of Chairman of the Board, CEO, Deputy CEO and CEOs of companies in Israel comparable to the Company in terms of scope and Shikun & Binui Real Estate Ltd. and SBI, as the case may be, among companies comparable to the Company.

The Board of Directors believes that the remuneration of each of the executives detailed in accordance with Regulation 21 of the Reporting Regulations reflects their contribution to the Company and is fair and reasonable, as detailed in the following summary:

1. <u>Ravit Barniv – Chairman of the Company's Board of Directors</u>

The Company's Board of Directors has examined and found that the Chairman of the Board has led the Company to constant increases in its financial and operational results. The activity and supervision of the Chairman of the Board contributed to a constant increase, throughout her term in office in general and in 2011 in particular, in the Company's profitability, its equity and its financial stability.

In 2011 the Company's achievements, under the leadership of the Chairman of the Board, exceeded its work plan goals, both in terms of net profits and in terms of EBITDA. The Board of Directors estimates that these achievements, are among other things a result of the activities of the Chairman of the Board of Directors over the course of 2011.

In addition, we must note the Company's continued efforts under the leadership of the Chairman of the Board of Directors to achieve its goals, to change its sustainability approach and to establish its leadership in the field of sustainability and to integrate management, control and reporting mechanisms in this field in general and in the field of the environment in particular. The Chairwoman's actions in establishing the Company's leadership also led to increase awareness of the subject of sustainability in the Company both inward and outward, including by implementing processes aimed at the participation of interested parties. Also noteworthy in this regard is the activity of the Chairman of the Board of directors in the establishment of the service approach in the Group and the behavior of its subsidiaries.

Finally, the Board of Directors determined that in terms of the terms of the service of the Chairman of the Board of Directors in 2011 the total salary of the Chairman of the Company's Board of Director is compatible with market conditions and is comparable in terms of range with similar companies. In addition, the Audit Committee, and subsequently the Company's Board of Directors, determined that the sum of the yearly bonus paid the Chairman of the Board may have exceeded the range of remuneration sums presented in the comparison data survey prepared by Professor Moshe Tzabiran, but it is reasonable and fair under the circumstances and the Chairwoman's specific case and her personal contribution to the Company's profits. The Board committees and Board of Directors also saw fit to note the continued increase in the Company's profits compared to previous years, both after neutralizing profits from special activities and without neutralizing them.

Based on the above the Company's Board of Directors found that the sum total of the remuneration given the Chairman of the Board in 2011 reflects her contribution to the Company, and that the remuneration paid her in 2011 was fair and reasonable taking into account the size of the Company, the scope and complexity of its activity and business, the competitive environment in which it operates, the duties and scope of responsibility of the Chairman of the Board and her contribution to the development of its business.

In accordance with the engagement agreement with the Chairman of the Board, as ratified by the Company's general meeting on December 27 2007, the Chairman of the Board is entitled to a yearly bonus equal to 1% of the Company's net earnings (with the exception of earnings from special activities, as defined in the engagement agreement), to a ceiling equal to the sum of the Chairwoman's monthly payment times 12 (with the Board of Directors retaining the option to increase the bonus in question to the sum of the monthly payment times 24, in the event that the Chairman of the Board had made a special contribution to the Company's profitability).

2. <u>Ofer Kotler – Company CEO</u>

The Company's Board of Directors examined and found that under the management, leadership and involvement of the CEO, the Company has shown constant increases in its financial and operational results. The CEO's activities and involvement in the management of the Company and its subsidiaries, including his service as the Chairman of its subsidiaries, have contributed to the constant increase, throughout his time in office, in the Company's profitability, its equity and its financial fortitude, as is reflected in the parameters described above.

The Board of Director noted the Company's achievements in 2011 and that under the leadership of the CEO they had exceeded the Company's work plan goals, both in terms net profits and of EBITDA. In addition, the Board of Directors noted the CEO's activity in leading the creation of synergy between the Group members while attempting to maximize the profits of the Group.

Furthermore, over the course of 2011 the CEO continued to lead the focus of the Group's activity on its core operations. The CEO's actions also lead to the implementation of improved control and measurement mechanisms in Group members. The CEO's contribution also led the Company's administrative staff to success its many and varied tasks.

Finally, the Board of Directors determined that in terms of the terms of service of the Company CEO in 2011 the total salary of the Company CEO meets market conditions and is comparable to similar companies.

Based on the above the Company's Board of Directors found that the sum total of the remuneration given the CEO in 2011 reflects his contribution to the Company, and that the remuneration paid him in 2011 was fair and reasonable taking into account the size of the Company, the scope and complexity of its activity and business, the competitive environment in which it operates, the duties and scope of responsibility of the CEO and his contribution to the development of its business.

