ELECTRA LTD.

CONSOLIDATED FINANCIAL STATEMENTS

AS OF SEPTEMBER 30, 2016
(UNAUDITED)

(CONVENIENCE TRANSLATION INTO U.S. DOLLARS)

ELECTRA LTD.

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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 NINE MONTHS AND OF THREE MONTHS ENDED SEPTEMBER 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 overseas 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, 2015.

2. Financial position

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

	30.09.2016		31.12.2015		Change
	Total	%	Total	%	%
Current assets	699,235	67.0	692,086	68.0	1.0
Non-current assets	344,316	33.0	326,123	32.0	5.6
Current liabilities	545,440	52.3	543,310	53.4	0.4
Non-current liabilities	267,289	25.6	250,010	24.5	6.9
Equity	230,822	22.1	224,889	22.1	2.6
Total of the statement of financial position	1,043,551	100.0	1,018,209	100.0	2.5

The Group's assets in the consolidated statement of financial position at the end of the period amounted to approximately US$ 1,044 million, compared to approximately US$ 1,018 million at the end of 2015.

The surplus of the current assets over the current liabilities amounted to approximately US$ 154 million, compared with approximately US$ 149 million at the end of 2015 and the current ratio is 1.28, compared to 1.27 at the end of 2015

3. Equity

As of the date of the statement of financial position, the equity amounts to approximately US$ 231 million, compared with approximately US$ 225 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$ 33 million, less the impact of adjustments deriving from the translation of financial statements of foreign operations in an amount of approximately US$ 5 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 and the Naira) and less a dividend of approximately US$ 17 million, which was declared and paid in the reporting period. 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 7-9/16	Q 4-6/16	Q 1-3/16	Q 10-12/15	Q 7-9/15
Revenues from the performance of works and the provision of services	343,840	333,784	329,574	315,495	304,334
Cost of works and services	(321,152)	(308,718)	(310,082)	(293,863)	(282,521)
Gross profit	**22,688**	**25,066**	**19,492**	**21,632**	**21,813**
Administrative and general expenses	(11,149)	(10,807)	(10,850)	(10,782)	(10,509)
Selling and marketing expenses	(847)	(828)	(813)	(1,301)	(750)
The Company's share of profits of entities accounted for at equity, net	1,941	1,720	4,264	3,958	2,121
Other income (expenses), net	9,611	373	5,774	(1,120)	202
Operating income	**22,244**	**15,524**	**17,867**	**12,387**	**12,877**
Financing expenses, net	(1,375)	(1,227)	(2,546)	(1,700)	(686)
Income before taxes on income	**20,869**	**14,297**	**15,321**	**10,687**	**12,191**
Taxes on income	(5,537)	(4,640)	(4,155)	(2,524)	(2,449)
Income from continuing operations	**15,332**	**9,657**	**11,166**	**8,163**	**9,742**
Income (loss) from discontinued operations, net	(3,051)	(19)	(147)	205	(74)
Net income for the period	**12,281**	**9,638**	**11,019**	**8,368**	**9,668**
Attributable to:					
Shareholders in the Company	11,983	9,238	10,437	8,317	9,616
Non-controlling interests	298	400	582	51	52
	12,281	**9,638**	**11,019**	**8,368**	**9,668**

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

The Group's revenues in the reporting period amounted to approximately US$ 1,007 million compared with approximately US$ 904 million in the comparative period in the previous year, an increase of approximately 11%. 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 2015 amounted to US$ 1,220 million.

The revenues from the performance of works and the provision of services do not include additional revenues of US$ 162 million (US$ 177 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$ 67 million, compared with approximately US$ 68 million in the corresponding period of the previous year.

The gross profit in 2015 amounted to approximately US$ 90 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$ 7.9 million in the reporting period, as compared to US$ 9.6 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 the more 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$ 1 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$ 1.8 million in the corresponding period in the previous year.

8. Other income (expenses), net

Other income, net amounted to approximately US$ 15.8 million in the reporting period, as compared with other income net of approximately US$ 0.5 million in the comparative period in the previous year. The increase in other income derived primarily from the recognition of a gain of US$ 9.3 million, which derived from the sale of 49% of the Company's holdings in an entity that serves as the concession holder in the Gilboa Pumped storage project to InfraRed, a foreign investments fund (see Note 5L to the interim consolidated financial statements for additional details) and from the recognition of a gain of approximately US$ 4.9 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 (see Note 5A to the interim consolidated financial statements for additional details) 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$ 5.1 million in the reporting period, as compared with approximately US$ 6.3 million in the corresponding period of the previous year. The decrease in the expenses derives from the erosion of the exchange rate of the Dollar/ Euro in the reporting period, as compared with the strengthening in the comparative period in the previous year, and on the other hand, from an increase in financing expenses from the adjustment of financial liabilities with a demand character, and a price adjustment,.

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

10. Income from continuing operations

The Group’s income from continuing activities amounted to approximately US$ 36.2 million in the reporting period, as compared with approximately US$ 30.4 million in the corresponding period of the previous year.

