ELECTRA LTD.

CONSOLIDATED FINANCIAL STATEMENTS

AS OF JUNE 30, 2017
(UNAUDITED)

(CONVENIENCE TRANSLATION INTO U.S. DOLLARS)

ELECTRA LTD.

INDEX

**THE BOARD OF DIRECTORS OF ELECTRA LTD.
HEREBY PRESENTS THE REPORT ON THE STATE OF THE AFFAIRS
OF THE COMPANY AND ITS CONSOLIDATED COMPANIES ("THE GROUP")
FOR THE PERIODS OF SIX MONTHS AND OF THREE MONTHS ENDED JUNE 30, 2017
("THE REPORTING RERIOD")**

1. Description of the corporation and its business environment

As of the time of this report, the Group operates in Israel and abroad in five principal segments: the construction and infrastructure projects in Israel segment; the construction and infrastructure projects overseas segment; the services and maintenance segment; the development and construction of entrepreneurial real estate segment and the concessions segment.

The Group's activity is carried out through the Company and its investee companies. See the section 2 of the report on the description of the entity's business as at December 31, 2016.

2. Financial position

The following are the main figures that appear in the sections of the statement of financial position (in US$ thousands)

	30.06.2017		31.12.2016		
	Total	**%**	**Total**	**%**	**%**
Current assets	797,816	62.5	808,228	67.0	(1.3)
Non-current assets	478,449	37.5	397,412	33.0	20.4
Current liabilities	692,088	54.2	657,147	54.5	5.3
Non-current liabilities	327,314	25.7	282,363	23.4	15.9
Equity	256,863	20.1	266,130	22.1	(3.5)
Total of the statement of financial position	1,276,265	100.0	1,205,640	100.0	5.9

The Group's assets in the consolidated statement of financial position at the end of the period amounted to approximately US$ 1,276 million, compared to approximately US$ 1,206 million at the end of 2016. The increase derived primarily from the acquisition of Megason Control and Communications. See Note 5B to the interim consolidated financial statements as of June 30, 2017 for details.

The surplus of the current assets over the current liabilities amounted to approximately US$ 106 million, compared with approximately US$ 151 million at the end of 2016 and the current ratio is 1.15, compared to 1.23 at the end of 2016

3. Equity

As of the reporting date, the equity amounts to approximately US$ 257 million, compared with approximately US$ 266 million as of December 31, 2016. The change in equity in the reporting period derives primarily from the net income for the period in an amount of approximately US$ 24.5 million, less the impact of adjustments deriving from the translation of financial statements of foreign operations in an amount of approximately US$ 5 million, a dividend of approximately US$ 10.6 million to the shareholders in the Company and a dividend of approximately US$ 3.3 million to the non-controlling interests and from the acquisition of an affiliated company under the same control in an amount of US$ 15.1 million (see Note 5 G to the interim consolidated financial statements for details). For additional details, see the consolidated statements of changes in equity in the interim consolidated financial statements.

4. Operating results

The following table summarizes the business results by quarter (U.S. Dollars in thousands):

	Q 4-6/17	Q 1-3/17	Q 10-12/16	Q 7-9/16	Q 4-6/16
Revenues from the performance of works and the provision of services	420,653	402,183	374,684	369,608	358,799
Cost of works and services	(384,467)	(373,772)	(344,576)	(345,220)	(331,854)
Gross profit	**36,186**	**28,411**	**30,108**	**24,388**	**26,945**
Administrative and general expenses	(14,847)	(13,535)	(13,200)	(11,984)	(11,617)
Selling and marketing expenses	(1,006)	(1,041)	(1,401)	(911)	(889)
The Company's share of profits of entities accounted for at equity, net	2,775	3,280	850 (*)	2,612 (*)	2,910 (*)
Other income (expenses), net	7	(198)	(1,327)	10,331	401
Operating income	**23,115**	**16,917**	**15,030**	**24,436**	**17,750**
Financing expenses, net	(4,499)	(2,396)	(2,600)	(1,478)	(1,318)
Income before taxes on income	**18,616**	**14,521**	**12,430**	**22,958**	**16,432**
Taxes on income	(4,258)	(4,384)	(2,271)	(5,952)	(4,989)
Income from continuing operations	**14,358**	**10,137**	**10,159**	**17,006**	**11,443**
Loss from discontinued operations, net	-	-	(988)	(3,280)	(21)
Net income for the period	**14,358**	**10,137**	**9,171**	**13,726**	**11,422**
Attributable to:					
Shareholders in the Company	13,702	9,200	8,194	13,406	10,992
Non-controlling interests	656	937	977	320	430
	14,358	**10,137**	**9,171**	**13,726**	**11,422**

(*) See Note 5G to the interim consolidated financial statements for details regarding a retrospective adjustment.

5. Revenues from the performance of works and the provision of services

The Group's revenues in the reporting period amounted to approximately US$ 823 million, compared with approximately US$ 713 million in the comparative period in the previous year, an increase of approximately 15%. The increase in the revenues in the reporting period relates primarily to the construction and infrastructure projects in Israel segment and the services and maintenance segment (see the additional details that appear in section 11 below).

The Group's revenues in 2016 amounted to US$ 1,457 million.

The revenues from the performance of works and the provision of services do not include additional revenues of US$ 87 million (US$ 136 million in the comparative period in the previous year), in respect of the Group's net share of the revenues of entities, which are accounted for at equity.

6. Gross profit

The gross profit in the reporting period amounted to approximately US$ 65 million, compared with approximately US$ 48 million in the comparative period in the previous year, an increase of approximately 35%.

The gross profit in 2016 amounted to approximately US$ 102 million.

7. The Company's share of the profits of companies accounted for at equity, net

The Company's share of the profits of companies accounted for at equity, net, amounted to US$ 6.1 million in the reporting period, as compared to US$ 8.2 million in the comparative period in the previous year.

The decrease in the profits of entities accounted for at equity derived primarily from the recording of a profit in respect of the progress in a number of projects in the comparative period in the previous year. Furthermore, the Company was affected by the impact of the updating of the value of embedded derivatives, as detailed below:

Within the context of the commitment for the performance of the training camp city project and the Gilboa pumped storage project (hereinafter: "**The projects**"), various entities, which are connected to the projects, have signed on commitment agreements with commissioners of work and various suppliers, some of which are linked to a basket of currencies, indices and interest rates.

As a result of this, and in the light of the provisions of IAS 39, embedded derivatives, which are included in the commitment agreements, which are measured at fair value though profit and loss each period, have been separated. As of the reporting date, the fair value of the embedded derivatives has been assessed by an external appraiser and the Group has recorded a net of tax loss of approximately US$ 0.3 million in respect of them (both in respect of the EPC entities and also in respect of the SPC entities) in the reporting period, as compared with a net of tax loss of approximately US$ 0.6 million in the corresponding period in the previous year.

8. Other income (expenses), net

Other expenses, net amounted to approximately US$ 0.2 million in the reporting period, as compared with other income net of approximately US$ 6.6 million in the comparative period in the previous year. The decrease in other income derived primarily from a gain of approximately US$ 5.3 million from the sale of the Company’s rights in land in Rishon Le'Zion in the comparative period in the previous year.

Other expenses, net amounted to approximately US$ 15.6 million in the year 2016.

9. Financing expenses, net

Financing expenses, net amounted to approximately US$ 6.9 million in the reporting period, as compared with approximately US$ 4.1 million in the comparative period in the previous year. The change in the reporting period derived primarily from an adjustment in respect of a financial commitment with a demand characteristic and a price adjustment of US$ 3.3 million, as compared with an amount of approximately US$ 1.5 million in the comparative period in the previous year as well as an increase of US$ 1.1 million in financing expenses as a result of an increase of 0.7% in the index, as compared with a decrease of 0.4% in the comparative period in the previous year.

Financing expenses, net amounted to approximately US$ 8.1 million in the year 2016.

10. Net income

The Group’s net income amounted to approximately US$ 24.5 million in the reporting period, as compared with approximately US$ 18.7 million, after the elimination of a non-recurring profit on the disposal of the land in Rishon Le'Zion in the comparative period in the previous year and approximately US$ 24 million without the elimination of the non-recurring profit in the comparative period in the previous year.

11. Report in respect of business segments

A. Revenues:

	For the period of six months ended June 30		For the period of three months ended June 30		For the year ended December 31
	2017	2016	2017	2016	2016
	Unaudited				Audited
	US$ thousands				
Construction and infrastructure projects in Israel	543,649	484,658	272,741	238,003	977,066
Construction and infrastructure projects abroad	38,474	19,957	21,021	12,722	53,066
Services and maintenance	236,374	203,003	120,637	104,665	421,511
Development & construction of entrepreneurial real estate	22,577	4,772	17,747	2,907	9,593
Concessions	8,365	1,991	7,440	1,154	4,394
Consolidation adjustments	(26,603)	(1,308)	(18,933)	(652)	(8,265)
Total	822,836	713,073	420,653	358,799	1,457,365

1. Construction and infrastructure projects in Israel

The revenues turnover in the reporting period amounted to approximately US$ 544 million (approximately 66% of revenues) as compared with US$ 485 million (approximately 68% of revenues) in the comparative period in the previous year, an increase of approximately 12% which derived primarily from an increase in most of the Group's operations in this segment and primarily from an increase in the activities of Electra Infrastructures and Electra Construction as well as from the initial consolidation of Electra Smart Technologies, which acquired Megason.