Similar to the Chairman of the Board, the Company CEO as well, in accordance with the engagement agreement with him, is entitled to a yearly bonus equal to 1% of the Company's net earnings (with the exception of earnings from special activities, as defined in the engagement agreement); as well as a yearly bonus equal to 1% of the Company's earnings from special activities, to a ceiling equal to the sum of the CEO's monthly payment times 12 (with the Board of Directors retaining the option to increase the bonus in question to the sum of the monthly payment times 24, in the event that the CEO had made a special contribution to the Company's profitability).

3. Amit Segev – Deputy Company CEO

The Company's Board of Directors examined the matter and found that the remuneration for the Company's Deputy CEO reflects his contribution to the Company's achievements in 2011, which exceeded the Company's work plan goals, both in terms of net earnings and in EBITDA. The Board of Directors estimates that these achievements, are among other things a result of the activities of Deputy CEO throughout his term in office in general and over the course of 2011 in particular.

Regarding the Deputy CEO's contribution, the Company's Board of Directors also noted his focus on the field of concessions, and that the work of the Deputy CEO assisted, and in effect supported, made possible and realized groundbreaking processes in the field of concessions and in general, including the sale of the Company's holdings in Derech Eretz and the sale of the Company's holdings in its activity in Germany and the receipt of allocated shares in the A.D.O Group Ltd. In addition, the Board of Directors note that pursuant to his service, the Deputy CEO acted and continues to act to accompany growth processes in the field of water and energy.

The Audit Committee and Board of Directors decided that granting the yearly bonus in question to the Deputy CEO is within the range of remuneration sums present in the comparison prepared by Professor Tzabiran regarding the levels of remuneration accepted in similar positions in similar companies, and are compatible with market conditions.

Finally, the Company's Board of Directors determined that the remuneration levels of the Company's Deputy CEO are not exceptional and are compatible with market condition and are in an acceptable range relative to similar companies.

Based on the above the Company's Board of Directors found that the sum total of the remuneration given the Deputy CEO in 2011 reflects his contribution to the Company, and that the remuneration paid him in 2011 was fair and reasonable taking into account the size of the Company, the scope and complexity of its activity and business, the competitive environment in which it operates, the duties and scope of responsibility of the Deputy CEO and his contribution to the development of its business.

4. Yehuda Elimelech, Outgoing CEO of SBI (Mr. Elimelech concluded his service as CEO of SBI in December 2011)

The Company's Board of Directors has examined and found that under the management, leadership and involvement of the outgoing CEO of SBI, SBI has shown accelerated growth in its financial and operational results. The Board of Directors also found that the CEO of SBI made a vital contribution to maintaining its status as the Shikun & Binui's primary growth engine and one of its key assets.

The Company's Board of Directors emphasized that the outgoing CEO of SBI led a global operation, which he administered according to severe international standards, achieving results significantly exceeding those generally accepted around the world. The Board of Directors found that these points are particularly significant in light of the operational challenges and risks in the countries in which SBI operates and in light of the fact that SBI aims to bring progress to the developing countries in which it operates. In studying the activity of SBI and its CEO the Board of Directors noted the work environment, including the difficulty in locating managerial personnel of the high level required to manage activity in the countries of operation, particularly as this pertains to SBI's highest levels of management.

In 2011 as well SBI's achievements exceeded the goals set in the Company's work plan, on the operational profit level, on the net profit level and on the EBITDA level, and are a direct result of the management and contribution of the outgoing CEO of SBI to achieving these.

The Board of Director believes that the remuneration for the outgoing CEO of SBI reflects SBI's achievements in 2011 in terms of the increase in accumulated orders, on the operational profit level and on the net profit level and the management and contribution of the CEO of SBI to achieving them and more. The Board of Directors noted that the actions and management of the outgoing CEO of SBI caused it to meet the key goals set for it in its work plan, including the income goal, the profitability goal, the EBITDA goal and more.

Finally, the Board of Directors determined that after examining the terms of the service of the outgoing CEO of SBI the total salary of the outgoing CEO of SBI is compatible with market conditions and is comparable to similar companies. In addition the Company's Board of Directors, determined that while the sum of the yearly bonus paid the outgoing CEO of SBI may have exceeded the range of remuneration sums presented in the comparison data survey prepared by Professor Moshe Tzabiran, it is reasonable and fair under the circumstances and in the specific case of the CEO of SBI and his personal contribution to SBI’s activity.
Based on the above, the Company’s Board of Directors found that the sum total of the remuneration given the CEO of SBI in 2011 reflects his contribution to it, and that the remuneration paid him in 2011 was fair and reasonable taking into account its size, the scope and complexity of its activity and business, the competitive environment in which it operates, the duties and scope of responsibility of the outgoing CEO of SBI and his contribution to the development of its business.

