ELECTRA LTD.

CONSOLIDATED FINANCIAL STATEMENTS

AS OF MARCH 31, 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 PERIOD OF THREE MONTHS ENDED MARCH 31, 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.

For information regarding the economic environment and the impact of external factors on the Group's operations, see Chapter 2 for the report containing a description of the entity's business.

2. Financial position

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

	31.03.2016		31.12.2015		
	Total	**%**	**Total**	**%**	**%**
Current assets	673,819	66.4	690,611	68.0	(2.4)
Non-current assets	340,391	33.6	325,430	32.0	4.6
Current liabilities	548,282	54.1	542,157	53.4	1.1
Non-current liabilities	245,870	24.2	249,478	24.5	(1.4)
Equity	220,058	21.71	224,411	22.1	(1.9)
Total of the statement of financial position	1,014,210	100.0	1,016,046	100.0	(0.2)

The Group's assets in the consolidated statement of financial position at the end of the period amounted to approximately US$ 1,014 million, compared to approximately US$ 1,016 million at the end of 2015.

The surplus of the current assets over the current liabilities amounted to approximately US$ 126 million, compared with approximately US$ 148 million at the end of 2015 and the current ratio is 1.23, compared to 1.27 at the end of 2015

3. Equity

As of the balance sheet date, the equity amounts to approximately US$ 220 million, compared with approximately US$ 224 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$ 11 million, with the addition 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 that was declared 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 1-3/16	Q 10-12/15	Q 7-9/15	Q 4-6/15	Q 1-3/15
Revenues from the performance of works and the provision of services	333,795	322,468	308,307	316,352	292,960
Cost of works and services	(313,346)	(299,371)	(285,490)	(291,926)	(268,528)
Gross profit	**20,449**	**23,097**	**22,817**	**24,426**	**24,432**
Administrative and general expenses	(10,996)	(10,940)	(10,690)	(10,751)	(9,472)
Selling and marketing expenses	(1,697)	(2,393)	(1,498)	(1,249)	(1,324)
The Company’s share of profits of entities accounted for at equity, net	4,255	3,950	2,116	2,154	5,286
Other income (expenses), net	5,762	(1,117)	201	437	(150)
Operating income	**17,773**	**12,597**	**12,946**	**15,017**	**18,772**
Financing expenses, net	(2,660)	(1,648)	(859)	(3,096)	(2,578)
Income before taxes on income	**15,113**	**10,949**	**12,087**	**11,921**	**16,194**
Taxes on income	(4,117)	(2,598)	(2,440)	(2,547)	(4,762)
Net income for the period	**10,996**	**8,351**	**9,647**	**9,374**	**11,432**
Attributable to:					
Shareholders in the Company	10,415	8,300	9,596	9,087	11,221
Non-controlling interests	581	51	51	287	211
	10,996	**8,351**	**9,647**	**9,374**	**11,432**

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

The Group's revenues in the reporting period amounted to approximately US$ 334 million compared with approximately US$ 293 million in the comparative period in the previous year, an increase of approximately 14%. 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$ 1,240 million.

The revenues from the performance of works and the provision of services do not include additional revenues of US$ 60 million (US$ 54 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$ 20 million, compared with approximately US$ 24 million in the corresponding period of the previous year.

The gross profit in 2015 amounted to approximately US$ 95 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$ 4.3 million in the reporting period, as compared to US$ 5.3 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 profit in respect of the termination of 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 gain of approximately US$ 0.19 million in respect of them (both in respect of the EPC entities and also in respect of the SPC entities) in the reporting period, as compared with a net of tax loss of approximately US$0.82 million in the corresponding period in the previous year.

8. Other income (expenses), net

Other income, net amounted to approximately US$ 5.8 million in the reporting period, as compared with other expenses net of approximately UA$ 0.2 million in the comparative period in the previous year. The increase in other income derived primarily from 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. For additional details, see Note 5A to the interim consolidated financial statements for the quarter.

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$ 2.7 million in the reporting period, as compared with approximately US$ 2.6 million in the corresponding period of 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$ 11 million in the reporting period, as compared with approximately US$ 11.4 million in the corresponding period of the previous year.

