Shikun & Binui Ltd.

Condensed Consolidated Interim Financial Statements

As at September 30, 2016

(Unaudited)

Condensed Consolidated Interim Financial Statements as at September 30, 2016 (Unaudited)

Contents

Somekh Chaikin
KPMG Millennium Tower
17 Ha'arba'a Street, PO Box 609
Tel Aviv 61006, Israel
+972 3 684 8000

Review Report to the Shareholders of Shikun & Binui Ltd.

Introduction

We have reviewed the accompanying financial information of Shikun & Binui Ltd. and its subsidiaries (hereinafter – "the Group") comprising of the condensed consolidated interim statement of financial position as of September 30, 2016 and the related condensed consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the nine and three month periods then ended. The Board of Directors and Management are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review.

We did not review the condensed interim financial information of certain consolidated subsidiaries whose assets constitute 25.9% of the total consolidated assets as at September 30, 2016, and whose revenues constitute 31.6% and 31.8% of the total consolidated revenues for the nine and three month periods then ended, respectively. Furthermore, we did not review the condensed interim financial information of equity accounted investees the investment in which amounted to NIS 190,572 thousand as at September 30, 2016, and the Group's share in their profits amounted to NIS 70,272 thousand and NIS 32,214 thousand for the nine and three month periods then ended, respectively. The condensed interim financial information of those companies was reviewed by other auditors whose review reports thereon were furnished to us, and our conclusion, insofar as it relates to amounts emanating from the financial information of such companies, is based solely on the said review reports of the other auditors.

Scope of Review

We conducted our review in accordance with Standard on Review Engagements 1, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" of the Institute of Certified Public Accountants in Israel. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in Israel and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review and the review reports of other auditors, nothing has come to our attention that causes us to believe that the accompanying financial information was not prepared, in all material respects, in accordance with IAS 34.

As explained in Note 2A, the accompanying financial statements represent a translation into English from the original financial statements in Hebrew.

Sincerely,

Somekh Chaikin
Certified Public Accountants (Isr.)

November 30, 2016

Condensed Consolidated Interim Statement of Financial Position as at

	September 30 2016	September 30 2015	December 31 2015
	(Unaudited)		(Audited)
	NIS thousands	NIS thousands	NIS thousands
Assets			
Cash and cash equivalents	**2,077,297**	1,672,735	1,887,816
Bank deposits	**186,336**	263,757	235,332
Short-term loans and investments	**152,489**	71,128	157,993
Short-term loans to investee companies	**27,861**	10,832	10,482
Trade receivables – accrued income	**1,866,289**	1,807,678	1,775,683
Inventory of buildings held for sale	**2,602,757**	1,984,558	2,132,305
Receivables and debit balances	**461,717**	434,181	427,745
Other investments, including derivatives	**11,037**	73,636	13,812
Current tax assets	**45,100**	71,107	59,594
Inventory	**194,439**	246,384	240,087
Assets classified as held for sale	**521,998**	-	430,204
Total current assets	**8,147,320**	6,635,996	7,371,053
Receivables in respect of concession arrangements	**1,163,604**	951,885	897,918
Non-current inventory of land (freehold)	**844,245**	320,924	471,489
Non-current inventory of land (leasehold)	**339,446**	267,508	412,747
Investment property, net	**854,954**	783,277	821,855
Land rights	**15,305**	15,147	15,147
Receivables, loans, deposits and derivatives	**414,043**	694,172	624,789
Investments in equity-accounted investees	**607,565**	759,726	733,546
Loans to investee companies	**413,058**	456,289	475,871
Deferred tax assets	**100,684**	94,278	102,152
Property, plant and equipment, net	**1,063,525**	1,065,135	1,113,043
Intangible assets, net	**260,427**	229,063	219,118
Total non-current assets	**6,076,856**	5,637,404	5,887,675
Total assets	**14,224,176**	12,273,400	13,258,728

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Interim Statement of Financial Position as at (cont'd)

	September 30 2016	September 30 2015	December 31 2015
	(Unaudited)		(Audited)
	NIS thousands	NIS thousands	NIS thousands
Liabilities			
Short-term credit from banks and others	**1,086,572**	1,031,377	887,178
Subcontractors and trade payables	**1,451,091**	1,043,771	1,216,290
Short-term employee benefits	**107,720**	123,526	142,625
Payables and credit balances including derivatives	**722,811**	583,858	675,468
Current tax liabilities	**126,905**	143,164	134,108
Provisions	**294,381**	443,602	405,156
Payables - customer work orders	**569,159**	373,821	308,822
Advances received from purchasers of apartments and lands	**1,648,280**	1,101,693	1,198,432
Dividend payable	**-**	33,794	-
Liabilities classified as held for sale	**206,893**	-	60,422
Total current liabilities	**6,213,812**	4,878,606	5,028,501
Liabilities to banks and others	**2,606,142**	1,716,303	2,571,869
Debentures	**3,307,795**	3,524,250	3,520,700
Employee benefits	**54,287**	62,157	58,284
Deferred tax liabilities	**53,299**	82,345	70,399
Provisions	**150,535**	136,125	133,767
Excess of accumulated losses over cost of investment and deferred credit balance in investee companies	**27,647**	28,919	36,909
Total non-current liabilities	**6,199,705**	5,550,099	6,391,928
Total liabilities	**12,413,517**	10,428,705	11,420,429
Equity			
Total equity attributable to owners of the Company	**1,637,315**	1,664,452	1,670,274
Non-controlling interests	**173,344**	180,243	168,025
Total equity	**1,810,659**	1,844,695	1,838,299
Total liabilities and equity	**14,224,176**	12,273,400	13,258,728

Moshe Lahmany Chairman of the Board of Directors	Yaron Karisi Chief Executive Officer	Tal Raz Chief Financial Officer

Date of approval of the financial statements: November 30, 2016

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Interim Statement of Comprehensive Income

	For the nine-month period ended		For the three-month period ended		For the year ended
	September 30 2016	September 30 2015	September 30 2016	September 30 2015	December 31 2015
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Revenues from work performed and sales	**3,673,402**	3,725,206	**1,489,490**	1,218,233	5,068,702
Cost of work performed and sales	**(3,172,016)**	(3,034,064)	**(1,264,847)**	(994,286)	(4,193,362)
Gross profit	**501,386**	691,142	**224,643**	223,947	875,340
Gain on sale of investment property	**49,654**	39,745	**2,988**	-	38,197
Selling and marketing expenses	**(22,386)**	(23,393)	**(8,117)**	(7,998)	(35,183)
Administrative and general expenses	**(262,576)**	(264,866)	**(95,798)**	(88,960)	(354,614)
Other operating income	**217,817**	59,722	**72,656**	3,024	142,361
Other operating expenses	**(9,974)**	(12,800)	**(5,389)**	-	(64,810)
Operating profit	**473,921**	489,550	**190,983**	130,013	601,291
Financing income	**133,785**	191,225	**54,115**	105,769	200,765
Financing expenses	**(400,475)**	(305,235)	**(115,726)**	(110,253)	(374,599)
Net financing expenses	**(266,690)**	(114,010)	**(61,611)**	(4,484)	(173,834)
Share of profits of equity accounted investees	**54,790**	68,533	**33,366**	122,146	76,575
Profit before taxes on income	**262,021**	444,073	**162,738**	247,675	504,032
Taxes on income	**(59,481)**	(76,909)	**(21,455)**	(33,368)	(63,818)
Profit for the period	**202,540**	367,164	**141,283**	214,307	440,214
Attributable to:					
Owners of the Company	**184,558**	351,082	**128,542**	207,204	425,741
Non-controlling interests	**17,982**	16,082	**12,741**	7,103	14,473
	202,540	367,164	**141,283**	214,307	440,214
Basic earnings per share (in NIS)	**0.46**	0.88	**0.32**	0.52	1.07
Diluted earnings per share (in NIS)	**0.46**	0.88	**0.32**	0.52	1.07
Number of shares used in the computation of basic earnings per share (in thousands)	**398,986**	397,720	**397,091**	399,220	398,099
Number of shares used in the computation of diluted earnings per share (in thousands)	**398,990**	397,839	**397,100**	399,302	398,188

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Interim Statement of Comprehensive Income

