ELECTRA LTD.

CONSOLIDATED FINANCIAL STATEMENTS

AS OF JUNE 30, 2016
(UNAUDITED)

(CONVENIENCE TRANSLATION INTO U.S. DOLLARS)

ELECTRA LTD.

INDEX

**THE BOARD OF DIRECTORS OF ELECTRA LTD.
HEREBY PRESENTS THE FINANCIAL STATEMENTS
OF THE COMPANY AND ITS CONSOLIDATED COMPANIES ("THE GROUP")
FOR THE PERIODS OF SIX MONTHS AND OF THREE MONTHS ENDED JUNE 30, 2016
(HEREINAFTER: "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, maintenance and trading 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, 2015.

2. Financial position

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

	30.06.2016		31.12.2015		Change
	Total	%	Total	%	%
Current assets	621,267	64.7	676,251	68.0	(8.1)
Non-current assets	339,266	35.3	318,661	32.0	6.5
Current liabilities	524,243	54.6	530,879	53.4	(1.3)
Non-current liabilities	214,835	22.4	244,289	24.5	(12.1)
Equity	221,455	23.0	219,744	22.1	0.8
Total of the statement of financial position	960,533	100.0	994,912	100.0	(3.5)

The Group's assets in the consolidated statement of financial position at the end of the period amounted to approximately US$ 961 million, compared to approximately US$ 995 million at the end of 2015.

The surplus of the current assets over the current liabilities amounted to approximately US$ 97 million, compared with approximately US$ 145 million at the end of 2015 and the current ratio is 1.19, compared to 1.27 at the end of 2015

3. Equity

As of the balance sheet date, the equity amounts to approximately US$ 221 million, compared with approximately US$ 220 million as of December 31, 2015. The change in equity in the reporting period derives primarily from the net income for the period in an amount of approximately US$ 20 million, less of the impact of adjustments deriving from the translation of financial statements of foreign operations in an amount of approximately US$ 2 million, which derived from the impact of the change in the exchange rate of the currencies in the markets in which the Group operated in relation to the Shekel (primarily the Ruble, the Euro and the Naira) and less a dividend of approximately US$ 17 million. 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 4-6/16	Q 1-3/16	Q 10-12/15	Q 7-9/15	Q 4-6/15
Revenues from the performance of works and the provision of services	330,979	326,852	315,761	301,893	309,771
Cost of works and services	(305,559)	(306,828)	(293,144)	(279,551)	(285,854)
Gross profit	**25,420**	**20,024**	**22,617**	**22,342**	**23,917**
Administrative and general expenses	(10,731)	(10,768)	(10,712)	(10,467)	(10,527)
Selling and marketing expenses	(1,671)	(1,662)	(2,343)	(1,467)	(1,223)
The Company’s share of profits of entities accounted for at equity, net	1,680	4,167	3,868	2,072	2,109
Other income (expenses), net	365	5,642	(1,095)	197	428
Operating income	**15,063**	**17,403**	**12,335**	**12,677**	**14,704**
Financing expenses, net	(1,082)	(2,605)	(1,614)	(841)	(3,032)
Income before taxes on income	**13,981**	**14,798**	**10,721**	**11,836**	**11,672**
Taxes on income	(4,563)	(4,031)	(2,544)	(2,390)	(2,494)
Net income for the period	**9,418**	**10,767**	**8,177**	**9,446**	**9,178**
Attributable to:					
Shareholders in the Company	9,027	10,198	8,127	9,396	8,897
Non-controlling interests	391	569	50	50	281
	9,418	**10,767**	**8,177**	**9,446**	**9,178**

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

The Group's revenues in the reporting period amounted to approximately US$ 658 million compared with approximately US$ 597 million in the comparative period in the previous year, an increase of approximately 10%. The increase in the revenues in the reporting period relates primarily to the construction and infrastructure projects in Israel segment and the services, maintenance and trading segment (see the additional details that appear in section 11 below).

The Group's revenues in 2015 amounted to US$ 1,214 million.

The revenues from the performance of works and the provision of services do not include additional revenues of US$ 110 million (US$ 95 million in the comparative period in the previous year), in respect of the Group's share of the income of entities, which are accounted for at equity.

6. Gross profit

The gross profit in the reporting period amounted to approximately US$ 45 million, compared with approximately US$ 48 million in the corresponding period of the previous year.

The gross profit in 2015 amounted to approximately US$ 93 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$ 5.8 million in the reporting period, as compared to US$ 7.3 million in the corresponding period in the previous year.

The decrease in the profits of entities accounted for at equity derived primarily from the recording of a gain on significant progress made on 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 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 instruments, 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$ 0.55 million in respect of them (in respect of the SPC entities, the EPC entities and the O&M entities) in the reporting period, as compared with a net of tax loss of approximately US$ 1.33 million in the corresponding period in the previous year.

8. Other income (expenses), net

Other income, net amounted to approximately US$ 6 million in the reporting period, as compared with other expenses net of approximately UA$ 0.3 million in the comparative period in the previous year. The increase in other income derived primarily from a gain of approximately US$ 4.8 million from the sale of the Company’s rights in land with a registered area of approximately 10 thousand Sq.m. in Rishon Le'Zion (For additional details, see Note 5A to the interim consolidated financial statements) and an amount of US$ 0.7 million in respect of the sale of a property in Haifa.

Other expenses, net amounted to approximately US$ 0.6 million in the year 2015.

9. Financing expenses, net

Financing expenses, net amounted to approximately US$ 3.7 million in the reporting period, as compared with approximately US$ 5.6 million in the corresponding period of the previous year. The decrease in the expenses derives primarily from the adjustment of financial liabilities with a demand character, and a price adjustment, with an expense of approximately US$ 1.4 million being recorded in the reporting period as compared with approximately US$ 2.9 million in the comparative period in the previous year.

Financing expenses, net amounted to approximately US$ 8 million in the year 2015.

10. Net income

The Group’s net income amounted to approximately US$ 20.2 million in the reporting period, as compared with approximately US$ 20.4 million in the corresponding period of 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		Year ended December 31
	2016	2015	2016	2015	2015
	Unaudited				Audited
	US$ thousands				
Construction and infrastructure projects in Israel	440,552	416,271	216,344	212,215	821,008
Construction and infrastructure projects abroad	18,141	27,592	11,564	12,167	50,819
Services, maintenance and trading	194,179	146,970	99,971	81,707	330,999
Development & construction of entrepreneurial real estate	4,338	7,750	2,643	4,471	14,269
Concessions	1,810	1,895	1,049	962	3,720
Consolidation adjustments	(1,189)	(3,840)	(592)	(1,751)	(6,523)
Total	657,831	596,638	330,979	309,771	1,214,292

1. Construction and infrastructure projects in Israel

The revenues turnover in the reporting period amounted to approximately US$ 441 million (approximately 67% of revenues) as compared with US$ 416 million (approximately 70% of revenues) in the comparative period in the previous year, an increase of approximately 6% which derived 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.