11. Report in respect of business segments

A. Revenues:

	For the period of three months ended March 31		For the year ended December 31
	2016	2015	2015
	US$ thousands		
Construction and infrastructure projects in Israel	228,971	208,390	838,448
Construction and infrastructure projects abroad	6,717	15,752	51,898
Services, maintenance and trading	96,209	66,649	338,031
Development & construction of entrepreneurial real estate	1,731	3,349	14,572
Concessions	777	953	3,799
Consolidation adjustments	(610)	(2,133)	(6,661)
Total	333,795	292,960	1,240,087

1. **Construction and infrastructure projects in Israel**

   The revenues turnover in the reporting period amounted to approximately US$ 229 million (approximately 69% of revenues) as compared with US$ 208 million (approximately 71% of revenues) in the comparative period in the previous year, an increase of approximately 10% 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 Hofrei Hasharon and Electra Construction Ltd.

2. **Construction and infrastructure projects abroad**

   The revenues turnover in the reporting period amounted to approximately US$ 7 million (approximately 2% of revenues) as compared with US$ 16 million (approximately 5% of revenues) in the comparative period in the previous year, a decrease of approximately 57%, which derived primarily from the completion of a number of projects as well as from a decrease in the scale of operations in Africa as compared with the comparative period in the previous year.

3. **Services, maintenance and trade**

   The revenues turnover in the reporting period amounted to approximately US$ 96 million (approximately 29% of revenues) as compared with US$ 67 million (approximately 23% of revenues) in the comparative period in the previous year, an increase of approximately 44%, which derived primarily from the initial consolidation of the operations of Electra Danko and 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$ 2 million in the reporting period (approximately 1% of revenues), as compared with approximately US$ 3 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 additional 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$ 0.8 million, in the reporting period, as compared with approximately US$ 1 million in the comparative period in the previous year.

B. Segmental operating income:

	For the period of three months ended March 31		For the year ended December 31
	2016	2015	2015
	US$ thousands		
Construction and infrastructure projects in Israel	7,566	8,151	28,398
Construction and infrastructure projects abroad	489	703	6,508
Services, maintenance and trading	7,808	6,700	31,119
Development & construction of entrepreneurial real estate	4,848	923	(264)
Concessions	138	5,160	5,869
Total	20,849	21,637	71,630

1. Construction and infrastructure projects in Israel

The operating income in the reporting period amounted to approximately US$ 7.6 million (approximately 36% of segmental operating income) as compared with approximately US$ 8.2 million (approximately 38% of segmental operating income) in the comparative period in the previous year, a decrease of approximately 7%. 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 and primarily in Electra Construction Ltd. and Electra Infrastructures Hofrei Hasharon.

2. Construction and infrastructure projects abroad

The operating income in the reporting period amounted to approximately US$ 0.5 million (approximately 2% of segmental operating income) as compared with approximately US$ 0.7 million (approximately 3% of segmental operating income) in the comparative period in the previous year.

3. Services, maintenance and trade

The operating income in the reporting period amounted to approximately US$ 7.8 million (approximately 37% of segmental operating income) as compared with approximately US$ 6.7 million (approximately 31% of segmental operating income) in the comparative period in the previous year, an increase of approximately 16.5%, deriving primarily from the initial consolidation of Electra Danko and 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$ 4.8 million (approximately 23% of segmental operating income) as compared with operating income of approximately US$ 0.9 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$ 4.9 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.

5. Concessions

The operating income in the reporting period amounted to approximately US$ 0.1 million as compared with an income of approximately US$ 5.2 million in the comparative period in the previous year. The decrease in the operating income in the reporting period derived primarily from financing expenses 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, an immaterial impact was reported in respect of the updating of the fair value of embedded derivatives, which were recorded under the Company's share of the profits of entities accounted for at equity, net, as compared with a gain of approximately US$ 3.9 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 March 31, 2016 amounted to approximately US$ 2,663 million, compared with approximately US$ 2,493 million at the end of 2015. The backlog as of March 31, 2016 includes the Group's share of entities accounted for at equity, in an amount of approximately US$ 350 million (December 31, 2015 – approximately US$ 378 million).