	For the nine-month period ended		For the three-month period ended		For the year ended
	September 30 2016	September 30 2015	September 30 2016	September 30 2015	December 31 2015
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Profit for the period	**202,540**	367,164	**141,283**	214,307	440,214
Other comprehensive income (loss)					
Other comprehensive income (loss) items that after initial recognition in comprehensive income will be transferred to profit or loss					
Foreign currency translation differences for foreign operations	**(116,224)**	18,472	**(68,644)**	141,927	(24,553)
Effective portion of change in fair value of hedge of foreign operation	**5,760**	(1,360)	**3,520**	(6,160)	(520)
Effective portion of change in fair value of cash flow hedge	**(23,011)**	17,936	**(16,077)**	(2,522)	35,774
Other comprehensive income items that will not be transferred to profit or loss					
Remeasurement of defined benefit plan, net of tax	**-**	-	**-**	-	4,332
Total other comprehensive income (loss)	**(133,475)**	35,048	**(81,201)**	133,245	15,033
Total comprehensive income for the period	**69,065**	402,212	**60,082**	347,552	455,247
Total comprehensive income attributable to:					
Owners of the Company	**55,132**	385,941	**50,037**	340,347	442,428
Non-controlling interests	**13,933**	16,271	**10,045**	7,205	12,819
Total comprehensive income for the period	**69,065**	402,212	**60,082**	347,552	455,247

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Interim Statement of Changes in Equity

	For the nine-month period ended September 30, 2016 (unaudited)										
	Share capital	Share premium	Reserve for distribution of bonus shares	Reserve for hedging transactions	Adjustments from translation of financial statements	Capital reserve from options and shares to employees and officers	Retained earnings	Company's shares acquired by the Company and a subsidiary	Total equity attributable to owners of the Company	Non-controlling interests	Total equity
	NIS thousands										
Balance as at January 1, 2016 (audited)	**515,801**	**120,033**	**63,393**	**(3,815)**	**30,517**	**20,463**	**969,888**	**(46,006)**	**1,670,274**	**168,025**	**1,838,299**
Profit for the period	-	-	-	-	-	-	184,558	-	184,558	17,982	202,540
Other comprehensive loss for the period	-	-	-	(19,090)	(110,336)	-	-	-	(129,426)	(4,049)	(133,475)
Dividend from subsidiary to non-controlling interests	-	-	-	-	-	-	-	-	-	(21,552)	(21,552)
Rise to control in associate company	-	-	-	-	-	-	-	-	-	15,203	15,203
Acquisition of non-controlling interests	-	-	-	-	-	-	(7,705)	-	(7,705)	(2,265)	(9,970)
Acquisition of the Company's own shares	-	-	-	-	-	-	-	(29,067)	(29,067)	-	(29,067)
Benefit in respect of issuance of options and shares to employees and officers	-	-	-	-	-	2,794	-	-	2,794	-	2,794
Exercise of options and shares to employees and officers	47	403	-	-	-	(13,690)	(2,166)	15,406	-	-	-
Dividend	-	-	-	-	-	-	(54,113)	-	(54,113)	-	(54,113)
Balance as at September 30, 2016 (unaudited)	**515,848**	**120,436**	**63,393**	**(22,905)**	**(79,819)**	**9,567**	**1,090,462**	**(59,667)**	**1,637,315**	**173,344**	**1,810,659**

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Interim Statement of Changes in Equity (cont'd)

	For the nine-month period ended September 30, 2015 (unaudited)										
	Share capital	Share premium	Reserve for distribution of bonus shares	Reserve for hedging transactions	Adjustments from translation of financial statements	Capital reserve from options to employees and officers	Retained earnings	Company's shares acquired by the Company and a subsidiary	Total equity attributable to owners of the Company	Non-controlling interests	Total equity
	NIS thousands										
Balance as at January 1, 2015 (audited)	515,548	118,569	63,393	(39,335)	53,692	30,361	738,009	(66,076)	1,414,161	212,897	1,627,058
Profit for the period	-	-	-	-	-	-	351,082	-	351,082	16,082	367,164
Other comprehensive income for the period	-	-	-	18,244	16,615	-	-	-	34,859	189	35,048
Dividend from subsidiary to non-controlling interests	-	-	-	-	-	-	-	-	-	(48,925)	(48,925)
Benefit in respect of issuance of options and shares to employees and officers	-	-	-	-	-	7,006	-	-	7,006	-	7,006
Exercise of options and shares to employees and officers	205	1,164	-	-	-	(19,391)	(2,048)	20,070	-	-	-
Dividend	-	-	-	-	-	-	(142,656)	-	(142,656)	-	(142,656)
Balance as at September 30, 2015 (unaudited)	515,753	119,733	63,393	(21,091)	70,307	17,976	944,387	(46,006)	1,664,452	180,243	1,844,695

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Interim Statement of Changes in Equity (cont'd)

	For the three-month period ended September 30, 2016 (unaudited)										
	Share capital	Share premium	Reserve for distribution of bonus shares	Reserve for hedging transactions	Adjustments from translation of financial statements	Capital reserve from options and shares to employees and officers	Retained earnings	Company's shares acquired by the Company and a subsidiary	Total equity attributable to owners of the Company	Non-controlling interests	Total equity
	NIS thousands										
Balance as at July 1, 2016 (unaudited)	**515,826**	**120,306**	**63,393**	**(10,400)**	**(13,819)**	**7,517**	**961,920**	**(50,191)**	**1,594,552**	**151,297**	**1,745,849**
Profit for the period	-	-	-	-	-	-	128,542	-	128,542	12,741	141,283
Other comprehensive (loss) for the period	-	-	-	(12,505)	(66,000)	-	-	-	(78,505)	(2,696)	(81,201)
Dividend from subsidiary to non-controlling interests	-	-	-	-	-	-	-	-	-	(3,201)	(3,201)
Rise to control in associate company	-	-	-	-	-	-	-	-	-	15,203	15,203
Acquisition of the Company's own shares	-	-	-	-	-	-	-	(9,476)	(9,476)	-	(9,476)
Benefit in respect of issuance of options and shares to employees and officers	-	-	-	-	-	2,202	-	-	2,202	-	2,202
Exercise of options and shares to employees and officers	22	130	-	-	-	(152)	-	-	-	-	-
Balance as at September 30, 2016 (unaudited)	**515,848**	**120,436**	**63,393**	**(22,905)**	**(79,819)**	**9,567**	**1,090,462**	**(59,667)**	**1,637,315**	**173,344**	**1,810,659**

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Interim Statement of Changes in Equity (cont'd)

	For the three-month period ended September 30, 2015 (unaudited)										
	Share capital	Share premium	Reserve for distribution of bonus shares	Reserve for hedging transactions	Adjustments from translation of financial statements	Capital reserve from options and shares to employees and officers	Retained earnings	Company's shares acquired by the Company and a subsidiary	Total equity attributable to owners of the Company	Non-controlling interests	Total equity
	NIS thousands										
Balance as at July 1, 2015 (unaudited)	515,753	119,733	63,393	(19,341)	(64,586)	29,844	758,545	(62,054)	1,341,287	189,496	1,530,783
Profit for the period	-	-	-	-	-	-	207,204	-	207,204	7,103	214,307
Other comprehensive income (loss) for the period	-	-	-	(1,750)	134,893	-	-	-	133,143	102	133,245
Dividend from subsidiary to non-controlling interests	-	-	-	-	-	-	-	-	-	(16,458)	(16,458)
Benefit in respect of issuance of options and shares to employees and officers	-	-	-	-	-	2,496	-	-	2,496	-	2,496
Exercise of options and shares to employees and officers						(14,364)	(1,684)	16,048	-	-	-
Dividend	-	-	-	-	-	-	(19,678)	-	(19,678)	-	(19,678)
Balance as at September 30, 2015 (unaudited)	515,753	119,733	63,393	(21,091)	70,307	17,976	944,387	(46,006)	1,664,452	180,243	1,844,695

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Interim Statement of Changes in Equity (cont'd)

	For the year ended December 31, 2015 (audited)										
	Share capital	Share premium	Reserve for distribution of bonus shares	Reserve for hedging transactions	Adjustments from translation of financial statements	Capital reserve from options and shares to employees and officers	Retained earnings	Company's shares acquired by a subsidiary	Total equity attributable to owners of the Company	Non-controlling interests	Total equity
	NIS thousands										
Balance as at January 1, 2015	515,548	118,569	63,393	(39,335)	53,692	30,361	738,009	(66,076)	1,414,161	212,897	1,627,058
Profit for the period	-	-	-	-	-	-	425,741	-	425,741	14,473	440,214
Other comprehensive income (loss) for the period	-	-	-	35,520	(23,175)	-	4,342	-	16,687	(1,654)	15,033
Dividend from subsidiary to non-controlling interests	-	-	-	-	-	-	-	-	-	(63,041)	(63,041)
Acquisition of non-controlling interests	-	-	-	-	-	-	(19,065)	-	(19,065)	5,350	(13,715)
Benefit in respect of issuance of options and shares to employees and officers	-	-	-	-	-	9,841	-	-	9,841	-	9,841
Exercise of options and shares to employees and officers	253	1,464	-	-	-	(19,739)	(2,048)	20,070	-	-	-
Dividend	-	-	-	-	-	-	(177,091)	-	(177,091)	-	(177,091)
Balance as at December 31, 2015	515,801	120,033	63,393	(3,815)	30,517	20,463	969,888	(46,006)	1,670,274	168,025	1,838,299

