Shikun & Binui Announces Financial Results
For the First Quarter of 2017

First Quarter 2017 Summary

- Strong revenues: NIS 1.8 billion compared to NIS 1.1 billion in Q1 2016;
- Completion of the sale of 40% of the company's share rights in the North Roads project for pre-tax profit of NIS 64 million
- Won 2 new concession projects in Israel: Government campus in Nazareth & court building in Hadera;
- Significant progress in renewable energy: won IEC tender for 65MW PV projects; tariff guarantees & building permit received for Tze’elim project*;
- Continued international construction activities: Besides work on mega-projects in the US & Colombia, projects won in 2 new African markets: Tanzania & Mozambique;
- High level of apartment sales: 461 units sold, including 291 in Europe;
- Board of Directors announced NIS 18 million dividend

May 28, 2017, Airport City: Israel. Shikun & Binui Ltd. (TASE: SKBN.TA), a global construction and infrastructure company headquartered in Israel, today reported its financial results for the first quarter ended March 31, 2017.

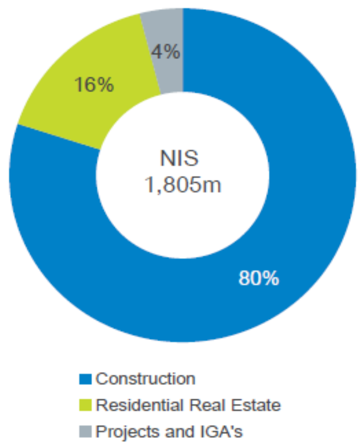
Income Statement Highlights

Income Statement - Highlights

NIS million

	Q1'17	Q1'16
Revenues	1,805	1,114
Gross profit	180	154
% Gross margin	*10%*	*14%*
Operating income	175	162
% Operating margin	*10%*	*15%*
Net profit	68	93
EBITDA	238	224

Distribution by Business Segments



Business Highlights

During and after the reporting period:

- **Agreement signed to sell holdings in the Concessionaire of the North Roads project:**

- In February 2017, the Company signed an agreement for the sale of 40% of its holdings in the North Roads Concessionaire. If the sale is executed, the Company expects its net profit to total ~NIS 55 million.

* April, 2017

- **Significant progress in renewable energy activities**:

  - Won the Israel Electricity Authority's tender for a 65MW PV projects.

  - Tze'elim 120MW PV Project: In April 2017, the Company received tariff guarantees and a building permit for the Tze'elim 120MW PV Project. The financial closing process is underway.

- **Won 2 new Concession projects in Israel that will be executed by Solel Bonei:**

  - Regional government campus in Nazareth: total project value - ~NIS 400 million
  - Court in Hadera: total project value - ~NIS 150 million

- **Nigeria – significant work completed during the quarter:**

  - Work completed during Q1: ~USD 60 million (NIS 230 million)
  - Q1 collections: ~USD 54 million (NIS 200 million)
  - Local currency: the Nigerian currency markets continue to be volatile. Should an additional devaluation in the Nigerian Naira materialize, it is likely to have a material negative effect on the Company's results.

- **SBI: won roads projects in Tanzania & Mozambique, new activity areas for the Company:**

  - Tanzania: - total value of ~USD 50 million (SBI has worked in Tanzania in the past)
  - Mozambique: - total value of ~USD 10 million

- **Financing activities and processes:**

  Offering of debentures: in January 2017, the Company expanded its long-term Series 8 CPI-linked bonds, raising ~NIS 345 million.

  Credit rating: in March 2017, S&P Ma'alot approved the Company's credit rating A and raised the credit rating outlook to Positive.

- **Residential Real Estate:**
  Q1 apartment sales were strong, with 460 apartments sold during the quarter (including 290 in Europe).