	March 31, 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	1,700	90	523	2,313	1,582	94	439	2,115
In respect of affiliated companies	142	23	185	350	168	24	186	378
Total	1,842	113	708	2,663	1,750	118	625	2,493
The spreading of the orders backlog without the Company's share of affiliated companies								
For performance in 2016	597	38	200	835				
For performance in 2017 and thereafter	1,103	52	323	1,478				
Total	1,700	90	523	2,313				

(*) 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$ 271 million, of which US$ 11 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$ 142 million as of March 31, 2016, as compared with approximately US$ 169 million as of December 31, 2015.

The change in the Group's liquid means in the first three months of the year 2016 derived, inter alia, from cash of approximately US$ 20 million absorbed by operating activities as compared with cash of approximately US$ 36 million in the comparative period in the previous year.

The net cash absorbed by investment activities amounted to approximately US$ 7 million in the first three months of the year 2016, by comparison with net cash of approximately US$ 2 million in the comparative period in the previous year, and included, inter alia, investments of approximately US$ 6 million in investee companies, the purchase of fixed assets and intangible assets in an amount of approximately US$ 8 million and a net investment of approximately US$ 7 million in marketable securities, less the net consideration from the disposal of fixed assets in an amount of approximately US$ 8 million and a decrease in investments, restricted cash and a deposit in trust, net, amounting to approximately US$ 5 million.

The cash absorbed by financing activities amounted to approximately US$ 4 million in the first three months of the year 2016, by comparison with net cash of approximately US$ 42 million generated in the comparative period in the previous year and primarily included the repayment of long term loans, in an amount of approximately US$ 3 million and the purchase of treasury shares in an amount of US$ 0.6 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$ 49 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 March 31, 2016.

B. In the period from the balance sheet date (March 31, 2016) and to a time shortly before the publication of the financial statements (May 25, 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 31.03.2016 to 25.05.2016):

Currency	As a %
US Dollar	2.36
Euro	0.22
Russian Ruble	3.22
Nigerian Naira	2.36

Since a significant portion of the Company’s revenue are denoted in foreign currency, the Company is of the opinion that the changes in the exchange rates as of the time of the publication of this report, are expected to affect the Company's results and its balance sheet (and this also includes the shareholders' equity). 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. Qualitative report in respect of market risks and their management

No change has occurred in the data regarding the entity's policies in respect of the management and control of market risks or in the persons who are responsible in the Company for the management of the Company's market risk from what was detailed in the Company's periodic report for the year 2015.

For details in respect of the risk factors to which the Group is exposed, see section 68 of the description of the entity's business as of December 31, 2015, which was published on March 29, 2016 (Document No. 2016-01-016749).

17. 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.

18. Discussion and examination of the connection between the remuneration for the interested parties and the senior officers

Since the time of the publication of the Company's periodic report for the year 2015, no change has occurred in the connection between the remuneration for the interested parties and the senior officers and the contribution made by the recipients to the Company

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 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.

22. 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.

23. Report of the company's control and the process of the approval of the financial statements

The Company's Board of Directors is responsible for control from above in the Company. As of the time of the financial statements the members of the Board of Directors are Mr. Michael Salkind (Chairman), Mr. Daniel Salkind, nd Mr. Ehud Ratzabi (external director), Ms. Irit Stern and Mr. Ariel Even (external director). As of the date of the financial statements, three of these directors possess accounting and financial skills as part of the process of the exercise of control in the Company in relation to its financial statements.

The Company has a committee that examines the Company's financial statements (hereinafter: "the Financial Statements Committee"), the composition of the members of the financial statements committee is identical to the composition of the members of the audit committee. As of the time of the financial statements the Committee has three members, of whom two are external directors:

- Ehud Ratzabi - An external director who has accounting and financial skills (Chairman of the Financial Statements Committee).
- Irit Stern - An independent director who has accounting and financial skills.
- Ariel Even - An external director who has accounting and financial skills.