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Interim Statement of Cash Flows

	For the nine-month period ended		For the three-month period ended		For the year ended
	September 30 2016	**September 30 2015**	**September 30 2016**	**September 30 2015**	**December 31 2015**
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	**(Audited)**
	NIS thousands	**NIS thousands**	**NIS thousands**	**NIS thousands**	**NIS thousands**
Cash flows from operating activities					
Profit for the period	**202,540**	367,164	**141,283**	214,307	440,214
Adjustments for:					
Depreciation	**164,201**	167,604	**54,084**	52,483	226,014
Amortization of intangible assets	**17,077**	8,916	**8,539**	3,680	14,391
Impairment (reversal of impairment) in value of assets	**2,308**	(9,540)	**-**	(118)	(724)
Capital gain on sale of property, plant and equipment	**(4,259)**	(3,124)	**(1,379)**	(647)	(4,586)
Capital gain on sale of investment property	**(49,654)**	(39,745)	**(2,988)**	-	(38,197)
Gain on land exchange agreement	**-**	-	**-**	-	(66,677)
Gain on cancellation of sale transaction	**-**	-	**-**	-	(11,295)
Gain on revaluation of investment in investee companies	**(21,866)**	-	**(21,866)**	-	-
Gain on sale of investment in companies no longer consolidated	**-**	(23,290)	**-**	-	(23,290)
Capital gain on sale of investments in associates	**(113,622)**	(1,750)	**(25,462)**	-	(1,750)
Company's share in profits of investee companies, net	**(54,790)**	(68,533)	**(33,366)**	(122,146)	(76,575)
Income tax expense	**59,481**	76,909	**21,455**	33,368	63,818
Net financing expenses	**138,178**	47,792	**56,135**	(20,734)	85,021
Investment in derivatives, net	**(3,160)**	(5,244)	**262**	(3,223)	(6,825)
Benefits in respect of options and shares	**2,794**	7,006	**2,202**	2,496	9,841
	339,228	524,165	**198,899**	159,466	609,380
Changes in asset and liability items:					
Change in trade receivables and customer work orders, net	**(101,592)**	(328,077)	**(140,441)**	(54,328)	(285,515)
Change in receivables and debit balances	**(15,151)**	(257,633)	**56,963**	34,867	(261,003)
Change in inventory of buildings for sale	**(294,170)**	(120,778)	**(37,562)**	(45,815)	(192,828)
Change in inventories	**38,242**	31,505	**9,580**	5,947	36,653
Change in inventory of land	**(386,383)**	(113,418)	**(19,803)**	(71,870)	(437,230)
Change in subcontractors and trade payables	**249,256**	(4,026)	**131,536**	35,869	197,328
Change in payables and credit balances	**(60,612)**	(52,568)	**11,707**	4,804	(13,541)
Change in employee benefits	**(36,592)**	(31,717)	**(11,675)**	1,545	(17,272)
Change in provisions	**(85,742)**	(65,218)	**(3,551)**	(51,056)	(104,324)
Change in advances in respect of customer work orders	**202,124**	(39,881)	**279,642**	(9,798)	(102,515)
Change in advances from customers	**458,338**	254,647	**19,268**	56,415	345,352
Change in intangible assets from concession arrangements	**(1,603)**	(8,744)	**(979)**	(3,248)	(14,426)
Change in receivables from concession arrangements	**(160,205)**	(94,903)	**(79,477)**	(22,444)	(141,673)
	(194,090)	(830,811)	**215,208**	(119,112)	(990,994)
Income tax refund (income tax paid), net	**(72,480)**	21,131	**(29,442)**	(11,545)	23,197
Net cash from (used in) operating activities	**72,658**	(285,515)	**384,665**	28,809	(358,417)

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Interim Statement of Cash Flows (cont'd)

	For the nine-month period ended		For the three-month period ended		For the year ended
	September 30 2016	September 30 2015	September 30 2016	September 30 2015	December 31 2015
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Cash flows from investing activities					
Investment in property, plant and equipment	**(128,861)**	(91,723)	**(19,348)**	(65,551)	(196,493)
Investment in investment property	**(51,654)**	(78,167)	**(42,494)**	(41,683)	(182,515)
Proceeds from disposal of property, plant and equipment, net	**13,701**	7,381	**2,453**	1,965	14,512
Proceeds from sale of investment property, net	**142,060**	94,910	**124,698**	283	107,725
Change in short-term bank deposits, net	**(127,648)**	142,367	**(137,114)**	323,359	167,912
Disposal of (investment in) financial assets held for trading, net	**-**	(125)	**-**	(54)	14,624
Investment in derivatives, net	**3,198**	(2,503)	**3,198**	(317)	5,556
Repayment (grant) of short-term loans, net	**62,885**	(919)	**62,475**	(86)	626
Investment in intangible assets	**(7,660)**	(8,333)	**(3,017)**	(2,652)	(12,862)
Investment in leasehold land and land rights	**(159)**	(93)	**(97)**	(93)	(93)
Interest received	**38,934**	40,228	**21,771**	19,515	49,157
Dividend received from investee companies	**32,794**	18,922	**2,393**	4,885	25,969
Grant of short-term loans to investee companies, net	**(33,007)**	-	**(19,500)**	-	-
Repayment (grant) of long-term loans to investee companies, net	**70,063**	(18,023)	**42,877**	(1,094)	(38,699)
Investment in investee companies	**(33,026)**	(201,202)	**(21,069)**	(6,482)	(212,552)
Proceeds from sale of investment in investee companies	**318,721**	4,143	**92,019**	-	4,143
Net cash from companies consolidated for the first time	**17,645**	161	**17,645**	161	161
Net cash from companies no longer consolidated	**-**	83,150	**-**	15,750	83,150
Proceeds from sale of rights and termination of concession agreement	**1,291**	6,000	**-**	3,000	10,709
Investment in long-term loans and deposits	**(6,076)**	(139,606)	**(1,240)**	(134,810)	(269,281)
Repayment of long-term loans and deposits	**3,977**	8,764	**-**	1,230	29,966
Net cash from (used in) investing activities	**317,178**	(134,668)	**125,650**	117,326	(398,285)

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Interim Statement of Cash Flows (cont'd)

	For the nine-month period ended		For the three-month period ended		For the year ended
	September 30 2016	**September 30 2015**	**September 30 2016**	**September 30 2015**	**December 31 2015**
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	**(Audited)**
	NIS thousands	**NIS thousands**	**NIS thousands**	**NIS thousands**	**NIS thousands**
Cash flows from financing activities					
Receipt of long-term loans from banks and others	**617,800**	391,785	**313,640**	42,487	1,370,722
Repayment of long-term loans from banks and others	**(347,444)**	(237,138)	**(88,060)**	(130,930)	(298,440)
Issuance of debentures (net of issuance costs)	**-**	347,660	**-**	-	347,660
Repayment of debentures	**(176,630)**	(98,454)	**(19,425)**	(15,537)	(98,454)
Investment in derivatives, net	**(10,997)**	-	**-**	-	-
Acquisition of own shares	**(29,067)**	-	**(9,476)**	-	-
Change in short-term credit, net	**72,680**	101,859	**16,285**	107,141	(60,631)
Interest paid	**(217,640)**	(152,869)	**(79,863)**	(26,600)	(255,542)
Acquisition of non-controlling interests	**(2,471)**	-	**-**	-	(15,175)
Dividend paid to non-controlling interests in subsidiary	**(21,552)**	(34,809)	**(21,552)**	(2,342)	(63,041)
Dividend paid to owners of the Company	**(54,113)**	(122,978)	**(29,514)**	(49,194)	(177,091)
Net cash from (used in) financing activities	**(169,434)**	195,056	**82,035**	(74,975)	750,008
Cash in respect of assets held for sale	**-**	-	**-**	-	(921)
Effect of exchange rate fluctuations on cash and cash equivalents	**(30,921)**	(4,618)	**(13,432)**	34,797	(7,049)
Increase (decrease) in cash and cash equivalents	**189,481**	(229,745)	**578,918**	105,957	(14,664)
Cash and cash equivalents at the beginning of the period	**1,887,816**	1,902,480	**1,498,379**	1,566,778	1,902,480
Cash and cash equivalents at the end of the period	**2,077,297**	1,672,735	**2,077,297**	1,672,735	1,887,816

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Note 1 - Reporting Entity

Shikun & Binui Ltd. (hereinafter – the "Company") is an Israeli-resident company that was incorporated in Israel and its official address is 1A Hayarden St., Airport City. The condensed consolidated interim financial statements of the Group as at September 30, 2016 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and jointly controlled entities. The Company is a subsidiary of Arison Investments Ltd.. The Group is engaged in a number of sectors, including infrastructure and construction both in Israel and abroad, real estate development in Israel and abroad, concessions, renewable energy and the environment. For further details see Note 8 regarding operating segments.