11. Income from discontinued operations

In the course of the quarter, the Company decided to discontinue and to close the trading activity in a subsidiary company that was recorded under the services, maintenance and trading segment. In light of that fact the results of the trading activity have been classified as from the third quarter of 2016 as discontinued operations. As a result of this decision and the recording of provisions for the closure of the operations, the Company recorded a net loss of approximately US$ 3 million in the quarter. The results of the discontinued operations for previous periods are not material relative to the Company's net income

12. Report in respect of business segments

A. Revenues:

	For the period of nine months ended September 30		For the period of three months ended September 30		Year ended December 31
	2016	2015	2016	2015	2015
	Unaudited				Audited
	US$ thousands				
Construction and infrastructure projects in Israel	680,435	625,912	229,566	199,893	840,233
Construction and infrastructure projects overseas	32,767	40,794	14,202	12,556	52,008
Services and maintenance	288,746	227,433	99,896	87,697	315,787
Development & construction of entrepreneurial real estate	4,832	12,601	393	4,669	14,603
Concessions	2,781	2,904	929	965	3,807
Consolidation adjustments	(2,363)	(5,376)	(1,146)	(1,446)	(6,675)
Total	1,007,198	904,268	343,840	304,334	1,219,763

1. Construction and infrastructure projects in Israel

The revenues turnover in the reporting period amounted to approximately US$ 680 million (approximately 68% of revenues) as compared with US$ 625 million (approximately 69% of revenues) in the comparative period in the previous year, an increase of approximately 9% 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 Construction.

2. Construction and infrastructure projects overseas

The revenues turnover in the reporting period amounted to approximately US$ 33 million (approximately 3% of revenues) as compared with US$ 41 million (approximately 5% of revenues) in the comparative period in the previous year, a decrease of approximately 20%, which derived primarily from a worsening of the economic situation in Africa in light of the decrease in oil prices, 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 Electra Poland, as from the second quarter of 2016.

3. Services and maintenance

The revenues turnover in the reporting period amounted to approximately US$ 289 million (approximately 29% of revenues) as compared with US$ 227 million (approximately 25% of revenues) in the comparative period in the previous year, an increase of approximately 27%, which derived primarily from the consolidation of the operations in the services and maintenance field: Electra Danko, which operates in the field of refurbishments and the finishing of projects, the operations of Tavas Cleaning, Guarding and Security Services, which was recorded partially in the comparative period in the previous year and from the initial consolidation of Electra Security, which acquired the activities of the Patrol Security Unit For Banks, 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$ 5 million in the reporting period (approximately 0.5% of revenues), as compared with approximately US$ 13 million (approximately 1% of revenues) in the previous year, the decrease in revenues primarily derived from the recognition of higher 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$ 2.8 million, in the reporting period, as compared with approximately US$ 2.9 million in the comparative period in the previous year.

B. Segmental operating income:

	For the period of nine months ended September 30		For the period of three months ended September 30		Year ended December 31
	2016	2015	2016	2015	2015
	Unaudited				Audited
	US$ thousands				
Construction and infrastructure projects in Israel	22,238	23,420	7,031	6,859	28,458
Construction and infrastructure projects overseas	282	4,474	260	2,328	6,522
Services and maintenance	25,934	21,295	8,628	7,750	30,482
Development & construction of entrepreneurial real estate	6,496	1,747	(201)	183	(264)
Concessions	9,568	4,682	9,528	(1,300)	5,882
Consolidation adjustments	170	-	170	-	-
Total	64,688	55,618	25,416	15,820	71,080

1. Construction and infrastructure projects in Israel

The operating income in the reporting period amounted to approximately US$ 22.2 million (approximately 34% of segmental operating income) as compared with approximately US$ 23.4 million (approximately 42% of segmental operating income) in the comparative period in the previous year, a decrease of 5%. The decrease in the operating income derives primarily from a provision that has been recorded in respect of a compromise arrangement with a sub-contractor of Electra Infrastructures in an amount of US$ 2.7 million.

2. Construction and infrastructure projects overseas

The operating income in the reporting period amounted to approximately US$ 0.3 million as compared with approximately US$ 4.5 million 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 oil prices, 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 Electra Poland have been consolidated in the reporting period for the first time.

3. Services and maintenance

The operating income in the reporting period amounted to approximately US$ 26 million (approximately 40% of segmental operating income) as compared with US$ 21 million (approximately 38% of segmental operating income) in the comparative period in the previous year, an increase of approximately 22%, which derived primarily from the consolidation of the operations in the services and maintenance field: Electra Danko, which operates in the field of refurbishments and the finishing of projects, the operations of Tavas Cleaning, Guarding and Security Services, which was recorded partially in the comparative period in the previous year and from the initial consolidation of Electra Security, which acquired the activities of the Patrol Security Unit For Banks, 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 10% of segmental operating income) as compared with operating income of approximately US$ 1.7 million (approximately 3% 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$ 4.9 million from the sale of the Company's rights in land 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$ 10 million as compared with an income of approximately US$ 5 million in the comparative period in the previous year. The increase in the operating income in the reporting period derived primarily from the recognition of a gain of approximately US$ 9.3 million, which derived from the sale of 49% of the company's holding in the entity that serves as the concession holder in the Gilboa Pumped storage project to InfraRed, a foreign investments fund (see Note 5L to the interim consolidated financial statements for additional details) and from financing income deriving from the progress of a financial asset in a BOT project. On the other hand, 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$ 2.4 million, which derived from the impact of embedded derivatives in the comparative period in the previous year.

13. Orders backlog

The Group's backlog of orders as of September 30, 2016 amounted to approximately US$ 2,608 million, compared with approximately US$ 2,499 million at the end of 2015. The backlog as of September 30, 2016 includes the Group's share of entities accounted for at equity, in an amount of approximately US$ 308 million (December 31, 2015 – approximately US$ 379 million).

	September 30, 2016				December 31, 2015			
	Construction and infrastructure projects in Israel segment	Construction and infrastructure projects overseas segment	Services and maintenance segment (*)	Total	Construction and infrastructure projects in Israel segment	Construction and infrastructure projects overseas segment	Services and maintenance segment	Total
	(In US$ millions)							
The distribution of the orders backlog by operating segment								
Without affiliated companies	1,653	97	550	2,300	1,585	95	440	2,120
In respect of affiliated companies	105	18	185	308	168	24	187	379
Total	1,758	115	735	2,608	1,753	119	627	2,499
The spreading of the orders backlog without the Company's share of affiliated companies								
For performance in 2016	214	19	82	315				
For performance in 2017 and thereafter	1,439	78	468	1,985				
Total	1,653	97	550	2,300				

(*) 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$ 263 million, of which US$ 4 million will be performed in 2016.