2. Construction and infrastructure projects abroad

The revenues turnover in the reporting period amounted to approximately US$ 18 million (approximately 3% of revenues) as compared with US$ 28 million (approximately 5% of revenues) in the comparative period in the previous year, a decrease of approximately 34%, which derived primarily from a worsening of the economic situation in Africa in light of the decrease in the price of oil, which has led to an erosion in the exchange rate of the local currencies (primarily the Naira), as well as from a slowdown in the pace of the progress of the projects in Africa. The decrease in the revenue turnovers, as aforesaid, was offset by the initial consolidation of the activities of Electa Poland.

3. Services, maintenance and trade

The revenues turnover in the reporting period amounted to approximately US$ 194 million (approximately 29% of revenues) as compared with US$ 147 million (approximately 25% of revenues) in the comparative period in the previous year, an increase of approximately 32%, which derived primarily from the initial consolidation of the operations of Electra Danko and the operations of Tavas Cleaning, Guarding and Security Services, 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 revenues turnover amounted to approximately US$ 4 million in the reporting period (approximately 1% of revenues), as compared with approximately US$ 8 million (approximately 1% of revenues) in the previous year, the decrease in revenues primarily derived from the recognition of income from the handing over of the rights in an apartment in the Gymnasia Tower in the comparative period in the previous year, together with the recognition of revenues from management fees in respect of the W Prime project.

5. Concessions

The revenues turnover in the reporting period and in the comparative period in the previous year related primarily to concession operations in the field of waste water treatment facilities and amounted to approximately US$ 1.8 million, in the reporting period, which was similar to the previous year.

B. Segmental operating income:

	For the period of six months ended June 30		For the period of three months ended June 30		Year ended December 31
	2016	2015	2016	2015	2015
	Unaudited				Audited
	US$ thousands				
Construction and infrastructure projects in Israel	14,859	16,183	7,451	8,201	27,807
Construction and infrastructure projects abroad	21	2,097	(457)	1,408	6,373
Services, maintenance and trading	16,748	13,595	9,102	7,035	30,472
Development & construction of entrepreneurial real estate	6,544	1,528	1,796	624	(258)
Concessions	39	5,845	(97)	792	5,747
Total	38,211	39,248	17,795	18,060	70,141

1. Construction and infrastructure projects in Israel

The operating income in the reporting period amounted to approximately US$ 14.9 million (approximately 39% of segmental operating income) as compared with approximately US$ 16.2 million (approximately 41% of segmental operating income) in the comparative period in the previous year, a decrease of approximately 8%. The change in the operating income derived from the end of a number of projects and on the other hand, there was an increase in most of the Group's operations in this segment primarily in Electra Construction and Electra Infrastructures.

2. Construction and infrastructure projects abroad

The operating income in the reporting period amounted to approximately US$ 0.02 million as compared with approximately US$ 2.1 million (approximately 5% of segmental operating income) in the comparative period in the previous year. The decrease in the operating income derived primarily from a worsening of the economic situation in Africa in light of the decrease in the price of oil, which has led to an erosion in the exchange rate of the local currencies (primarily the Naira), as well as from a slowdown in the pace of the progress of the projects in Africa. The activities of Electa Poland have been consolidated in the reporting period for the first time.

3. Services, maintenance and trade

The operating income in the reporting period amounted to approximately US$ 16.7 million (approximately 44% of segmental operating income) as compared with approximately US$ 13.6 million (approximately 35% of segmental operating income) in the comparative period in the previous year, an increase of approximately 23%, deriving primarily from the initial consolidation of Electra Danko and the operation of Tavas Cleaning, Guarding and Security Services, 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$ 6.5 million (approximately 17% of segmental operating income) as compared with operating income of approximately US$ 1.5 million (approximately 4% of segmental operating income) in the comparative period in the previous year. The increase derived primarily from the recognition of a gain of approximately US$ 4.8 million from the sale of the Company’s rights in land with a registered area of approximately 10 thousand Sq.m. in Rishon Le'Zion and from gain of approximately US$ 0.7 million from the sale of a building in Haifa.

5. Concessions

The operating income in the reporting period amounted to approximately US$ 0.04 million as compared with an income of approximately US$ 5.8 million in the comparative period in the previous year. The decrease in the operating income in the reporting period derived primarily from financing income in companies that are accounted for at equity, net, primarily as the result of the revaluation to fair value of hedging transactions as well as financing income deriving from the progress of a financial asset in a BOT project. In the reporting period, a net loss has been recorded from the updating of the fair value of embedded derivatives, under the Company’s share of entities accounted for at equity, net, in an amount of US$ 0.4, as compared with a net gain of US$ 3.4 million, from the impact of embedded derivatives in the comparative period in the previous year.

12. Orders backlog

The Group's backlog of orders as of June 30, 2016 amounted to approximately US$ 2,548 million, compared with approximately US$ 2,442 million at the end of 2015. The backlog as of June 30, 2016 includes the Group's share of entities accounted for at equity, in an amount of approximately US$ 320 million (December 31, 2015 – approximately US$ 371 million).

	June 30, 2016				December 31, 2015			
	Construction and infrastructure projects in Israel segment	Construction and infrastructure projects abroad segment	Services, maintenance and trade segment (*)	Total	Construction and infrastructure projects in Israel segment	Construction and infrastructure projects abroad segment	Services, maintenance and trade segment	Total
	(In US$ millions)							
The distribution of the orders backlog by operating segment								
Without affiliated companies	1,629	92	507	2,228	1,549	92	430	2,071
In respect of affiliated companies	119	20	181	320	164	24	183	371
Total	1,748	112	688	2,548	1,713	116	613	2,442
The spreading of the orders backlog without the Company's share of affiliated companies								
For performance in 2016	404	31	157	592				
For performance in 2017 and thereafter	1,225	61	350	1,636				
Total	1,629	92	507	2,228				

(*) This orders backlog is comprised primarily of contracts for commitments, which are generally arranged as service agreements for renewable periods, where the customer has the right for a number of years, of ending it at any stage. In addition, the backlog includes a backlog relating to the operation of a BOT projects for long periods and the operation of waste water treatment facilities, in an amount of approximately US$ 261 million, of which US$ 8 million will be performed in 2016.

13. Liquidity and sources of finance

The Group's liquid means (cash and cash equivalents and marketable securities) amounted to approximately US$ 76 million as of June 30, 2016, as compared with approximately US$ 165 million as of December 31, 2015.

The change in the Group's liquid means in the first six months of the year 2016 derived, inter alia, from cash of approximately US$ 28 million absorbed by operating activities as compared with cash of approximately US$ 7 million in the comparative period in the previous year.

The net cash absorbed by investment activities amounted to approximately US$ 20 million in the first six months of the year 2016, by comparison with net cash of approximately US$ 1 million in the comparative period in the previous year, and included, inter alia, investments of approximately US$ 10 million in investee companies, the purchase of fixed assets and intangible assets in an amount of approximately US$ 15 million and a net investment of approximately US$ 9 million in marketable securities, less the net consideration from the disposal of fixed assets in an amount of approximately US$ 9 million and a decrease in investments, restricted cash and a deposit in trust, net, amounting to approximately US$ 2 million.