All of the members of the Financial Statements Committee possess the ability to read and to understand financial statements and they provided a declaration to that effect prior to their appointment. For details in respect of their skills, their education and their experience, in reliance upon which the Company sees them as possessing the ability to read and to understand financial statements as possessing accounting and financial skills, see the section on Directors possessing accounting and financial skills, which appears above.

A draft of the financial statements is delivered to the members of the Financial Statements Committee shortly before the time of the meeting of the Financial Statements Committee. The directors are invited to approach the Company's Chief Executive Officer, the Chief Financial Officer and the external auditors at any time on any question or for any clarification that is required, before the meeting is convened.

On May 22, 2016, the significant issues in the financial reporting were reviewed and discussed by the members of the Financial Statements Committee and this included the evaluations and the estimates that were made in connection with the financial statements, the internal controls that are connected to the financial reporting, the completeness and the fairness of the disclosures in the financial statements, the accounting policies that have been adopted and the accounting treatment that has been implemented on matters that are significant for the Company, and the evaluations of values, including the assumptions and the estimates on which they are based, and on which figures are recorded in the financial statements.

Similarly, the correlation between the financial statements and the events that have taken place in the Company is examined. In addition, the external auditor makes comments on the subjects that have been presented and the Chief Financial Officer reviews the financial statements. During the course of the review questions are asked by the members of the Committee, which are answered. In addition, at the end of the review clarifications are given if any of the members of the Committee still have questions or issues in respect of which they have not been provided with an answer.

At the end of the meeting, the recommendations of the committee are discussed and accepted. The recommendation of the Committee is passed to the Company's Board of Directors in writing.

In addition to the members of the Financial Statements Committee, Isaac Nissim (the Company's Chief Financial Officer, Shimi Mental (the Financial Controller), Nechemia Chetzkalvitz (the Company's Secretary), Hillel Lavi (the internal auditor), Eli Vessely (the Chief Financial Officer of Elco Ltd.) and the Company's external auditor were all invited to the meeting of the Financial Statements Committee that was held on May 22, 2016, which they attended.

A meeting of the Board of Directors was held on May 30, 2016, during the course of which the Itamar Deutscher (the Chief Executive Officer) and Isaac Nissim (the Chief Financial Officer) reviewed the Group's financial results, and this included the presentation of a comparison between the reporting period and comparative periods.

Sufficient time is given for the presentation of questions in respect of the financial statements and for the giving of answers. In addition, the Chairman of the Financial Statements Committee presented the recommendations of the Financial Statements Committee to the members of the Board of Directors.

At the end of the discussion and after it has been clarified that the financial statements properly reflect the state of the Company’s affairs and the results of its activities, a decision was made on the approval of the financial statements.

The recommendation of the Financial Statements Committee was passed to the Board of Directors for review 6 business days before it convened. In the Board of Directors' assessment, the said period of time for the receipt of the recommendation of the Committee is reasonable in the light of the scope and the complexity of the recommendation.

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

THE BOARD

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

May 30, 2016

In this Report of the Board of Directors for the period ended March 31, 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 March 31, 2016 (US$ 1.- = NIS 3.766).

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Auditors' review report to the shareholders of Electra Ltd.

Introduction

We have reviewed the accompanying financial information of Electra Ltd. and its subsidiaries (hereinafter - "the Group"), which includes the condensed consolidated statements of financial position as of March 31, 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 period of three months ended on that date. The Company's board of directors and management are responsible for the preparation and presentation of financial information for this interim period, in accordance with International Accounting Standard IAS 34, "Interim Financial Reporting" and they are also responsible for the preparation of financial information for the interim period in accordance with Part D' of the Securities Regulations (Periodic and Immediate Reports) 1970. Our responsibility is to express a conclusion on this interim financial information based on our review.