14. Liquidity and sources of finance

The Group's liquid means (cash and cash equivalents and marketable securities) amounted to approximately US$ 135 million as of September 30, 2016, as compared with approximately US$ 169 million as of December 31, 2015.

The change in the Group's liquid means in the first nine months of the year 2016 derived, inter alia, from cash of approximately US$ 15 million absorbed by operating activities as compared with cash of approximately US$ 28 million absorbed by operating activities in the comparative period in the previous year.

The net cash absorbed by investment activities amounted to approximately US$ 29 million in the first nine months of the year 2016, as compared with net cash of approximately US$ 11 million absorbed by investment activities in the comparative period in the previous year, and included, inter alia, the purchase of fixed assets and intangible assets in an amount of approximately US$ 19 million and a net investment of approximately US$ 18 million in marketable securities, less the consideration from the disposal of fixed assets in an amount of approximately US$ 10 million and the disposal of an investment in investee companies, in an amount of approximately US$ 4 million.

The cash generated by financing activities amounted to approximately US$ 6 million in the first nine months of the year 2016, by comparison with net cash of approximately US$ 3 million in the comparative period in the previous year and primarily included the repayment of long term loans, in an amount of approximately US$ 9 million, the repayment of bonds in an amount of US$ 25 million and the payment of dividend in an amount of US$ 18 million less the issuance of bonds in an amount of US$ 56 million.

15. 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.

16. Events after the reporting period

A. See Note 5 to the interim consolidated financial statements as of September 30, 2016.

B. In the period from the date of the statement of financial position (September 30, 2016) and to a time shortly before the publication of the financial statements (November 20, 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 30.09.2016 to 20.11.2016):

Currency	As a %
US Dollar	3.06
Euro	(2.33)
Russian Ruble	(0.02)
Nigerian Naira	2.98

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).

Together with this, the impact of the exchange rates on the business results in the fourth 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 (December 31, 2016).

17. Exposure to market risks

No significant changes occurred in relation to the exposure to market risks and the ways in which they are managed, as detailed in Section 16 of the Report of the Board of Directors, which was attached to the Company's periodic report for the year 2015.

18. Self-purchase plan

For details regarding the Company's self-purchase plan, see Section 17 of the Report of the Board of Directors, which is attached to 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.

19. 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.

20. 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.

21. Disclosure in respect of the Internal Auditor

No significant changes occurred in the reporting period, compared to the details in respect of the Internal Auditor of the Company as detailed in the Company's periodic report for the year 2015.

22. Donations

No significant charge have occurred in relation 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**

November 23, 2016

In this Report of the Board of Directors for the period ended September 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 September 30, 2016 (US$ 1.- = NIS 3.758).

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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 September 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 nine 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 September 30, 2016, and whose revenues constitute approximately 8% of the total consolidated revenues for the periods of nine 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$ 67,931 thousand as of September 30, 2016 and the Group's share of whose profits (losses) amounted to approximately US$ 1,654 thousand and to approximately US$ (409) thousand for the periods of nine 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
November 23, 2016

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
CONVENIENCE TRANSLATION INTO US DOLLARS

	September 30		December 31
	2016	2015 *)	2015
	Unaudited		Audited
	U.S. Dollars in thousands		
Current assets			
Cash and cash equivalents	115,452	80,845	160,862
Investments, restricted cash and deposit in trust	44,213	33,069	30,115
Trade receivables	218,196	180,916	187,750
Other receivables	47,481	51,446	39,415
Income receivable from works under construction contracts	184,398	193,788	180,780
Inventory	24,464	27,960	27,858
inventories of real estate and rights in real estate	65,031	66,856	65,306
	699,235	634,880	692,086
Non-current assets			
Investments in entities accounted for at equity	145,678	136,910	136,705
Other long-term receivables	5,905	3,935	4,007
Fixed assets, net	45,942	38,562	39,355
Goodwill and other intangible assets, net	100,428	97,447	95,626
Receivables for concession arrangement for the provision of services	27,132	29,525	29,067
Long-term inventories of real estate	16,444	18,460	16,616
Deferred taxes	2,787	7,369	4,747
	344,316	332,208	326,123
	1,043,551	967,088	1,018,209

(*) Restated. 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

	September 30		December 31
	2016	2015 *)	2015
	Unaudited		Audited
	U.S. Dollars in thousands		
Current liabilities			
Credit from banking entities and others	13,915	13,943	11,700
Loans to finance entrepreneurial real estate	30,601	6,102	32,404
Current maturities of bonds	31,009	25,462	25,351
Trade payables	263,268	225,770	259,955
Other payables	120,266	126,862	103,267
Liabilities in respect of works under construction contracts	86,381	87,785	110,633
	545,440	485,924	543,310
Non-current liabilities			
Liabilities to banking entities	6,441	15,175	13,624
Bonds	197,823	173,019	172,453
Other long-term liabilities	25,925	26,467	27,854
Employee benefit liabilities, net	9,352	9,291	9,523
Deferred taxes	27,748	29,826	26,556
	267,289	253,778	250,010
Equity attributed to shareholders in the company			
Share capital	31,268	31,268	31,268
Share premium	85,757	86,208	86,208
Capital reserves for translation differences in investee companies and other reserves	(86,647)	(71,576)	(81,758)
Treasury shares	(7,426)	(6,944)	(7,628)
Retained earnings	202,032	179,576	187,893
	224,984	218,532	215,983
Non-controlling interests	5,838	8,854	8,906
Total equity	230,822	227,386	224,889
	1,043,551	967,088	1,018,209