The cash absorbed by financing activities amounted to approximately US$ 40 million in the first six months of the year 2016, by comparison with net cash of approximately US$ 1 million in the comparative period in the previous year and primarily included the repayment of long term loans, in an amount of approximately US$ 5 million, the repayment of bonds in an amount of US$ 24 million and the payment of dividend in an amount of US$ 17 million. In the comparative period in the previous year, the cash flows included the net consideration in respect of the expansion of the Series D of bonds in an amount of US$ 48 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, 2016.

B. In the period from the balance sheet date (June 30, 2016) and to a time shortly before the publication of the financial statements (August 14, 2016), 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 30.06.2016 to 14.08.2016):

Currency	As a %
US Dollar	(0.91)
Euro	(0.76)
Russian Ruble	(1.03)
Nigerian Naira	(10.00)

Since a significant portion of the Group's revenue are denoted in foreign currency, and in the Group assessment the changes in the exchange rates as of the time of the publication of this report, are expected to affect the Group's results and its balance sheet (and this also includes the shareholders' equity).

In the period from the reporting date and until a time shortly before the time of the publication of the financial statements, there was a change in the exchange rate of the Naira against the Shekel, which is the Company's functional currency. There is an exposure in respect of foreign operation, for which the functional currency is the Naira, in respect of which it is expected that an loss will be recorded under other comprehensive loss, deriving from the translation of the financial statements and the translation of capital loans. The impact on the other comprehensive loss that will derive from the said change, up to a time shortly before the publication of the financial statements, is expected to amount to approximately US$ 1 million in the third quarter of 2016, deriving from the erosion of the Naira against the Shekel.

Together with this, the impact of the exchange rates on the business results in the second quarter of 2016 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 (June 30, 2016).

16. Self-purchase plan

For details regarding the Company’s self-purchase plan, see the Company's periodic report for the year 2015.

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 in 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 Internal Auditor

No change has occurred in relation to the details in respect of the Internal Auditor of the Company as detailed in the Company's periodic report for the year 2015.

20. Donations

From the time of the publication of the Company's financial statements for the year 2015, 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 17, 2016

In this Report of the Board of Directors for the period ended June 30, 2016, 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, 2016 (US$ 1.- = NIS 3.846).

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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 balance sheet as of June 30, 2016, 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 periods, 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 periods 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 for this interim periods based on our review.

We did not review the condensed financial information for the interim periods of certain consolidated companies, whose assets constitute approximately 5% of the total consolidated assets as of June 30, 2016, and whose revenues constitute approximately 7% 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 periods of companies accounted for at equity, the investment in which amounted to approximately US$ 57,627 thousand as of June 30, 2016 and the Group's share of whose profits amounted to approximately US$ 2,016 thousand and to approximately US$ 672 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 periods 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, from all material perspectives, 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 2F).

Yours sincerely

KOST FORER GABBAY & KASIRER
Certified Public Accountants

Tel-Aviv
August 17, 2016

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
CONVENIENCE TRANSLATION INTO US DOLLARS

	June 30		December 31
	2016	2015 *)	2015
	Unaudited		Audited
	U.S. Dollars in thousands		
Current assets			
Cash and cash equivalents	62,784	111,668	157,182
Investments, restricted cash and deposit in trust	32,493	30,375	29,426
Trade receivables	209,268	165,902	183,454
Other receivables	42,388	38,040	38,513
Income receivable from works under construction contracts	184,742	173,732	176,644
Inventory	27,514	24,393	27,220
inventories of real estate and rights in real estate	62,078	68,007	63,812
	621,267	612,117	676,251
Non-current assets			
Investments in entities accounted for at equity	148,178	134,972	133,577
Other long-term receivables	4,145	4,103	3,915
Fixed assets, net	45,454	38,757	38,455
Goodwill and other intangible assets, net	95,062	88,251	93,438
Receivables for concession arrangement for the provision of services	26,960	29,311	28,401
Long-term inventories of real estate	16,377	17,284	16,236
Deferred taxes	3,090	8,834	4,639
	339,266	321,512	318,661
	960,533	933,629	994,912

(*) Reclassified. See Note 2D regarding the initial adoption of IFRS 15.

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
	2016	2015 *)	2015
	Unaudited		Audited
	U.S. Dollars in thousands		
Current liabilities			
Credit from banking entities and others	16,224	19,108	11,432
Loans to finance entrepreneurial real estate	30,352	-	31,663
Current maturities of bonds	24,708	24,833	24,771
Trade payables	254,692	221,879	254,008
Other payables	119,586	124,928	100,904
Liabilities in respect of works under construction contracts	78,681	84,680	108,101
	524,243	475,428	530,879
Non-current liabilities			
Liabilities to banking entities	8,983	17,740	13,313
Bonds	143,713	168,838	168,507
Other long-term liabilities	27,030	21,550	27,216
Employee benefit liabilities, net	9,257	8,716	9,305
Deferred taxes	25,852	27,249	25,948
	214,835	244,093	244,289
Equity attributed to shareholders in the company			
Share capital	30,553	30,552	30,553
Share premium	84,236	83,849	84,236
Capital reserves for translation differences in investee companies and other reserves	(80,502)	(68,181)	(79,887)
Treasury shares	(8,033)	(6,785)	(7,454)
Retained earnings	185,917	166,072	183,594
	212,171	205,507	211,042
Non-controlling interests	9,284	8,601	8,702
Total equity	221,455	214,108	219,744
	960,533	933,629	994,912

*) Reclassified. See Note 2D regarding the initial adoption of IFRS 15.

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

August 17, 2016			
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

	For the period of six months ended June 30		For the period of three months ended June 30		Year ended December 31
	2016	2015 *)	2016	2015 *)	2015
	Unaudited				Audited
	U.S. Dollars in thousands (except per share data)				
Revenues from the performance of works and the provision of services	657,831	596,638	330,979	309,771	1,214,292
Cost of works and services	(612,387)	(548,796)	(305,559)	(285,854)	(1,121,491)
Gross profit	**45,444**	**47,842**	**25,420**	**23,917**	**92,801**
Administrative and general expenses	(21,499)	(19,803)	(10,731)	(10,527)	(40,983)
Selling and marketing expenses	(3,333)	(2,519)	(1,671)	(1,223)	(6,329)
Company's share of the profits of entities accounted for at equity, net	5,847	7,285	1,680	2,109	13,225
Other income (expenses), net	6,007	281	365	428	(616)
	(12,978)	(14,756)	(10,357)	(9,213)	(34,703)
Operating income	**32,466**	**33,086**	**15,063**	**14,704**	**58,098**
Financing income	3,568	5,581	3,276	3,934	10,090
Financing expenses	(7,255)	(11,137)	(4,358)	(6,966)	(18,101)
Financing expenses, net	(3,687)	(5,556)	(1,082)	(3,032)	(8,011)
Income before taxes on income	**28,779**	**27,530**	**13,981**	**11,672**	**50,087**
Taxes on income	(8,594)	(7,157)	(4,563)	(2,494)	(12,091)
Net income	**20,185**	**20,373**	**9,418**	**9,178**	**37,996**
Net income attributable to:					
Shareholders in the Company	19,225	19,886	9,027	8,897	37,408
Non-controlling interests	960	487	391	281	588
	20,185	20,373	9,418	9,178	37,996
Net earnings per share attributable to shareholders in the company (in U.S. Dollars):					
Basic net earnings per share	5.37	5.56	2.52	2.49	10.45
Diluted net earnings per share	5.36	5.50	2.51	2.45	10.43

*) Reclassified .See Note 2D regarding the initial adoption of IFRS 15.