2. Construction and infrastructure projects abroad

The revenues turnover in the reporting period amounted to approximately US$ 38 million (approximately 5% of revenues) as compared with US$ 20 million (approximately 3% of revenues) in the comparative period in the previous year, an increase of approximately 93%, which derived primarily from the operations of Electra Poland, which was initially consolidated in the course of the second quarter in the previous year.

3. Services and maintenance

The revenues turnover in the reporting period amounted to approximately US$ 236 million (approximately 29% of revenues) as compared with US$ 203 million (approximately 28% of revenues) in the comparative period in the previous year, an increase of approximately 16%, which derived primarily from the initial consolidation of Electra Smart Technologies, which acquired Megason as well as an increase of most of the Group's operations in this segment.

4. Development & construction of entrepreneurial real estate

The revenues turnover amounted to approximately US$ 23 million in the reporting period (approximately 3% of revenues), as compared with approximately US$ 5 million (approximately 1% of revenues) in the previous year. The increase in revenues derived primarily from the initial recognition of revenues from the entrepreneurial residential projects, which are fully consolidated, in accordance with the pace of the progress.

5. Concessions

The revenues turnover amounted to approximately US$ 8 million in the reporting period, as compared with approximately US$ 2 million in the previous year. The increase in the revenues derived primarily from the initial recognition of revenues from an entrepreneurial project, the construction and operation of the Electra Campus at Bar Ilan University, as form the time of the financial closing and over the length of the construction period.

B. Segmental operating income:

	For the period of six months ended June 30		For the period of three months ended June 30		For the year ended December 31
	2017	2016	2017	2016	2016
	Unaudited				Audited
	US$ thousands				
Construction and infrastructure projects in Israel	20,938	16,347	13,280	8,196	33,900
Construction and infrastructure projects abroad	1,589	24	385	(503)	1,412
Services and maintenance	22,007	18,603	11,245	10,131	37,955
Development & construction of entrepreneurial real estate	3,322	8,945 *)	1,885	3,038 *)	7,322 *)
Concessions	(193)	42	616	(106)	10,719
Consolidation adjustments	(386)	-	(568)	-	473
Total	47,277	43,961	26,843	20,756	91,781

(*) See Note 5G to the interim consolidated financial statements for details regarding a retrospective adjustment.

1. Construction and infrastructure projects in Israel

The operating income in the reporting period amounted to approximately US$ 20.9 million (approximately 44% of segmental operating income) as compared with approximately US$ 16.3 million (approximately 37% of segmental operating income) in the comparative period in the previous year. The increase of approximately 28% derived primarily from the progress in the performance and completion of significant projects in Electra Infrastructures and Electra Construction.

2. Construction and infrastructure projects abroad

The operating income in the reporting period amounted to approximately US$ 1.6 million (approximately 3% of segmental operating income) as compared with approximately US$ 0.1 million in the comparative period in the previous year. The increase derived primarily from the operations of Electra Poland, which were not included in the comparative period in the previous year and from an increase in the profits of the company in Nigeria, together with a decrease in the profits of an affiliated company in Angola.

3. Services and maintenance

The operating income in the reporting period amounted to approximately US$ 22.0 million (approximately 47% of segmental operating income) as compared with approximately US$ 18.6 million (approximately 42% of segmental operating income) in the comparative period in the previous year, an increase of approximately 18%, deriving primarily from the initial consolidation of Electra Smart Technologies, which has acquired Megason as well as from the operations of Electra Security, which were not included in the comparative period in the previous year and from an increase in most of the Group's operations in this segment.

4. **Development & construction of entrepreneurial real estate**

   The operating income in the reporting period amounted to approximately US$ 3.3 million (approximately 7% of segmental operating income) as compared with operating income of approximately US$ 8.9 million (approximately 20% of segmental operating income) in the comparative period in the previous year. The decrease derived primarily from the recording of a gain of approximately US$ 5.3 million from the sale of the Company’s rights in land in Rishon Le'Zion in the previous year.

5. **Concessions**

   The operating loss in the reporting period amounted to approximately US$ 0.2 million as compared with operating income of approximately US$ 0.1 million in the comparative period in the previous year.

12. Orders backlog

The Group's backlog of orders as of June 30, 2017 amounted to approximately US$ 2,970 million, compared with approximately US$ 2,797 million at the end of 2016. The backlog as of June 30, 2017 includes the Group's share of entities accounted for at equity, in an amount of approximately US$ 287 million (December 31, 2016 – approximately US$ 304 million).

	June 30, 2017				December 31, 2016			
	Construction and infrastructure projects in Israel segment	Construction and infrastructure projects abroad segment	Services and maintenance segment (*)	Total	Construction and infrastructure projects in Israel segment	Construction and infrastructure projects abroad segment	Services and maintenance segment	Total
	(In US$ millions)							
The distribution of the orders backlog by operating segment								
Without affiliated companies	1,875	164	644	2,683	1,752	102	639	2,493
In respect of affiliated companies	93	5	189	287	107	3	194	304
Total	1,968	169	833	2,970	1,859	105	833	2,797
The spreading of the orders backlog without the Company's share of affiliated companies								
For performance in 2017	500	37	235	772				
For performance in 2018 and thereafter	1,375	127	409	1,911				
Total	1,875	164	644	2,683				

(*) This orders backlog is comprised primarily of contracts for commitments, which are generally arranged as service agreements for renewable periods for a number of years, where the customer has the right of ending it at any stage. In addition, the backlog includes a backlog relating to the operation of a BOT projects and the operation of waste water treatment facilities for long periods, in an amount of approximately US$ 377.9 million, of which US$ 21.5 million will be performed within a period of 12 months from the date of the statement of financial position.

13. Liquidity and sources of finance

The Group's liquid means (cash and cash equivalents and marketable securities) amounted to approximately US$ 96.4 million as of March 31, 2017, as compared with approximately US$ 197.7 million as of December 31, 2016.

The change in the Group's liquid means in the first six months of the year 2017 derived, inter alia, from cash of approximately US$ 5.4 million absorbed by operating activities as compared with cash of approximately US$ 30.8 million in the comparative period in the previous year.

The net cash absorbed by investment activities amounted to approximately US$ 72.3 million in the first six months of the year 2017, by comparison with net cash of approximately US$ 21.8 million in the comparative period in the previous year, and included, primarily, investments of approximately US$ 17.5 million in investee companies, the purchase of fixed assets and intangible assets in an amount of approximately US$ 19.2 million, the acquisition of initially consolidated companies in an amount of US$ 24.9 million, an increase of US$ 6.4 million in restricted cash and deposit in trust and investments of US$ 3.9 million in marketable securities, net.

The cash absorbed by financing activities amounted to approximately US$ 26.9 million in the first six months of the year 2017, by comparison with approximately US$ 43.5 million in the comparative period in the previous year and primarily included the repayment of long term loans, in an amount of approximately US$ 4.5 million, the repayment of bonds in a net amount of US$ 32.7 million the net repayment of short-term credit in an amount of US$ 10.9 million and the payment of a dividend in an amount of US $ 19.8 million to non-controlling interests and shareholders in the Company, less the receipt of a long-term loan in an amount of US$ 41 million.

14. Disclosure in respect of the forecast cash flows for the repayment of the group's liabilities

As of the time of this report, there are no warning signs, as defined in Regulation 10 (B) 14 of the Securities Regulations (Periodic and Immediate Reports) – 1970, in existence.

15. Events after the reporting period

A. See Note 5 to the interim consolidated financial statements as of June 30, 2017.

B. In the period from the date of the statement of financial (June 30, 2017) and to a time shortly before the publication of the financial statements (August 16, 2017), changes occurred in the exchange rates of the currencies in which the Company operates as compared with the Shekel.

The following are details of the devaluation (revaluation), as aforesaid, (from June 30, 2017 to August 16, 2017):

Currency	As a %
US Dollar	3.78
Euro	6.54
Russian Ruble	2.32
Nigerian Naira	3.78

Since a significant portion of the Company’s revenue are denoted in foreign currency, the Company is of the opinion that the changes in the exchange rates as of the time of the publication of this report, are expected to affect the Company's results and its statement of financial position (and this also includes the shareholders' equity). Together with this, the impact of the exchange rates on the business results in the third quarter of 2017 will be determined in accordance with the exchange rates that will be in effect during the course of and at the end of the quarter (September 30, 2017).

16. Self-purchase plan

For details regarding the Company’s self-purchase plan, see Section 18 of the Report of the Board of Directors, which was attached to the Company's report for the year 2016.

For details regarding the self-purchase of shares in the Company that were executed in the reporting period, see the consolidated statement of changes in shareholders' equity in the interim consolidated financial statements for the quarter.

17. Directors having accounting and financial expertise

No changes have occurred during the reporting period regarding the determination of the minimum number of directors having accounting and financial expertise that is required in the Company's Board of Directors or regarding the number of Directors having accounting and financial expertise, who hold office in the Company.

18. Independent directors

As of the reporting date, the Company has not adopted any provisions in its articles of association in respect of the number of independent directors within the definition of that term in section 1 of the Companies Law – 1999.

19. Disclosure in respect of the corporation's Internal Auditor

No significant changes have occurred in the reporting period regarding to the details in respect of the Internal Auditor of the Company as detailed in the Company's periodic report for the year 2016.

20. Donations

Since the time of the publication of the Company's financial statements for the year 2016, there has not been a significant change in relation to the Company's social involvement and contribution to the community.

The Board wishes to thank the Company's managers and staff for their contribution.