5. Tamir Dagan – CEO of Shikun & Binui Real Estate

The Company’s Board of Directors has studied the matter and found that under the management of the CEO of Shikun & Binui Real Estate, Shikun & Binui Real Estate showed a constant increase in its financial and operational results. The activity of the CEO of Shikun & Binui Real Estate contributed to retaining the status of Shikun & Binui Real Estate as one of the Shikun & Binui Group’s growth engines and one of its key assets. The management of the CEO of Shikun & Binui Real Estate was able to lead it, both during prosperous periods in the real estate market and during slowdowns – such as that in the second half of 2011 – to dealing with the challenges posed by the market and providing them with an effective and timely response.
The Board of Directors believes that the remuneration to the CEO of Shikun & Binui Real Estate reflects the activity of the CEO of Shikun & Binui Real Estate, which contributed to the achievements of Shikun & Binui Real Estate, led it to prosperity and increased profitability, by expanding the scope of its activity and while initiating new projects and purchasing land. The Board of Directors noted that the actions and management of the CEO of Shikun & Binui Real Estate caused it to meet the key goals set for it in its work plan, taking into account that despite the changes and slowdown in the real estate market in Israel in 2011, most of the Company’s goals in the field have been achieved.
In addition, the Board of Directors saw fit to note key events in the reported period in the activity of Shikun & Binui Real Estate under the leadership of its CEO, including the completion of the Ir Yamim Mall in Netanya, in leading a different construction culture while making sure to apply green construction compatible with regulation in the field as well as leading the assimilation of a service culture in the Company and its management and leading it to service excellence.
Finally, the Company’s Board of Directors determined that the levels of remuneration for the CEO of Shikun & Binui Real Estate were within the range of remuneration sums presented in the comparison work prepared by Professor Tzabiran regarding the level of remuneration acceptable for similar positions in similar companies, and are compatible with market conditions.
Based on the above, the Company’s Board of Directors found that the sum total of the remuneration given the CEO of Shikun & Binui Real Estate in 2011 reflects his contribution to it, and that the remuneration paid him in 2011 was fair and reasonable taking into account its size, the scope and complexity of its activity and

business, the competitive environment in which it operates, the duties and scope of responsibility of the CEO of Shikun & Binui Real Estate and his contribution to the development of its business.

For further details regarding executive remuneration see Regulation 21 in Chapter D of the Periodic Report (Additional Details Chapter).

13. Board Members with Accounting and Financial Capabilities

In accordance with the Securities Authorities guidelines regarding reporting on directors with accounting and financial capabilities, the Board of Directors has decided that the minimum number of such directors will be three.

In the opinion of the Board of Directors, taking into account the nature of the Company as a holding company for companies operating largely in the same industry, this number of directors with accounting and financial capabilities will allow the Board of Directors to meet its obligations, in particular as regards the examination of the Company's financial status and the preparation and approval of the Company's Financial Statements.

The following is the list of seven directors with accounting and financial capabilities, who are not employed by the Company in any other position:

(1) **Irit Izacson** – degree in economics and certification in performance research from Tel Aviv University. Has served on the Company's Board of Directors since February 19 2004 and a member of the Finance and Financial Statements Examination Committee (until March 8 2011). Member of the board of directors of Bank Hapoalim since December 27 1999 and member of the following subcommittees: Credit Committee, Audit Committee, Business and Budget Committee, Chair of the Balance Sheet Committee, Expense Control and Streamlining Committee, Chair of the Risk Management and Examination of Basel 2 Application Committee. In addition, serves as Chairman of Isracard Ltd., Chairman of Europai (Eurocard) Ltd, Chairman of Aminit Ltd, Chairman of Poalim Express Ltd., member of the board of Arison Investments Ltd, Arison Holdings (1998) Ltd, I.D.B. Development Ltd. (until January 2012), member of the new administrative committee of the friends of Ben Gurion University and of the board of trustees of the Van Leer Institute.

Has also served in recent years on the boards of the following companies: the Israel Company Ltd., Eurocom Communications Ltd., Nisko Industries Ltd., Israel Chemicals Ltd, Koor Industries Ltd, Meshulam Levenstein Ltd., Dead Sea Bromine Ltd., Bromine Compounds Ltd.