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
CONVENIENCE TRANSLATION INTO US DOLLARS

	For the period of six months ended June 30		For the period of three months ended June 30		Year ended December 31
	2016	2015 *)	2016	2015 *)	2015
	Unaudited				Audited
	U.S. Dollars in thousands				
Net income	20,185	20,373	9,418	9,178	37,996
Other comprehensive income (loss) - (after tax effects)					
Amounts that will never be reclassified to profit or loss:					
Loss from the re-measurement of defined benefit plans, net	(4)	-	-	-	(169)
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	(1,599)	(11,908)	(3,726)	(1,579)	(23,827)
Gain (loss) on hedging transactions, net	389	(668)	92	(942)	(808)
Other comprehensive income (loss)	(1,214)	(12,576)	(3,634)	(2,521)	(24,804)
Total comprehensive income	18,971	7,797	5,784	6,657	13,192
Comprehensive income attributable to:					
Shareholders in the Company	18,011	7,310	5,393	6,376	12,603
Non-controlling interests	960	487	391	281	589
	18,971	7,797	5,784	6,657	13,192

*) Reclassified .See Note 2D regarding the initial adoption of IFRS 15.

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)	**30,553**	**84,236**	**183,594**	**1,617**	**531**	**183**	**(82,218)**	**(7,454)**	**211,042**	**8,702**	**219,744**
Net income	-	-	19,225	-	-	-	-	-	19,225	960	20,185
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	-	-	-	-	-	-	(1,599)	-	(1,599)	-	(1,599)
Gain on hedging transactions, net	-	-	-	-	389	-	-	-	389	-	389
Total other comprehensive income (loss)	-	-	-	-	389	(4)	(1,599)	-	(1,214)	-	(1,214)
Total comprehensive income (loss)	**-**	**-**	**19,225**	**-**	**389**	**(4)**	**(1,599)**	**-**	**18,011**	**960**	**18,971**
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	(378)	(378)
Purchase of treasury shares, net	-	-	-	-	-	-	-	(579)	(579)	-	(579)
Cost of share-based payments	-	-	-	599	-	-	-	-	599	-	599
Dividend to shareholders in the company	-	-	(16,902)	-	-	-	-	-	(16,902)	-	(16,902)
Balance as of June 30, 2016	**30,553**	**84,236**	**185,917**	**2,216**	**920**	**179**	**(83,817)**	**(8,033)**	**212,171**	**9,284**	**221,455**

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, 2015 (Audited)	**30,549**	**82,913**	**161,600**	**1,523**	**1,339**	**353**	**(58,391)**	**(6,724)**	**213,162**	**7,895**	**221,057**
Changes following the initial implementation of IFRS 15 (see Note 2D).	-	-	1,100	-	-	-	-	-	1,100	-	1,100
Balance as of January 1, 2015 following the initial implementation of IFRS 15	**30,549**	**82,913**	**162,700**	**1,523**	**1,339**	**353**	**(58,391)**	**(6,724)**	**214,262**	**7,895**	**222,157**
Net income	-	-	19,886 *)	-	-	-	-	-	19,886	487	20,373
Other comprehensive loss:											
Adjustments deriving from the translation of financial statements of foreign operations, net	-	-	-	-	-	-	(11,908)	-	(11,908)	-	(11,908)
Loss on hedging transactions, net	-	-	-	-	(668)	-	-	-	(668)	-	(668)
Total other comprehensive loss	-	-	-	-	(668)	-	(11,908)	-	(12,576)	-	(12,576)
Total comprehensive income (loss)	**-**	**-**	**19,886**	**-**	**(668)**	**-**	**(11,908)**	**-**	**7,310**	**487**	**7,797**
Exercise of option warrants into shares	3	936	-	(1,008)	-	-	-	72	3	-	3
Initially consolidated company	-	-	-	-	-	-	-	-	-	348	348
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	(129)	(129)
Purchase of treasury shares, net	-	-	-	-	-	-	-	(133)	(133)	-	(133)
Cost of share-based payments	-	-	-	579	-	-	-	-	579	-	579
Dividend to shareholders in the company	-	-	(16,514)	-	-	-	-	-	(16,514)	-	(16,514)
Balance as of June 30, 2015	**30,552**	**83,849**	**166,072**	**1,094**	**671**	**353**	**(70,299)**	**(6,785)**	**205,507**	**8,601**	**214,108**

*) Reclassified .See Note 2D regarding the initial adoption of IFRS 15.

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	**30,553**	**84,236**	**176,890**	**1,921**	**828**	**179**	**(80,091)**	**(8,033)**	**206,483**	**8,997**	**215,480**
Net income	-	-	9,027	-	-	-	-	-	9,027	391	9,418
Other comprehensive income (loss):											
Adjustments deriving from the translation of financial statements of foreign operations, net	-	-	-	-	-	-	(3,726)	-	(3,726)	-	(3,726)
Gain on hedging transactions, net	-	-	-	-	92	-	-	-	92	-	92
Total other comprehensive income (loss)	-	-	-	-	92	-	(3,726)	-	(3,634)	-	(3,634)
Total comprehensive income (loss)	**-**	**-**	**9,027**	**-**	**92**	**-**	**(3,726)**	**-**	**5,393**	**391**	**5,784**
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	(104)	(104)
Cost of share-based payments	-	-	-	295	-	-	-	-	295	-	295
Balance as of June 30, 2016	**30,553**	**84,236**	**185,917**	**2,216**	**920**	**179**	**(83,817)**	**(8,033)**	**212,171**	**9,284**	**221,455**

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, 2015	**30,549**	**82,913**	**157,175**	**1,641**	**1,613**	**353**	**(68,720)**	**(6,857)**	**198,667**	**8,320**	**206,987**
Net income	-	-	8,897 *)	-	-	-	-	-	8,897	281	9,178
Other comprehensive loss:											
Adjustments deriving from the translation of financial statements of foreign operations, net	-	-	-	-	-	-	(1,579)	-	(1,579)	-	(1,579)
Loss on hedging transactions, net	-	-	-	-	(942)	-	-	-	(942)	-	(942)
Total other comprehensive loss	-	-	-	-	(942)	-	(1,579)	-	(2,521)	-	(2,521)
Total comprehensive income (loss)	**-**	**-**	**8,897**	**-**	**(942)**	**-**	**(1,579)**	**-**	**6,376**	**281**	**6,657**
Exercise of option warrants into shares	3	936	-	(1,008)	-	-	-	72	3	-	3
Cost of share-based payments	-	-	-	461	-	-	-	-	461	-	461
Balance as of June 30, 2015	**30,552**	**83,849**	**166,072**	**1,094**	**671**	**353**	**(70,299)**	**(6,785)**	**205,507**	**8,601**	**214,108**

*) Reclassified .See Note 2D regarding the initial adoption of IFRS 15.

