Shikun & Binui Announces Financial Results
For the Full Year and Fourth Quarter of 2015

2015 Revenues- NIS 5.1B; 2015 Net Income - NIS 440M;
Total Backlog (Infrastructure, Real Estate & Income Generating Assets) – NIS 16.3B
Board Declares NIS 25m Dividend -

March 27, 2015, Airport City: Israel. Shikun & Binui Ltd. (TASE: SKBN.TA), a global construction and infrastructure company headquartered in Israel, reported on March 27 its financial results for the twelve and three month period ended December 31, 2015.

Management will host a conference call to discuss the results today (March 29) at 9.00 EST, 2.00pm UK time and 4.00pm Israel time. To listen to the call, please call one of the following numbers: **US:** 1-888-281-1167 **UK:** 0-800-051-8913 **Israel:** 03-918-0610

Main events during 2015 and following the reporting period:

- **Shikun & Binui Infrastructure in Israel** ("**Solel Boneh**"):
  - **Awarded Tel Aviv Light Rail (Red Line, west end) construction project:** On May 19, 2015, the Company reported that an international consortium in which the Company has a 49% share had been awarded a NIS 3.1 billion project to construct tunnels and subway stations for the Tel Aviv Light Rail (a tender offered by National Transport Authority in Israel). The construction is expected to be carried out over a period of six years.
  - **Backlog:** As of December 31, 2015, Solel Boneh's project backlog amounted to NIS 5.1 billion. The backlog does not include an additional NIS 460 million in projects were Solel Boneh's submitted the winning proposals but has not yet signed binding contracts, such as the Polynom Project (third stage), the Jaffa Dormitories and others.
- **SBI–Shikun & Binui International Infrastructure:**
  - **Nigeria:** Democratic elections were held in March 2015. However, the new government was sworn in only on November 2015. Other macro-economic events which affected Nigeria in 2015 were the sharp drop in oil prices, with oil being a significant contributor to the Nigerian budget, the effective depreciation of Naira. These events led to a halt in government payments to existing projects. Due to the delay in payments, Shikun & Binui's Management decided to slow the pace of work on its Nigerian projects significantly, waiting with a ramp up to a normal level following more clarity regarding the country's economic and political status.

    The Nigerian government's proposed budget for 2016 calls for significant investments in infrastructure. On March 23, 2016, the budget was approved.

- **Backlog:** As of December 31, 2015, the backlog of SBI–Shikun & Binui International Infrastructure projects stood at NIS 8.6 billion (approximately USD 2.2 billion). The backlog does not include two international Concessions mega-projects that have been won but have not yet reached financial closure, including the Texas State Highway 288 project and the Colombian Cundinamarca 010 project. These projects are expected to contribute approximately USD 600 million to the backlog after financial closing is achieved.

❖ **Shikun & Binui Israel Real Estate:**

- **Record Rate of Unit Sales:** In 2015, the Company sold 912 apartments for a total of NIS 1,296 million (Company's share), and delivered 575 apartments for a total of NIS 793 million. *See table below.*

- **Land-swap Agreement for Ir Yamim in Netanya:** On November 22, 2015, the Company, in partnership with a third party, signed a Land Rights Exchange agreement with the Israel Land Authority. In respect of this agreement, the Company recorded a pre-tax income of approximately NIS 67 million.

- **Agreement to Sell Land from the Agrobank Project in Hadera:** On December 1, 2015, the Company signed a Land Rights Sale agreement for properties within and adjacent to the Agrobank Project in Hadera, for which the Company expects to record (upon deal completion), a pre-tax income of approximately NIS 52 million during the first half of 2016.

- **Agreement to Sell Land in Haifa:** On January 20, 2016, a company owned by Shikun & Binui Real Estate signed an agreement to sell land in Haifa, for which the Company expects to record (upon completion), a pre-tax income of NIS 40 million.

- **Winning of Tender to Acquire Property in the Old Tel Aviv Central Station:** The Company, together with another party have been awarded a tender to acquire property in the Old Tel Aviv Central Station for NIS 560 million. Each party will hold a 50% share of the venture.

❖ **Shikun & Binui International Real Estate:**

- **Significant Activities in RED (Real Estate Development):** During 2015, RED sold 303 apartments for a total consideration of NIS 112 million (Company share) and delivered 35 apartments for a total consideration of NIS 14 million (Company share). RED is operating 1,150 units (100%) in seven projects. *See table below.*

- **Acquisition of Properties in Berlin by ADO:** During 2015, ADO purchased an additional 8,300 residential properties in Berlin (including 260 commercial units within the apartment buildings acquired), increasing its portfolio to approximately 14,800 residential units. The sum paid for the additional properties totaled €800 million.