Also served in a series of positions in Bank Leumi L'Israel Ltd. for 17 years. Among other things, served as Israeli Currency Assets and Liabilities Manager. Her final position at Bank Leumi L'Israel Ltd. was as Industry Sector Manager at the Business Division.

(2) **Shmuel Berkovitz –** Has served on the Company's Board of Directors since December 31 1996 and is a member of the following committee: Human Resources and Remuneration Committee, Audit Committee, Sustainability Committee. Over the past five years has served as the Chairman of Nir Shitufi the National Association for the Settlement of Hebrew Workers in Israel, as treasurer of the Moshavim Movement, as the General Manager of Brit Siyua. In addition, serves as Chairman of the Steering Committee of the Achva Academic College.

(3) **Nir Zichlinskey –** has served on the Company's Board of Directors since November 26 2006. In addition, serves as a director at Bank Hapoalim Ltd. Shikun & Binui Real Estate Ltd., Shikun & Binui SBI Ltd., Shikun & Binui Renewable Energy Ltd., Shikun & Binui Solel Boneh Construction and Infrastructure Ltd, Shikun & Binui Solel Boneh Infrastructures Ltd., Shikun & Binui Water Ltd.

Zichlinskey, an accountant, with an M.B.A. specializing in finance from Ben Gurion University and a B.A. in business administration specializing in accounting and finance from the Rishon Lezion College of Management. Among his former positions he clerked at the accounting firm of Somekh Chaikin (KPMG) and also served as a manager in the professional department. Later served as senior partner and member of the managing staff of the accounting firm of Ziv Haft (BDO) and served as head of the professional department, the social responsibility in business and social-environmental reporting department, the training department and business development manager.

Serves as president and CEO of SRI Global Group. SRI Global Group is Israel's leading business group in the field of investments according to the SRI model (socially responsible investment). The group operates in four key operating sectors: SRI Investment, SRI Funds, SRI Consulting and SRI Training.

Formerly Deputy CEO and Business Development Manager of companies in the group of controlling shareholders: Arison Investments Ltd, Arison Holdings (1988) Ltd., Arison Sustainability Ltd. Arzaf Ltd., Arzaf B (97) Ltd., Arzaf D Ltd. and Arshav Holdings Ltd.

Zichlinskey has extensive financial knowledge both in the practices and in the methodologies he applies to the general public, which is reflected in writing and editing dozens of books, studies and articles in economic-business, accounting, legal, auditing and business social and environmental responsibility areas. In addition, for over 20 years Zichlinskey has served as a senior lecturer at Israeli universities and academic colleges, a member of the Institute of Certified Public Accountants in Israel and the Israeli Accounting Standards Board and chairman of the Israeli team for the writing of Israeli Standard 10000.

(4) **Efrat Peled** – has served on the Company's Board of Directors starting November 26 2006. Currently serves as the Chairman of Arison Holdings (1998) and Arison Investments Ltd. and SAFO LLC.

Ms. Peled, an accountant, has an M.B.A. from the Kellogg Rekanati International Program at Tel Aviv University, a B.A. in economics and accounting from Tel Aviv University and certified by the Department of Real Estate Appraisal and Property Management at Tel Aviv University.

Serves on the boards of directors of the following companies: Bank Hapoalim Ltd., Israel Alt Industries Ltd., Av-Ar Capital Investments (1997) Ltd., MiyaS.a.r.l., Arison Sustainability Ltd., Arison Investments Ltd, Chairman of Arison Holdings (1988) Ltd.,. Arzaf Ltd., Arzaf B (97) Ltd., Arzaf C Ltd., Arzaf D Ltd.

Previously serve as Chairman of Arison Holdings (1998) Ltd. and Arison Investments Ltd., the financial manager of the Ted Arison Family Fund (U.S.), the Ted Arison Family Fund (Israel) and the Nature of Life – of the Arison Group, CFO of Shargad Motels "Movanpik Marsha", held her accounting clerkship at Somekh Chaikin (KPMG) and her real estate clerkship at Danus-Cohen Ltd.

Efrat has extensive managerial experience accumulated at the Arison Group, in the field of business and philanthropy in the Israeli and international markets, including management in a variety of financial and operative industries. Peled specializes in managing the array of multi-billion dollar global financial funds, investment portfolio, financial and operative holdings, Israeli and international taxation, real estate and extensive work with leading international investment banks and financial institutions.