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 remeasurement 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, 2015	**30,549**	**82,913**	**161,600**	**1,523**	**1,339**	**353**	**(58,391)**	**(6,724)**	**213,162**	**7,895**	**221,057**
Changes following the initial implementation of IFRS 15 (see Note 2D).	-	-	1,100	-	-	-	-	-	1,100	-	1,100
Balance as of January 1, 2015 following the initial implementation of IFRS 15	**30,549**	**82,913**	**162,700**	**1,523**	**1,339**	**353**	**(58,391)**	**(6,724)**	**214,262**	**7,895**	**222,157**
Net income	-	-	37,408	-	-	-	-	-	37,408	588	37,996
Other comprehensive income (loss):											
Gain (loss) on the re-measurement of defined benefit plans, net	-	-	-	-	-	(170)	-	-	(170)	1	(169)
Adjustments deriving from the translation of financial statements of foreign operations, net	-	-	-	-	-	-	(23,827)	-	(23,827)	-	(23,827)
Gain on hedging transactions, net	-	-	-	-	(808)	-	-	-	(808)	-	(808)
Total other comprehensive income (loss)	-	-	-	-	(808)	(170)	(23,827)	-	(24,805)	1	(24,804)
Total comprehensive income (loss)	**-**	**-**	**37,408**	**-**	**(808)**	**(170)**	**(23,827)**	**-**	**12,603**	**589**	**13,192**
Exercise of option warrants into shares	4	1,323	-	(1,394)	-	-	-	71	4	-	4
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	(130)	(130)
Initially consolidated company	-	-	-	-	-	-	-	-	-	348	348
Purchase of treasury shares, net	-	-	-	-	-	-	-	(801)	(801)	-	(801)
Cost of share-based payment	-	-	-	1,488	-	-	-	-	1,488	-	1,488
Dividend to shareholders in the company	-	-	(16,514)	-	-	-	-	-	(16,514)	-	(16,514)
Balance at December 31, 2015	**30,553**	**84,236**	**183,594**	**1,617**	**531**	**183**	**(82,218)**	**(7,454)**	**211,042**	**8,702**	**219,744**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
CONVENIENCE TRANSLATION INTO US DOLLARS

	For the period of six months ended June 30		For the period of three months ended June 30		Year ended December 31
	2016	2015 *)	2016	2015 *)	2015
	Unaudited				Audited
	U.S. Dollars in thousands				
Cash flows from operating activities:					
Net income	20,185	20,373	9,418	9,178	37,996
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	(5,847)	(7,285)	(1,680)	(2,109)	(13,225)
Dividend received from companies accounted for at equity	2,959	800	741	299	3,010
Depreciation and amortization	6,456	5,916	3,477	3,063	12,460
Increase (decrease) in employee benefit liabilities, net	85	142	(12)	256	302
Gain on the disposal of fixed assets and investments, net	(6,386)	(267)	(762)	(264)	(742)
Decrease (increase) in the value of marketable securities, net	(1,152)	5	(1,094)	5	42
Cost of share-based payment	599	579	295	461	1,488
Deferred taxes, net	1,400	4,094	(64)	1,391	4,594
Erosion (revaluation) of long-term receivables and payables, long-term loans and bonds, net	(227)	(1,114)	(2,413)	1,737	904
Changes in asset and liability items:					
Decrease (increase) in trade receivables	(26,559)	745	(14,707)	16,152	(8,230)
Decrease (increase) in other receivables and in respect of a concession arrangement for the provision of services	(5,062)	(256)	(1,605)	(2,168)	3,060
Increase in income receivable from work under construction contracts	(9,696)	(33,353)	(8,072)	(23,478)	(35,981)
Decrease (increase) in inventory	(715)	5,087	(848)	3,227	2,250
Decrease (increase) in inventories of real estate and rights in real estate (before acquisition of and investment in land)	2,105	(6,245)	1,045	(7,524)	5,979
Increase (decrease) in trade payables	398	(16,210)	2,424	7,677	15,941
Increase (decrease) in other payables	15,587	5,903	(1,488)	1,761	(1,286)
Increase (decrease) in liabilities in respect of works under construction contracts	(22,147)	14,124	6,756	18,930	36,632
	(48,202)	(27,335)	(18,007)	19,416	27,198
Net cash generated (absorbed) by operating activities (before acquisition of and investment in land)	(28,017)	(6,962)	(8,589)	28,594	65,194
Acquisition of and investment in land (**)	-	-	-	-	(35,862)
Net cash generated (absorbed) by operating activities	(28,017)	(6,962)	(8,589)	28,594	29,332

*) Reclassified. See Note 2D regarding the initial adoption of IFRS 15.

**) 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

	For the period of six months ended June 30		For the period of three months ended June 30		Year ended December 31
	2016	2015	2016	2015	2015
	Unaudited				Audited
	U.S. Dollars in thousands				
Cash flows from investment activities:					
Investment in entities accounted for at equity, net	(9,561)	(8,912)	(4,028)	(7,300)	(11,025)
Decrease (increase) in investments, restricted cash and deposit in trust, net	2,174	3,411	(2,748)	251	(2,880)
Purchase of fixed assets and intangible assets	(14,954)	(7,158)	(6,874)	(3,107)	(12,873)
Decrease in receivables for a concession arrangement for the provision of services	742	741	377	368	1,453
Acquisition of initially consolidated companies (A)	1,935	(172)	1,935	-	(5,181)
Proceeds from the sale of fixed assets	9,138	579	970	404	1,128
Investment in marketable securities, net	(9,313)	(15,750)	(2,339)	(15,749)	(7,515)
Collection (extension) of long-term debts, net	3	10	2	(4)	10
Proceeds from the disposal of income-generating real estate	-	26,391	-	26,391	26,391
Net cash generated (absorbed) by investment activities	(19,836)	(860)	(12,705)	1,254	(10,492)
Cash flows from financing activities:					
Issuance of share capital	-	3	-	3	4
Payment of dividend to non-controlling interests and to shareholders in the company	(17,280)	(16,643)	(17,006)	(16,514)	(16,644)
Acquisition of treasury shares, net	(579)	(133)	-	-	(801)
Issuance of bonds, net	-	48,031	-	-	48,031
Receipt of long-term loans	-	-	-	-	443
Repayment of long-term loans	(4,726)	(9,236)	(1,576)	(4,141)	(14,282)
Repayment of bonds	(24,356)	(24,464)	(24,355)	(24,464)	(24,464)
Short-term credit from banking entities and others and for the financing of entrepreneurial real estate, net	7,419	1,846	7,180	3,139	25,763
Net cash generated (absorbed) by financing activities	(39,522)	(596)	(35,757)	(41,977)	18,050
Exchange differences in respect of cash and cash equivalents	(7,023)	(1,227)	(5,149)	(38)	(1,021)
Increase (decrease) in cash and cash equivalents	(94,398)	(9,645)	(62,200)	(12,167)	35,869
Cash and cash equivalents at the beginning of the period	157,182	121,313	124,984	123,835	121,313
Cash and cash equivalents at the end of the period	62,784	111,668	62,784	111,668	157,182