THE BOARD

Itamar Deutscher	**Michael Salkind**
Chief Executive Officer	**Chairman of the Board of Directors**

August 22, 2017

In this Report of the Board of Directors for the period ended June 30, 2017, the figures in US Dollars are a convenience translation of the amounts originally reported in new Israeli Shekels at the representative exchange rate of the New Israeli Shekel against US Dollar on June 30, 2017 (US$ 1.- = NIS 3.496).

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Auditors' review report to the shareholders of Electra Ltd.

Introduction

We have reviewed the accompanying financial information of Electra Ltd. and its subsidiaries (hereinafter - "the Group"), which includes the condensed consolidated statements of financial position as of June 30, 2017, the condensed consolidated statements of profit or loss and of comprehensive income, the statement of changes in shareholders' equity and the statement of cash flows, for the periods of six months and of three months ended on that date. The Company's board of directors and management are responsible for the preparation and presentation of financial information for this interim period, in accordance with International Accounting Standard IAS 34, "Interim Financial Reporting" and they are also responsible for the preparation of financial information for the interim period in accordance with Part D' of the Securities Regulations (Periodic and Immediate Reports) 1970. Our responsibility is to express a conclusion on this interim financial information based on our review.

We did not review the condensed financial information for the interim period of certain consolidated companies, whose assets constitute approximately 7% of the total consolidated assets as of June 30, 2017, and whose revenues constitute approximately 10% of the total consolidated revenues for the periods of six months and of three months ended on that date. Furthermore, we have not reviewed the condensed financial information for the interim period of companies accounted for at equity, the investment in which amounted to approximately US$ 94,687 thousand as of June 30, 2017 and the Group's share of whose profits amounted to approximately US$ 5,339 thousand and approximately US$ 2,021 thousand for the periods of six months and of three months ended on that date, respectively. The condensed financial information of those companies for the interim period was reviewed by other auditors, whose review reports have been furnished to us, and our conclusion, insofar as it relates to amounts included for those companies, is based on the review reports of the other auditors.

The scope of the review

We conducted our review in accordance with Review Standard 1 of the Institute of Certified Public Accountants in Israel, "The review of financial information for interim periods performed by the independent auditor of an Entity". A review of financial information for interim periods consists of making inquiries, primarily of the persons who are responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially reduced in scope from an audit conducted in accordance with generally accepted auditing standards in Israel and consequently it 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 interim financial information is not prepared, in all material respects, in accordance with IAS 34.

In addition to what is stated in the previous paragraph, based on our review and on the review reports of the other auditors, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not comply, from all material perspectives, with disclosure provisions in accordance with Part D' of the Securities Regulations (Periodic and Immediate Reports) 1970.

Convenience translation of the financial statements

The interim financial statements in US Dollars were translated from the statements in New Israeli Shekels and have been prepared solely for the convenience of the reader (see Note 2E).

Yours sincerely

KOST FORER GABBAY & KASIRER
Certified Public Accountants

Tel-Aviv
August 22, 2017

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
CONVENIENCE TRANSLATION INTO US DOLLARS

	June 30		December 31
	2017	2016	2016
	Unaudited		Audited
	U.S. Dollars in thousands		
Current assets			
Cash and cash equivalents	79,221	69,070	184,394
Investments, restricted cash and deposit in trust	60,476	35,746	50,650
Trade receivables	210,531	230,219	209,785
Other receivables	57,846	46,632	57,618
Income receivable from works under construction contracts	239,609	203,237	198,404
Inventory	24,395	30,269	24,106
Inventories of real estate and rights in real estate	125,738	68,293	83,271
	797,816	683,466	808,228
Non-current assets			
Investments in entities accounted for at equity	186,497	177,372 (*)	181,273 (*)
Other long-term receivables	5,465	4,560	4,124
Fixed assets, net	62,670	50,004	53,517
Goodwill and other intangible assets, net	174,234	104,579	112,207
Receivables for concession arrangement for the provision of services	27,430	29,659	28,472
Long-term inventories of real estate	19,124	18,017	16,743
Deferred taxes	3,029	3,399	1,076
	478,449	387,590	397,412
	1,276,265	1,071,056	1,205,640

(*) Adjusted retrospectively, see Note 5G.

The accompanying notes form an integral part of the Interim Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
CONVENIENCE TRANSLATION INTO US DOLLARS

	June 30		December 31
	2017	**2016**	**2016**
	Unaudited		**Audited**
	U.S. Dollars in thousands		
Current liabilities			
Credit from banking entities and others	13,419	17,848	14,064
Loans to finance entrepreneurial real estate	18,022	33,391	28,262
Current maturities of bonds	33,398	27,182	33,281
Trade payables	303,370	280,190	305,020
Other payables	226,313	131,558	171,647
Dividend payable to shareholders in the Company	-	-	8,867
Liabilities in respect of works under construction contracts	97,566	86,558	96,006
	692,088	576,727	657,147
Non-current liabilities			
Liabilities to banking entities	44,500	9,882	5,392
Bonds	179,506	158,101	211,982
Other long-term liabilities	58,916	29,737	28,446
Employee benefit liabilities, net	10,522	10,183	10,532
Deferred taxes	33,870	28,440	26,011
	327,314	236,343	282,363
Equity attributed to shareholders in the company			
Share capital	33,613	33,612	33,612
Share premium	88,402	103,852 (*)	103,424 (*)
Capital reserves for translation differences in investee companies and other reserves, net	(95,121)	(88,561)	(90,205)
Treasury shares	(7,982)	(8,836)	(7,982)
Retained earnings	232,551	207,706 (*)	220,200 (*)
	251,463	247,773	259,049
Non-controlling interests	5,400	10,213	7,081
Total equity	256,863	257,986	266,130
	1,276,265	1,071,056	1,205,640

(*) Adjusted retrospectively, see Note 5G.

The accompanying notes form an integral part of the Interim Consolidated Financial Statements.

August 22, 2017			
Date of approval of the financial statements	Michael Salkind Chairman of the Board of Directors	Itamar Deutscher Chief Executive Officer	Isaac Nissim Chief Financial Officer

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
CONVENIENCE TRANSLATION INTO US DOLLARS

	Six months ended June 30		Three months ended June 30		Year ended December 31
	2017	2016	2017	2016	2016
	Unaudited				Audited
	U.S. Dollars in thousands (except per share data)				
Revenues from the performance of works and the provision of services	822,836	713,073	420,653	358,799	1,457,365
Cost of works and services	(758,239)	(665,175)	(384,467)	(331,854)	(1,354,971)
Gross profit	64,597	47,898	36,186	26,945	102,394
Administrative and general expenses	(28,382)	(23,280)	(14,847)	(11,617)	(48,464)
Selling and marketing expenses	(2,047)	(1,763)	(1,006)	(889)	(4,075)
Company's share of the profits of entities accounted for at equity, net	6,055	8,178 (*)	2,775	2,910 (*)	11,640 (*)
Other income (expenses), net	(191)	6,608	7	401	15,612
	(24,565)	(10,257)	(13,071)	(9,195)	(25,287)
Operating income	40,032	37,641	23,115	17,750	77,107
Financing income	3,394	2,835 (**)	2,291	1,499 (**)	6,287 (**)
Financing expenses	(10,289)	(6,890)(**)	(6,790)	(2,817)(**)	(14,420)(**)
Financing expenses, net	(6,895)	(4,055)	(4,499)	(1,318)	(8,133)
Income before taxes on income	33,137	33,586	18,616	16,432	68,974
Taxes on income	(8,642)	(9,455)	(4,258)	(4,989)	(17,678)
Income from continuing operations	24,495	24,131	14,358	11,443	51,296
Loss from discontinued operations, net	-	(179)	-	(21)	(4,447)
Net income	24,495	23,952	14,358	11,422	46,849
Net income attributable to:					
Shareholders in the Company	22,902	22,896	13,702	10,992	44,496
Non-controlling interests	1,593	1,056	656	430	2,353
	24,495	23,952	14,358	11,422	46,849
Net earnings (loss) per share attributable to shareholders in the Company (in U.S. Dollars):					
Basic net earnings (loss) per share:					
From continuing operations	6.39	6.45	3.82	3.05	13.61
From discontinued operations	-	(0.05)	-	(0.01)	(1.24)
	6.39	6.40	3.82	3.04	12.37
Diluted net earnings (loss) per share:					
From continuing operations	6.00	6.32	3.63	2.93	13.28
From discontinued operations	-	(0.05)	-	(0.01)	(1.24)
	6.00	6.27	3.63	2.92	12.04

(*) Adjusted retrospectively, see Note 5G.

(**) Reclassified.