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

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

November 23, 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 nine months ended September 30		For the period of three months ended September 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	1,007,198	904,268	343,840	304,334	1,219,763
Cost of works and services	(939,952)	(835,848)	(321,152)	(282,521)	(1,129,711)
Gross profit	**67,246**	**68,420**	**22,688**	**21,813**	**90,052**
Administrative and general expenses	(32,806)	(30,400)	(11,149)	(10,509)	(41,182)
Selling and marketing expenses	(2,488)	(1,717)	(847)	(750)	(3,018)
Company's share of the profits of entities accounted for at equity, net	7,925	9,577	1,941	2,121	13,535
Other income (expenses), net	15,758	489	9,611	202	(631)
	(11,611)	(22,051)	(444)	(8,936)	(31,296)
Operating income	**55,635**	**46,369**	**22,244**	**12,877**	**58,756**
Financing income	6,019	7,476	2,367	1,764	10,047
Financing expenses	(11,167)	(13,748)	(3,742)	(2,450)	(18,019)
Financing expenses, net	(5,148)	(6,272)	(1,375)	(686)	(7,972)
Income before taxes on income	**50,487**	**40,097**	**20,869**	**12,191**	**50,784**
Taxes on income	(14,332)	(9,691)	(5,537)	(2,449)	(12,215)
Income from continuing operations	36,155	30,406	15,332	9,742	38,569
Income (loss) from discontinuing operations	(3,217)	112	(3,051)	(74)	318
Net income	**32,938**	**30,518**	**12,281**	**9,668**	**38,887**
Net income attributable to:					
Shareholders in the Company	31,658	29,968	11,983	9,616	38,285
Non-controlling interests	1,280	550	298	52	602
	32,938	30,518	12,281	9,668	38,887
Net earnings (loss) per share for shareholders in the company (in U.S. Dollars):					
Basic net earnings (loss) per share:					
From continuing operations	9.74	8.35	4.20	2.70	10.60
From discontinued operations	(0.90)	0.03	(0.85)	(0.02)	0.09
	8.84	8.38	3.35	2.68	10.69
Diluted net earnings (loss) per share:					
From continuing operations	9.59	8.28	4.16	2.70	10.59
From discontinuing operations	(0.89)	0.03	(0.85)	(0.02)	0.09
	8.70	8.31	3.31	2.68	10.68

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

**) Reclassified, See Note 5H.

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 nine months ended September 30		For the period of three months ended September 30		Year ended December 31
	2016	2015 *)	2016	2015 *)	2015
	Unaudited				Audited
	U.S. Dollars in thousands				
Net income	32,938	30,518	12,281	9,668	38,887
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)	-	-	-	(173)
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	(5,171)	(14,567)	(3,534)	(2,379)	(24,385)
Gain (loss) on hedging transactions, net	(514)	(172)	(913)	511	(828)
Other comprehensive loss	(5,689)	(14,739)	(4,447)	(1,868)	(25,386)
Total comprehensive income	27,249	15,779	7,834	7,800	13,501
Comprehensive income attributable to:					
Shareholders in the Company	25,969	15,229	7,536	7,748	12,898
Non-controlling interests	1,280	550	298	52	603
	27,249	15,779	7,834	7,800	13,501

*) Restated. 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)	**31,268**	**86,208**	**187,893**	**1,654**	**543**	**188**	**(84,143)**	**(7,628)**	**215,983**	**8,906**	**224,889**
Net income	-	-	31,658	-	-	-	-	-	31,658	1,280	32,938
Other comprehensive 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	-	-	-	-	-	-	(5,171)	-	(5,171)	-	(5,171)
Gain on hedging transactions, net	-	-	-	-	(514)	-	-	-	(514)	-	(514)
Total other comprehensive loss	-	-	-	-	(514)	(4)	(5,171)	-	(5,689)	-	(5,689)
Total comprehensive income (loss)	**-**	**-**	**31,658**	**-**	**(514)**	**(4)**	**(5,171)**	**-**	**25,969**	**1,280**	**27,249**
Exercise of option warrants into shares	-	(451)	-	(343)	-	-	-	794	-	-	-
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	(3,462)	(3,462)
Purchase of non-controlling interests	-	-	(221)	-	-	-	-	-	(221)	(886)	(1,107)
Purchase of treasury shares, net	-	-	-	-	-	-	-	(592)	(592)	-	(592)
Cost of share-based payments	-	-	-	1,143	-	-	-	-	1,143	-	1,143
Dividend to shareholders in the company	-	-	(17,298)	-	-	-	-	-	(17,298)	-	(17,298)
Balance as of September 30, 2016	**31,268**	**85,757**	**202,032**	**2,454**	**29**	**184**	**(89,314)**	**(7,426)**	**224,984**	**5,838**	**230,822**