(5) **Israel (Izzy) Tapoohi –** has served as external director at the Company since August 19 2007 (his tenure was renewed on August 19 2010 for an additional three years and is expected to end, following Mr. Tapoohi's announcement, on March 29 2012), and as the chair of the Board of Directors' Audit Committee and member of the Finance and Financial Statements Examination Committee and the Sustainability Committee. A graduate of the University of Melbourne with a degree in economics, business administration and accounting, and a certified pubic accountant in Australia and Israel.

Upon immigrating to Israel in 1980, has worked as an accountant at Leiboshitz, Ksirrer & Co. Was appointed, in 1984 as secretary of Pioneer (Israel), and served as VP and director at the company. In addition, Mr., Tapoohi served in positions in parent company Pioneer International – an international company in the field of construction products. Was involved in this company in international financing transactions, in dividend planning, and in international acquisitions transactions.

In 1996 Mr. Tapoohi served as Chairman of the Board of Directors of Africa-Israel Investments Ltd. In 1997 was appointed Chairman of the Board of Directors of Bezeq, a telecommunications services company and Israel's largest corporation. Also served on the boards of Pelephone Communications Ltd., Bezeq International Ltd, DBS Satellite Services (1998) Ltd. (YES) and Pioneer Israel Ltd.

Until 2004 served as CEO of Incusoft Ltd. in the high-tech industry. Today Mr. Tapoohi continues to serve as a consultant and investor in the field of high-tech and is involved in business consulting, in investments and in real estate. Currently serving as President of the State of Israel Bonds Organization, Mr. Tapoohi serves as director at Paz Petroleum Company Ltd. (until September 1 2011), a director at Paz Ashdod Oil Refineries Ltd. (until September 1 2011), a director at Menorah Mivtachim Holdings (until October 1 2011), a director at Menorah Mivtachim Insurance Ltd. (until October 1 2011), a director at the Strauss Group until September 2008, a director at Harel Insurance Investments Ltd. until January 2009, a director at Tel Aviv Hame'a Properties Ltd., a director at TFI Investments Ltd., a director at Lebreeze Investments Ltd. Pursuant to his duties at Strauss-Elite, he accompanied the largest and most complicated merger in the Israeli economy in the past decade.

Mr. Tapoohi is a member of the Israel-UK Business Council and serves on a number of chambers of commerce administrations. Formerly a member of the Bank of Israel, council and advisory committee, and the managing committee of the Association of Public Companies.

(6) **Joseph Alshech –** has served as external director at the Company since February 11 2008 (his tenure was renewed for three additional years on February 21 2011), and member of the following Board of Directors committees: Audit Committee, Chair of the Finance and Financial Statements Examination Committee and the Human Resources Committee.

Financial consultant, certified mediator, serves as director and chairman of private and public companies. Currently serves on the board of Ubank Ltd, Lachish Industries Ltd, Mega Retail Ltd., Whitewater Ltd., Chair of the Investment Committee at Amitim Senior Pension Funds. In addition, formerly served as chair of the Investments Committee and Migdal Insurance Ltd., Chairman of the Board of Directors at Na'an Irrigation Works Ltd., Pladot Ltd, Ma'abarot Products Ltd., Harel Investments and Finances Ltd., Albad Ltd., Gamal Sarid Ltd., Log Plastic Products Ltd. Mr. Alshech has a degree in economics form the New York New School of Social Research.

(7) **Moshe Luhmany – S**erves as director in the Company from June 20 2010, and member of the Board of Directors' Finance and Financial Statement Examination Committee. Mr. Luhmany has a degree (with honors) in accounting and economics from Haifa University, and has a certified public accountant's license. Mr. Luhmany serves as Deputy CEO of Arison Investments Ltd. and as CFO; in the past Mr. Luhmany served as VP of International Operations at Amdocs and as CFO at 3DV Systems, and as a senior executive at the accounting firm of Somekh Chaikin KPMG.

Mr. Luhmany also serves on the boards of Bank Hapoalim Ltd., Israel Salt Industries Ltd., Av-Ar Capital Investments (1997) Ltd., MiyaS.àr.l. , Miya Luxembourg Holdings S.àr.l.

14. The Board of Directors and Company Management

a. The Following are Changes in the Composition of the Corporation's Directors in the Reported Period

On February 21 2011 the general meeting of the company's shareholders decided to reappoint Mr. Joseph Alshech as an external director at the Company.

On November 23 2011 Mr. Ido Stern was appointed Company director.

Subsequent to the reported period, on January 11 2012 Mr. Israel (Izzy) Tapoohi informed the Company that he would be concluding his duties as external director at the Company, coming into effect on March 29 2012.