The accompanying notes form an integral part of the Interim Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
CONVENIENCE TRANSLATION INTO US DOLLARS

	Six months ended June 30		Three months ended June 30		Year ended December 31
	2017	2016	2017	2016	2016
	Unaudited				Audited
	U.S. Dollars in thousands				
Net income	**24,495**	**23,952**	**14,358**	**11,422**	**46,849**
Other comprehensive income (loss) - (after tax effects)					
Amounts that will never be reclassified to profit or loss:					
Gain (loss) from the re-measurement of defined benefit plans, net	-	(4)	-	-	35
Amounts that will be classified or reclassified to profit or loss, when specific conditions are met:					
Adjustments deriving from the translation of the financial statements of foreign operations, net	(5,000)	(1,760)	(4,520)	(4,100)	(2,857)
Gain (loss) on hedging transactions, net	(1,110)	428	65	102	(1,194)
Total other comprehensive loss	(6,110)	(1,336)	(4,455)	(3,998)	(4,016)
Total comprehensive income	**18,385**	**22,616**	**9,903**	**7,424**	**42,833**
Comprehensive income attributable to:					
Shareholders in the Company	16,792	21,560	9,247	6,994	40,480
Non-controlling interests	1,593	1,056	656	430	2,353
	18,385	**22,616**	**9,903**	**7,424**	**42,833**

The accompanying notes form an integral part of the Interim Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
CONVENIENCE TRANSLATION INTO US DOLLARS

	Attributable to shareholders in the Company										
	Share capital	Share premium	Retained earnings	Capital reserve for share-based payment transactions	Capital reserve for hedging transactions	Capital reserve on the re-measurement of defined benefit plans	Adjustments deriving from the translation of foreign operations	Treasury shares	Total	Non-controlling interests	Total equity
	Unaudited										
	U.S. Dollars in thousands										
Balance as of January 1, 2017 (Audited)	**33,612**	**103,424 (*)**	**220,200 (*)**	**3,474**	**(610)**	**237**	**(93,306)**	**(7,982)**	**259,049**	**7,081**	**266,130**
Net income	-	-	22,902	-	-	-	-	-	22,902	1,593	24,495
Other comprehensive loss:											
Adjustments deriving from the translation of financial statements of foreign operations, net	-	-	-	-	-	-	(5,000)	-	(5,000)	-	(5,000)
Loss on hedging transactions, net	-	-	-	-	(1,110)	-	-	-	(1,110)	-	(1,110)
Total other comprehensive loss	-	-	-	-	(1,110)		(5,000)	-	(6,110)	-	(6,110)
Total comprehensive income (loss)	**-**	**-**	**22,902**	**-**	**(1,110)**	**-**	**(5,000)**	**-**	**16,792**	**1,593**	**18,385**
Exercise of option warrants into shares	1	80	-	(80)	-	-	-	-	1	-	1
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	(3,304)	(3,304)
Acquisition of non-controlling interests	-	-	32	-	-	-	-	-	32	269	301
Initial consolidation of a company	-	-	-	-	-	-	-	-	-	(239)	(239)
Acquisition of an affiliated company under the same control	-	(15,102)	-	-	-	-	-	-	(15,102)	-	(15,102)
Cost of share-based payments	-	-	-	1,274	-	-	-	-	1,274	-	1,274
Dividend to shareholders in the company	-	-	(10,583)	-	-	-	-	-	(10,583)	-	(10,583)
Balance as of June 30, 2017	**33,613**	**88,402**	**232,551**	**4,668**	**(1,720)**	**237**	**(98,306)**	**(7,982)**	**251,463**	**5,400**	**256,863**

(*) Adjusted retrospectively, see Note 5G.

The accompanying notes form an integral part of the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
CONVENIENCE TRANSLATION INTO US DOLLARS

	Attributable to shareholders in the Company										
	Share capital	Share premium	Retained earnings	Capital reserve for share-based payment transactions	Capital reserve for hedging transactions	Capital reserve on the re-measurement of defined benefit plans	Adjustments deriving from the translation of foreign operations	Treasury shares	Total	Non-controlling interests	Total equity
	Unaudited										
	U.S. Dollars in thousands										
Balance as of January 1, 2016 (Audited)	**33,612**	**103,747(*)**	**203,404(*)**	**1,778**	**584**	**202**	**(90,449)**	**(8,200)**	**244,678**	**9,573**	**254,251**
Net income	-	-	22,896	-	-	-	-	-	22,896	1,056	23,952
Other comprehensive income (loss):											
Loss on the re-measurement of defined benefit plans, net	-	-	-	-	-	(4)	-	-	(4)	-	(4)
Adjustments deriving from the translation of financial statements of foreign operations, net	-	-	-	-	-	-	(1,760)	-	(1,760)	-	(1,760)
Gain on hedging transactions, net	-	-	-	-	428	-	-	-	428	-	428
Total other comprehensive income (loss)	-	-	-	-	428	(4)	(1,760)	-	(1,336)	-	(1,336)
Total comprehensive income (loss)	**-**	**-**	**22,896**	**-**	**428**	**(4)**	**(1,760)**	**-**	**21,560**	**1,056**	**22,616**
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	(416)	(416)
Benefit from an interested party	-	105 (*)	-	-	-	-	-	-	105	-	105
Purchase of treasury shares, net	-	-	-	-	-	-	-	(636)	(636)	-	(636)
Cost of share-based payments	-	-	-	660	-	-	-	-	660	-	660
Dividend to shareholders in the company	-	-	(18,594)	-	-	-	-	-	(18,594)	-	(18,594)
Balance as of June 30, 2016	**33,612**	**103,852**	**207,706**	**2,438**	**1,012**	**198**	**(92,209)**	**(8,836)**	**247,773**	**10,213**	**257,986**

(*) Adjusted retrospectively, see Note 5G.

The accompanying notes form an integral part of the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
CONVENIENCE TRANSLATION INTO US DOLLARS

	Attributable to shareholders in the Company										
	Share capital	Share premium	Retained earnings	Capital reserve for share-based payment transactions	Capital reserve for hedging transactions	Capital reserve on the re-measurement of defined benefit plans	Adjustments deriving from the translation of foreign operations	Treasury shares	Total	Non-controlling interests	Total equity
	Unaudited										
	U.S. Dollars in thousands										
Balance as of April 1, 2017	**33,612**	**88,322**	**218,849**	**4,159**	**(1,785)**	**237**	**(93,786)**	**(7,982)**	**241,626**	**4,744**	**246,370**
Net income	-	-	13,702	-	-	-	-	-	13,702	656	14,358
Other comprehensive income (loss):											
Adjustments deriving from the translation of financial statements of foreign operations, net	-	-	-	-	-	-	(4,520)	-	(4,520)	-	(4,520)
Gain on hedging transactions, net	-	-	-	-	65	-	-	-	65	-	65
Total other comprehensive income (loss)	-	-	-	-	65		(4,520)	-	(4,455)	-	(4,455)
Total comprehensive income (loss)	**-**	**-**	**13,702**	**-**	**65**		**(4,520)**	**-**	**9,247**	**656**	**9,903**
Exercise of option warrants into shares	1	80	-	(80)	-	-	-	-	1	-	1
Cost of share-based payments	-	-	-	589	-	-	-	-	589	-	589
Balance as of June 30, 2017	**33,613**	**88,402**	**232,551**	**4,668**	**(1,720)**	**237**	**(98,306)**	**(7,982)**	**251,463**	**5,400**	**256,863**

The accompanying notes form an integral part of the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
CONVENIENCE TRANSLATION INTO US DOLLARS

	Attributable to shareholders in the Company										
	Share capital	Share premium	Retained earnings	Capital reserve for share-based payment transactions	Capital reserve for hedging transactions	Capital reserve on the re-measurement of defined benefit plans	Adjustments deriving from the translation of foreign operations	Treasury shares	Total	Non-controlling interests	Total equity
	Unaudited										
	U.S. Dollars in thousands										
Balance as of April 1, 2016	**33,612**	**103,747(*)**	**196,714(*)**	**2,114**	**910**	**198**	**(88,109)**	**(8,836)**	**240,350**	**9,897**	**250,247**
Net income	-	-	10,992	-	-	-	-	-	10,992	430	11,422
Other comprehensive income (loss):											
Adjustments deriving from the translation of financial statements of foreign operations, net	-	-	-	-	-	-	(4,100)	-	(4,100)	-	(4,100)
Gain on hedging transactions, net	-	-	-	-	102	-	-	-	102	-	102
Total other comprehensive income (loss)	-	-	-	-	102	-	(4,100)	-	(3,998)	-	(3,998)
Total comprehensive income (loss)	**-**	**-**	**10,992**	**-**	**102**	**-**	**(4,100)**	**-**	**6,994**	**430**	**7,424**
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	(114)	(114)
Benefit from an interested party	-	105 (*)	-	-	-	-	-	-	105	-	105
Cost of share-based payments	-	-	-	324	-	-	-	-	324	-	324
Balance as of June 30, 2016	**33,612**	**103,852**	**207,706**	**2,438**	**1,012**	**198**	**(92,209)**	**(8,836)**	**247,773**	**10,213**	**257,986**

(*) Retrospectively adjusted, see Note 5G.

The accompanying notes form an integral part of the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
CONVENIENCE TRANSLATION INTO US DOLLARS

	Attributable to shareholders in the Company										
	Share capital	Share premium	Retained earnings	Capital reserve for share-based payment transactions	Capital reserve for hedging transactions	Capital reserve on the re-measurement of defined benefit plans	Adjustments deriving from the translation of financial statements of foreign operations	Treasury shares	Total	Non-controlling interests	Total equity
	Audited										
	U.S. Dollars in thousands										
Balance as of January 1, 2016	**33,612**	**103,747 (*)**	**203,404 (*)**	**1,778**	**584**	**202**	**(90,449)**	**(8,200)**	**244,678**	**9,573**	**254,251**
Net income	-	-	44,496	-	-	-	-	-	44,496	2,353	46,849
Other comprehensive income (loss):											
Gain on the re-measurement of defined benefit plans, net	-	-	-	-	-	35	-	-	35	-	35
Adjustments deriving from the translation of financial statements of foreign operations, net	-	-	-	-	-	-	(2,857)	-	(2,857)	-	(2,857)
Loss on hedging transactions, net	-	-	-	-	(1,194)	-	-	-	(1,194)	-	(1,194)
Total other comprehensive income (loss)	-	-	-	-	(1,194)	35	(2,857)	-	(4,016)	-	(4,016)
Total comprehensive income (loss)	**-**	**-**	**44,496**	**-**	**(1,194)**	**35**	**(2,857)**	**-**	**40,480**	**2,353**	**42,833**
Exercise of option warrants into shares	-	(485)	-	(369)	-	-	-	854	-	-	-
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	(3,892)	(3,892)
Benefit from an interested party	-	162 (*)	-	-	-	-	-	-	162	-	162
Acquisition of non-controlling interests	-	-	(238)	-	-	-	-	-	(238)	(953)	(1,191)
Purchase of treasury shares, net	-	-	-	-	-	-	-	(636)	(636)	-	(636)
Cost of share-based payment	-	-	-	2,065	-	-	-	-	2,065	-	2,065
Dividend to shareholders in the company	-	-	(27,462)	-	-	-	-	-	(27,462)	-	(27,462)
Balance at December 31, 2016	**33,612**	**103,424**	**220,200**	**3,474**	**(610)**	**237**	**(93,306)**	**(7,982)**	**259,049**	**7,081**	**266,130**

(*) Adjusted retrospectively, see Note 5G.