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
CONVENIENCE TRANSLATION INTO US DOLLARS

	For the period of six months ended June 30		For the period of three months ended June 30		Year ended December 31
	2016	2015	2016	2015	2015
	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)	2,216	209	2,216	-	(3,297)
Investments in marketable securities and deposit in trust	-	(556)	-	-	(582)
Fixed assets, net	-	(524)	-	-	(1,114)
Intangible assets, net	(449)	-	(449)	-	(5,434)
Provision for vacation pay	(261)	-	(261)	-	-
Goodwill	-	(2,800)	-	-	(4,698)
Deferred taxes	36	91	36	-	2,464
Liability for conditional consideration	-	-	-	-	2,246
Liability for put option for non-controlling interests	-	-	-	-	2,986
Other long-term liabilities	193	3,060	193	-	1,900
Gain on entry to consolidation	200	-	200	-	-
Non-controlling interests	-	348	-	-	348
	1,935	(172)	1,935	-	(5,181)
(B) Additional cash flow information:					
Cash paid during the period for:					
Interest	5,251	5,604	4,630	5,051	10,783
Taxes on income	5,252	6,436	3,444	2,998	8,761
Cash received during the period for:					
Interest	1,089	924	359	500	2,710
Taxes on income	872	385	18	381	1,001
(C) Significant activities not involving cash flows					
Dividend payable	-	28,081	-	28,081	-

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, 2016 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, 2015 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 2AG to the Company's annual financial statements as of December 31, 2015:

- Revisions to IFRS 11 – Joint Arrangements, regarding the acquisition of rights in joint operations that constitute a business, as defined in IFRS 3.
- IFRS 9 – Financial instruments.
- Revisions to IAS 7 – Statement of cash flows, regarding additional disclosures in respect of financial liabilities.
- IFRS 16 – Leasing.

D. New standards that have been implemented by way of early adoption
The recognition of revenue from contracts with customers

In continuation of what is stated in Note 2AF to the Company's consolidated financial statements as of December 31, 2015, the company has adopted International Financial Reporting Standard 15 (IFRS 15), revenues from contracts with customers by way of early adoption, as from the annual financial statements for the year 2015.The Group has adopted the standard in accordance with the partial retrospective implementation approach with certain reliefs, in other words, only in respect of contracts that have not yet been completed as of the beginning of the period (January 1, 2015). The main impact of the initial implementation of the standard is in relation to the Group's entrepreneurial activities in connection with the sale of residential apartments, offices and commercial space in Israel. In accordance with the new standard, as aforesaid, the Group recognizes revenues in respect of contracts in Israel over time as differentiated from the policy that was implemented under the provisions of IAS 18 and IFRIC 15, in accordance with which the Group only recognizes revenues upon the handing over of the apartment to the purchaser.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONVENIENCE TRANSLATION INTO US DOLLARS

Note 2 - Significant accounting policies (Continued)

D. New standards that have been implemented in the reporting period - (Continued)

The recognition of revenue from contracts with customers (Continued)

For additional details, see Note 2AF to the Company's consolidated financial statements as of December 31, 2015.

Following the adoption of the standard, the Company has adjusted its financial statements as of June 30, 2015 and for the periods of six months and of three months ended on that date, by way of restatement, in order to reflect the impact of the adoption of the new standard as of January 1, 2015, in them.

The following tables summarize the impact of the adoption of the standard on the statement of financial position as of June 30, 2015 and on the statements of profit or loss and of comprehensive income for the period ended on that date:

	In accordance with the previous policy	The change	In accordance with IFRS 15
As of June 30, 2015			
Investments in entities accounted for at equity, net	133,050	1,922	134,972
Deferred taxes, net	(18,367)	(48)	(18,415)
Retained earnings	(164,198)	(1,874)	(166,072)

In the consolidated statements of profit or loss and of comprehensive income

	For the six months ended June 30, 2015			For the three months ended June 30, 2015		
	In accordance with the previous policy	The change (*)	In accordance with IFRS 15	In accordance with the previous policy	The change	In accordance with IFRS 15
Revenues	596,638	-	596,638	309,771	-	309,771
Cost of sales	(548,911)	115	(548,796)	(285,953)	99	(285,854)
Gross profit	47,727	115	47,842	23,818	99	23,917
Operating expenses	(22,041)	-	(22,041)	(11,322)	-	(11,322)
Company’s share of the profits of entities accounted for at equity, net	6,596	689	7,285	1,633	476	2,109
Operating income	32,282	804	33,086	14,129	575	14,704
Financing income	5,581	-	5,581	3,934	-	3,934
Financing expenses	(11,137)	-	(11,137)	(6,966)	-	(6,966)
Taxes on income	(7,127)	(30)	(7,157)	(2,468)	(26)	(2,494)
Net income	19,599	774	20,373	8,629	549	9,178
Comprehensive income	7,023	774	7,797	6,108	549	6,657
Basic earnings per share	5.48	0.08	5.56	2.34	0.15	2.49
Diluted earnings per share	5.42	0.08	5.50	2.30	0.15	2.45

(*) As aforesaid, the main change is a consequence of the transition to the recognition of revenues over time in the field of entrepreneurial real estate in companies that are accounted for at equity, as compared with the recognition of revenues at the time of the handing over of the property in accordance with the provisions of the previous standards.