The following is additional information regarding apartment sales (signed contracts) during the first quarter:

Apartment sales (signed contracts) in Q1 2017:

	Companies Under Joint Control	Consolidated Companies	Apartment Units Under Company Management Including Partner Share
Israel			
Sales *(NIS millions)*	**309**	**261**	**-**
Number of apartment sale contracts signed	**170**	**145**	**-**
Average price of apartments sold *(NIS thousands)*	**1,818**	**1,798**	**-**
Europe			
Sales *(NIS millions)*	**136**	**89**	**20**
Number of apartment sale contracts signed	**291**	**224**	**32**
Average price of apartments sold *(NIS thousands)*	**467**	**398**	**625**

Note: *recognition of revenues from apartment sales occurs at the time of delivery to the customer, not at the time of sale*

Apartments delivered in Q1 2017:

	Consolidated Companies	Companies Under Joint Control
Israel		
Revenues from apartments delivered *(NIS millions)*	**267**	**-**
Number of units delivered	**186**	**-**
Average price of apartments delivered *(NIS thousands)*	**1,433**	**-**
Europe		
Revenues from apartments delivered *(NIS millions)*	**10**	**3**
Number of units delivered	**22**	**3**
Average price of apartments delivered *(NIS thousands)*	**341**	**1,133**

Additional Financial Data

International Contracting & Infrastructure

The Company recorded a ~NIS 18 million loss due to advances paid and currency fluctuations in the naira/dollar exchange rate in Nigeria (reflecting a devaluation of ~0.5%)

	Q1 2017	*Q1 2016*	*Change*
REVENUES	**524.4**	**384.2**	**140** **36.5%**

Increase:

- Nigeria – resumption of work on the projects that had been previously frozen by the Company due to the political and economic changes in that country (up ~NIS 31 million compared with Q1 2016)
- Texas – increase of ~USD 19 million due to progress of work on the toll road project

- Colombia – increase of ~USD 11 million due to the initiation of work on the Cundinamarca project

Decline:

- Kenya – decline of ~USD 7 million due to a Company-initiated work slowdown until the payment of past-due receivables (following March 31, 2017, payments totaling ~USD 5 million were received)
- Guatemala: ~USD 11 million.

Effect of volatility in the value of the US dollar versus the Israeli shekel: caused an additional decline of ~NIS 25 million

GROSS PROFIT	**79.5**	**74.9**	**5**

Increase:

- Nigeria - ~USD 3 million due to the increased rate of project execution
- Improved results from Togo & Ghana: ~USD 5 million
- Texas – ~USD 3 million due to progress in construction of the express lanes project

Decline:

- Slowdown of work on projects in Kenya, Guatemala & Uganda - ~USD 9 million
- Effect of changes in the shekel/US Dollar exchange rate – decline of ~NIS 3 million

Gross margin – declined from ~19% to ~15% due to changes in the effective exchange rate prevailing in Q1 2017 as compared to Q1 2016, together with the abovementioned slowdown in project execution in Uganda and Kenya

OPERATING PROFIT	**52.1**	**54.2**	**(2)**

Decrease primarily due to reduced Other Income as a result of the realization of value in fixed assets last year

SEGMENT PRE-TAX PROFIT	**44.4**	**55.7**	**(11.3)**

Israel Contracting & Infrastructure

	Q1 2017	*Q1 2016*	*Change*
REVENUES	**1,060.5**	**551.6**	**509** **92.3%**

Increase:

- Work performed – ~NIS 441 million, primarily related to increased work by the EPC Division, particularly on the Ashalim project, as well as to the consolidation of the results of the contracting partnership that is constructing the project.
- Construction Division: ~NIS 97 million, related primarily to the Government Offices building projects in progress.

Decrease:

- Roads Division - ~NIS 26 million
- Decline in the rate of execution of the North Railroad project and of the Cementcal Division – ~NIS 20 million

GROSS PROFIT	**63.1**	**36.5**	**27**

Increase due primarily to the increase in work performed. The segment's gross margin was ~6%, virtually unchanged from Q1 2016.