The securities of the Company are registered for trade on the Tel Aviv Stock Exchange.

Note 2 - Basis of Preparation

A. Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* and do not include all of the information required for full annual financial statements. They should be read in conjunction with the financial statements as at and for the year ended December 31, 2015.

These condensed consolidated interim financial statements were authorized for issue by the Company's Board of Directors on November 30, 2016.

The accompanying financial statements represent a translation into English from the original financial statements in Hebrew.

B. Use of estimates and judgments

The preparation of condensed consolidated financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgments made by management in applying the Group's accounting policies and the principal assumptions used in the estimation of uncertainty were the same as those that applied to the annual financial statements.

Note 3 - Significant Accounting Policies

A. The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its financial statements for 2015.

B. In the framework of concession arrangements for the construction and operation of projects for producing photovoltaic solar electricity, the Group recognizes a financial asset in its financial statements as mentioned in Note 13.E to the financial statements for 2015. The aforesaid accounting treatment is according to, inter alia, a pre-ruling that the Company received from the Securities Authority. Further to the examination process of the pre-ruling that was performed by the Securities Authority as mentioned in Note 3.W to the annual financial statements for 2015, a notice was received from the Authority on May 26, 2016 by which the Authority's staff has completed its examination of the aforesaid issue and has reached the conclusion that there has been no material change in the facts on which the original position of the Authority was based and therefore the pre-ruling the Company received from the Securities Authority as aforesaid still stands.

C. Further to that mentioned in Note 3.X.1 to the annual financial statements for 2015 regarding IFRS 15, "Revenues from Contracts with Customers", the Group is examining the effects of applying the standard on the financial statements – but at this time is unable to assess the effects of its adoption on the financial statements.

D. Information regarding the rate of increase (decrease) in the Consumer Price Index (CPI) and the changes in foreign currency exchange rates:

	For the nine-month period ended		For the three-month period ended		For the year ended
	September 30 2016	**September 30 2015**	**September 30 2016**	**September 30 2015**	**December 31 2015**
	%	**%**	**%**	**%**	**%**
Decrease in CPI (current month index)	**-**	(0.6)	**-**	(0.4)	(1.0)
Increase (decrease) in CPI (known index)	**-**	(0.2)	**0.4**	0.3	(0.9)
Increase (decrease) in the US dollar/NIS exchange rate	**(3.69)**	0.87	**(2.29)**	4.09	0.3
Increase (decrease) in the euro/NIS exchange rate	**(1.01)**	(6.79)	**(1.89)**	4.37	(10.1)

	September 30 2016	**September 30 2015**	**December 31 2015**
The dollar/NIS exchange rate	**3.758**	3.923	3.902
The euro/NIS exchange rate	**4.203**	4.404	4.246

Note 4 - Events in the Reporting Period

A. On January 4, 2016 the Knesset plenum passed the Law for the Amendment of the Income Tax Ordinance (Amendment 216), by which, inter alia, the corporate tax rate would be reduced by 1.5% to a rate of 25% as from January 1, 2016.
The deferred tax balances as at September 30, 2016 were calculated according to the new tax rates specified in the Law for the Amendment of the Income Tax Ordinance, at the tax rate expected to apply on the date of reversal. The effect of the change on the financial statements as at September 30, 2016 is reflected in a decrease in deferred tax liabilities in the amount of NIS 562 thousand and a decrease in deferred tax assets in the amount of NIS 5,102 thousand. In the first nine months of 2016 the adjustment in deferred tax balances was recognized against deferred tax expenses in the amount of NIS 4,540 thousand.

B. In January 2016 A.D.O. (an equity accounted investee) made a tender offer to its shareholders, that was accepted, following which the Company received an amount of NIS 83 million. In April 2016, A.D.O. made an additional tender offer, that was accepted, following which the Company received an amount of NIS 65 million. As at September 30, 2016 the Company has a 41.9% interest in A.D.O. Subsequent to the reporting date, in October 2016, A.D.O. made an additional tender offer, that was accepted, following which the Company received NIS 29 million.

C. On March 29, 2016 the Company and a third party unrelated to the Company (hereinafter: the sellers), each of which holds 50% of the shares of the entity that is the entrepreneur in a pumped storage project in the Gilboa (hereinafter: the concessionaire and the project, respectively), entered into an agreement to sell 49% of their holdings in the entrepreneur (24.5% each) to InfraRed, a foreign investment fund unrelated to the Company (hereinafter: the agreement and the buyer, respectively). The transaction was closed on September 29, 2016. On the closing date of the transaction the buyer granted to the entrepreneur a shareholders' loan in the amount of 49% of the balance of shareholders' loans, and the entrepreneur repaid shareholders' loans of the sellers using this amount. Furthermore, on the closing date the buyer undertook to provide 49% of the owners' guarantees and of the commitments to provide equity that the sellers assumed according to the project's financing agreements and by law. After the transaction was closed and the buyer became a shareholder of the entity that is the project's concessionaire, arrangements between the sellers and the buyer regarding the project's management came into effect which, inter alia, grant the buyer veto rights in certain specified decisions. The shareholders of the entrepreneur also agreed on arrangements that restrict the transfer of the entrepreneur's shares. It was also determined that the sellers would continue on their own, or through entities they control, to hold the project's construction contractor and to construct the project.

On the closing date, the Company received the transaction consideration (including repayment of loans) in the amount of NIS 107 million and recorded a gain of NIS 25.5 million in its financial statements in the item of other operating income. See Note 18.A.6 to the Company's financial statements for 2015 for further details regarding the project.

D. Further to that mentioned in Note 36.B to the Company's financial statements as at December 31, 2015, on March 31, 2016 the transaction to sell the Company's interest in the operator of the desalination facility in Hadera for the net consideration of NIS 78 million was closed and the Company recorded a gain in the amount of NIS 87 million in its financial statements in the item of other operating income.

Note 4 - Events in the Reporting Period (cont'd)

E. Further to that mentioned in Note 18.A.11 to the Company's financial statements as at December 31, 2015 regarding a thermo-solar power station project near Ashalim in the Negev (hereinafter: the project), on April 21, 2016 an agreement was signed that arranges the exit of the Abengoa entities from the Ashalim project. (hereinafter – "the agreement)

On August 2, 2016, after receiving the approval of the State and the approval of the providers of the project's senior debt, the necessary agreements were signed and amended and the transaction was closed. After preconditions were fulfilled (including, inter alia, transferring payments and providing guarantees, receiving approvals and registering various liens), the provision of loans to the project was renewed and the concessionaire resumed its payments to the construction contractor. On August 24, 2016, the second withdrawal from the senior debt framework was made in the amount of $ 147 million.

The agreements arrange the exit of the entities of the Spanish group Abengoa (hereinafter: Abengoa) from the project, so that as from the closing of the transaction the project is held as follows:

1. The concessionaire and O&M contractor – are held directly or indirectly by the Company at the rate of 50%, by entities related to the Noy Fund at the rate of 40% and by entities of the TSK group at the rate of 10%.

2. The construction contractor - is held directly or indirectly by a subsidiary at the rate of 67.5% and by entities of the TSK group at the rate of 32.5%.
   The agreement also provides, inter alia, that the Noy Fund, the Company and TSK assume upon themselves, each according to its relative share in the relevant company, all the obligations of Abengoa as a shareholder or partner in the concessionaire, construction contractor and O&M contractor, pursuant to the project's agreements (including the project's financing agreements) with respect to the provision of shareholders' equity, loans and guarantees for the liabilities of the project's entities. Arrangements were also made with Abengoa regarding it continuing its participation in the project as a subcontractor, under certain circumstances. Furthermore, shareholders' agreements and partners' agreements were signed that arrange the relationships between the parties as shareholders or partners in the project's entities. In view of the aforesaid, as from the closing date of the transaction, the subsidiary controls the construction contractor, following which it recorded in its consolidated financial statements in the item of other operating income a gain in the amount of NIS 21.9 million from revaluation of an investment in an investee company. The said gain was recognized following remeasurement of the fair value of the company's previous holding compared to the carrying amount of its investment before the transaction.

Management of the Company assesses that the current situation and the developments described above shall not affect the time schedule for execution of the project and the ability of the Company to execute the project according to the project's documents.