The accompanying notes form an integral part of the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
CONVENIENCE TRANSLATION INTO US DOLLARS

	Six months ended June 30		Three months ended June 30		Year ended December 31
	2017	2016	2017	2016	2016
	Unaudited				Audited
	U.S. Dollars in thousands				
Cash flows from operating activities:					
Net income	24,495	23,952	14,358	11,422	46,849
Adjustments to reconcile net income to cash flows from operating activities:					
Adjustments to profit and loss items:					
Company's share of profits of companies accounted for at equity, net	(6,055)	(8,178)	(2,775)	(2,910)	(11,640)
Dividend received from companies accounted for at equity	361	3,255	198	816	5,362
Depreciation and amortization	10,291	7,103	5,111	3,826	16,346
Increase (decrease) in employee benefit liabilities, net	(310)	93	(58)	(14)	492
Loss (gain) on the disposal of fixed assets and investments, net	111	(7,025)	60	(838)	(17,402)
Increase in the value of marketable securities, net	(1,309)	(1,268)	(823)	(1,204)	(2,056)
Cost of share-based payment	1,274	660	589	324	2,065
Deferred taxes, net	(1,221)	1,540	(1,890)	(71)	(2,102)
Erosion (revaluation) of long-term receivables and payables, long-term loans and bonds, net	2,931	(250)	2,896	(2,654)	(2,110)
Adjustments in respect of a loss on discontinued operations, net	-	179	-	21	4,447
Changes in asset and liability items:					
Decrease (increase) in trade receivables	4,332	(29,272)	1,506	(15,361)	(12,660)
Decrease (increase) in other receivables and in respect of a concession arrangement for the provision of services	2,483	(5,569)	279	(1,765)	(21,215)
Increase in income receivable from work under construction contracts	(41,143)	(10,666)	(13,564)	(8,880)	(6,415)
Decrease in inventory	354	1,157	1,765	74	238
Decrease in inventories of real estate and rights in real estate	704	2,315	3,319	1,150	2,972
Increase (decrease) in trade payables	(7,379)	1,635	9,941	1,870	28,902
Increase (decrease)in other payables	8,040	17,165	1,346	(1,621)	44,853
Increase (decrease)in liabilities in respect of works under construction contracts	3,560	(24,364)	5,035	7,432	(13,603)
	(22,976)	(51,490)	12,935	(19,805)	16,474
Net cash generated (absorbed) by continuing operating activities (before acquisition of and investment in land)	1,519	(27,538)	27,293	(8,383)	63,323
Acquisition of and investment in land (**)	(6,956)	-	(3,764)	-	-
Net cash generated (absorbed) by continuing operating activities	(5,437)	(27,538)	23,529	(8,383)	63,323
Net cash absorbed by discontinued operating activities	-	(3,284)	-	(1,066)	(978)
Net cash generated (absorbed) by operating activities	(5,437)	(30,822)	23,529	(9,449)	62,345

(*) Adjusted retrospectively, see Note 5G.
(**) The acquisition of and investment in land are presented under inventories of real estate and rights in real estate.

The accompanying notes form an integral part of the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
CONVENIENCE TRANSLATION INTO US DOLLARS

	Six months ended June 30		Three months ended June 30		Year ended December 31
	2017	2016	2017	2016	2016
	Unaudited				Audited
	U.S. Dollars in thousands				
Cash flows from investment activities:					
Investment in entities accounted for at equity, net	(17,516)	(10,518)	(2,616)	(4,431)	1,400
Decrease (increase) in investments, restricted cash and deposit in trust, net	(6,445)	2,391	(7,013)	(3,023)	(15,303)
Purchase of fixed assets and intangible assets	(19,213)	(16,451)	(8,667)	(7,562)	(24,466)
Decrease in receivables for a concession arrangement for the provision of services	776	816	386	415	1,613
Acquisition of initially consolidated companies (A)	(24,940)	2,128	-	2,128	(8,986)
Proceeds from the sale of fixed assets	354	10,053	163	1,066	10,398
Investment in marketable securities, net	(3,902)	(10,245)	(7,494)	(2,572)	(6,816)
Decrease (increase) in long-term receivables, net	(1,418)	4	(1,422)	2	7
Net cash absorbed by investment activities	(72,304)	(21,822)	(26,663)	(13,977)	(42,153)
Cash flows from financing activities:					
Issuance of share capital	1	-	1	-	-
Acquisition of non-controlling interests	-	-	-	-	(1,191)
Payment of dividend to non-controlling interests and to shareholders in the company	(19,846)	(19,010)	(10,583)	(18,709)	(19,406)
Acquisition of treasury shares, net	-	(636)	-	-	(636)
Receipt of long-term loans	41,010	-	41,010	-	-
Issuance of bonds, net	-	-	-	-	59,995
Repayment of long-term loans	(4,537)	(5,200)	(1,613)	(1,733)	(11,337)
Repayment of bonds	(32,668)	(26,794)	(32,668)	(26,794)	(26,794)
Short-term credit from banking entities and others and for the financing of entrepreneurial real estate, net	(10,853)	8,162	(2,566)	7,899	(1,662)
Net cash absorbed by financing activities	(26,893)	(43,478)	(6,419)	(39,337)	(1,031)
Exchange differences in respect of cash and cash equivalents	(539)	(7,726)	(53)	(5,664)	(7,685)
Increase (decrease) in cash and cash equivalents	(105,173)	(103,848)	(9,606)	(68,427)	11,476
Cash and cash equivalents at the beginning of the period	184,394	172,918	88,827	137,497	172,918
Cash and cash equivalents at the end of the period	79,221	69,070	79,221	69,070	184,394

The accompanying notes form an integral part of the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
CONVENIENCE TRANSLATION INTO US DOLLARS

	Six months ended June 30		Three months ended June 30		Year ended December 31
	2017	2016	2017	2016	2016
	Unaudited				Audited
	U.S. Dollars in thousands				
(A) Acquisition of initially consolidated companies					
The consolidated company's assets and liabilities at date of acquisition:					
Working capital, net (excluding cash and cash equivalents)	1,563	1,863	-	1,863	3,940
Fixed assets, net	(670)	-	-	-	(86)
Identified intangible assets, net	(33,750)	(494)	-	(494)	(14,879)
Goodwill	(29,999)	-	-	-	(1,488)
Provision for vacation pay	-	287	-	287	287
Deferred taxes	7,151	39	-	39	2,807
Non-current assets	(846)	-	-	-	-
Non-current liabilities	31,850	212	-	212	212
Non-controlling interests	(239)	-	-	-	-
Gain on the entry into consolidation	-	221	-	221	221
	(24,940)	2,128	-	2,128	(8,986)
(B) Additional cash flow information:					
Cash paid during the period for:					
Interest	9,717	5,777	5,866	5,093	9,360
Taxes on income	10,973	5,778	2,358	3,789	8,810
Cash received during the period for:					
Interest	1,824	1,198	851	395	3,846
Taxes on income	385	958	337	19	964
(C) Significant activities not involving cash flows					
Dividend payable to non-controlling interests and to shareholders in the company	2,908	-	-	-	11,948
Liabilities to owners of land	36,225	-	1,982	-	15,557

The accompanying notes form an integral part of the interim consolidated financial statements.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
CONVENIENCE TRANSLATION INTO US DOLLARS

Note 1 - General

These financial statements have been prepared in a condensed format as at June 30, 2017 and for the periods of six months and of three months ended on that date (hereinafter – the interim consolidated financial statements).
The interim financial statements should be read together with the Company's annual financial statements as of December 31, 2016 and for the year ended on that date and the accompanying notes thereto (hereinafter – the annual consolidated financial statements).

Note 2 - Significant accounting policies

A. The format for the preparation of the interim consolidated financial statements

The Interim Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standard IAS 34 "Financial Reporting for Interim Periods", and also in accordance with the disclosure requirements in accordance with section D of the Securities Regulations (Periodic and Immediate Reports) - 1970.

B. New accounting standards and amendments that have been initially implemented by the Company for the first time

The accounting policies that have been implemented in the preparation of the interim consolidated financial statements are identical to those adopted in the preparation of the annual consolidated financial statements.

C. Disclosure of new IFRS Standards in the period before their implementation

For information regarding the implementation time, the transition provisions and the expected impacts on the Company of the standards that are detailed below, see Note 2AD to the Company's annual financial statements as of December 31, 2016:

– IFRS 9 – Financial instruments.
– IFRS 16 – Leasing.