- **Listing of ADO Shares on the Frankfurt Stock Exchange:** On July 23, 2015, ADO listed its subsidiary, ADO Properties, on the Frankfurt Stock Exchange, raising a total of €415 million, of which €200 million were injected (cash in) to ADO Properties and €215 million were paid (cash out) to ADO.

❖ **Sale and delivery of apartments:**

Sale of residential apartments in Israel *(Company share)*	12 months ended December 31, 2015	12 months ended December 31, 2014	3 months ended December 31, 2015	3 months ended December 31, 2014
Sales *(NIS millions)*	1,296	920	284	335
Number of apartment sales contracts signed *(Company's share, consolidated)*	912	675	196	241
Average price of apartments sold *(NIS millions, before VAT)*	1.42	1.36	1.45	1.39
Revenues from apartments delivered *(NIS millions)*	793	919	239	316
Number of units delivered	575	738	196	227
Average price of apartments delivered *(NIS millions)*	1.38	1.25	1.22	1.39

Sale of residential apartments in outside of Israel *(Company share)*	12 months ended December 31, 2015	12 months ended December 31, 2014	3 months ended December 31, 2015	3 months ended December 31, 2014
Sales *(NIS millions)*	112	44	12	6
Number of apartment sales contracts signed *(Company's share, consolidated)*	303	115	34	16
Average price of apartments sold *(NIS millions, before VAT)*	0.4	0.4	0.4	0.4
Revenues from apartments delivered *(NIS millions)*	14	62	0.4	62
Number of units delivered	35	164	1	164
Average price of apartments delivered *(NIS millions)*	0.4	0.4	0.4	0.4

Renewable Energy:

- **Ein Ha'Shlosha PV Project- Completion of Sale:** During 2015, the Company sold the remainder of its photo-voltaic installations at Ein Ha'Shlosha, recording pre-tax income of NIS 23 million in 2015, after selling 19MW in 2014, for which the Company recorded pre-tax income of NIS 65 million in 2014.

- **Ashalim Project - Financial Closing:** On July 16, 2015, financial closing of the Ashalim Project was achieved, with banks and other lenders. On November 25, 2015, Abengoa, the Company’s partner in the project, filed for creditor protection. Currently, Shikun & Binui Management is monitoring Abengoa’s legal developments, while also evaluating alternative actions to assure the continuity of the project if Abengoa should be unable to fulfill its obligations, including the recruitment of additional partner (one or more) for the project’s Concessions, Building Contractor and Operational activities.

❖ **Concessions:**

- **Winning of Houston, Texas Toll Road:** During 2015, the Company won a toll road project, State Highway 288 in Houston, Texas (as a 50% partner in a consortium). The total cost of building the road is expected to be above US$800 million.

- **Sale of the Operating Company of the Hadera Desalination Plant:** On March 2, 2016, the Company signed an agreement to sell its holdings in the operating company of the Hadera Desalination Plant for NIS 80 million. After completion of the deal, the Company will record net income of approximately NIS 80 million. The deal is contingent upon a number of conditions.

- **Generi - Financial Closing:** On October 21, 2015, the Company completed the Financial Closing of the Generi Project totaling NIS 450 million.

❖ **Financial Transactions:**

- **Issuance of Series 8 Bonds:** On July 22, 2015, the Company issued CPI-linked debentures totaling NIS 348 million with fixed interest of 3.65% and an average maturity of 7.29 years.
- **Credit ratings: On February 2, 2016, Ma'alot S&P** reconfirmed Shikun & Binui's ilA+ credit rating, and changed the credit outlook to negative. **On February 4, 2016, Midroog** announced that it was carrying out a Credit Review of Shikun & Binui. **On February 2, Ma'alot S&P** demoted Shikun & Binui's international credit rating to BB, and changed its outlook to negative.
- **Financial Closing of the Government Building Construction Project in Jerusalem:** On October 21, 2015, the Company completed the financial closing of the Government Building Construction Project in Jerusalem for a total of NIS 450 million.
- **Financial Closing of the Ashalim Project:** On July 16, 2015, the Company signed a series of agreements for the financing of the Ashalim Project from banks and other lenders

❖ **Dividend:** on March 27, 2016, the Company's Board of Directors declared a dividend distribution totaling NIS 25 million.