Subsequent to the reported period, on February 22 2012 a general meeting was called for March 29 2012, with its agenda including the appointment of Mr. Itzhak Harel as external director at the Company for a period of three years, effective from ratification by the general meeting.

b. The Following are Changes in the Composition of the Company's Senior Corporate Officers in the Reported Period

On October 5 2011 Ms. Orna Angel concluded her service as Company VP, and serves the Company in no other position.

On December 1 2011 Ms. Tali (Revital) Nechushtan was appointed as Company Marketing Manager.

Subsequent to the reported period, on February 9 2012 Ms. Ofra Rahav was appointed to the position of VP of Sustainability at the Company.

15. Negligible Transactions

On March 30 2010 the Company's Board of Directors decided to adopt guidelines and rules for the classification of a transaction as a "negligible transaction" as the term is defined in Regulation 41(a)(6) of the Securities Regulations (Yearly Financial Statements), 2010. These rules and guidelines are also used to determine the extant of disclosure as regards transactions on behalf of the Company with controlling shareholders or in which controlling shareholders have personal interest as defined in Regulation 22 of the Securities Regulations (Periodic and Immediate Reports), 1970 (hereinafter: "**Periodic and Immediate Reports**") and Regulation 54 of the Securities Regulations (Prospectus Details and Prospectus Draft – Structure and Form), 1969, as well as to determine the need to submit an immediate report for such a Company transaction, as set in Regulation 37(a)(6) of the Immediate and Periodic Reports Regulations.

Over its normal course of business, the Company or its subsidiaries may conduct transactions with interested parties as well as enter into obligations to conduct transactions with interested parties in relation to the purchase of hoods or services, including, but not limited to, transactions of the following types and featuring the following characteristics: purchasing banking services, transactions related to the management of funds deposited in provident and education funds, communications transactions, purchasing, insurance acquisitions (including executive liability insurance, employee loyalty insurance, asset and property insurance and manager's insurance), rental transactions, purchase of goods, acquisition of services, consulting services acquisitions, entering into underwriting agreements and more.

Transactions to which the Company or a subsidiary are a party, and which meet the following conditions, will be considered "negligible transactions":

a. The transaction is not an "exceptional transactions" as defined in Section 1 of the Companies Law, 1999;

b. The transaction is not defined by the Company as a reportable event in accordance with regulation 36 of the Periodic and Immediate Reports Regulations;

c. The influence of the transaction's expected results will not exceed 0.25% (one quarter of one percent) of the Company's assets, 1& 9one percent) of the Company's total revenues and 1% (one percent) of the Company's net profits; in this regard "the Company's profits", "the Company's liabilities", "the Company's revenues" and "the Company's net profits" – as determined in the Company's audited yearly financial statements (on a consolidated basis), the last approved by the Company.

If the transactions constitute a stage, complex or part of other transactions carried out and/or which will be carried out by the Company over the course of the 12 months preceding engagement with it or the subsequent 12 months – a single examination shall be carried out for all of the transactions in question, jointly.

d. The scope of the transaction does not exceed 8 million NIS.

The condition noted in Section (d) above shall apply to transactions approved as of March 31 2013. This condition will be examined by the Board of Directors on a yearly basis, near the date of approval dates of the Company's yearly financial statements.

In cases in which, according to the Company's judgment, all of the aforementioned quantitative criteria are irrelevant for the determination of the negligibility of the interested party transaction, the transaction shall be considered negligible, in accordance with a different relevant criterion, determined by the Company, so long as the relevant criterion calculated for this transaction shall be at least one percent (1%) of the relevant parameter.

In examining the negligibility of a transaction that is supposed to occur in the future, an examination must be carried out, among other things, of the likelihood of its realization and the realization of its influences.

Examination of the quantitative considerations of an interested party transaction may lead to the contradiction of the aforementioned presumption of the transaction's negligibility, as noted above. Thus, for instance, and merely as an example, a transaction shall not generally be considered negligible if it is considered a significant event by Company management.

16. Independent Directors

The Company has not adopted the directive regarding the rate of independent directors, as defined in Section 219 (e) of the Companies Law, 1999, in its bylaws.

17. Financial Statement Approval Process

The Company organ responsible for approving the Financial Statements is the Company's Board of Directors. The Financial Statements are brought before the Board of Directors for discussion and approval after the Board's Finance and Financial Statements Examination Committee has discussed it in its meeting and has recommended that the Board of Directors approve the Financial Statements prior to their approval by the Board of Directors.

The Finance and Financial Statements Examination Committee consist of three Board members (who are also members of the Company's Audit Committee):"

a. Mr. Yosef Alsheikh, Chair of the Committee – external director.
b. Mr. Israel (Izzy) Tapoohi – external director.
c. Mr. Moshe Luhmany (Mr. Moshe Luhmany has replaced Shmuel Berkovitz as member of the committee starting March 7 2012).

