Shikun & Binui announces Financial Results for the Fourth Quarter and Full Year of 2016

NIS 277 million in net profit for Q4; NIS 480 million for 2016

During 2016, operations returned to Nigeria & completed financial closings for projects in US, Colombia & Ashalim

Record year in Real Estate: 2,000 apartments sold, including Europe

Positive cash flow from ongoing activities of NIS 800 million

Board of Directors declares NIS 75 million dividend

March 30, 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 fourth quarter and full year ended December 31, 2016.

Income Statement: Highlights (NIS million)

2016

NIS million

	2016	2015
Revenues	5,379	5,069
Gross profit	**837**	**875**
% Gross margin	*16%*	*17%*
Operating income	**1,000**	**678**
% Operating margin	*19%*	13%
Net profit	**480**	**440**
EBITDA	**1,273**	**928**

Q4'16

NIS million

	Q4'16	Q4'15
Revenues	1,706	**1,343**
Gross profit	**336**	**184**
% Gross margin	*20%*	*14%*
Operating income	**471**	**120**
% Operating margin	*28%*	*9%*
Net profit	**277**	**73**
EBITDA	**561**	**192**

Business highlights during and after the reporting period:

- **Nigeria – significant collections of USD 160 million (NIS 540 million) with yearly run rate of ~USD 130 million (NIS 440 million)**

  During the year, the Company collected on ~USD 160 million from Nigeria. Upon receipt of the payment from Nigeria's Office of Federal Works in June 2016, Shikun & Binui renewed its work in the country.

In June 2016, the Nigerian government cancelled the fixed naira/dollar exchange rate, a process which led to a devaluation of the currency from ~197 naira/dollar to ~305 naira/dollar (as of December 31, 2016). As a result, the Group recorded a USD 38.3 million net loss due to the reduced dollar value of naira-denominated revenues, reduced operational costs (due to the reduced value of various goods and services), and increased financial expenses. This was partially offset by the cancellation of the earlier provision that had been taken for doubtful debts.

- **Ashalim – construction is progressing; completion is expected in mid-2018 as originally planned**

  In August, a deal was completed for the departure of Abengoa from the project and its replacement by the Noy Fund and Spanish Company TSK. Under the new deal, Shikun & Binui (through subsidiary Solel Bonei) increased its share in the contractor to 67.5%, while remaining a 50% share in the concessionaire and operator. As a results of having increased its share in the contractor, the Company began consolidating the project's contractor activities into its results.

  Within the framework of the deal, the Company received the required approvals from the government and from the lenders of the project's senior debt, and withdrew a tranche of funds from the senior debt. The project continues based on the original schedule, with completion projected for mid-2018.

- **Financial closings:**

  - **Financial closing of project SH-288 in Texas:** In May, the Company completed the financial closing for an express toll road project in Houston, Texas for approximately USD 1 billion. The Group holds 21.62% of the project's concessionaire and 50% of its general contractor.

  - **Financial closing of Colombia Toll Roads project:** In May, the Company achieved financial closing for a project in Colombia to finance, build, upgrade, operate and maintain toll roads in Bogota, Colombia for ~USD 650 million.

- **Sources of significant cash flow:**

  - **Collections from international contracting activities** – from January to December, the Company received ~NIS 2 billion in payments for its international contracting activities (~USD 540 million).

  - **ADO's buy-back activities** – during the year, the Company received ~NIS 177 million from the buy-back activities carried out by ADO.

  - **Sale of the Hadera Desalination Plant's operating company** - in March 2016, the Company sold its holdings in the operating company of the Hadera Desalination Plant for NIS 78 million, generating a pre-tax net income of NIS 87 million.

  - **Sale of land from the Hadera Agrobank Project** – in June 2016, the Company completed the sale of its rights in the Hadera Agrobank project, generating a pre-tax net income of ~NIS 47 million.