Note 4 - Events in the Reporting Period (cont'd)

F. Further to that mentioned in Note 31.C.5 to the Company's financial statements as at December 31, 2015, regarding a consortium in which the Company is a member (Blueridge Transportation Group) winning a bid to design, build, finance, operate and maintain toll high-speed lanes and other infrastructures on a highway in the area of Houston, Texas (known as SH-288) by a special purpose concessionaire (hereinafter: the concessionaire and the project), raising the project's financing was completed on April 29, 2016 (including a set of financing agreements).
The project's financing includes special project debentures that will be issued for the concessionaire by the State of Texas to various foreign institutional investors according to an allotment of the US Department of Transportation (USDOT), and a special loan from the American federal government by means of the USDOT to transportation infrastructure projects such as the project, in addition to equity that will be provided by the partners in the concessionaire and a grant from the State of Texas. Furthermore, on the date of signing the project's financing agreements as aforesaid, the partners in the concessionaire provided guarantees that secure their commitments, which included the Company providing guarantees for providing the project's equity, according to its relative share of total equity based on its holding rate in the concessionaire (about 21.62%), and the construction contractor and the partners in the construction contractor (in which the Company is a 50% partner through entities held by it) providing collateral including bank guarantees and guarantees out of special facilities that were put at the disposal of the Company and entities held by it for that purpose by a company named Zurich and an American company named Liberty according to the indirect holding rate of the Company in the construction contractor.
On May 9, 2016 the financial close was completed (per its definition in the concession contract that was signed between the concessionaire and the State of Texas in March of this year), and the first withdrawal was made.

G. Further to that mentioned in Note 13.G to the Company's financial statements as at December 31, 2015 regarding a concessionaire, which is wholly owned by the Company at the date of this report, winning a BOT tender to finance, build, restore, operate and maintain toll roads in Colombia in an estimated amount of $ 640 million at the date of the financial close (known as the Cundinamarca project) (hereinafter: the concessionaire and the project), on May 25, 2016 a set of agreements regarding the project's financing was signed (hereinafter: financial close).

In the framework of the financial close, the concessionaire entered into agreements with several financing entities, including financing entities in Colombia and international financing entities, regarding the provision of long-term financing for the project (in the total amount of $ 460 million at the date of the financial close) in addition to the amounts that will be received from operation of the roads during the construction period and shareholders' equity that will be provided by the concessionaire and its shareholders. It is noted that the cost of the project and the aforesaid amounts of financing may change according to relevant exchange rates and particularly the exchange rate of the Colombian peso. In the framework of the financial close documents, a lien was placed on the rights in the project and in the concessionaire, and instructions and commitments were specified regarding the project and its outcome. A first withdrawal of financing was made in September 2016 and guarantees were provided by the Company and companies it owns (as shareholders of the concessionaire) as security for their commitments. In addition the construction contractor provided collateral including bank guarantees as security for its own liabilities. As at the date of this report, a subsidiary holds the entire interest in the construction contractor. For further details regarding the sale of 50% of the interest in the concessionaire see Note 5.B.

Note 4 - Events in the Reporting Period (cont'd)

H. On May 30, 2016 the Company's Board of Directors decided to distribute a dividend in the amount of NIS 30 million that was paid on July 26, 2016.

I. Further to that mentioned in Note 7 to the Company's financial statements as at December 31, 2015 regarding the difficulties in its contracting operations in Nigeria, in the reporting period a subsidiary operating in Nigeria received an amount of $ 114 million. The aforesaid amount constitutes payment to the aforesaid subsidiary by customers in Nigeria that contracted its work, mainly in respect of open bills from the past of the customers in Nigeria, and it constitutes most of the debt to the Company in respect of its operations in Nigeria at that time.

In June 2016 the Nigerian central bank changed its foreign exchange policy that until that month had been fixed for a long time at a rate of ₦ 200 per dollar. The new policy of the government is based on a floating exchange rate based on demand and supply. As a result of, inter alia, the continuing decline in oil prices around the world and the production being lowered as a result of internal political problems in Nigeria, there was a significant decrease in the market's liquidity, the supply of foreign currency is lower than demand and the country's exchange rate is still unstable. On September 30, 2016 the exchange rate of the local currency was at a level of ₦ 305 per dollar. Proximate to the publication date of the financial statements, the exchange rate remained unchanged.
The effect of the change in the foreign exchange policy and the weakening of the Nigerian currency as aforesaid had an adverse effect on the results of the subsidiary for the period. Several items in the Company's statements of income were affected by the aforesaid, the main effects being reflected in a decrease in revenues from work performed in the amount of $ 8 million (from a decrease in balances of trade receivables – accrued income less balances of payables – customer work orders in the statement of financial position), a decrease in the cost of work performed in the amount of $ 15 million (from a decrease in balances of subcontractors, trade payables and provisions in the statement of financial position) and an increase in financing expenses in the amount of $ 43 million (from a decrease in other monetary items). On the other hand, as a result of the collection of debts as aforesaid, the Company reversed a provision, in the framework of the other income item in its financial statements, in respect of balances of the government of Nigeria in the amount of $ 10.7 million that their collection was considered doubtful in the past. In view of the aforesaid, the total amount of the effect on the statements of income for the reporting period is a loss of $ 25.3 million. In addition, the Company is continuing to examine the effect of the economic changes that took place in Nigeria on the way it operates in that country, including the need to change the functional currency in the financial statements.

J. Further to that mentioned in Note 31.C.9 to the Company's financial statements as at December 31, 2015 regarding an agreement to sell its property rights in the "Agrobank" project in Hadera to a third party unrelated to the Company (hereinafter: the buyer), on June 30, 2016 the aforesaid property rights were transferred to the buyer. Upon the completion of the aforesaid transaction, the Company recorded in its respect a pre-tax gain of NIS 49 million in its consolidated financial statements.

Note 4 - Events in the Reporting Period (cont'd)

K. On July 26, 2016 the Company's Board of Directors decided to grant, according to the conditions and restrictions that were set, up to 3,333,670 units to locked-up shares to employees and managers of the Group.

The fair value of the units to locked-up shares is based on the market value of the share on the grant date after deducting a discount for lack of marketability in the lock-up period. The discount rate for lack of marketability was calculated using the Average Strike Put Option (Finnerty, 2012) method. The discount rate for lack of marketability was calculated using the expected deviation rate of the share based on a calculation of the historic daily deviation rate of the Company's share over the lock-up period. 25% of each portion of units to locked-up shares that have performance conditions also have conditions regarding developments in the share price as specified in the plan. The Monte Carlo simulation for predicting share prices was used for calculating the vesting probability of the units that have conditions regarding future share prices (according to the vesting date). Based on the share prices obtained in the simulation (in the relevant periods), it was examined whether the share price reaches the relevant threshold condition, and after that the probability was calculated for each vesting date.

Presented hereunder are the principal terms of the aforesaid plans and the parameters that were used in the calculation of the grant value:

Grant date	Vesting conditions (*)	Number of allotted units to locked-up shares (in thousands)	Fair value In NIS thousands	Offerees	Share price (on grant date)	Standard deviation	Rate of cancellations before vesting	Discount rate for lack of marketability
September 27, 2016	Three equal portions at the end of each year subject to continuation of employment and the Company not recording a loss	1,674	10,539	Employees and managers	7.07	25.32%-25.84%	3.97%	9.9%-11.6%
September 27, 2016	Three equal portions at the end of each year subject to continuation of employment, based on performance, and with respect to 25% of each portion also based on developments in the share price as specified in the plan	993	6,513	Employees and managers	7.07	31.58%	3.97%	7.2%

(*) The shares deriving from the units of locked-up shares will be locked up for periods of 3 or 4 years from their vesting date.

L. On September 21, 2016 an exchange of debentures was executed – NIS 884 million par value of Series 8 debentures were issued in exchange for NIS 740 million par value of Series 5 debentures.

Note 5 - Subsequent Events

A. On October 6, 2016 a subsidiary signed agreements to sell all its holdings in 13 megawatts of solar projects in Spain, which constitute all the projects held by the Company in Spain ("the projects being sold" and "the sale agreements"). The projects being sold are held by the subsidiary, directly and indirectly, at 50% and under joint control. The Group received a total amount of € 22.5 million from the transaction. This amount includes € 2.5 million for the Olmeda project (as defined hereunder) and € 20 million for the rest of the projects being sold.
The closing of the Olmeda sale agreement, a project of 6 megawatts that is financed by a bank ("the Olmeda project"), is conditional upon receiving the financing bank's consent to the sale of the project, as well as making several amendments to the financing agreements. Insofar as the preconditions to the Olmeda transaction are not met in full by April 1, 2017, the sale agreement in respect thereto will be automatically cancelled. The transaction to sell the rest of the projects does not have any preconditions and it was closed on the date of its signing and the full amount of the consideration was received. The Company expects to record a gain in the amount of € 2.3 million in respect of the transactions that were closed as aforesaid as well as an additional gain of an immaterial amount in respect of the Olmeda transaction, upon and subject to its closing.