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)	**31,264**	**84,854**	**165,383**	**1,558**	**1,371**	**362**	**(59,758)**	**(6,881)**	**218,153**	**8,080**	**226,233**
Changes following the initial implementation of IFRS 15 (see Note 2D).	-	-	1,126	-	-	-	-	-	1,126	-	1,126
Balance as of January 1, 2015 following the initial implementation of IFRS 15	**31,264**	**84,854**	**166,509**	**1,558**	**1,371**	**362**	**(59,758)**	**(6,881)**	**219,279**	**8,080**	**227,359**
Net income	-	-	29,968 *)	-	-	-	-	-	29,968	550	30,518
Other comprehensive loss:											
Adjustments deriving from the translation of financial statements of foreign operations, net	-	-	-	-	-	-	(14,567)	-	(14,567)	-	(14,567)
Loss on hedging transactions, net	-	-	-	-	(172)	-	-	-	(172)	-	(172)
Total other comprehensive loss	-	-	-	-	(172)	-	(14,567)	-	(14,739)	-	(14,739)
Total comprehensive income (loss)	**-**	**-**	**29,968**	**-**	**(172)**	**-**	**(14,567)**	**-**	**15,229**	**550**	**15,779**
Exercise of option warrants into shares	4	1,354	-	(1,427)	-	-	-	73	4	-	4
Initially consolidated company	-	-	-	-	-	-	-	-	-	356	356
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	(132)	(132)
Purchase of treasury shares, net	-	-	-	-	-	-	-	(136)	(136)	-	(136)
Cost of share-based payments	-	-	-	1,057	-	-	-	-	1,057	-	1,057
Dividend to shareholders in the company	-	-	(16,901)	-	-	-	-	-	(16,901)	-	(16,901)
Balance as of September 30, 2015	**31,268**	**86,208**	**179,576**	**1,188**	**1,199**	**362**	**(74,325)**	**(6,944)**	**218,532**	**8,854**	**227,386**

*) Restated . 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 July 1, 2016	**31,268**	**86,208**	**190,270**	**2,267**	**942**	**184**	**(85,780)**	**(8,220)**	**217,139**	**9,501**	**226,640**
Net income	-	-	11,983	-	-	-	-	-	11,983	298	12,281
Other comprehensive loss:											
Adjustments deriving from the translation of financial statements of foreign operations, net	-	-	-	-	-	-	(3,534)	-	(3,534)	-	(3,534)
Loss on hedging transactions, net	-	-	-	-	(913)	-	-	-	(913)	-	(913)
Total other comprehensive loss	-	-	-	-	(913)	-	(3,534)	-	(4,447)	-	(4,447)
Total comprehensive income (loss)	**-**	**-**	**11,983**	**-**	**(913)**	**-**	**(3,534)**	**-**	**7,536**	**298**	**7,834**
Exercise of option warrants into shares	-	(451)	-	(343)	-	-	-	794	-	-	-
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	(3,075)	(3,075)
Purchase of non-controlling interests	-	-	(221)	-	-	-	-	-	(221)	(886)	(1,107)
Cost of share-based payments	-	-	-	530	-	-	-	-	530	-	530
Balance as of September 30, 2016	**31,268**	**85,757**	**202,032**	**2,454**	**29**	**184**	**(89,314)**	**(7,426)**	**224,984**	**5,838**	**230,822**

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 July 1, 2015	**31,267**	**85,813**	**169,960**	**1,119**	**688**	**362**	**(71,946)**	**(6,944)**	**210,319**	**8,802**	**219,121**
Net income	-	-	9,616 *)	-	-	-	-	-	9,616	52	9,668
Other comprehensive income (loss):											
Adjustments deriving from the translation of financial statements of foreign operations, net	-	-	-	-	-	-	(2,379)	-	(2,379)	-	(2,379)
Gain on hedging transactions, net	-	-	-	-	511	-	-	-	511	-	511
Total other comprehensive income (loss)	-	-	-	-	511	-	(2,379)	-	(1,868)	-	(1,868)
Total comprehensive income (loss)	**-**	**-**	**9,616**	**-**	**511**	**-**	**(2,379)**	**-**	**7,748**	**52**	**7,800**
Exercise of option warrants into shares	1	395	-	(395)	-	-	-	-	1	-	1
Cost of share-based payments	-	-	-	464	-	-	-	-	464	-	464
Balance as of September 30, 2015	**31,268**	**86,208**	**179,576**	**1,188**	**1,199**	**362**	**(74,325)**	**(6,944)**	**218,532**	**8,854**	**227,386**

*) Restated. 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 remeasure-ment 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	**31,264**	**84,854**	**165,383**	**1,558**	**1,371**	**362**	**(59,758)**	**(6,881)**	**218,153**	**8,080**	**226,233**
Changes following the initial implementation of IFRS 15 (see Note 2D).	-	-	1,126	-	-	-	-	-	1,126	-	1,126
Balance as of January 1, 2015 following the initial implementation of IFRS 15	**31,264**	**84,854**	**166,509**	**1,558**	**1,371**	**362**	**(59,758)**	**(6,881)**	**219,279**	**8,080**	**227,359**
Net income	-	-	38,285	-	-	-	-	-	38,285	602	38,887
Other comprehensive income (loss):											
Gain (loss) on the re-measurement of defined benefit plans, net	-	-	-	-	-	(174)	-	-	(174)	1	(173)
Adjustments deriving from the translation of financial statements of foreign operations, net	-	-	-	-	-	-	(24,385)	-	(24,385)	-	(24,385)
Gain on hedging transactions, net	-	-	-	-	(828)	-	-	-	(828)	-	(828)
Total other comprehensive income (loss)	-	-	-	-	(828)	(174)	(24,385)	-	(25,387)	1	(25,386)
Total comprehensive income (loss)	**-**	**-**	**38,285**	**-**	**(828)**	**(174)**	**(24,385)**	**-**	**12,898**	**603**	**13,501**
Exercise of option warrants into shares	4	1,354	-	(1,427)	-	-	-	73	4	-	4
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	(133)	(133)
Initially consolidated company	-	-	-	-	-	-	-	-	-	356	356
Purchase of treasury shares, net	-	-	-	-	-	-	-	(820)	(820)	-	(820)
Cost of share-based payment	-	-	-	1,523	-	-	-	-	1,523	-	1,523
Dividend to shareholders in the company	-	-	(16,901)	-	-	-	-	-	(16,901)	-	(16,901)
Balance at December 31, 2015	**31,268**	**86,208**	**187,893**	**1,654**	**543**	**188**	**(84,143)**	**(7,628)**	**215,983**	**8,906**	**224,889**