We did not review the condensed financial information for the interim period of certain consolidated companies, whose assets constitute approximately 4% of the total consolidated assets as of March 31, 2016, and whose revenues constitute approximately 8% of the total consolidated revenues for the period of three months ended on that date. Furthermore, we have not reviewed the condensed financial information for the interim period of companies accounted for at equity, the investment in which amounted to approximately US$ 53,935 thousand as of March 31, 2016 and the Group's share of whose profits amounted to approximately US$ 1,372 thousand for the period of three months ended on that date. The condensed financial information of those companies for the interim period was reviewed by other auditors, whose review reports have been furnished to us, and our conclusion, insofar as it relates to amounts included for those companies, is based on the review reports of the other auditors.

The scope of the review

We conducted our review in accordance with Review Standard 1 of the Institute of Certified Public Accountants in Israel, "The review of financial information for interim periods performed by the independent auditor of an Entity". A review of financial information for interim periods consists of making inquiries, primarily of the persons who are responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially reduced in scope from an audit conducted in accordance with generally accepted auditing standards in Israel and consequently it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

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

Convenience translation of the financial statements

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

Yours sincerely

KOST FORER GABBAY & KASIRER

Certified Public Accountants

Tel-Aviv
May 30, 2016

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
CONVENIENCE TRANSLATION INTO US DOLLARS

	March 31		December 31
	2016	(*) 2015	2015
	Unaudited		Audited
	U.S. Dollars in thousands		
Current assets			
Cash and cash equivalents	127,639	126,466	160,521
Investments, restricted cash and deposit in trust	31,713	16,379	30,051
Trade receivables	199,388	186,030	187,351
Other receivables	41,132	41,002	39,331
Income receivable from works under construction contracts	181,909	153,866	180,396
Inventory	27,630	27,901	27,799
inventories of real estate and rights in real estate	64,408	36,344	65,167
Income-generating real estate held for sale	-	79,182	-
	673,819	667,170	690,616
Non-current assets			
Investments in entities accounted for at equity	140,789	128,600	136,415
Other long-term receivables	4,274	4,404	3,998
Fixed assets, net	44,841	38,509	39,272
Goodwill and other intangible assets, net	101,861	94,534	95,423
Receivables for concession arrangement for the provision of services	27,887	27,008	29,005
Long-term inventories of real estate	16,732	17,877	16,580
Deferred taxes	4,007	11,055	4,737
	340,391	321,987	325,430
	1,014,210	989,157	1,016,046

(*) 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

	March 31		December 31
	2016	(*) 2015	2015
	Unaudited		Audited
	U.S. Dollars in thousands		
Current liabilities			
Credit from banking entities and others	12,188	16,487	11,675
Loans to finance entrepreneurial real estate	32,585	2,749	32,336
Current maturities of bonds	25,155	25,187	25,297
Trade payables	262,007	218,842	259,403
Other payables	118,467	101,508	103,048
Dividend payable	17,261	16,865	-
Liabilities in respect of works under construction contracts	80,619	68,162	110,398
Liabilities in respect of income-generating real estate held for sale	-	51,621	-
	548,282	501,421	542,157
Non-current liabilities			
Liabilities to banking entities	10,740	19,630	13,595
Bonds	171,363	196,502	172,086
Other long-term liabilities	26,907	21,502	27,794
Employee benefit liabilities, net	9,575	8,696	9,503
Deferred taxes	27,285	30,023	26,500
	245,870	276,353	249,478
Equity attributed to shareholders in the company			
Share capital	31,202	31,198	31,202
Share premium	86,025	84,674	86,025
Capital reserves for translation differences in investee companies and other reserves	(78,801)	(66,495)	(81,585)
Treasury shares	(8,204)	(7,002)	(7,612)
Retained earnings	180,648	160,511	187,494
	210,870	202,886	215,524
Non-controlling interests	9,188	8,497	8,887
Total equity	220,058	211,383	224,411
	1,014,210	989,157	1,016,046