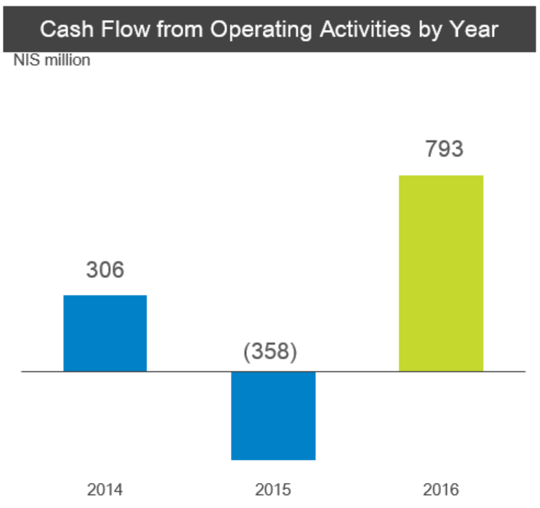
- **Sale of holdings in the Gilboa Pumped Storage project** – in September 2016, the Company completed the sale of 49% of its holdings in the developer of the Gilboa Pumped Storage project, generating NIS 107 million in cash flow and pre-tax net income of NIS 25.2 million.

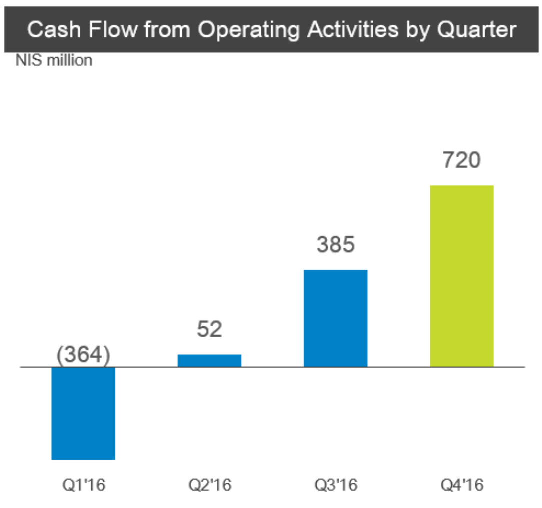
- **Sale of holdings in Cundinamarca project in Colombia**– in December 2016, the Company completed the sale of 50% of its holdings in the Cundinamarca project's concessionaire. The Company received USD 60 million for the sale and recorded after-tax profit of USD 36 million (~NIS 137 million).

- **Sale of photo voltaic projects in Spain** – in October 2016, the Company sold its holdings in 7MW of PV solar projects in Spain (Group share: 50%), generating a pre-tax net income of NIS 13 million.

- **Agreement to sell holdings in the concessionaire of the North Roads project** – in February 2017, the Company agreed to sell 40%-50% of its holdings in the concessionaire of the North Roads project. When and if the deal is closed, the Company is expected to record a pre-tax net income of NIS 60-70 million.

Highlights of Statement of Cash Flows From Ongoing Activities (NIS millions)





- **Primary financial activities:**

  Bond swap - in September 2016, the Group carried out a bond swap offering to exchange NIS 883 million (face value) of Series 8 debentures for NIS 740 million (face value) of Series 5 debentures. As a result, as of December 31, 2016, the average maturity period of the Company's outstanding debt has been lengthened by 5.4 years, in coordination with the needs of the Company's projects.

  After the report date, in January 2017, the Company expanded its offering of Series 8 linked bonds, raising ~NIS 345 million.

Ratings updates - in March 2017, Ma'alot updated the Group's credit rating to A with a positive outlook, after lowering it in August from A+ to A- with a developing outlook. In August, Midroog maintained its A1 credit rating, while initiating a re-examination of its negative outlook.