Financial Results for the Full Year 2015:

Revenues**:** the Group's revenues for 2015 totaled NIS 5,069 million compared with NIS 6,169 million for 2014, a NIS 1,100 million decline (18%). The decrease was primarily due to the **International Construction & Infrastructure** segment (NIS 658 million), reflecting the decline in its activities in Nigeria (NIS 168 million of the decrease), the completion of its work in Azerbijan (USD 40 million of the decrease) and the completion of its work in Uganda (USD 48 million of the decrease). The approximate 9% rise in the average US dollar exchange rate in 2015 compared with its level in 2014 contributed NIS 165 million. The **Israel Construction & Infrastructure** segment recorded a NIS 212 million decline in 2015 revenues compared with their level in 2014, due primarily to the completion of its work on the Police Training Center and Tel Aviv Court projects. The **Israel Real Estate** segment recorded a NIS 278 million decline in revenues due to a NIS 126 million decrease in the value of apartments delivered during the period compared to 2014 (though the average sale price of apartments rose to NIS 1.38 million before tax in 2015, compared with NIS 1.25 million in 2014), together with a decline in income from non-residential projects and land sales. The **Renewable**

Energy segment contributed growth in revenue of NIS 41 million, due primarily to an increase in the pace of construction of photo-voltaic installations.

Gross profit**:** the Group's gross profit for 2015 totaled NIS 875 million compared with NIS 1,063 million for 2014, with gross margin remaining 17.2% for both periods. The NIS 188 million decline in gross profit reflects primarily the **International Construction and Infrastructure** segment (a decline of NIS 69 million) due to the slowdown of project execution in Nigeria and the completion of projects in Uganda. The gross margin of this segment increased from 21% in 2014 to 24% in 2015. The **Israel Real Estate** segment contributed NIS 115 million to the decline in gross profit, while its gross margin declined to 23% from 27%, primarily due to the sale of properties in North Tel Aviv that were recorded in 2014, together with a change in the mix of apartments delivered during 2015 as compared with 2014.

Income from the Sale of Property**:** the Group's income from the sale of property totaled NIS 38 million in 2015, reflecting the sale of a property in Akko for NIS 40 million (generating NIS 20 million in pre-tax profit), and the sale of a property in Jerusalem for NIS 106 million (generating NIS 20 million in pre-tax profit). In 2014, the Group's income from the sale of properties totaled NIS 36 million, primarily from the sale of an office building in Ramat Gan.

General & Administrative Expenses**:** the Group's general and administrative expenses for 2015 declined by NIS 29 million compared with 2014. The decline reflected a NIS 4 million decrease in wages and benefits together with a NIS 15 million decrease in consultants and professional services. In addition, payments to the Group from consolidated companies for professional services and management fees increased by NIS 6 million.

Other Income, net**:** the Group's other income, net, for 2015 totaled NIS 78 million, relating primarily to the profit generated by the land-swap agreement for Ir Yamim in Netanya, which was intended for senior housing and commercial uses. The NIS 67 million profit recorded for that transaction was countered largely by a NIS 46 million provision taken for debts owed to suppliers, primarily in Nigeria, due to the delay in payments from the Nigerian government. In 2014, other income, net, totaled NIS 69 million.

Operating Income, net**:** the Group's operating profit for 2015 totaled NIS 601 million (11.8% of sales) compared with NIS 754 million (12.2% of sales) for 2014, a decrease of NIS 153 million due primarily to the **International Infrastructure & Construction** (a decrease of NIS 111 million, mostly due to a NIS 69 million decrease in its gross profit and the NIS 46 million provision it took to cover amounts owed to suppliers in Nigeria, as mentioned above). In addition, the **Renewable Energy** segment recorded a NIS 40 million decline in operating profit, due to a NIS 23 million capital gain recorded in 2015, versus a NIS 65 million capital gain recorded in 2014.

Financing Expenses**:** the Group's net financing expenses for 2015 totaled NIS 375 million compared with NIS 319 million for 2014, including NIS 64 million in financing expense related to currency devaluations in Nigeria (which generated a 12% loss in value of the local currency) and in Ghana (which generated a 19% loss in value of the local currency), and from the decline of the Euro versus the US dollar. This compared with NIS 24 million in currency-related financing expenses in 2014. Financing expenses related to long-term credit totaled NIS 247 million in 2015 compared with NIS 257 million in 2014. Most of the Group's long-term credit expenses are linked to changes in the CPI, which declined by 0.9% in 2015 compared with 0.1% in 2014.