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 nine months ended September 30		For the period of three months ended September 30		Year ended December 31
	2016	2015 *)**)	2016	2015 *)**)	2015 *)
	Unaudited				Audited
	U.S. Dollars in thousands				
Cash flows from operating activities:					
Net income	32,938	30,518	12,281	9,668	38,887
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	(7,925)	(9,577)	(1,941)	(2,121)	(13,535)
Dividend received from companies accounted for at equity	4,520	2,110	1,492	1,291	3,081
Depreciation and amortization	9,999	9,344	3,391	3,290	12,752
Increase (decrease) in employee benefit liabilities, net	(40)	221	(127)	76	309
Gain on the disposal of fixed assets and investments, net	(16,318)	(646)	(9,783)	(374)	(759)
Decrease (increase) in the value of marketable securities, net	(1,238)	(323)	(59)	(328)	43
Cost of share-based payment	1,143	1,057	530	464	1,523
Deferred taxes, net	2,528	5,301	1,096	1,111	4,702
Erosion of long-term receivables and payables, long-term loans and bonds, net	762	1,175	995	2,315	925
Adjustments in respect of income (loss) from discontinued operations, net	3,217	(112)	3,051	74	(318)
Changes in asset and liability items:					
Increase in trade receivables	(32,608)	(3,810)	(5,377)	(3,156)	(11,598)
Decrease (increase) in other receivables and in respect of a concession arrangement for the provision of services	(10,365)	(8,201)	(5,184)	(7,939)	3,131
Decrease (increase) in income receivable from work under construction contracts	(5,220)	(49,750)	4,702	(15,617)	(36,824)
Decrease (increase) in inventory	(382)	3,326	(1,459)	(378)	902
Decrease (increase) in inventories of real estate and rights in real estate (before acquisition of and investment in land)	709	(3,700)	(1,445)	2,691	6,119
Increase (decrease) in trade payables	3,424	(19,082)	1,902	(3,680)	16,108
Increase (decrease) in other payables	18,180	(1,987)	2,212	(8,025)	(1,330)
Increase (decrease) in liabilities in respect of works under construction contracts	(15,993)	14,381	6,673	(74)	37,490
	(45,607)	(60,273)	669	(30,380)	22,721
Net cash generated (absorbed) by continuing operating activities (before acquisition of and investment in land)	(12,669)	(29,755)	12,950	(20,712)	61,608
Acquisition of and investment in land (***)	-	-	-	-	(36,702)
Net cash generated (absorbed) by continuing operating activities	(12,669)	(29,755)	12,950	(20,712)	24,906
Net cash generated (absorbed) by discontinued operating activities	(2,324)	1,872	731	(46)	5,113
Net cash generated (absorbed) by operating activities	(14,993)	(27,883)	13,681	(20,758)	30,019

*) Reclassified. See Note 5H.
**) Restated. 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 nine months ended September 30		For the period of three months ended September 30		Year ended December 31
	2016	2015	2016	2015	2015
	Unaudited				Audited
	U.S. Dollars in thousands				
Cash flows from investment activities:					
Disposal of (investment in) companies accounted for at equity, net	3,713	(11,649)	13,497	(2,529)	(11,283)
Decrease (increase) in investments, restricted cash and deposit in trust, net	(4,353)	4,134	(6,578)	644	(2,947)
Purchase of fixed assets and intangible assets	(19,176)	(10,299)	(3,872)	(2,973)	(13,175)
Decrease in receivables for a concession arrangement for the provision of services	1,136	1,129	377	370	1,487
Acquisition of initially consolidated companies (A)	(2,544)	(5,302)	(4,524)	(5,126)	(5,302)
Proceeds from the sale of fixed assets	9,520	967	168	374	1,155
Investment in marketable securities, net	(17,754)	(17,477)	(8,223)	(1,358)	(7,691)
Collection (extension) of long-term debts, net	8	2	5	(7)	10
Proceeds from the disposal of income-generating real estate	-	27,009	-	-	27,009
Net cash absorbed by investment activities	(29,450)	(11,486)	(9,150)	(10,605)	(10,737)
Cash flows from financing activities:					
Issuance of share capital	-	4	-	1	4
Payment of dividend to non-controlling interests and to shareholders in the company	(18,053)	(17,033)	(368)	-	(17,034)
Purchase of non-controlling interests in a consolidated company	(1,107)	-	(1,107)	-	-
Acquisition of treasury shares, net	(592)	(136)	-	-	(820)
Issuance of bonds, net	56,163	49,156	56,163	-	49,156
Repayment of bonds	(24,926)	(25,036)	-	-	(25,037)
Receipt of long-term loans	-	232	-	232	453
Repayment of long-term loans	(8,655)	(12,902)	(3,818)	(3,449)	(14,617)
Short-term credit from banking entities and others and for the financing of entrepreneurial real estate, net	2,959	2,266	(4,634)	377	26,367
Net cash generated (absorbed) by financing activities	5,789	(3,449)	46,236	(2,839)	18,472
Exchange differences in respect of cash and cash equivalents	(6,756)	(490)	431	764	(1,045)
Increase (decrease) in cash and cash equivalents	(45,410)	(43,308)	51,198	(33,438)	36,709
Cash and cash equivalents at the beginning of the period	160,862	124,153	64,254	114,283	124,153
Cash and cash equivalents at the end of the period	115,452	80,845	115,452	80,845	160,862