Note 2 - Significant accounting policies (Continued)

E. The following are data in respect of the Israeli CPI and the exchange rates of various currencies in relation to the NIS which are relevant to the group

	June 30		December 31
	2016	2015	2015
Israeli Consumer Prices Index (in points) *)	220.46	222.25	221.35
Exchange rates (in NIS):			
U.S. Dollar	3.85	3.77	3.90
Euro	4.28	4.22	4.25
100 Russian Ruble	5.99	6.79	5.35
100 Nigerian Naira	1.36	1.91	1.96

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

	For the period of six months ended June 30		For the period of three months ended June 30		Year ended December 31
	2016	2015	2016	2015	2015
Rate of change in the period (%):					
Israeli Consumer Prices Index	(0.40)	(0.50)	0.51	1.12	(0.90)
U.S. Dollar	(1.44)	(3.09)	2.12	(5.30)	0.33
Euro	0.87	(10.69)	(0.04)	(1.27)	(10.11)
Russian Ruble	11.80	(1.80)	7.45	(0.29)	(22.55)
Nigerian Naira	(30.78)	(17.12)	(28.52)	(5.02)	(14.73)

F. 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, 2016 (NIS 3.846 = 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, 2015, 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. The services, maintenance and trading.
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, 2016						
	Construction and infrastructure projects in Israel	Construction and infrastructure projects abroad	Services, maintenance and trading	Development & construction of entrepreneurial real estate	Concessions	Adjustments	Total
	Unaudited						
	U.S. Dollars (in thousands)						
Revenues	440,552	18,141	194,179	4,338	1,810	(1,189)	657,831
Inter-segmental activities	-	-	(1,189)	-	-	1,189	-
Total external revenues	440,552	18,141	192,990	4,338	1,810	-	657,831
Segmental operating income	14,859	21	16,748	6,544	39	-	38,211
Less – unallocated expenses:							
Administrative and general expenses							(5,903)
Financing expenses							(3,687)
Others							158
Income before taxes on income							28,779

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, 2015 *)						
	Construction and infrastructure projects in Israel	Construction and infrastructure projects abroad	Services, maintenance and trading	Development & construction of entrepreneurial real estate	Concessions	Adjustments	Total
	Unaudited						
	U.S. Dollars (in thousands)						
Revenues	416,271	27,592	146,970	7,750	1,895	(3,840)	596,638
Inter-segmental activities	(227)	-	(3,457)	(156)	-	3,840	-
Total external revenues	416,044	27,592	143,513	7,594	1,895	-	596,638
Segmental operating income	16,183	2,097	13,595	1,528	5,845	-	39,248
Less – unallocated expenses:							
Administrative and general expenses							(5,977)
Financing expenses							(5,556)
Others							(185)
Income before taxes on income							27,530

*) Reclassified. See Note 2D regarding the initial adoption of IFRS 15.

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, maintenance and trading	Development & construction of entrepreneurial real estate	Concessions	Adjustments	Total
	Unaudited						
	U.S. Dollars (in thousands)						
Revenues	216,344	11,564	99,971	2,643	1,049	(592)	330,979
Inter-segmental activities	-	-	(592)	-	-	592	-
Total external revenues	216,344	11,564	99,379	2,643	1,049	-	330,979
Segmental operating income	7,451	(457)	9,102	1,796	(97)	-	17,795
Less – unallocated expenses:							
Administrative and general expenses							(2,879)
Financing expenses							(1,082)
Others							147
Income before taxes on income							13,981

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, 2015 *)						
	Construction and infrastructure projects in Israel	Construction and infrastructure projects abroad	Services, maintenance and trading	Development & construction of entrepreneurial real estate	Concessions	Adjustments	Total
	Unaudited						
	U.S. Dollars (in thousands)						
Revenues	212,215	12,167	81,707	4,471	962	(1,751)	309,771
Inter-segmental activities	(88)	-	(1,585)	(78)	-	1,751	-
Total external revenues	212,127	12,167	80,122	4,393	962	-	309,771
Segmental operating income	8,201	1,408	7,035	624	792	-	18,060
Less – unallocated expenses:							
Administrative and general expenses							(3,318)
Financing expenses							(3,032)
Others							(38)
Income before taxes on income							11,672

*) Reclassified. See Note 2D regarding the initial adoption of IFRS 15.

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 year ended December 31, 2015						
	Construction and infrastructure projects in Israel	Construction and infrastructure projects abroad	Services, maintenance and trading	Development & construction of entrepreneurial real estate	Concessions	Adjustments	Total
	Audited						
	U.S. Dollars (in thousands)						
Revenues	821,008	50,819	330,999	14,269	3,720	(6,523)	1,214,292
Inter-segmental activities	(325)	-	(5,886)	(312)	-	6,523	-
Total external revenues	820,683	50,819	325,113	13,957	3,720	-	1,214,292
Segmental operating income	27,807	6,373	30,472	(258)	5,747	-	70,141
Less – unallocated expenses:							
Administrative and general expenses							(11,756)
Financing expenses							(8,011)
Others							(287)
Income before taxes on income							50,087

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

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	
	2016		2015		2015	
	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	960	983	1,524	1,432	1,241	1,273
In NIS – Unlinked	17,037	17,803	25,211	26,290	21,142	22,160
In Euro	105	110	515	581	311	292
Bonds						
Bonds (Series C) – Index linked	77,231	85,778	93,676	103,518	93,065	101,228
Bonds (Series D) – Unlinked	91,555	98,916	100,830	102,574	100,711	106,602
Total	186,888	203,590	221,756	234,395	216,470	231,555

*) 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. On January 3, 2016, the Company entered into a commitment with a third party (hereinafter: "The purchaser"), under an agreement for the sale of all of the Company's rights in land with a registered area of 9,994 Sq.m. in Rishon Le'Zion, on which various buildings are built, in their state – "As-is" – (hereinafter: "The land", "The buildings" and "The sale transaction").

In consideration for the sale of the Company's rights in the land and in the buildings, the purchaser has paid the Company an amount of US$ 8,453 thousand with the addition of linkage differentials and VAT as required under the law. The betterment tax in respect of the transaction will apply to the Company and will be paid by it.

The Company has recorded pre-tax and post-tax gains of approximately US$ 4.8 million and of approximately US$ 3.9 million, respectively. Furthermore, the Company generated cash flows, net of tax, of approximately US$ 6.7 million.

B. On January 3, 2016, Elco's Board of Directors approved the updating of an arrangement, within the framework of which it was determined that business proposals that are received by Elco in the entrepreneurial real estate field in Israel will be offered to the Company alone and not to the Company and Electra Real Estate Ltd., as was determined in the original arrangement. See Note 31O to the consolidated annual financial statements for additional details.

C. On February 29, 2016, Ma'alot S&P raised the Company's rating to a rating of AA-/stable.

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

D. On March 2, 2016, a wholly owned subsidiary company of the Company, in cooperation of a third party, won a tender in equal shares (50% - 50%), for the planning, construction and maintenance for a period of 10 years from the time of the receipt of the certificate of completion, for the Teva Pharmaceuticals Industries Ltd.'s Campus in Ra'anana (hereinafter: "The project"). The financial scale of the project is assessed at an amount of approximately US$ 312 million.

E. On March 28, 2016, the Company's Board of Directors approved the distribution of a dividend in an amount of US$ 16.9 million (approximately US$ 4.72 per share), which was paid on April 19, 2016.

F. On March 29, 2016, the Company and Property & Building Ltd. (hereinafter: "The sellers"), each of which has a holding of 50% in the shares in the entity that serves as the concession holder in the Gilboa Pumped Storage Projects (respectively: "The concession" and "The project"), entered into a commitment under an agreement for the sale of 49% of their holdings in the concession (24.5% by each of them) to InfRared, a foreign investment fund that is not connected to the Company ("The agreement" and "The purchaser", respectively).