B. On November 29, 2016 a subsidiary that wholly owns an entity that acts as the concessionaire in the Cundinmarca project in Columbia (respectively: the concessionaire and the project) entered into an agreement to sell 50% of the concessionaire to Infrared, a foreign investment fund (respectively: the transaction and the buyer), subsidiary will continue to act as the project's construction contractor. The buyer undertook to provide on the date of closing the transaction half of the shareholders' loans and half of the guarantees and commitments to provide shareholders' equity. Closing the transaction is subject to the fulfillment of several preconditions, including receiving the approval of the project's financing entities. On the closing date and subject to fulfillment of all the preconditions, the Company expects to receive the transaction consideration (including in respect of shareholders' loans) in the amount of $ 60 million and to record in its financial statements a gain in the amount of $ 35-40 million.

C. On November 30, 2016 the Company's Board of Directors decided to distribute a dividend in the amount of NIS 65 million that will be paid on December 29, 2016.

Note 6 - Transactions with Related and Interested Parties in the Reporting Period

A. Further to that mentioned in Note 28.C.(2).a to the Company's financial statements for 2015, on March 27, 2016 about 2 thousand and 11 thousand units to locked-up shares that had been granted to the Company's CEO and to the Chairman, respectively, were forfeited.

B. Further to that mentioned in Note 34.E.2 to the Company's financial statements as at December 31, 2015, on May 16, 2016 the Company's general meeting decided to approve updating and extending the terms of service of the Chairman of the Board. The service of the Chairman of the Board was extended for five additional years until December 31, 2021 at the conditions that were set.

C. Further to that mentioned in Note 34.E.3 to the Company's financial statements as at December 31, 2015, on May 16 the Company's general meeting decided to approve the terms of employment of the Company's CEO.

Note 6 - Transactions with Related and Interested Parties in the Reporting Period (cont'd)

D. Further to that mentioned in Note 34.D.1 to the Company's financial statements for 2015, on May 16, 2016 the Company's general meeting of shareholders approved granting a release to directors and other officers of the Company including the Company's CEO and/or officers who are controlling shareholders in the Company and/or their relatives and/or that the controlling shareholders have a personal interest in granting them a release, those currently serving or who will serve from time to time, subject to the provisions of the law, with respect to any damage that is incurred by the Company and/or its investee companies as a result of the aforesaid persons breaching their duty of care in the course of performing their duties as officers of the Company. The release that is granted as aforesaid shall not apply to a decision made by an officer or to a transaction that was approved by an officer, in the course of their duty as an officer, and which a controlling shareholder or other officer of the Company has a personal interest in its approval.

Furthermore, the general meeting approved an amendment to the existing release such that insofar as a release was granted prior to the date of the aforesaid general meeting, the release shall not apply to a breach of the duty of care that occurred after the date of the aforesaid meeting, with regard to a decision or approval of a transaction in which a controlling shareholder or other officer of the Company has a personal interest in its approval.

E. On June 23, 2016 Artemis Investments Management LLP, which is incorporated in Britain, became an interested party in the Company.

Note 6 - Transactions with Related and Interested Parties in the Reporting Period (cont'd)

F. Further to that mentioned in Note 28.C.(2).a to the financial statements for 2015 regarding the holdings of the Company's Chairman of the Board and CEO.

On May 16, 2016, after approval by the Company's Board of Directors on February 10, 2016, the Company's general meeting approved granting, pursuant to the conditions and limitations determined, up to 516,090 units to locked-up shares to the Company's CEO and up to 450,240 units to locked-up shares to the Company's Chairman of the Board.

The fair value of the units to locked-up shares is based on the market value of the share on the grant date after deducting a discount for lack of marketability in the lock-up period. The discount rate for lack of marketability was calculated using the Average Strike Put Option (Finnerty, 2012) method. The discount rate for lack of marketability was calculated using the expected deviation rate of the share based on a calculation of the historic daily deviation rate of the Company's share over the lock-up period. 25% of each portion of units to locked-up shares that have performance conditions also have conditions regarding developments in the share price as specified in the plan. The Monte Carlo simulation for predicting share prices was used for calculating the vesting probability of the units that have conditions regarding future share prices (according to the vesting date). Based on the share prices obtained in the simulation (in the relevant periods), it was examined whether the share price reaches the relevant threshold condition, and after that the probability was calculated for each vesting date.

Presented hereunder are the principal terms of the aforesaid plans and the parameters that were used in the calculation of the grant value:

Grant date	**Vesting conditions (*)**	**Number of allotted units to locked-up shares (in thousands)**	**Fair value In NIS thousands**	**Offerees**	**Share price (on grant date)**	**Standard deviation**	**Discount rate for lack of marketability**
May 16, 2016	Three equal portions at the end of each year subject to continuation of employment and the Company not recording a loss	310	1,868	CEO	6.82	25.7%	11.54%
May 16, 2016	Three equal portions at the end of each year subject to continuation of employment, based on performance, and with respect to 25% of each portion also based on developments in the share price as specified in the plan	Up to 206	1,037	CEO	6.82	29.33%	6.7%

Note 6 - Transactions with Related and Interested Parties in the Reporting Period (cont'd)

F. (cont'd)

Grant date	Vesting conditions (*)	Number of allotted units to locked-up shares (in thousands)	Fair value In NIS thousands	Offerees	Share price (on grant date)	Standard deviation	Discount rate for lack of marketability
May 16, 2016	Three equal portions at the end of each year subject to continuation of employment and the Company not recording a loss	270	1,630	Chairman of the Board	6.82	25.7%	11.54%
May 16, 2016	Three equal portions at the end of each year subject to continuation of employment, based on performance, and with respect to 25% of each portion also based on developments in the share price as specified in the plan	Up to 180	908	Chairman of the Board	6.82	29.33%	6.7%

(*) The shares deriving from the units to locked-up shares will be locked up for periods of one or four years from their vesting date.

Note 7 - Financial Instruments

A. Financial instruments measured at fair value for disclosure purposes only

The carrying amounts of certain financial assets and liabilities, including cash and cash equivalents, short-term deposits, trade receivables, other receivables and debit balances, other short-term investments, derivatives, bank overdraft, short-term loans and borrowings, trade payables, other payables and credit balances, and variable-rate assets and liabilities that do not involve a material credit risk are the same or proximate to their fair value.

The fair values of the other financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	September 30, 2016		September 30, 2015		December 31, 2015	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	NIS thousands		NIS thousands		NIS thousands	
	(Unaudited)		(Unaudited)		(Audited)	
Non-current financial assets						
Receivables in respect of concession arrangements and other receivables **(1)**	**1,831,594**	**2,020,817**	1,728,680	1,787,581	1,898,450	2,034,928
Loans to investee companies **(1)**	**575,828**	**612,422**	615,044	625,076	690,430	703,600
Non-current financial liabilities						
Long-term loans from banks **(2)**	**1,564,514**	**1,680,840**	1,032,572	1,101,631	1,671,661	1,772,241
Marketable debentures **(3)**	**3,530,514**	**3,962,864**	3,752,651	4,093,948	3,708,520	4,099,680

(1) The fair value of receivables in respect of concession arrangements, other receivables and long-term loans granted is based on a calculation of the present value of cash flows at the customary interest rate for a similar loan with similar characteristics.

(2) The fair value of long-term loans bearing fixed interest is based on a calculation of the present value of cash flows at the customary interest rate for a similar loan with similar characteristics.

(3) The fair value of marketable debentures is determined on the basis of the stock exchange quote as at September 30, 2016.

B. Fair value hierarchy of financial instruments measured at fair value

1. The table below presents an analysis of financial instruments measured at fair value on the temporal basis using valuation methodology in accordance with hierarchy fair value levels. The various levels are defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical instruments
- Level 2: inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly
- Level 3: inputs that are not based on observable market data (unobservable inputs).