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 nine months ended September 30		For the period of three months ended September 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)	2,268	(3,374)	-	(3,210)	(3,374)
Investments in marketable securities and deposit in trust	-	(596)	-	(27)	(596)
Fixed assets, net	(80)	(1,140)	(80)	(603)	(1,140)
Intangible assets, net	(3,427)	(5,561)	(2,967)	(4,727)	(5,561)
Provision for vacation pay	(267)	-	-	-	-
Goodwill	(1,477)	(4,808)	(1,477)	(3,149)	(4,808)
Deferred taxes	37	2,522	-	2,423	2,522
Liability for conditional consideration	-	2,299	-	-	2,299
Liability for put option for non-controlling interests	-	3,056	-	-	3,056
Other long-term liabilities	197	1,944	-	4,167	1,944
Gain on entry to consolidation	205	-	-	-	-
Non-controlling interests	-	356	-	-	356
	(2,544)	(5,302)	(4,524)	(5,126)	(5,302)
(B) Additional cash flow information *)					
Cash paid during the period for:					
Interest	6,046	6,253	672	518	11,035
Taxes on income	6,835	7,255	1,460	668	8,966
Cash received during the period for:					
Interest	2,219	1,613	1,104	667	2,773
Taxes on income	898	939	6	545	1,024
(C) Significant activities not involving cash flows					
Acquisition of inventories of real estate and rights in real estate	-	28,738	-	-	-
Dividend to non-controlling interests	2,707	-	2,707	-	-

*) Including in respect of discontinued operations.

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

Note 1 - General

These financial statements have been prepared in a condensed format as at September 30, 2016 and for the periods of nine 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.

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 September 30, 2015 and for the periods of nine 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 September 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
	U.S. Dollars in thousands		
As of September 30, 2015			
Investments in entities accounted for at equity, net	134,302	2,608	136,910
Deferred taxes, net	(22,370)	(87)	(22,457)
Retained earnings	(177,055)	(2,521)	(179,576)

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

	For the nine months ended September 30, 2015			For the three months ended September 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
	U.S. Dollars in thousands					
Revenues	904,268	-	904,268	304,334	-	304,334
Cost of sales	(836,105)	257	(835,848)	(282,660)	139	(282,521)
Gross profit	68,163	257	68,420	21,674	139	21,813
Operating expenses	(31,628)	-	(31,628)	(11,057)	-	(11,057)
Company’s share of the profits of entities accounted for at equity, net	8,369	1,208	9,577	1,618	503	2,121
Operating income	44,904	1,465	46,369	12,235	642	12,877
Financing income	7,476	-	7,476	1,764	-	1,764
Financing expenses	(13,748)	-	(13,748)	(2,450)	-	(2,450)
Taxes on income	(9,622)	(69)	(9,691)	(2,411)	(38)	(2,449)
Income from continuing operations	29,010	1,396	30,406	9,138	604	9,742
Income (loss) from discontinuing operations	112	-	112	(74)	-	(74)
Net income	29,122	1,396	30,518	9,064	604	9,668
Comprehensive income	14,383	1,396	15,779	7,196	604	7,800
Basic earnings per share	8.14	0.24	8.38	2.53	0.15	2.68
Diluted earnings per share	8.07	0.24	8.31	2.53	0.15	2.68

*) Reclassified, see Note 5H.

(**) 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

	September 30		December 31
	2016	**2015**	**2015**
Israeli Consumer Prices Index (in points) *)	221.35	222.92	221.35
Exchange rates (in NIS):			
U.S. Dollar	3.76	3.92	3.90
Euro	4.20	4.40	4.25
100 Russian Ruble	5.95	5.92	5.35
100 Nigerian Naira	1.23	1.99	1.96

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

	For the period of nine months ended September 30		For the period of three months ended September 30		Year ended December 31
	2016	**2015**	**2016**	**2015**	**2015**
Rate of change in the period (%):					
Israeli Consumer Prices Index	-	(0.20)	0.40	0.30	(0.90)
U.S. Dollar	(3.69)	0.87	(2.29)	4.09	0.33
Euro	(1.03)	(6.79)	(1.89)	4.37	(10.11)
Russian Ruble	11.14	(14.32)	(0.59)	(12.75)	(22.55)
Nigerian Naira	(37.31)	(13.77)	(9.43)	4.04	(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 September 30, 2016 (NIS 3.758 = 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 overseas.
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 nine months ended September 30, 2016						
	Construction and infrastructure projects in Israel	Construction and infrastructure projects overseas	Services and maintenance	Development & construction of entrepreneurial real estate	Concessions	Adjustments	Total
	Unaudited						
	U.S. Dollars (in thousands)						
Revenues	680,435	32,767	288,746	4,832	2,781	(2,363)	1,007,198
Inter-segmental activities	(537)	-	(1,826)	-	-	2,363	-
Total external revenues	679,898	32,767	286,920	4,832	2,781	-	1,007,198
Segmental operating income	22,238	282	25,934	6,496	9,568	170	64,688
Less – unallocated income (expenses):							
Administrative and general expenses							(9,208)
Financing expenses							(5,148)
Others							155
Income before taxes on income							50,487

Note 3 – Operating segments - (continued)

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

	For the nine months ended September 30, 2015 *) **)						
	Construction and infrastructure projects in Israel	Construction and infrastructure projects overseas	Services and maintenance	Development & construction of entrepreneurial real estate	Concessions	Adjustments	Total
	Unaudited						
	U.S. Dollars (in thousands)						
Revenues	625,912	40,794	227,433	12,601	2,904	(5,376)	904,268
Inter-segmental activities	(308)	-	(4,829)	(239)	-	5,376	-
Total external revenues	625,604	40,794	222,604	12,362	2,904	-	904,268
Segmental operating income	23,420	4,474	21,295	1,747	4,682	-	55,618
Less – unallocated expenses:							
Administrative and general expenses							(9,125)
Financing expenses							(6,272)
Others							(124)
Income before taxes on income							40,097

*) Reclassified, see Note 5H.