- **Additional financial data:**

Apartment Sales (signed contracts) in 2016:

	Companies Under Joint Control	Consolidated Companies	Apartment Units Under Company Management Including Partner Share
Israel			
Sales *(NIS millions)*	1,610	1,408	-
Number of apartment sale contracts signed	926	803	-
Average price of apartments sold *(NIS thousands)*	1,738	1,754	-
Europe			
Sales *(NIS millions)*	519	228	90
Number of apartment sale contracts signed	1,039	535	150
Average price of apartments sold *(NIS thousands)*	500	426	659

Apartments Delivered in 2016:

	Companies Under Joint Control	Consolidated Companies
Israel		
Revenues from apartments delivered *(NIS millions)*	-	1,040
Number of units delivered	-	789
Average price of apartments delivered *(NIS millions)*	-	1,318
Europe		
Revenues from apartments delivered *(NIS millions)*	72	34
Number of units delivered	106	95
Average price of apartments delivered *(NIS millions)*	681	358

Additional Financial Data:

International Contracting & Infrastructure

	2016	*2015*	*change*	*Source of Change*
Revenue	**1,632.3**	**1,988.3**	**(356)** *(18%)*	***Declines:*** • Nigeria – a slowdown in the rate of work execution (~USD 66 million) initiated by the Company because of local political and economic events. During 2016, most of the debt owed by the Nigerian government (~USD 159 million) was paid, enabling the Company to renew its activities in the country during the third quarter of 2016. The devaluation of the naira/US dollar exchange rate resulted in a ~USD 13 million decline in revenues. • Kenya – decline of ~USD 33 million due to completion of a significant project; Azerbijan – decline of ~USD 25 million due to completion of a project; Guatemala – decline of ~USD 17 million; Togo – decline of ~USD 12 million

				• Local currency effects (versus changes in the US dollar exchange rate) resulted in a further decline of ~USD 22 million. ***Increases:*** • Texas – increase of ~USD 40 million due to the initiation of work on the Express Lanes project • Colombia – increase of ~USD 30 million due to the initiation of work on the Toll Road project
Gross Profit	**364.6**	**480.7**	**(116.2)**	***Declines:*** • Effect of changes in the US dollar exchange rate – decline of ~NIS 6 million • Gross margin – declined due to final accounting adjustments made to projects after their completion • Nigeria - ~USD 20 million due to work slowdown initiated by the Company • Kenya - ~USD 15 million due to completion of the majority of work on a significant project in the country ***Increases:*** • Texas – ~USD 6 million due to the beginning of work on the construction of the express lanes project
Operating Profit	**319.4**	**333.1**	**(14.1)**	***Decline:*** primarily due to the decrease in the segment's gross profit, countered partially by the cancellation of a provision for doubtful debts that was included in *Other Revenues*
Net Profit	**121.0**	**296.7**	**(175.7)**	

Contracting & Infrastructure in Israel

	2016	*2015*	*change*	*Source of Change*
Revenue	**2,768.7**	**2,157.5**	**611.2** ***28%***	***Increases:*** • Work performed – ~NIS 202 million, primarily related to work on the Tel Aviv Light Rail • Initiation of new projects - ~NIS 178 million, primarily Ashalim, Park Garden Dreams in Petach Tikva, the Geological Institute and the Generi Project in Jerusalem • Cementcal Division – NIS 138 million, primarily due to work on the Tel Aviv Light Rail • Pumped Storage Project – NIS 57 million • Intel Project – NIS 51 million
Gross Profit	**162.2**	**139.4**	**22.8**	***Increase*** due primarily to the consolidation, for the first time, of Ashalim's ongoing construction activities into the Company's financial results
Operating Profit	**82.7**	**48.6**	**34.1**	***Increase*** due primarily to the rise in the segment's gross profit and the revaluation of the segment's investment in a contracting partnership

Net Profit	**85.8**	**54.7**	**31.3**	

Real Estate Development in Israel

	2016	*2015*	*change*	*Source of Change*
Revenue	**1,278.9**	**985.4**	**293.5** *30%*	***Increases:*** • Revenues from sales of apartments – ~NIS 248 million; sales of property and land parcels - ~NIS 136 million; reduction in revenues from work on Tel Aviv Student Dorms – ~NIS 90 million (due to completion of the construction phase and entry into the O&M phase) • Revenues from sale of property and parcels from land bank – ~NIS 136 million, primarily due to the sale of properties earmarked for residential developments (primarily land in Haifa for NIS 114 million, land in the Jerusalem area for NIS 17 million, and additional lots for a total of NIS 5 million)
Gross Profit	**308.6**	**225.9**	**82.7**	***Increase*** due primarily to the sale of land and apartments. The segment's gross margin increased primarily due to the sale of land and lots earmarked for apartment complexes in Haifa and Jerusalem
Operating Profit	**300.8**	**256.6**	**44.2**	***Increase*** due primarily to the increase in the segment's gross profit
Net Profit	**219.5**	**201.5**	**18**	