***Financial Income*:** the Group's financial income for 2015 totaled NIS 201 million compared with NIS 162 million in 2014. The growth reflected significant changes in the terms of a NIS 32 million loan made in Romania.

***Net Financing Costs*:** the Group's financing costs, net during 2015 totaled NIS 174 million compared with NIS 157 million in 2014.

***Income from Consolidated Companies, net*:** the Group recorded NIS 77 million in income from consolidated companies during 2015 compared with NIS 15 million for 2014. The increase primarily reflected the NIS 51 million profit generated by the Company's share in the results of ADO, together with NIS 36 million income from the Company's share of Concessions group companies. This was countered partially by a NIS 16 million loss in the Company's share of Elcon's results.

***Pre-Tax Profit*:** the Group's pre-tax profit for 2015 totaled NIS 504 million compared with NIS 612 million for 2014.

***Taxes on Income*:** the Group's taxes on income totaled NIS 64 million in 2015 compared with NIS 155 million in 2014, a NIS 91 million decrease. The decline derived primarily from a NIS 54 million reduction in the taxes paid by SBI International Construction & Infrastructure, and by a NIS 23 million decline in the taxes paid by Shikun & Binui Israel Construction & Infrastructure.

***Net Profit*:** the Group's net profit for 2015 totaled NIS 440 million compared with NIS 457 million for 2014.

Balance Sheet Highlights:

***Accounts receivable*:** the Group's Accounts Receivable as of December 31, 2015 totaled NIS 1,776 million, a net increase of 330 million compared with its level at December 31, 2014. Accounts Receivable from international activities increased by NIS 415 million, reflecting the slowdown in the pace of projects in Nigeria. As of the report date, the Group's Accounts Receivable from Nigeria totaled NIS 468 million, compared with NIS 254 million at the end of 2014.

***Inventory of Buildings for Sale*:** the Group's inventory of buildings for sale as at the end of 2015 increased by NIS 397 million compared with its level at the end of 2014. NIS 365 million of the increase derived from activities within Israel, primarily reflecting the Group's investment (NIS 773 million) in ongoing projects in Rosh Ha'ayin, Hadera, Yokneam, Ramat Gan, Hod Hasharon and others, together with NIS 69 million investment in land. This was countered by the period's delivery of apartments valued at NIS 591 million. In addition, NIS 32 million of the increase derived from the Group's activities outside of Israel, primarily related to the launch of construction of projects in Poland.

Properties Intended for Sale**:** the balance of the Group's properties intended for sale as at the end of 2015 totaled NIS 430 million, a NIS 301 million increase compared with its level at the end of 2014. As of the end of the reporting period, properties included in this category included investment real estate in Hadera (NIS 106 million), consolidated companies within the Concessions segment (NIS 81 million), and NIS 243 million for properties held by consolidated companies that are intended for sale.

***Investments Accounted for in Accordance with the Asset Value Method*:** as of the end of 2015, the Group's investments in companies whose holdings are accounted for according to the Asset Value method totaled NIS 734 million, a NIS 489 million increase compared with 2014. The increase primarily reflects the NIS 175 million investment made in ADO, the NIS 42 million investment in the Gilboa Pumped Storage project, and the Company's NIS 71 million share (net) of the profits of these companies. This was countered by the consolidation of Elcon for the first time, resulting in a NIS 42 million decline in the total of this category.

***Debt, Loans and Deposits*:** as of the end of 2015, the Group's debt, loans and deposits increased by NIS 207 million compared with their level at the end of 2014, reflecting primarily the Group's additional investment in photo-voltaic installations in the Nevatim project (NIS 176 million), countered by a NIS 40 million decline due to the Group's consolidation, for the first time, of Elcon.

***Advances Received from Apartment Sales Agreements, net*:** the balance of advances received from apartment sales agreements, net, as of the balance sheet date, increased by NIS 299 million compared with its level at the end of 2014, including NIS 269 million in Israel, after the removal from the total of advances totaling NIS 791 million for projects recognized during the reporting period. The sharp increase in advances reflects the significant rise in the number of sales agreements that were signed during the year compared with 2014 (1,296 compared with 920 in 2014).