**) Restated. 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 September 30, 2016						
	Construction and infrastructure projects in Israel	Construction and infrastructure projects overseas	Services and maintenance	Development & construction of entrepreneurial real estate	Concessions	Adjustments	Total
	Unaudited						
	U.S. Dollars (in thousands)						
Revenues	229,566	14,202	99,896	393	929	(1,146)	343,840
Inter-segmental activities	(537)	-	(609)	-	-	1,146	-
Total external revenues	229,029	14,202	99,287	393	929	-	343,840
Segmental operating income (less)	7,031	260	8,628	(201)	9,528	170	25,416
Less – unallocated expenses:							
Administrative and general expenses							(3,165)
Financing expenses							(1,375)
Others							(7)
Income before taxes on income							20,869

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 September 30, 2015 *) **)						
	Construction and infrastructure projects in Israel	Construction and infrastructure projects overseas	Services and maintenance	Development & construction of entrepreneurial real estate	Concessions	Adjustments	Total
	Unaudited						
	U.S. Dollars (in thousands)						
Revenues	199,893	12,556	87,697	4,669	965	(1,446)	304,334
Inter-segmental activities	(75)	-	(1,291)	(80)	-	1,446	-
Total external revenues	199,818	12,556	86,406	4,589	965	-	304,334
Segmental operating income (loss)	6,859	2,328	7,750	183	(1,300)	-	15,820
Less – unallocated income (expenses):							
Administrative and general expenses							(3,009)
Financing expenses							(686)
Others							66
Income before taxes on income							12,191

*) Reclassified, see Note 5H.

**) Restated. 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 overseas	Services and maintenance	Development & construction of entrepreneurial real estate	Concessions	Adjustments	Total
	Audited						
	U.S. Dollars (in thousands)						
Revenues	840,233	52,008	315,787	14,603	3,807	(6,675)	1,219,763
Inter-segmental activities	(333)	-	(6,023)	(319)	-	6,675	-
Total external revenues	839,900	52,008	309,764	14,284	3,807	-	1,219,763
Segmental operating income (loss)	28,458	6,522	30,482	(264)	5,882	-	71,080
Less – unallocated expenses:							
Administrative and general expenses							(12,031)
Financing expenses							(7,972)
Others							(293)
Income before taxes on income							50,784

*) Reclassified, see Note 5H.

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 September 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	846	907	1,421	1,325	1,270	1,303
In NIS – Unlinked	14,484	15,146	23,015	23,988	21,638	22,679
In Euro	-	-	440	497	318	299
Bonds						
Bonds (Series C) – Index linked	80,292	87,092	97,275	105,793	95,244	103,599
Bonds (Series D) – Unlinked	148,307	157,556	104,163	108,573	103,069	109,098
Total	243,929	260,701	226,314	240,176	221,539	236,978

*) 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$ 8,651 thousand with the addition of linkage differentials and VAT as required under the law. The betterment tax to the Company in respect of the sale transaction has been paid by it.

The Company has recorded pre-tax and post-tax gains of approximately US$ 4.9 million and of approximately US$ 4 million, respectively. Furthermore, the Company generated cash flows, net of tax, of approximately US$ 6.9 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$ 319 million.

E. On March 28, 2016, the Company's Board of Directors approved the distribution of a dividend in an amount of US$ 17.3 million (approximately US$ 4.83 per share), which was paid on April 19, 2016.

F. 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$ 93 million. The annual income that is expected in the course of the operation and maintenance period is estimated at an amount of approximately US$ 9.6 million.

G. 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.

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

G. (continued)

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 reporting period, 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.

H. On July 12, 2016, the Board of Directors of a subsidiary company of the Company decided to discontinue and to close the trading activity in the subsidiary company, which was presented under the service, maintenance and trading segment, in light of that fact the results of the trading activity have been classified as from the third quarter of 2016 as discontinued operations. As a result of this decision and the recording of provisions for the closure of the operations, the Company incurred a loss of US$ 3 million in the quarter.

I. On September 25, 2016, additional bonds (Series D) were issued for an overall gross consideration of approximately US$ 57 million at fixed effective annual rate of 2.47%.

The total amount of the bonds (Series D) that are in circulation following the expansion is approximately US$ 165.6 million.

J. 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$ 5.2 million and US$ 3.5 million in the periods of nine months and of three months ended September 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.

K. 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).

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

K. (Continued)

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$ 146.9 for each option warrant. The economic value of the overall benefit for each manager has been determined to be US$ 426 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$ 213 thousand.

L. On September 29, 2016, the Company completed a transaction for the sale of 49% of its holding together with Shikun & Binui Ltd. (24.5% by each of the parties) in an entity that holds the concession in the Gilboa Pumped storage project, to InfraRed – a foreign investment fund that is not related to the Company

Furthermore, the rest of the conditions in connection with the transaction were completed, including that the purchaser has made a shareholders' loan available at the level of 49% of the balance of the shareholders' loan, and the concession holder used this amount to repay shareholders' loans to the sellers. In addition, the purchaser has taken upon itself to make 49% of the shareholders' guarantees and the commitments to make shareholders' equity available, which the sellers had taken upon themselves under the financing agreements for the project and under the law.

Following the completion of the transaction, the Company has recorded a net gain of approximately US$ 6.6 million in its financial statements. Furthermore, the Company has derived pre-tax cash flows of approximately US$ 28.5 million.

M. At the time of the approval of the financial statements, the Company's Board of Directors approved the distribution of a dividend of US$ 8.2 million (US$ 2.3 per share).

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