Note 7 - Financial Instruments (cont'd)

B. Fair value hierarchy of financial instruments measured at fair value (cont'd)

2. Information regarding the fair value hierarchy of financial instruments measured at fair value that were recognized in the statement of financial position:

	September 30, 2016			
	NIS thousands			
	Level 1	**Level 2**	**Level 3**	**Total**
	(Unaudited)			
Derivatives used for hedging – CPI transactions used for hedging	**-**	**(38,545)**	**-**	**(38,545)**
Forward contracts used for hedging	**-**	**(10,765)**	**-**	**(10,765)**
Financial liabilities	**-**	**-**	**(7,428)**	**(7,428)**
Other derivatives	**-**	**(4,518)**	**-**	**(4,518)**
Financial assets held for trading – marketable securities	**42**	**-**	**-**	**42**
	42	**(53,828)**	**(7,428)**	**(61,214)**

	September 30, 2015			
	NIS thousands			
	Level 1	**Level 2**	**Level 3**	**Total**
	(Unaudited)			
Derivatives used for hedging – CPI transactions used for hedging	-	(36,227)	-	(36,227)
Forward contracts used for hedging	-	2,166	-	2,166
Financial liabilities	-	-	(8,526)	(8,526)
Other derivatives	-	50,324	-	50,324
Financial assets held for trading – marketable securities	14,853	-	-	14,853
	14,853	16,263	(8,526)	22,590

Note 7 - Financial Instruments (cont'd)

B. Fair value hierarchy of financial instruments measured at fair value (cont'd)

2. (cont'd)

	December 31, 2015			
	NIS thousands			
	Level 1	Level 2	Level 3	Total
	(Audited)			
Derivatives used for hedging – CPI transactions used for hedging	-	(42,687)	-	(42,687)
Forward contracts used for hedging	-	(211)	-	(211)
Financial liabilities	-	-	(8,587)	(8,587)
Other derivatives	-	(6,260)	-	(6,260)
Financial assets held for trading – marketable securities	42	-	-	42
	42	(49,158)	(8,587)	(57,703)

3. Details regarding fair value measurement at Level 2

Derivatives not used for hedging, net

Forward contract and embedded derivatives

The fair value of a forward contract and embedded derivatives is measured on the basis of discounting the difference between the forward price in the contract and the current forward price for the residual period until redemption using appropriate interest curves used for derivative pricing and based on short-term Libor interest rates and long-term IRS transactions.

CPI transactions used for hedging

The fair value of CPI transactions is measured on the basis of discounting the difference between the forward price in the contract and the current forward price for the residual period until redemption using appropriate interest curves used for derivative pricing and based on nominal and real yields of government debentures.

Note 7 - Financial Instruments (cont'd)

B. Fair value hierarchy of financial instruments measured at fair value (cont'd)

4. Details regarding fair value measurement at Level 3

Derivatives not used for hedging, net

Options on shares of an equity accounted investee

The fair value is measured according to the expected value in the Monte Carlo model. The significant unobservable inputs are the standard deviation, the value of the underlying asset and the expected exercise price.

Financial liabilities

The significant unobservable inputs used to measure the fair value of financial liabilities are, inter alia, the expected values for the occurrence of milestones and certain conditions for payment of such considerations.

5. Level 3 financial instruments carried at fair value

The table hereunder presents a reconciliation from the opening balance to the closing balance of financial instruments carried at fair value level 3 of the fair value hierarchy:

	Nine months ended September 30, 2016	
	NIS thousands	
	Fair value through profit or loss	
	Financial liabilities	Total
	(Unaudited)	
Balance as at January 1, 2016	**(8,587)**	**(8,587)**
Additions	**(7,500)**	**(7,500)**
Total unrealized gains recognized in profit or loss under financing expenses	**92**	**92**
Settlements	**8,567**	**8,567**
Balance as at September 30, 2016	**(7,428)**	**(7,428)**

	Nine months ended September 30, 2015		
	NIS thousands		
	Fair value through profit or loss		
	Derivatives	Financial liabilities	Total
		(Unaudited)	
Balance as at January 1, 2015	28,076	(11,731)	16,345
Total unrealized gains recognized in profit or loss under financing expenses	12,012	3,205	15,217
Settlements	(40,088)	-	(40,088)
Balance as at September 30, 2015	-	(8,526)	(8,526)

Note 7 - Financial Instruments (cont'd)

B. Fair value hierarchy of financial instruments measured at fair value (cont'd)

5. Level 3 financial instruments carried at fair value (cont'd)

	Three months ended September 30, 2016	
	NIS thousands	
	Fair value through profit or loss	
	Financial liabilities	Total
	(Unaudited)	
Balance as at July 1, 2016	(12,415)	(12,415)
Settlements	4,987	4,987
Balance as at September 30, 2016	(7,428)	(7,428)

	Three months ended September 30, 2015		
	NIS thousands		
	Fair value through profit or loss		
	Derivatives	Financial liabilities	Total
	(Unaudited)		
Balance as at July 1, 2015	39,575	(8,526)	31,049
Total unrealized gains recognized in profit or loss under financing expenses	513	-	513
Settlements	(40,088)	-	(40,088)
Balance as at September 30, 2015	-	(8,526)	(8,526)

	Year ended December 31, 2015		
	NIS thousands		
	Fair value through profit or loss		
	Derivatives	Financial liabilities	Total
	(Audited)		
Balance as at January 1, 2015	28,076	(11,731)	16,345
Total unrealized gains recognized in profit or loss under financing expenses	12,012	3,144	15,156
Settlements	(40,088)	-	(40,088)
Balance as at December 31, 2015	-	(8,587)	(8,587)

Note 8 - Operating Segments

	For the nine month period ended September 30, 2016 (unaudited)								
	Infrastructures and construction (international)	Infrastructures and construction (Israel)	Real estate development (Israel)	Real estate development (international)	Concessions	Renewable energy	Environment	Adjustments	Consolidated
	NIS thousands								
Total external revenues	**954,779**	**1,674,815**	**692,841**	**18,859**	**266,042**	**36,156**	**29,910**	**-**	**3,673,402**
Inter-segment revenues	**97,501**	**296,339**	**57**	**-**	**-**	**-**	**-**	**(393,897)**	**-**
Total revenues	**1,052,280**	**1,971,154**	**692,898**	**18,859**	**266,042**	**36,156**	**29,910**	**(393,897)**	**3,673,402**
Segment profit (loss) before income tax	**70,608**	**73,686**	**144,960**	**(24,809)**	**177,311**	**21,912**	**(20,275)**	**(181,372)**	**262,021**

	For the nine month period ended September 30, 2015 (unaudited)									
	Infrastructures and construction (international)	Infrastructures and construction (Israel)	Real estate development (Israel)	Real estate development (international)	Concessions	Renewable energy	Environment	Other	Adjustments	Consolidated
	NIS thousands									
Total external revenues	1,487,741	1,216,990	681,716	19,325	138,362	148,517	31,649	906	-	3,725,206
Inter-segment revenues	15,911	197,039	57	-	-	-	3	-	(213,010)	-
Total revenues	1,503,652	1,414,029	681,773	19,325	138,362	148,517	31,652	906	(213,010)	3,725,206
Segment profit (loss) before income tax	273,159	35,576	152,146	43,297	60,004	46,168	11,836	147	(178,260)	444,073

Note 8 - Operating Segments (cont'd)

	For the three month period ended September 30, 2016 (unaudited)								
	Infrastructures and construction (international)	Infrastructures and construction (Israel)	Real estate development (Israel)	Real estate development (international)	Concessions	Renewable energy	Environment	Adjustments	Consolidated
	NIS thousands								
Total external revenues	**343,597**	**628,727**	**362,288**	**5,140**	**132,219**	**9,597**	**7,922**	**-**	**1,489,490**
Inter-segment revenues	**45,374**	**136,989**	**19**	**-**	**-**	**-**	**-**	**(182,382)**	**-**
Total revenues	**388,971**	**765,716**	**362,307**	**5,140**	**132,219**	**9,597**	**7,922**	**(182,382)**	**1,489,490**
Segment profit (loss) before income tax	**76,530**	**33,832**	**73,162**	**(7,191)**	**41,776**	**18,489**	**(13,438)**	**(60,422)**	**162,738**

	For the three month period ended September 30, 2015 (unaudited)								
	Infrastructures and construction (international)	Infrastructures and construction (Israel)	Real estate development (Israel)	Real estate development (international)	Concessions	Renewable energy	Environment	Adjustments	Consolidated
	NIS thousands								
Total external revenues	384,115	474,869	258,012	4,643	62,299	20,059	14,236	-	1,218,233
Inter-segment revenues	15,911	82,677	16	-	-	-	3	(98,607)	-
Total revenues	400,026	557,546	258,028	4,643	62,299	20,059	14,239	(98,607)	1,218,233
Segment profit (loss) before income tax	80,511	15,532	56,679	100,946	37,135	21,542	(3,253)	(61,417)	247,675

Note 8 - Operating Segments (cont'd)

	For the year ended December 31, 2015 (audited)									
	Infrastructures and construction (international)	Infrastructures and construction (Israel)	Real estate development (Israel)	Real estate development (international)	Concessions	Renewable energy	Environment	Other	Adjustments	Consolidated
	NIS thousands									
Total external revenues	1,962,078	1,648,110	985,329	25,303	245,599	156,789	44,588	906	-	5,068,702
Inter-segment revenues	26,191	249,166	76	-	-	-	3	-	(275,436)	-
Total revenues	1,988,269	1,897,276	985,405	25,303	245,599	156,789	44,591	906	(275,436)	5,068,702
Segment profit (loss) before income tax	319,807	40,413	264,446	40,936	30,994	40,418	6,033	147	(239,162)	504,032

Note 8 - Operating Segments (cont'd)

Reconciliations of reportable segment profit or loss

	For the nine-month period ended		For the three-month period ended		For the year ended
	September 30 2016	**September 30 2015**	**September 30 2016**	**September 30 2015**	**December 31 2015**
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	**(Audited)**
	NIS thousands	**NIS thousands**	**NIS thousands**	**NIS thousands**	**NIS thousands**
Total profit or loss for reportable segments	**443,393**	622,186	**223,160**	309,092	743,047
Profit or loss on operations classified under other categories	**-**	147	**-**	-	147
Unallocated amounts in respect of other shared expenses (1)	**(181,372)**	(178,260)	**(60,422)**	(61,417)	(239,162)
Consolidated profit before taxes on income	**262,021**	444,073	**162,738**	247,675	504,032

(1) Other shared expenses include general and administrative expenses, other expenses net, and financing expenses, net, that were not allocated to reportable segments.