At the time of the completion of the transaction ("The time of the completion"), the purchaser will make a shareholders' loan available to the concession holder, at the level of 49% of the balance of the shareholders' loans, and the concession holder will repay shareholders' loans to the sellers using that money. Furthermore, at the time of the completion the purchaser will take a commitment upon itself to make 49% of the shareholders' guarantees and commitments to make shareholders' equity available, which the seller had taken upon itself under the financing agreement for the project and in accordance with the law.

The completion of the transaction is subject to the compliance with a number of crucial terms, including the receipt of the approval of the financing bodies, the approval of the Electricity Authority and the approval of the Israel Lands Authority.

After the completion of the transaction, and the purchaser becoming a shareholder in the concession holder, a series of arrangement between the sellers and the purchaser on the matter of the management of the project will enter force, which, inter alia, afford the purchaser veto rights in certain decision which have been determined. Arrangements have also determined between the shareholders on the matter of the restriction of the transferability of shares in the concession holder after the completion. It is further determined that the sellers will continue, by themselves or via entities under their control, to hold all of the shares in the construction contractor and the rights in the concession holder relating to the operation and the maintenance of the project.

At the time of the completion, which is expected to occur in the third quarter of 2016, and subject to the compliance with all of the crucial terms, the Company is expected to record a net profit of approximately US$ 5.7 million in its financial statements. Furthermore, the Company will derive pre-tax cash flows of approximately US$ 22.4 million, with the addition of adjustment for the passage of time until the time of the completion of the transaction. It should be clarified that this forecast is based on data from the financial statements of the concession holder in the project for the year 2015, which will be updated in accordance with the financial statements that will be in force at the time of the completion.

G. On March 29, 2016, a subsidiary company that is wholly owned by the Company, won a tender for the planning, the construction and the operation for a period of 25 years from the time of the receipt of confirmation of the operation of the project, of the Student halls of residence facility at Bar-Ilan University (hereinafter: "The project")

The Company's financial investment in the project over the course of the construction period is estimated at an amount of approximately US$ 91 million. The annual income that is expected in the course of the operation and maintenance period is estimated at an amount of approximately US$ 9.4 million.

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

H. Further to Note 11D(3) to the consolidated annual financial statements as of December 31, 2015, on the subject of the terminating conditions and the periods that were set in connection with the buyer's right to terminate in accordance with the terminating condition (hereinafter: "The terminating condition" and "The time periods for the examination of the existence of the terminating condition", as the case may be).

In April 2016, the seller and the purchaser entered into commitments under additions to the preliminary agreement and the purchase agreements for the residential parcels in the first block (hereinafter: "The April 2016 addenda"), according to which the time periods for the examination of the existence of the termination condition were extended, as detailed below:

In relation to the first residential parcel in the first block – the time period was extended for 21 months from the date of the signing of the agreements for the first block, i.e. February 2017, and with regard to the remaining residential parcels in the first block – the time period was extended for 24 months (with regard to one parcel) and to 27 months (with regard to 2 parcels) from the date of the signing of the purchase agreement for the first block. It should be noted that there is no change in the time periods for the examination of the existence of the termination condition with regard to the remaining blocks in the Planetograd Project.

In addition, the mechanism for notifications in connection with the terminating condition has been updated, such that the failure to meet the time periods stated above will afford the purchaser the right to terminate by means of notification by the purchaser to the seller within 30 days of the end of the time periods for the examination of the existence of the terminating condition (hereinafter: "The buyer's notification") and to the extent that the termination condition does not cease to exist within 60 business days of the date of the buyer's notification, the purchaser shall have the right to terminate (in accordance with the details set in the April 2016 addenda).

As of the date of the financial statements, negotiations are being conducted with the Planetarium Management in order to obtain their approval for the receipt of a construction permit for the housing located on the first parcel in the transaction for which, in accordance with the above- stated time periods for the existence of the terminating condition, the date for the completion of the time period is February 2017, as stated above. At this stage, the Planetarium Management has not yet given its consent for the construction, which was requested in regard to the first residential parcel, for various reasons (inter alia, initial requirements and the PPT). In the assessment of the company's management, based on its legal advisors and in accordance with the applicable law, the Company assumes that it will obtain the Planetarium's approval through negotiations or by legal proceedings, should such be required.

It was also determined in the April 2016 addenda that the date for the payment of the consideration that is stated in the purchase agreements for the residential parcels in the first block will be extended by 6 months from the original payment date.

During the course of the quarter, Morgal has continued to enter into commitments with the buyer under various rental agreements, the substance of which is to enable the buyer to make progress with the development of the infrastructure for the project as well as in addenda to agreements that were signed within the context of the transaction, in accordance with which the various timings that have been set for the completion of the parties' commitments within the framework of the transaction have been extended.

As of the date of the financial statements, Morgal and the buyer are continuing to take action to have building permits issued within the framework of the project and to progress it. However, in light of the changes in the legislative process that have occurred in the reporting period, Morgal and the buyer are examining the implications that apply to the project, in relation to the various updates to the planning and construction laws in Russia, which also apply to the project site, and which may affect the detailed planning and the extent of the construction rights.

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

I. In continuation of what is stated in Note 28C and in Note 28D to the Company's consolidated financial statements as at December 31, 2015, there has been a significant change in the exchange rates of the Naira and the Ruble against the Shekel, which is the Company's functional currency, during the reporting period. The main impact derives from foreign operations, for which the functional currency is the Naira and the Ruble, in respect of which it a loss has been recorded under other comprehensive loss, deriving from the translation of the financial statements and the translation of capital loans in the amounts of US$ 1.6 million and US$ 3.7 million in the periods of six months and of three months ended June 30, 2016, respectively.

During the reporting period, there was a change in the currency policy for the Naira in Nigeria, such that the fixing of the currency has been cancelled and it is being traded at rates that are closer to the unofficial rates in the country. However, there is still a shortage of Dollar balances, which restricts the ability to withdraw cash from outside of Nigeria.

J. Further to what is stated in Note 28F(c) to the Company's consolidated financial statements as at December 31, 2015, on August 17, 2016, the Company's Board of Directors approved a plan for the allocation of option warrants to ten managers in the Group, under the following terms: 21,267 option warrants have been allocated for nine managers and half of that quantity has been allocated for one manager. The total of the options that have been granted constitutes 0.79% of the Company's issued share capital (hereinafter, jointly – the option warrants).

The option warrants will vest in five equal annual tranches, as from one year from the time of the grant, and they will expire after 6 years from the time of the grant. The additional amount payable on the exercise of each option warrants has been set at US$ 143.5 for each option warrant. The economic value of the overall benefit for each manager has been determined to be US$ 416 thousand, except for one manager, who has been granted half of the quantity of the warrants and for whom the economic value is determined to be US$ 208 thousand.