***Contractors, Suppliers and Service Providers*:** total payments due to contractors, suppliers and service providers totaled NIS 1,216 million at the end of 2015, a NIS 197 million increase compared with NIS 1,018 at the end of 2014. The increase reflected a NIS 231 rise in payments due in Israel and a NIS 32 million decline in the rest of the world.

***Long-term Debt*:** the Company's long-term as at December 31, 2015 totaled NIS 6,392 million, an increase of NIS 1,154 million compared with its level at December 31, 2014. The increase derived primarily from a NIS 1,162 increase in debentures and loans from financial institutions, raising their total from NIS 4,931 million to NIS 6,093 million. During the reporting period, the Company issued NIS 1,371 million of long-term debt and carried out an offering of Series 8 debentures raising NIS 348 million, while also increasing its total of long-term loans by NIS 40 million as a result of the first-time consolidation of Elcon into its financial results. This was offset partially by the Company's retirement of long-term loans (NIS 298 million) and debentures (NIS 98 million).

***Shareholders' Equity*:** the Company's Shareholders' Equity as of December 31, 2015 totaled NIS 1,838 million compared with NIS 1,627 million as at December 31, 2014. The NIS 211 million increase between the periods derived from the net profit recorded by the Company during 2015 (NIS 440 million) and an increase in the Company's bridging transaction fund (NIS 36 million). This increase was countered partially by the NIS 177 million dividend that was distributed to Company shareholders during the period, and by the distribution of a NIS 63 million dividend that the consolidated company distributed to non-controlling rights owners.

***Cash flow*:** During 2015, the Group had negative cash flow from ongoing activities of NIS 358.7 million, compared with NIS 306.4 million in positive cash flow during the first nine months of 2014, a NIS 665.1 million change. Most of this sum reflected the International Infrastructure & Construction segment's increase in accounts receivable (NIS 411 million), from the Israel Real Estate segment's NIS 347 million investment in its apartment inventory, and from a NIS 349 increase in investments made by all Group real estate companies in land, both in Israel and throughout the world. This was countered in 2015 by a NIS 347 million increase in advances collected from customers, primarily from the Israel Real Estate segment.

***Cash and Cash Equivalents*:** as of December 31, 2015, the Group's cash and cash equivalents totaled NIS 1,888 million, and its unused bank credit lines totaled NIS 995 million.

Order Backlog (infrastructure): as of December 31, 2015, the company's order backlog (including the backlog of jointly-controlled companies) increased to NIS 13.7 billion compared with NIS 11.2

billion at the end of 2014. Of this backlog, NIS 8.6 billion is in respect of international activities, compared with NIS 8.1 billion as of December 31, 2014. The backlog does not include mega projects that had not yet reached financial closure as of the report date, such as the projects in Colombia and Texas.

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Financial Highlights By Segment *(NIS millions)*

	Int'l Building & Infrastructure		Israel Building & Infrastructure		Israel Real Estate		Concessions		Renewable Energy	
	2015	*2014*	*2015*	*2014*	*2015*	*2014*	*2015*	*2014*	*2015*	*2014*
Revenues	1,988	2,647	1,897	2,109	985	1,264	246	86	157	116
Gross profit	481	550	107	115	226	341	13	15	30	36
Gross margin	24%	21%	6%	5%	23%	27%	5%	17%	19%	31%
Operating profit	329	440	19	38	261	252	(3.3)	5.6	33	73
Operating margin	17%	17%	1%	2%	26%	20%		3%	21%	63%
Pre-tax profit	320	426	40	58	264	244	31	39	40	75

	Int'l Building & Infrastructure		Israel Building & Infrastructure		Israel Real Estate		Concessions		Renewable Energy	
	Q4 2015	*Q4 2015*	*Q4 2015*	*Q4 2015*	*Q4 2015*	*Q4 2015*	*Q4 2015*	*Q4 2015*	*Q4 2015*	*Q4 2015*
Revenues	485	654	483	500	304	467	107	46	8	26
Gross profit	99	104	20	27	56	155	3	3	2	6
Gross margin	20%	16%	4%	5%	19%	33%	2%	6%	23%	23%
Operating profit	40	85	(14.2)	6	111	162	(2.1)	2.4	5.2	61
Operating margin	8%	13%		1%	37%	35%		5%	63%	237%
Pre-tax profit	47	77	5	13	112	158	(39.1)	(0.8)	(6)	62

About the Shikun & Binui Group

The Shikun & Binui Group is a global construction and infrastructure company that operates in Israel and internationally in seven 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; 6) concessions; and 7) water. 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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