OPERATING PROFIT	**32.1**	**18.4**	**14**
Increase due primarily to the rise in the segment's revenues and gross profit.			
SEGMENT PRE-TAX PROFIT	**28.7**	**20.8**	**7.9**

Israel Real Estate Development

		Q1 2017	*Q1 2016*	*Change*
REVENUES		**288.7**	**215.0**	**74** **34.3%**
	Increase: • Revenues from apartment sales – ~NIS 82 million: during Q1 2017, 186 apartments were delivered at an average price of ~NIS 1.43 million (net of VAT) (including, among others, apartments in Yokneam, Hod Hasharon, Netanya and Tirat Hacarmel) compared with 137 units in Q1 2016 at an average price of ~NIS 1.34 million (net of VAT) (including, among others, apartments in Hadera, Tirat Hacarmel and Hod Hasharon) *Decrease:* • Revenues from sales of land – ~NIS 3 million • Work performed – ~NIS 6 million			
GROSS PROFIT		**52.9**	**41.7**	**11.2**
	Increase due primarily to the increase in the number of apartments delivered compared with Q1 2016. The segment's gross margin was 18% in Q1 2017 compared with 19% in Q1 2016.			
OPERATING PROFIT		**34.1**	**17.1**	**17**
	Increase due primarily to the increase in the segment's gross profit.			
SEGMENT PRE-TAX PROFIT		**35.6**	**17.7**	**17.9**

International Real Estate Development

	Q1 2017	*Q1 2016*	*Change*
REVENUES	**20.0**	**31.7**	**(11.7)**
Decrease: • Revenues from apartment deliveries – ~NIS 13 million from the delivery of 35 apartments from a project in Poland, compared with Q1 2016, when ~NIS 23 million in revenues were recorded from the delivery of 41 apartments in the Czech Republic, Romania and Serbia. • Sales of property and land parcels – no sales of property and land parcels were recorded during Q1 2017. In Q1 2016, revenues of ~NIS 2 million were recorded from the sale of property and land parcels • Rental revenues and management fees – ~NIS 6 million in Q1 2017, primarily from an office building in Poland, unchanged from Q1 2016.			

GROSS PROFIT	**3.4**	**9.8**	**(6.4)**
Decrease due primarily to a decline in the number of apartments delivered in jointly-owned projects			
OPERATING PROFIT	**0.2**	**4.9**	**(4.7)**
Decrease due primarily to the decrease in revenues and gross profit of the segment			
SEGMENT PRE-TAX PROFIT	**(10)**	**(0.6)**	**(9.4)**

Renewable Energy

	Q1 2017	*Q1 2016*	*Change*
REVENUES	**9.1**	**9.9**	**(0.8)**
The segment's revenues derive primarily from the operations of the Etgal power station and the Company's PV projects			
GROSS PROFIT	**1.7**	**4.0**	**(2.3)**
Decrease due primarily to the completion of the building phase of the Nevatim photo-electric project during the past year			
OPERATING PROFIT	**9.0**	**(8.1)**	**17.1**
SEGMENT PRE-TAX PROFIT	**(6.4)**	**(5.1)**	**(1.3)**

Concessions

	Q1 2017	*Q1 2016*	*Change*
REVENUES	**73.8**	**46.4**	**27.4**
Increase: • Continued operation of PFI project and North Roads project, together with the continued construction of the government building complex in Jerusalem. In Q1 2016, revenues of this segment included the Colombia roads project.			
GROSS PROFIT	**2.7**	**3.6**	**(0.9)**
The quarter's gross profit derived primarily from the North Roads upgrade and maintenance project.			
OPERATING PROFIT	**67.3**	**83.6**	**(16.3)**
Decrease • ~NIS 16 million decrease due primarily to the NIS 87 million capital gain recorded during Q1 2016 as a result of the sale of the Company's holding in the Operator of the Hadera desalination plant, compared with the ~NIS 64 million capital gain recorded during the reporting period from the sale of 40% of the Company's holdings in the Concessionaire of the North Roads project.			
SEGMENT PRE-TAX PROFIT	**75.8**	**85.3**	**(9.5)**

Balance Sheet Highlights:

Cash and Cash Equivalents: totaled ~NIS 1,985 as of March 31, 2017, a decline of ~NIS 1,008 million compared with December 31, 2016. The decrease was primarily due to advances received from the Ashalim Project, countered by the use of cash for advancing the projects in Nigeria and Ghana, as well as the transfer of cash into short-term deposits and financial assets.

Assets Held for Sale: declined by ~NIS 509 million compared with the end of 2016. For the reporting period, this item included an investment property in Hadera valued at ~NIS 9 million, while for the report ended December 31, 2016, this item also included the assets of a consolidated company (the Company's share of which were sold in 2017), together with a company consolidated within the Renewable Energy segment (sold in March 2017).