D. The following are data in respect of the Israeli Consumer Prices Index and the exchange rates of various currencies in relation to the NIS which are relevant to the group

	June 30		December 31
	2017	2016	2016
Israeli Consumer Prices Index (in points) *)	222.23	220.46	220.68
Exchange rates (in NIS):			
U.S. Dollar	3.50	3.85	3.84
Euro	3.99	4.28	4.04
100 Russian Ruble	5.92	5.99	6.34
100 Nigerian Naira	1.14	1.36	1.26

*) The known index on an average basis of 1993 = 100.

	Six months ended June 30		Three months ended June 30		Year ended December 31
	2017	2016	2017	2016	2016
	%	%	%	%	%
Rate of change in the period (%):					
Israeli Consumer Prices Index	0.70	(0.40)	0.90	0.51	(0.30)
U.S. Dollar	(9.08)	(1.44)	(3.74)	2.12	(1.46)
Euro	(1.43)	0.87	2.67	(0.04)	(4.78)
Russian Ruble	(6.66)	11.80	(8.16)	7.45	18.40
Nigerian Naira	(9.34)	(30.78)	(3.60)	(28.52)	(35.80)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
CONVENIENCE TRANSLATION INTO US DOLLARS

Note 2 - Significant accounting policies (Continued)

E. Convenience translation

The annual Financial Statements in US Dollars are a translation of the statements as prepared in New Israeli Shekels ("NIS" or "Shekel") at the rate of exchange of the Shekel for the US Dollar prevailing on June 30, 2017 (NIS 3.496 = US$ 1).

It should be noted that the New Israeli Shekel amounts, on the basis of which the convenience translation figures were prepared, do not necessarily represent the current cost amounts of the various elements within the financial statements and, also, that it should not be construed from the translation into US Dollar figures that the Israeli currency amounts actually represent, or could be converted into Dollars. These financial statements have been prepared for the convenience of the reader. In the event of any discrepancy between the contents of this translation and the Hebrew original, the Hebrew original prevails.

Note 3 - Operating segments

A. General:

As stated in the financial statements as of December 31, 2016, the Group operates in a number of fields of activity, as follows:

1. The construction and infrastructure projects in Israel.
2. The construction and infrastructure project abroad.
3. Services and maintenance.
4. The development and construction of entrepreneurial real estate.
5. Concessions.

For further information see Note 1 A to the annual financial statements.

B. The reporting of operating segments:

	For the six months ended June 30, 2017						
	Construction and infrastructure projects in Israel	Construction and infrastructure projects abroad	Services and maintenance	Development & construction of entrepreneurial real estate	Concessions	Adjustments	Total
	Unaudited						
	U.S. Dollars (in thousands)						
Revenues	543,649	38,474	236,374	22,577	8,365	(26,603)	822,836
Inter-segmental activities	(22,579)	-	(4,024)	-	-	26,603	-
Total external revenues	521,070	38,474	232,350	22,577	8,365	-	822,836
Segmental operating income	20,938	1,589	22,007	3,322	(193)	(386)	47,277
Less - unallocated expenses:							
Administrative and general expenses							(7,132)
Financing expenses							(6,895)
Selling and marketing							(113)
Income before taxes on income							33,137

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
CONVENIENCE TRANSLATION INTO US DOLLARS

Note 3 – Operating segments - (continued)

B. The reporting of operating segments: - (continued)

	For the six months ended June 30, 2016						
	Construction and infrastructure projects in Israel	Construction and infrastructure projects abroad	Services and maintenance	Development & construction of entrepreneurial real estate	Concessions	Adjustments	Total
	Unaudited						
	U.S. Dollars (in thousands)						
Revenues	484,658	19,957	203,003	4,772	1,991	(1,308)	713,073
Inter-segmental activities	-	-	(1,308)	-	-	1,308	-
Total external revenues	484,658	19,957	201,695	4,772	1,991	-	713,073
Segmental operating income	16,347	24	18,603	8,945 (*)	42	-	43,961
Less - unallocated expenses:							
Administrative and general expenses							(6,494)
Financing expenses							(4,055)
Others							174
Income before taxes on income							33,586

(*) Adjusted retrospectively, see Note 5G.

	For the three months ended June 30, 2017						
	Construction and infrastructure projects in Israel	Construction and infrastructure projects abroad	Services and maintenance	Development & construction of entrepreneurial real estate	Concessions	Adjustments	Total
	Unaudited						
	U.S. Dollars (in thousands)						
Revenues	272,741	21,021	120,637	17,747	7,440	(18,933)	420,653
Inter-segmental activities	(17,120)	-	(1,813)	-	-	18,933	-
Total external revenues	255,621	21,021	118,824	17,747	7,440	-	420,653
Segmental operating income (loss)	13,280	385	11,245	1,885	616	(568)	26,843
Less - unallocated expenses:							
Administrative and general expenses							(3,662)
Financing expenses							(4,499)
Selling and marketing							(66)
Income before taxes on income							18,616

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
CONVENIENCE TRANSLATION INTO US DOLLARS

Note 3 – Operating segments - (continued)

B. The reporting of operating segments: - (continued)

	For the three months ended June 30, 2016						
	Construction and infrastructure projects in Israel	Construction and infrastructure projects abroad	Services and maintenance	Development & construction of entrepreneurial real estate	Concessions	Adjustments	Total
	Unaudited						
	U.S. Dollars (in thousands)						
Revenues	238,003	12,722	104,665	2,907	1,154	(652)	358,799
Inter-segmental activities	-	-	(652)	-	-	652	-
Total external revenues	238,003	12,722	104,013	2,907	1,154	-	358,799
Segmental operating income (loss)	8,196	(503)	10,131	3,038 (*)	(106)	-	20,756
Less – unallocated expenses:							
Administrative and general expenses							(3,167)
Financing expenses							(1,318)
Others							161
Income before taxes on income							16,432

	For the year ended December 31, 2016						
	Construction and infrastructure projects in Israel	Construction and infrastructure projects abroad	Services and maintenance	Development & construction of entrepreneurial real estate	Concessions	Adjustments	Total
	Audited						
	U.S. Dollars (in thousands)						
Revenues	977,066	53,066	421,511	9,593	4,394	(8,265)	1,457,365
Inter-segmental activities	(1,772)	-	(6,493)	-	-	8,265	-
Total external revenues	975,294	53,066	415,018	9,593	4,394	-	1,457,365
Segmental operating income	33,900	1,412	37,955	7,322 (*)	10,719	473	91,781
Less - unallocated expenses:							
Administrative and general expenses							(14,016)
Selling and marketing expenses							(337)
Financing expenses							(8,133)
Others							(321)
Income before taxes on income							68,974

(*) Retrospectively adjusted, see Note 5G

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Note 4 – Financial instruments

The following are the carrying values in the accounting records and the fair values of financial instruments, which are not presented at their fair value in the financial statements:

	As of June 30				As of December 31	
	2017		2016		2016	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
	Unaudited				Audited	
	U.S. Dollars (in thousands)					
Loans from banking entities and others – at fixed interest *)						
In NIS – Index linked	454	472	1,056	1,081	754	789
In NIS – Unlinked	38,353	38,121	18,743	19,586	13,899	14,515
In Euro	-	-	115	121	-	-
Bonds						
Bonds (Series C) – Index linked	68,516	74,388	84,964	94,366	85,060	91,872
Bonds (Series D) – Unlinked	142,136	152,228	100,721	108,819	160,915	167,247
Total	249,459	265,209	205,599	223,973	260,628	274,423

*) The fair value of the long-term loans that bear fixed rate interest is based on a calculation of the present value of the cash flows in accordance with the generally accepted interest rate for similar loans with similar characteristics, excluding the deferred expenses in respect of the loans.

Note 5 - Significant events in the reporting period and thereafter

A. The Planetograd project

1. In continuation of what is stated in Note 11D(3) of the annual consolidated financial statements as of December 31, 2016, regarding the Planetograd project and the commitment by Morgal Investments LLC (hereinafter: "The seller") with a third party (hereinafter: "The purchaser), at the beginning of July 2017, following the completion of the public hearing and objections process, the planning and construction directives, which apply to the area of the project, which is classified as a "cultural heritage" area, were updated, which was done within the context of the process of the legislative change that occurred at the beginning of 2017 (hereinafter: "The updating of the legislation").

   The main changes resulting from the updating of the legislation, based primarily on an examination of the impact by Morgal's local legal advisors, are as follows:

   A) The need to receive the approval of the Cultural Heritage Sites Authority (KGIOP) within the framework of the processes involved in the issuance of additional building permits in the area of the project has been added.

   B) In the parts of the project in respect of which the planning directives (Gradplan) have not yet been approved (hereinafter: "The other quarters in the project"), where it will be possible to request permits for the construction of 4 additional storeys on the attic level, it will be possible to request permits for the construction of only 4 storeys (which may also include an attic level). This change will apply on an extent of approximately 1,084,000 Sq.m. of building rights for residential property pursuant to the valid approved plan (PPT), which applies to the project.

Note 5 - Significant events in the reporting period and thereafter (Continued)

A. The Planetograd project (Continued)

1. (Continued)

B) (Continued)

This change will not apply to the part of the project, for which planning directives (Gradplan) have already been issued, with a size of approximately 376,000 Sq.m. (hereinafter: "Quarter 8"), and this on the assumption that the building permits will be received in relation to the building rights in Quarter 8 by the end of 2018, unless that timing is extended by the authorities.