All members of the Committee posses financial and accounting capabilities. For additional details regarding the committee members see Section 13 of this report.

A detailed presentation is given by Company executives and other to the Finance and Financial Statement Examination Committee as well as the Board of Directors (which discusses the issue after the discussion at the Finance and Financial Statement Examination Committee), on the matter of the key points of the Financial Statements, material issues in financial reporting, including as regards transactions not carried out over the normal course of business, if any, estimates and assessments applied that were employed in the Financial Statements, internal controls related to financial reporting, the completeness and propriety of disclosure in the Financial Statements, the accounting policy adopted and the accounting treatment applied to the corporation's material issues and the changes occurring therein, including changes deriving from the first-time application of new standards, value assessments, including the assumptions and estimates that lie at their base, upon which the data in the Financial Statements relies.

Meetings of the Finance and Financial Statements Examination Committee on the matter of the approval of the Financial Statements were held on March 8 2011, March 13 2011, March 24 2011, May 26 2011, August 21 2011, November 21 2011 and March 22 2012. All of the committee's members were present at all of the meetings: Yosef

Alsheikh, Izzy Tapoohi and Shmuel Berkovitz (until March 7 2012) and Moshe Luhmany (at the March 22 2012 meeting). The following senior executives took part in the meetings of the Finance and Financial Statements Examination Committee held on March 13 2011, May 26 2011, August 21 2011, November 21 2011 and March 22 2012 – Ofer Kotler (CEO), Amit Segev (Deputy CEO), Doron Blachar (CFO), Ronit Rosenzweig (Controller) and Ronit Biran (Internal Auditor). The following senior executives took part in the meetings of the Finance and Financial Statements Examination Committee held on March 8 2011 and March 24 2011 – Ofer Kotler , Amit Segev, Doron Blachar, and Ronit Rosenzweig. Taking part in the meeting of the Finance and Financial Statements Examination Committee and in the meeting of the Board of Directors discussing the approval of the Financial Statements was also the Company's external auditor, who also attended to the issues arising in the discussions of the Finance and Financial Statements Examination Committee and those of the Board of Directors and presented key subjects that arose over the course of the audit or the review of the Financial Statements.

Pursuant to the process of approving the Company's Financial Statements by the Board of Directors, a number of days prior to the regular Financial Statement approval meeting, a draft of the Company's Financial Statements including the Board of Directors Report and a Description of the Corporation's Business is passed on to the members of the Finance and Financial Statements Examination Committee and the other members of the Board of Directors for study. Prior to the meeting of the Board of Directors, the Finance and Financial Statements Examination Committee provides its recommendations on the matter of the approval of the Financial Statements and informs it of any fault or problem discovered (if any) over the course of the examination. The Board of Directors has established that providing the recommendations at least 48 hours before the meeting constitutes a reasonable period of time. The Board of Directors estimates that the Committee's recommendations were provided a reasonable period of time before the discussion by the Board of Directors, in light of the scope and complexity of the recommendations.

18. Disclosure Regarding the Auditing Accountant's Fee

The following are the details of the auditing accountant's fees divided as follows:

Salary for auditing services, auditing-related services and for tax services – in thousands of NIS.

Other salary – for other services provided by the accountant – in thousands of NIS.

Company	Certified Public Accountant	2011				2010			
		Number of Auditing Hours	Auditing Salary	Number of Other Salary Hours	Other Salary	Number of Auditing Hours	Auditing Salary	Number of Other Salary Hours	Other Salary
The Company – Shikun & Binui Ltd.	Somekh Chaikin & Co.	5,650	1,109	1,993	619	5,996	1,279	1,549	500
Shikun & Binui – Solel Boneh (Construction and Infrastructure) Ltd. and its subsidiaries	Somekh Chaikin & Co.	5,503	911	681	251	5,457	905	731	259
Shikun & Binui Real Estate Ltd. and its subsidiaries	Somekh Chaikin & Co.	6,324	1,034	1,026	262	7,143	1,344	445	131
Shikun & Binui SBI Infrastructures and its subsidiaries	Ziv Haft Local accountants abroad	3,400 3,837	944 904	150 640	53 515	2,400 2,817	724 804	1,250 140	368 110
Shikun & Binui Real Estate Development B.V.	KPMG Hungary	2,500	878	-	-	1,550	853	-	-
Shikun & Binui Renewable Energy Ltd. and its subsidiaries	Somekh Chaikin Ziv Haft	1,750 -	326 -	727 120	280 23	2,044	366	846	313
Shikun & Binui Water Ltd. **(1)** formerly Orlev Industries Construction and Works 2000 Ltd.) and its subsidiaries	Fahn Kanne Somekh Chaikin	288 480	67 111	85 -	20 -	1,200	170	42	20