Note 9 - Equity Accounted Investees

Presented hereunder is summary financial information for material equity accounted investees, not adjusted for the percentage ownership held by the Group:

A. Summary financial information on the financial position

	Rate of ownership	Current assets	Non-current assets	Current liabilities	Non-current liabilities
	%	NIS thousands			
September 30, 2016 (unaudited)					
Associates					
Company D	41.9	1,496,227	6,338,779	331,476	4,481,698
Company E	25.5	216,011	1,232,978	158,870	1,055,015
Company G	21.6	647,766	516,263	49,226	1,114,288
Joint ventures					
Company A	50	182,395	1,403,853	109,232	1,727,059
Company B	50	198,100	1,241,610	131,760	1,275,008
Company C	50	94,856	439,970	57,242	472,397
Company F	50	257,989	1,240,472	25,177	1,433,470
September 30, 2015 (unaudited)					
Associates					
Company D	39.4	2,303,631	4,498,003	388,244	3,669,572
Joint ventures					
Company A	50	166,105	1,461,025	104,290	1,761,671
Company B	50	214,079	1,345,441	154,774	1,366,031
Company C	50	95,434	461,593	57,221	495,670
Company E	50	119,780	728,099	14,338	698,853
Company F	50	857,908	375,392	425,337	808,757
December 31, 2015 (audited)					
Associates					
Company D	39.4	1,774,701	4,953,650	321,123	3,761,161
Joint ventures					
Company A	50	137,666	1,440,331	88,148	1,730,913
Company B	50	169,992	1,293,754	131,230	1,296,729
Company C	50	85,984	456,244	56,791	481,552
Company E	50	145,001	850,773	36,919	791,525
Company F	50	410,470	637,975	124,649	921,487

Note 9 - Equity Accounted Investees (cont'd)

Presented hereunder is summary financial information for material equity accounted investees, not adjusted for the percentage ownership held by the Group: (cont'd)

A. Summary financial information on the financial position (cont'd)

<u>Presented hereunder is additional information regarding the joint ventures</u>

	September 30		December 31
	2016	2015	2015
	NIS thousands		NIS thousands
	(Unaudited)		(Audited)
Company A:			
Cash and cash equivalents included in current assets	**50,475**	43,187	13,334
Current financial liabilities excluding trade and other payables and provisions	**51,634**	50,094	51,105
Non-current financial liabilities excluding trade and other payables and provisions	**1,711,834**	1,749,070	1,717,915
Company B:			
Cash and cash equivalents included in current assets	**20,762**	33,080	33,636
Current financial liabilities excluding trade and other payables and provisions	**91,995**	79,917	92,080
Non-current financial liabilities excluding trade and other payables and provisions	**1,208,855**	1,308,836	1,237,201
Company C:			
Current financial liabilities excluding trade and other payables and provisions	**22,029**	20,395	14,308
Non-current financial liabilities excluding trade and other payables and provisions	**462,767**	491,644	476,141
Company F:			
Cash and cash equivalents included in current assets	**14,876**	704,191	33,610
Current financial liabilities excluding trade and other payables and provisions	**2,686**	2,537	439
Non-current financial liabilities excluding trade and other payables and provisions	**1,443,470**	808,757	920,654

Note 9 - Equity Accounted Investees (cont'd)

Presented hereunder is summary financial information for material equity accounted investees, not adjusted for the percentage ownership held by the Group: (cont'd)

B. Summary financial information on operating results

	Rate of ownership	Revenues	Profit (loss)	Total comprehensive income (loss)
	%	NIS thousands		
Nine month period ended September 30, 2016 (unaudited)				
Associates				
Company D	**41.9**	**344,782**	**2,240**	**(19,618)**
Company E	**25.5**	**-**	**1,954**	**1,954**
Company G	**21.6**	**527,126**	**526**	**526**
Joint ventures				
Company A	**50**	**58,522**	**(8,979)**	**(8,979)**
Company B	**50**	**170,584**	**(2,845)**	**(2,845)**
Company C	**50**	**73,469**	**1,302**	**1,302**
Company F	**50**	**589,213**	**86**	**86**
Nine month period ended September 30, 2015 (unaudited)				
Associates				
Company D	39.4	230,671	(81,095)	(81,095)
Joint ventures				
Company A	50	45,233	(15,422)	(15,422)
Company B	50	189,976	5,256	5,256
Company C	50	61,720	597	597
Company E	50	-	27,546	27,546
Company F	50	327,691	(760)	(760)

Note 9 - Equity Accounted Investees (cont'd)

Presented hereunder is summary financial information for material equity accounted investees, not adjusted for the percentage ownership held by the Group: (cont'd)

B. Summary financial information on operating results (cont'd)

	Rate of ownership	Revenues	Profit (loss)	Total comprehensive income (loss)
	%	NIS thousands		
Three month period ended September 30, 2016 (unaudited)				
Associates				
Company D	**41.9**	**119,145**	**14,495**	**(47,315)**
Company E	**25.5**	**-**	**3,432**	**3,432**
Company G	**21.6**	**112,675**	**110**	**110**
Joint ventures				
Company A	**50**	**20,845**	**(4,300)**	**(4,300)**
Company B	**50**	**62,231**	**(5,444)**	**(5,444)**
Company C	**50**	**24,555**	**304**	**304**
Company F	**50**	**393,231**	**7,143**	**7,143**
Three month period ended September 30, 2015 (unaudited)				
Associates				
Company D	39.4	88,118	42,815	42,815
Joint ventures				
Company A	50	18,187	(2,595)	(2,595)
Company B	50	67,431	2,126	2,126
Company C	50	20,540	450	450
Company E	50	-	(9,689)	(9,689)
Company F	50	327,691	(760)	(760)
Year ended December 31, 2015 (audited)				
Associates				
Company D	39.4	325,828	(95,809)	(81,165)
Joint ventures				
Company A	50	62,486	(17,655)	(17,655)
Company B	50	246,768	2,328	2,328
Company C	50	84,986	346	346
Company E	50	-	37,488	37,488
Company F	50	519,484	2,344	2,344

Note 9 - Equity Accounted Investees (cont'd)

Presented hereunder is summary financial information for material equity accounted investees, not adjusted for the percentage ownership held by the Group: (cont'd)

B. Summary financial information on operating results (cont'd)

Presented hereunder is additional information regarding the joint ventures

	For the nine-month period ended		For the three-month period ended		For the year ended
	September 30 2016	September 30 2015	September 30 2016	September 30 2015	December 31 2015
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Company A:					
Depreciation and amortization	**151**	96	**112**	32	128
Financing income	**50,587**	49,777	**27,505**	21,314	58,557
Financing expenses	**(74,055)**	(70,248)	**(38,855)**	(28,938)	(83,336)
Company B:					
Depreciation and amortization	**2**	-	2	-	2
Financing income	**51,178**	108,772	**29,848**	(26,639)	142,627
Financing expenses	**(67,751)**	(119,955)	**(58,447)**	23,610	(170,339)
Income tax income (expenses)	**(606)**	(2,001)	**4,292**	(804)	1,728
Company C:					
Financing income	**13,602**	14,278	**9,085**	4,698	18,907
Financing expenses	**(10,575)**	(11,778)	**(7,093)**	(3,901)	(15,520)
Income tax expenses	**(434)**	(216)	**(227)**	(163)	(129)
Company F:					
Financing income	**63,890**	43,724	**36,390**	43,724	60,513
Financing expenses	**(65,345)**	(50,423)	**(23,552)**	(50,423)	(55,817)
Income tax income (expenses)	**279**	10	**(2,067)**	10	(833)