International Real Estate Development

	2016	*2015*	*change*	*Source of Change*
Revenue	**131.1**	**76.8**	**54.3** *71%*	***Increases:*** • Revenues from apartment deliveries – ~NIS 45 million from the delivery of 126 apartments from a project in Poland, and ~NIS 72 million from the delivery of apartments in the Czech Republic, Romania and Serbia • Sales of property and land parcels – sales in Hungary during the year totaled ~NIS 7 million • Rental revenues and management fees – ~NIS 18 million, primarily from an office building in Poland
Gross Profit	**28.6**	**24.0**	**4.6**	***Increase*** due mainly to the sale of apartments and the cancellation of a 2013 provision for the decline in value of land in Hungary and Romania
Operating Profit	**17.6**	**16.2**	**1.4**	

Net Profit	**2.4**	**(5.6)**	**8.0**	

Renewable Energy

	2016	*2015*	*change*	*Source of Change*
Revenue	**44.7**	**156.8**	**(112.1)** *(71%)*	***Decline*** **-** due primarily to the decline in the rate of erecting middle-sized photo-voltaic installations on land parcels and rooftops within the framework of a license with the Israel Electric Company (due primarily to the completion of the building phase of the Nevatim 18MW project after it was connected to the Israeli grid in June 2016)
Gross Profit	**18.1**	**29.9**	**(11.8)**	***Decrease*** due primarily to the completion of the building phase of the Nevatim photo-electric project
Operating Profit	**40.1**	**43.4**	**(3.1)**	
Net Profit	**26.4**	**40.2**	**(13.9)**	

Concessions

	2016	*2015*	*change*	*Source of Change*
Revenues	**427.4**	**245.6**	**181.8** *(74%)*	The sources of the segment's revenues include • PFI – the project for the construction of an office building for the Israeli government in the Government Campus in Jerusalem • Colombia – the beginning of construction and operation for the Cundinamarca road construction and maintenance project (~NIS 91 million) • Generi – continuation of construction of government office buildings in Jerusalem (~NIS 80 million) • North Roads – management of the North Roads Upgrade & Maintenance project
Gross Profit	**16.7**	**13.4**	**3.3**	***Increase*** due primarily to the Colombia road construction and maintenance project
Operating Profit	**336.2**	**33.0**	**303.2**	***Increases:*** • **Sale of holdings in operator of the Hadera desalination plant**: ~NIS 87 million profit was recorded as a result of the sale of the Company's holding in the operator of the Hadera desalination plant • **Sale of holdings in developer of the Pumped Storage project**: ~NIS 25 million profit was recorded as a result of the sale of 49% of the Company's share in the Developer of the Pumped Storage project

				• **Sale of 50% share of the Concessionaire of Colombia Roads Project:** ~NIS 182 million in profit was recorded from the sale of 50% of the Company's share in the Concessionaire of Colombia Roads Project including the revaluation of the Company's remaining 50% holding after a reassessment of the fair market value of the holdings compared with their book value recorded before the deal
Net Profit	**303.2**	**30.5**	**272.7**	

Balance Sheet Highlights:

Cash and Cash Equivalents: an increase of NIS 1,106 million compared with the end of 2015, due primarily to advances received from the Ashalim Project and to collections of debts owed by clients in Nigeria, Guatemala and Guana.

Customer receivables declined by NIS 747 million, compared with the balance at the end of the previous year, due to international activities.