Accounts Receivable: totaled ~NIS 2,521 million, up ~NIS 460 million compared with the end of 2016, including a ~NIS 362 increase from international activities. Because the Company has renewed its work on projects in Nigeria, accounts receivable from Nigeria increased to ~NIS 268 million as of the end of Q1 2017. After the end of the quarter, the International Building and Infrastructure segment collected ~USD 74 million. An additional ~NIS 98 million increase in Accounts Receivable, was derived from operations within Israel.

Building Inventory Held for Sale: increased by ~NIS 261 million compared with the end of 2016, primarily due to activities in Israel, together with an additional ~NIS 67 million rise in international activities. The rise in Israel primarily reflected the Company's investment in projects in Pardes Hanna, Hod Hasharon, the Tzukei Hashmura project in Netanya, Yokneam, Ashkelon and Rosh Ha'ayin, as well as from properties categorized as *building inventory held for sale* and an increase in combination deals. This was balanced by the delivery of apartments in Yokneam, Hod Hasharon, Tirat Hacarmel and Netanya. The increase in the international building inventory held for sale was primarily due from the management of properties totaling ~NIS 47 million (primarily in Poland) and from a ~NIS 26 million investment in those projects.

Land Inventory: declined by ~NIS 206 million compared with its level at the end of 2016, due primarily to the reclassification of lands totaling NIS 164 million in Rishon Letzion and Givat Shmuel as Building Inventory (due to the initiation of construction).

Obligations Related to Concessions Agreements: increased by ~NIS 60 million compared with its level at the end of 2016, due primarily a ~NIS 63 million investment in the BOT Jerusalem Government Office Buildings project.

Debts, Loans and Deposits: increased by ~NIS 158 million compared with its level at the end of 2016, due primarily a ~NIS 170 million investment for the Tze'elim project.

Investments and Loans to Subsidiaries: increased by ~NIS 127 million compared with the end of 2016, including ~NIS 52 million for changes in loans made to subsidiary companies (principal and interest) and ~NIS 24 million due to the recording of part of the Company's results in the net profits of those companies. An additional increase of ~NIS 86 million was due to the recording of an investment in the Concessionaire of the North Roads upgrade and maintenance project, as a result of the Company's sale of 40% of its holdings in the Concessionaire (and the recording of the remaining holdings according to the equity method). This was balanced by a ~NIS 41 million decrease associated with the recording of part of the Company in funds for cash flow bridging transactions and translation funds.

Fixed Assets: a decrease of ~NIS 55 million compared with their value at the end of 2016.

Short Term Credit from Banks and Other Institutions: up NIS 43 million compared with the end of 2016, due primarily to a rise in current maturities of long-term dated bonds (totaling ~NIS 50 million).

Advances Received on Contract Work: down ~NIS 183 million compared with the end of 2016. In Israel, advances declined by ~NIS 318 million, due primarily to the deployment of advances paid on the Ashalim project. This was countered by a ~NIS 135 million increase in advances paid on international projects, primarily in Nigeria.