19 Disclosure with Regard to the Internal Auditor

a. Name of Auditor: Ronit Biran

Start of Term in Office: March 1 2007

Qualifications: accountant, B.A. in economics and accounting, member of the Organization of Internal Auditors, member of the IIA Conferences and Educational Committee. The internal auditor meets the terms set in Section 3(a) of the Internal Auditing Law, 1992 ("the Internal Auditing Law") as well as Section 146 (b) of the Companies Law and Directive 8 of the Internal Auditing Law. To the best of the Company's knowledge, the internal auditor does not hold Company securities. The internal auditor is a Company employee and serves as internal auditor for other Group members, including public company ADO Group (since November 16 2011).

b. The auditor was appointed by the Board of Directors following the recommendation of the Audit Committee. The appointment was approved based on her education, skills and extensive experience in internal auditing, including as chief internal auditor.

c. The organizational supervisor of the internal auditor is the Chairman of the Board of Directors

d. The Company has a multi-year auditing plan for a 4-year period, with the aim of encompassing most of the activities of the Company and its subsidiaries, and the yearly plan has been derived from it. Establishment of the work plan is based on an evaluation of the risks in the activities of the Company and the subsidiaries. Furthermore, the plan took into account the existence of proper controls and auditing findings in previous years, after consulting with the companies' CEOs. The audit plan is sent to the CEO and Chairman for study and presented to the Audit Committee for approval. Material deviations from the work plan are brought before the Audit Committee for approval. Furthermore, the work plan includes the allocation of resources for ad-hoc audits.

e. Over the course of the reported period, the internal auditor examined material transactions including their approval process.

f. The audit committee also deals with material investee corporations of the Company in Israel and abroad.

One of the investees (SBI Infrastructures) has an internal auditor who is a Group employee. The determination of the yearly audit plan for this corporation is carried out by him in conjunction with the internal auditor. The Company's internal auditor receives this corporation's audit reports and also takes part in this corporation's auditing committees.

g. The internal auditor is a full-time employee and is also responsible for the field of internal auditing in the Company's investees.

Auditing in the Company and in its subsidiaries is carried out by the Audit Department which is made up of 4 auditors (including the internal auditor) and outsourcing.

The following are details of work hours spent on internal auditing in the Group in 2011:

At the Company	1,100
In domestic subsidiaries	3,930
In foreign subsidiaries	2,270
Total	7,300

The audit plan does not include auditing for 4 affiliates, the auditing for which is performed by an external auditor that they have appointed with the involvement of the internal auditor. Total auditing hours in these companies amounted to some 750 in 2011.

h. The audit was carried out in accordance with generally accepted professional standards in Israel and around the world and in light of professional guidelines as adopted and published by the Organization of Internal Auditors as well as in accordance with the relevant legal requirements of each Group member, respectively The Board of Directors, through its audit committee, supervises the internal auditing work.

i. The internal auditor granted with free access to the Company and subsidiaries in Israel and abroad for any source of information, including documents, to regular or computerized databases and to financial data.

j. The internal auditor's reports are submitted in writing, after holding discussions with the audited parties on the audit report drafts. The audit reports are distributed to the CEO, the Chairman of the Board, the Chair of the Audit Committee and the members of the Audit Committee and within one week and two months they are discussed by the Audit Committee.

Meetings of the Company's Audit Committee in which a discussion was held on the auditor's findings were held on the following dates: January 2 2011, February 23 2011, May 26 2011, July 24 2011, September 26 2011, November 21 2011, December 15 2011.

Furthermore, 22 discussions were held at the audit committees of the corporation's subsidiaries/investees on the audited subjects.

k. The Audit Committee and Board of Directors estimates that the scope of the auditing work, the character and continuity of the auditor's work plan activities are reasonable under the circumstances and permit the achievement of the goals of the corporate audit.

l. The internal auditor receives a monthly salary including social and other benefits as generally accepted at the Company, and in accordance with the Board of Director's decision, the internal auditor was granted options pursuant to the allocation of options to Company executives in accordance with an outline published in September 2009. The Board of Directors believes that the scope of the remuneration has not impact on the internal auditor's professional judgment.

Ravit Barniv	Ofer Kotler
Chairman of the Board of Directors	CEO

March 28 2012