Inventory of Buildings for Sale: an increase of ~NIS 336 million compared with the end of 2015, due primarily to activities in Israel with the addition of NIS 120 million from international activities. The increase in Israel was primarily due to the Company's investment in projects in Israeli cities: Rosh Ha'ayin, Ramat Gan, Hadera, Pardes Chana, Netanya, Petach Tikva and Hod Hasharon, and the reclassification of land inventory to buildings for sale. In addition, growth came from *combination deals*. This was offset by apartment deliveries during the period, especially from the projects in Rosh Ha'ayin, Hadera, Netanya, Hod Hasharon, Pardes Hanna and Tirat Hacarmel. The increase in the international inventory of buildings for sale was due primarily from investments made in Poland and the Czech Republic.

Assets Held for Sale: an increase of ~NIS 88 million compared with its level at the end of 2015, including NIS ~501 million from assets owned by a consolidated company (classified as Renewable Energy & Commercial Property). After the balance sheet date, the Company signed an agreement to sell 40% of its holdings in this company.

Land Inventory: an increase NIS 242 million compared with its level at the end of 2015.

Obligations Related to Concessions Agreements: a decrease of ~NIS 76 million compared with the level at the end of 2015, due primarily to the reclassification of investments as Assets Held for Sale by a Consolidated Company, as explained above. In addition, deductions were recorded due to the redemption of financial assets in BOT projects. This was offset by a ~NIS 149 million increase in the photo voltaic installations line of Debts, Loans and Long-Term Deposits due to the completion of the Nevatim project and investments in additional BOT projects.

Investments and Loans to Subsidiaries: a decrease of ~NIS 5 million compared with the end of 2015 reflecting the Company's sale of shares in ADO, the payment of a dividend by its subsidiaries and the sale of its holdings in Spain, from changes in loans at subsidiaries, the listing of the Company's share in bridge loan and index funds, and the consolidation, for the first time, of the contracting partnership of the Ashalim Project into the Company's results. This was offset by an increase due to the Company's portion of the profits of these companies, from its investment in subsidiary companies and the sale of 50% of the Company's holding in the concessionaire of the Colombia Project.

Fixed Assets: a decrease of ~NIS 72 million compared with their value at the end of 2015.

Advances Received from Apartment Sales, net: an increase of NIS 245 million compared with the end of 2015 (including NIS 202 million from Israel), after deduction of advances from apartment sales that had been credited to the income statement. The increase reflects the receipt of deposits from customers in line with their payment schedules for apartments that have not yet been delivered due to the increased volume of sales.

Long-term Debt: a decrease of ~NIS 497 million compared with the end of 2015. The Company's outstanding bonds and bank debt totaled ~NIS 5,577 million as of December 31, 2016, compared with NIS 6,093 million at the end of 2015, a decline of ~NIS 516 million. The change was primarily due to the ~NIS 628 million repayment of a long-term loan and a ~NIS 177 million in bond payments. In addition, there was a decline of ~NIS 363 due to reclassification of debts held for sale that are intended for exit and NIS 388 million as a result of the sale of 50% of the Company's share in the concessionaire of Colombia. This was offset by a successful offering of long-term bonds that raised ~NIS 1,142 million. The total of Other Debt, Employee Benefits, Delayed Taxes, Provisions and Accumulated Losses of Subsidiaries totaled ~NIS 318 million.

Shareholders' Equity: the Group's shareholders' equity as of December 31, 2016 totaled ~NIS 2,071 million compared with ~NIS 1,838 million as at December 31, 2015, an increase of ~NIS 233 million. This increase was due primarily to 2016 profits (~NIS 480 million), offset partially by adjustments to the financial reports of international subsidiaries (~NIS 82 million), the ~NIS 118 million dividend payment, a NIS 38 million dividend paid by consolidated companies to non-controlling rights-holders, from the NIS 29 million purchase of shares due (to be awarded as compensation for Group managers and workers), and from the purchase of rights from non-controlling rights holders totaling ~NIS 10 million.

Backlog By Segment (NIS millions)

The backlog does not includes additional projects totaling ~NIS 1.3 billion that the Group has won (including, for example, an apartment project in Givat Shmuel, a project for the Ministry of Defense for the building of tunnel barriers on the Gaza-Israel border, a project to build a court building in Hadera, a road project on the Ivory Coast, a road project in Guatemala and more), and not including the backlog and payments expected to be received from Energy and 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 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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