C) In accordance with the updates to the legislation, it has been determined in relation to the parts of the project that are not included in the commitment with the purchaser, which is the areas that are designated, pursuant to the valid approved plan (PPT), for the construction of large commercial centers and houses with gardens (on a scale of 161,000 Sq.m. of building rights for commercial space and houses with gardens) that:

(1) In relation to areas that are designated, as aforesaid, for the construction of large commercial centers - insofar as the seller does not take action for the re-zoning and classification of the relevant parcels, a significant reduction in the extent of the building rights will be demanded.

(2) In relation to the areas that are designated, as aforesaid, for the construction of houses with gardens ("Quarter 10") – the definition of the zoning for the area has been altered and various restrictions have been removed in a manner that enables action to be taken in those areas in order to increase the building rights.

As of the reporting date it is not possible to assess the full implications of the updating of the legislation on the project, both because detailed planning has not yet been prepared for the other quarters in the project which may be performed when there is progress in the construction and sale of the project and also because it is difficult to assess at this stage how the updates to the legislation will actually be implemented by the authorities. However, in light of the updating of the legislation, the company in Russia has made an indicative examination whether any significant change has occurred in the recoverable amount of the land in Russian, by means of an external appraiser and has reached the conclusion, taking note of the preliminary stage of the analysis of the implications of the updating of the legislation, that the recoverable amount exceeds the carrying value of the land in Russia.

2. On April 7, 2017, upon the receipt of the building permits for the first stage and the start of the construction of the project and the marketing thereof, an addition to the framework agreement and additions to the sale agreements for the residential parcels in the first block were signed between the parties, with effect as from February 1, 2017 (hereinafter: "The additions" or "The addition" as the case may be), within the framework of which changes will be made to the agreements, the main points of which are as detailed below:

a) The reduction of the consideration to which the seller will be entitled to a rate of 16% of the receipts from the sales, which the purchaser may receive from the residential apartments that it may build on the residential parcels, as from February 1, 2017, instead of a rate of 17% from such receipts prior to the commitments under the additions.

Note 5 - Significant events in the reporting period and thereafter (Continued)

A. The Planetograd project (Continued)

2. (Continued)

b) The parties will bear the amount of the commissions in respect of the issuance of autonomous banking guarantees by the purchaser in favor of the seller in equal shares (i.e. 50% each) (instead of at a rate of 90%, which the seller was required to bear prior to the addition), which will be reduced in accordance with the pace of the payments of the consideration.

c) In accordance with the addition, which updated the sale agreement for parcel 57 in the first block, the following provisions will apply: insofar as the purchaser may receive building permits for the residential parcels for the residential parcels in blocks 1-8 (in addition to parcel 57, in respect of which the building permit has already been received) the purchaser will be entitled to defer some of the routine monthly payments that are paid to the seller in respect of parcel 57, amounts which will be calculated in accordance with the formula that has been set in the said addition and in any event, the overall amount may not exceed an amount of 350 million Rubles, (equivalent to US$ 6 million at a time shortly before the time o the publication of the report) (hereinafter: "The temporarily reduced amount"). The purchaser has undertaken to refund 25% of the temporarily reduced amount to the seller no later than November 21, 2018, an additional 25% of the temporarily reduced amount no later than November 21, 2019 and the balance of the temporarily reduced amount no later than November 21, 2020.

d) In connection with the possibility of reducing the minimum price in relation to any relevant residential parcels whatsoever, in blocks 1-8, or in the event of an absence of agreement between the parties in relation to this, on the matter of the exercise of the right to cancel the agreement by mean of an approach to the authorized court, and this, in relation to a case in which the extent of the building rights will be less than 80% of the rights that are approved in the abovementioned relevant residential parcels in accordance with the PPT, which has been received for the project (an approval that is equivalent to an urban construction plan) – the said mechanism has been updated with the additions, as detailed below:

1) In the case that the extent of the building rights that is set in the building permit in relation to each of the residential parcels (other than parcel 57) will be between 60% and 80% of the rights that are approved for that residential parcel pursuant to the PPT, the minimum price will be reduced in relation to that residential parcel in accordance with the formulae that are set in the additions, and it will not be possible to exercise the right to cancel the framework agreement in relation to the relevant residential parcels and/or the relevant sale agreement, by means of a referral to the authorized court (to differentiate from the situation before the signature of the additions, which enabled the exercise of the right to cancel in such a case).

2) In the event that the extent of the building rights that has been set in the building permit in relation to each of the residential parcels (other than parcel 57) will be less than 60% of the rights that were approved for that residential parcel in accordance with the PPT, then the parties will conduct negotiations between them in respect of this, including the possibility of adjusting the minimum price.

Note 5 - Significant events in the reporting period and thereafter (Continued)

A. The Planetograd project (Continued)

2. (Continued)

d) (Continued)

2) If the parties are unable to reach agreement between them within 180 days from the day on which notification of this is delivered, each party will be entitled to demand the cancellation of the framework agreement in relation to the relevant residential parcel and/or in relation to the relevant sale agreement, by means of a referral to the relevant court.

e) In relation to the possibility that no solution is found for the connection of the sewage system to the residential parcels in blocks 3 to 8 alone (hereinafter: "The sewage solution") or in the event that the sewage solution that may be found will be more than 2.5 times more expensive than the tariff that was determined in connection with blocks 1 and 2 with the local water and sewage corporation in the area of the project – it has been determined in the additions that the purchaser will not be entitled to demand the reduction of the minimum price in relation to a specific block, or in the event of the absence of agreement on this matter, to operate the right to cancel the agreements that are relevant to that block, by means of an approach to the authorized court, and this so long as the sewage solution in connection with the relevant block accords with the technical terms and the consideration that were set in the existing agreement that was signed with the local water and sewage corporation for all of the blocks in the project.

3. In May 2017, the seller and the purchaser entered into commitments under additions to the first block agreements (hereinafter: "The additions"), pursuant to which the various timings in the first block agreement, of which the main timings affected are the deferral of the timings of the examination of compliance with the discontinuation condition in relation to the three remaining residential parcels in the first block out of the existing four parcels, in respect of which a building permit has not yet been received, have been updated, such that the last time for the examination of compliance with the discontinuation condition will be September 15, 2017. Non-compliance at the said time will afford the purchaser the right to cancel the agreement in relation to the relevant parcel from among the three abovementioned residential parcels, in accordance with a mechanism that was set in the first block agreements and as detailed in Note 11D(3) to the consolidated annual financial statements as of December 31, 2016.

During the reporting period the discontinuation condition ceased to exist in connection with parcel 57.

B. On January 18, 2017, the Company completed a transaction for the acquisition of 60% of the issued and paid up share capital of Megason Electronics and Control (1978) Ltd. (hereinafter: "Megason"), from The Company for the Purchase of M.S. Ltd.

Megason is a private company that is registered in Israel and which is a leading supplier of customized security and protection solutions for the private and public sectors, with its own instillations and service operations. Megason provided integrated solutions comprising entry control systems; surveillance cameras; alarm systems, monitoring, fire detection and extinguishing systems; control and management systems; all around control; intercom systems and software development.

Note 5 - Significant events in the reporting period and thereafter (Continued)

B. (Continued)

In consideration for the shares being sold, the Company paid an amount of US$ 24.7 million to the seller at the time of the completion, in cash. Within the framework of the agreement, a mechanism was determined for the payment of conditional consideration in accordance with the net income results, as defined in the agreement, for the years 2014 to 2018.

Furthermore, the agreement included a put option and a call option for Megason's shares, which remain in the hands of the seller, as from December 1, 2022, based on the net income times a factor that was set in the agreement as well as possibilities that both the Company and the seller will have the right to exercise the said option at an earlier time.

The Company has prepared a temporary surplus cost allocation paper (PPA) for the purposes of the quarterly financial statements and the intangible assets that have been identified for the acquisition are a backlog of orders of US$ 3.7 million (which will be amortized over a period of two years), customer contacts in an amount of US$ 30 million and goodwill in an amount of US$ 30 million (which will be amortized over a period of 15 years). The overall net cost of the acquisition, after tax effects, amounts to US$ 56 million.

All of the terms in connection with the transaction have been completed and the parties have signed on a shareholders' agreement between them and management agreements have been signed between Megason and the controlling interests in Megason, Messrs. Eyal Segal and Baruch Shacham, in addition to which an agreement has been signed between Megason and a company that is controlled by Mr. Baruch Shacham for the rental of Megason's offices for a period of 10 years. The company has consolidated Megason's financial statements as from the first quarter of 2017, and its activities are presented under the construction and infrastructures projects in Israel and the services and maintenance segments.

C. On January 18, 2017, the Company entered into a commitment under an agreement with a purchase group (hereinafter: "The commissioner") for the performance of contractor works on the "United Sarona" project in the Southern Kirya site in Tel-Aviv (hereinafter: "The project").

In accordance with the agreement, the Company will build three residential towers, containing residential property, commercial spaces, offices and parking facilities, on a scale that is estimated at US$ 171.6 million, on the project's land, after its purchase has been completed by the commissioner.

The commitment under the agreement is conditional upon the meeting of a number of crucial terms, which have not yet been completed as of the time of the approval of the financial statements, and in particular, the commissioner's commitment under a banking accompaniment agreement for the financing of the construction.