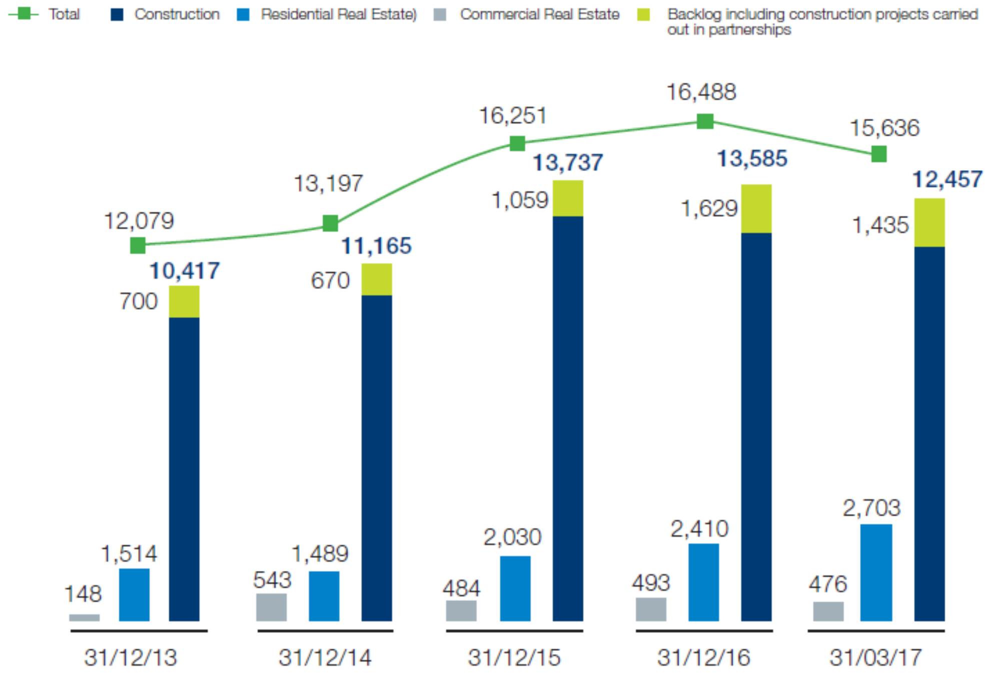
Advances Received from Apartment Sales, net: up ~NIS 67 million compared with the end of 2016 (including NIS 58 million from Israel), after exclusion of ~NIS 266 million in advances from apartment sales in Israel that had been credited to the income statement.

Long-term Debt: up ~NIS 266 million compared with the end of 2016. The Company's outstanding bonds and bank debt totaled ~NIS 5,858 as of March 31, 2017, compared with NIS 5,577 million at the end of 2016, an increase of ~NIS 281 million. The change derived primarily from the expansion of the Series 8 Debentures, raising ~NIS 345 million, and from the taking of a new ~NIS 148 million long-term loan. This was balanced by the retirement of ~NIS 53 million in long term loans and bond repayments of ~NIS 118 million. In addition, a decrease of ~NIS 50 million was recorded due to a rise in current maturities of long-term debt and a ~NIS 21 million decline as a result of currency translation adjustments. The total of Other Debt, Employee Benefits, Delayed Taxes, Provisions and Accumulated Losses of Subsidiaries totaled ~NIS 302 million.

Shareholders' Equity: the Company's Shareholders' Equity as of March 31, 2017 totaled ~NIS 1,868 million compared with ~NIS 2,071 million as at December 31, 2016. The ~NIS 203 million decline was primarily due to the translation of the financial reports of the Company's international subsidiaries (~NIS 183 million), which are denominated primarily in US Dollars and Euros; from a ~NIS 74 million dividend payment; and from cash flow bridging transactions totaling ~NIS 16 million. This decline was countered partially by the Company's first quarter net profit of ~NIS 68 million.

Operating Cash Flow: the Company's cash flow generated by operating activities during the first quarter of 2017 totaled ~NIS 698 million compared with ~NIS 364 million in the first quarter of 2016. The increase derived primarily from the increase in Accounts Receivable net of advances received by the Israel Building and Infrastructure segments totaling ~NIS 270 million, mainly for the Ashalim project, the Tel Aviv Light Rail project, and a number of roads and building projects, together with ~NIS 129 million from the International Building and Infrastructure segment, representing primarily funds owed at the end of the quarter by projects in Nigeria, most of have now been paid. This was countered by the recording of a ~NIS 6 million investment in land inventory during the quarter, compared with ~NIS 163 million in land inventory investments during the first quarter of 2016.

Work Backlog:
(NIS millions)



The backlog as of March 31, 2017 does not includes additional construction projects totaling ~NIS 2.7 billion that the Company's Concessions, Renewable Energy and Construction & Infrastructure segments have won up to or after the report date in Israel and abroad.
It also does not include the revenues expected to be received from Energy or Concessions projects.

About the Shikun & Binui Group

The Shikun & Binui Group is a global construction and infrastructure company that operates in Israel and internationally in six segments: 1) infrastructure and construction contracting outside of Israel; 2) infrastructure and construction contracting within Israel; 3) real estate development within Israel; 4) real estate development outside of Israel; 5) renewable energy; and 6) concessions;. The Group's activities focus on large, highly complex projects carried out for entities in private and public sectors with a focus on sustainability.

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