D. On February 14, 2017, a wholly owned subsidiary company won a "Price for the Resident" tender held by the Israel Land Authority for the purchase of land with an area of 3,755 square meters in the Neot Sadeh in Ra'anana (for the construction of 82 housing units and 350 square meters of commercial space) for consideration of US$ 15.2 million (including development costs). The Company expects that the construction of the project on the abovementioned land may lead to receipts of US$ 42.9 million (exclusive of VAT) for the Company over the lifetime of the project.

E. Further to what is stated in Note 10A(4) to the annual consolidated financial statements as of December 31, 2016, on February 21, 2017, a wholly owned subsidiary company of the Company entered into a commitment in a transaction within the context of which it sold to Megeurit Israel Ltd. all of the apartments (84 housing units) in one of the towers, which the Company is constructing on the land for the project in Ramle, for consideration of US$ 29.8 million (exclusive of VAT).

Note 5 - Significant events in the reporting period and thereafter (Continued)

F. Further to what is stated in Note 26B to the annual consolidated financial statements as of December 31, 2016, regarding the win by a joint venture that is held by the Company in a tender for the planning, construction and maintenance of Teva Pharmaceutical Industries Ltd.'s campus in Ra'anana, on March 1, 2017, the joint venture received notification in writing from Teva that Teva had decided to permanently discontinue the performance of the works pursuant to the provisions of the agreement between it and the joint venture, which is the subject of the agreement.

G. On March 5, 2017, a general meeting of the Company's shareholders approved a commitment by Electra Investments (1998) Ltd., a wholly owned subsidiary company of the Company (hereinafter: "Electra Investments") with Electra Real Estate Ltd. (hereinafter: "Electra Real Estate"), a company that is controlled by Elco Ltd. (hereinafter: "Elco"), the controlling interest in the Company, in a transaction in which on March 8, 2017, (hereinafter: "The time of the completion of the transaction") Electra Investments purchased all of Electra Real Estate's rights and liabilities in relation to 15 regular shares of NIS 0.01 par value each in Midtown Ltd. (hereinafter: "Midtown") constituting 12.5% of Midtown's issued and paid-up share capital (at full dilution) (hereinafter: "The shares being acquired"), except for the right to surpluses (as defined below), from Electra Real Estate against the payment of cash consideration of US$ 12 million; in addition, Electra Real Estate endorsed to Electra Investments all of its rights and commitments pursuant to the founders' agreement, which had been signed between the shareholders in Midtown (hereinafter: "The founders' agreement"), including all of Electra Real Estate's rights and commitments in connection with a shareholder's loan, which it had made available to Midtown (hereinafter: "The shareholder's loan"). Furthermore, Electra Real Estate was released from all of the guarantees and collateral that it had made available in support of the financing bodies.

Within the framework of the purchase of the shares being acquired, Electra Investments received the rights that are ancillary to the shares being acquired, to the receipt of 57% of the surpluses that Midtown may distribute in respect of the shares being acquired, whereas Electra Real Estate remained holding the right to receive 43% of the surpluses in respect of the shares being acquired (hereinafter: "The right in the surpluses"), after an initial distribution to Electra Investments in an amount of US$ 1.1 million, less the difference between (1) the accumulated interest on the shareholder's loan that will be endorsed within the framework of the transaction, as from January 1, 2017 and up to the time of the distribution of the surpluses, and (2) the difference between (a) the amount of the cash consideration and (b) the balance as of December 31, 2016 (principal and interest) of the loan that was endorsed, as aforesaid (the amount that will be paid to Electra Investments, as foresaid: "The additional amount").

Following the said acquisition, Electra Investments holds 25% of the shares in Midtown, the investment in which is accounted for at equity.

Since the investment was acquired from a corporation that is controlled by the controlling interest in the Company before and after the transaction, the acquisition has been treated similarly to the pooling of interests method. In accordance with this method, at the time of the acquisition the Company recorded the shares in the acquiree in accordance with their carrying value in the accounting records of the transferring company at that time. The financial statements for the previous periods have been adjusted retrospectively in order to reflect the financial position, the operating results, the cash flows and the shareholders' equity of the Company as if the acquisition had always been executed.

The impact on equity as of January 1, 2016 and as of December 31, 2016 amounted to an increase of US$ 12,508 thousand and an increase of US$ 15,102 thousand, respectively.

Note 5 - Significant events in the reporting period and thereafter (Continued)

H. On February 28, 2017, S&P Ma'alot ratified the Company's rating at AA-/Stable.

On April 27, 2017, Midroog ratified the rating of A1 for the Company's bonds (Series C and D) with a stable outlook.

I. On March 29, 2017, the Company's Board of Directors approved a distribution of a dividend of US$ 10.6 million (approximately US$ 2.95 per share), which was paid on May 4, 2017.

J. On April 30, 2017, a wholly controlled subsidiary company entered into a commitment under a combination transaction with approximately 98% of the holders of the rights of a plot of land in Givat Shmuel, on which it is currently possible to build 100 housing units, in accordance with an approved urban construction plan. The subsidiary company is expected to present an application for the addition of 14 housing units. The subsidiary company will take action to complete the commitment or the purchase of the balance of the rights.

The Company expects that the construction of the project on the abovementioned land may generate revenue turnover of US$ 69.8 million (exclusive of VAT) over the lifetime of the project.

K. In May 2017, the Company's Remuneration Committee and Board of Directors approved the Company's remuneration policy.

L. On May 29, 2017, the Company published a shelf prospectus, pursuant to which it may issue various securities in the future by means of shelf offering reports.

M. On June 19, 2017 (hereinafter: "The time of the signing"), the Company, acting through a special purpose company, which is wholly owned by one of the Company's subsidiary companies (hereinafter: "the borrower"), entered into a commitment with a banking corporation and two institutional bodies that are not interested parties in the Company (hereinafter "The lenders"), under a loan agreement for the provision of credit in an overall amount of US$ 103.8 million (hereinafter: "The loan agreement" and "the loan", respectively), for the purpose of a project for the construction and operation of a student residences facility at Bar Ilan University (hereinafter: "The project").

1. Pursuant to the provisions of the loan agreement, the lenders will make various types of credit available to the borrower, at its request, for the purpose of financing the project, where the short-term loans that will be made available will bear interest in a range of between 1.7% to 2.7% and the long-term loans that will be made available will bear interest in a range of between 3% to 4%. The credit facility will be extended primarily in accordance with the following division:

   (a) A bridging facility for shareholders' equity in an amount of up to approximately US$ 20.6 million.

   (b) A financing facility against the construction grant in an amount of up to approximately US$ 3.2 million.

   (c) A financing facility for the construction period/ the long term in an amount of up to approximately US$ 80 million, with the long-term financing facility being linked to the Consumer Prices Index.

2. The loan will be repayable out of the receipts from the operation of the project, over the lifetime of the project.

3. Collateral:

   The following collateral, inter alia, will be made available in support of the lenders:

   (a) The Company's guarantee as collateral for the borrower's commercial commitments at the start of the loan period;

   (b) An autonomous bank guarantee as collateral for the Company's commitment to inject equity into the borrower;

Note 5 - Significant events in the reporting period and thereafter (Continued)

M. (Continued)

3. Collateral: (Continued)

(c) An endorsement in favor of the borrowers on the performance guarantees that are to be provided to the borrower by the construction contractor and the operation and maintenance contractor for the project;

(d) A fixed lien and a floating lien on the borrower's rights under the concession agreement and under the other project agreements;

(e) The borrower has undertaken not to create any collateral whatsoever on its existing or future assets, except for permitted collateral, as defined in the loan agreement.

N. On July 17, 2017, the Company entered into a commitment with the controlling interests in the acquired company (hereinafter: "The seller"), in a transaction for the setting up of a joint company by the name of P.K. Electra Ltd. (hereinafter: "The joint company"). The Company will have a holding 51% in the joint company and the seller will have a holding of 49% in the joint company.

The joint company will acquire the operations of private companies that are owned by the seller in the field of the sale, instillation, servicing and rental of diesel generators, lighting trolleys and ancillary products, as well as gas servicing for generators. Furthermore, the joint company will purchase the entire (100%) issued and paid up share capital of El-Ram Generators Ltd. (hereinafter: "El-Ram), which is engaged in the sale, instillation, servicing and rental of diesel generators, lighting trolleys and ancillary products, as well as the rental of industrial air-conditioning units, from the seller and from a third party.

The completion of the transaction is subject, inter alia, to the agreement of third parties. As of the time of the approval of the financial statements, approval has been received for the transaction from the Anti-Trust Director.

Subject to the completion of the transaction, the acquisition of the operations and the shares will be effective as from January 1, 2017 (hereinafter: "The determining date"), such that as from the determining date, all of the results and the cash flows will be attributed to the joint company.

The Company's share of the consideration for the acquisition of the operations and the acquisition of the shares in Al-Ram, amounts to approximately US$$ 15 million. A mechanism has also been set for accounting in respect of the results of the operations in the interim period between the determining date and the time of the completion.

Within the framework of the commitment, a separation mechanism has been set by means of a call option that is afforded to the Company and a put option that is afforded to the seller for all of the seller's holdings in the joint company (49%), for a period of twelve months commencing at the end of a period of three years from the time of the completion of the transaction, at a price that is based on an agreed formula.

Within the framework of the transaction, four people who are key to the operations being acquired and in El-Ram have undertaken to continue to work in the joint company and in Al-Ram for a fixed period of three years from the time of the completion.

As of the time of the approval of the financial statements, the crucial terms have not yet been met and the transaction has not yet been completed.

O. At the time of the approval of the financial statements, the Company approved the distribution of a dividend in an amount of US$ 9.2 million (US$ 2.5 per share).