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

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

May 30, 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

	Three months ended March 31		Year ended December 31
	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	333,795	292,960	1,240,087
Cost of works and services	(313,346)	(268,528)	(1,145,315)
Gross profit	**20,449**	**24,432**	**94,772**
Administrative and general expenses	(10,996)	(9,472)	(41,853)
Selling and marketing expenses	(1,697)	(1,324)	(6,464)
Company's share of the profits of entities accounted for at equity, net	4,255	5,286	13,506
Other income (expenses), net	5,762	(150)	(629)
	(2,676)	(5,660)	(35,440)
Operating income	**17,773**	**18,772**	**59,332**
Financing income	298	1,682	10,304
Financing expenses	(2,958)	(4,260)	(18,485)
Financing expenses, net	(2,660)	(2,578)	(8,181)
Income before taxes on income	**15,113**	**16,194**	**51,151**
Taxes on income	(4,117)	(4,762)	(12,347)
Net income	**10,996**	**11,432**	**38,804**
Net income attributable to:			
Shareholders in the Company	10,415	11,221	38,204
Non-controlling interests	581	211	600
	10,996	11,432	38,804
Net earnings per share attributable to shareholders in the company (in U.S. Dollars):			
Basic net earnings per share	2.91	3.20	10.67
Diluted net earnings per share	2.90	3.16	10.66

*) 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

	Three months ended March 31		Year ended December 31
	2016	(*) 2015	2015
	Unaudited		Audited
	U.S. Dollars in thousands		
Net income	**10,996**	**11,432**	**38,804**
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	(3)	-	(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	2,172	(10,548)	(24,333)
Gain (loss) on hedging transactions, net	303	280	(826)
Other comprehensive income (loss)	**2,472**	**(10,268)**	**(25,332)**
Total comprehensive income	**13,468**	**1,164**	**13,472**
Comprehensive income attributable to:			
Shareholders in the Company	12,887	953	12,871
Non-controlling interests	581	211	601
	13,468	1,164	13,472

*) 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)	**31,202**	**86,025**	**187,494**	**1,650**	**542**	**187**	**(83,964)**	**(7,612)**	**215,524**	**8,887**	**224,411**
Net income	-	-	10,415	-	-	-	-	-	10,415	581	10,996
Other comprehensive income (loss):											
Loss on the re-measurement of defined benefit plans, net	-	-	-	-	-	(3)	-	-	(3)	-	(3)
Adjustments deriving from the translation of financial statements of foreign operations, net	-	-	-	-	-	-	2,172	-	2,172	-	2,172
Gain on hedging transactions, net	-	-	-	-	303	-	-	-	303	-	303
Total other comprehensive income (loss)	-	-	-	-	303	(3)	2,172	-	2,472	-	2,472
Total comprehensive income (loss)	**-**	**-**	**10,415**	**-**	**303**	**(3)**	**2,172**	**-**	**12,887**	**581**	**13,468**
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	(280)	(280)
Purchase of treasury shares, net	-	-	-	-	-	-	-	(592)	(592)	-	(592)
Cost of share-based payments	-	-	-	312	-	-	-	-	312	-	312
Dividend to shareholders in the company	-	-	(17,261)	-	-	-	-	-	(17,261)	-	(17,261)
Balance as of March 31, 2016	**31,202**	**86,025**	**180,648**	**1,962**	**845**	**184**	**(81,792)**	**(8,204)**	**210,870**	**9,188**	**220,058**

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)	**31,198**	**84,674**	**165,032**	**1,555**	**1,368**	**361**	**(59,631)**	**(6,867)**	**217,690**	**8,063**	**225,753**
Changes following the initial implementation of IFRS 15 (see Note 2D).	-	-	1,123	-	-	-	-	-	1,123	-	1,123
Balance as of January 1, 2015 following the initial implementation of IFRS 15	**31,198**	**84,674**	**166,155**	**1,555**	**1,368**	**361**	**(59,631)**	**(6,867)**	**218,813**	**8,063**	**226,876**
Net income	-	-	11,221 *)	-	-	-	-	-	11,221	211	11,432
Other comprehensive income (loss):											
Adjustments deriving from the translation of financial statements of foreign operations, net	-	-	-	-	-	-	(10,548)	-	(10,548)	-	(10,548)
Gain on hedging transactions, net	-	-	-	-	280	-	-	-	280	-	280
Total other comprehensive income (loss)	-	-	-	-	280	-	(10,548)	-	(10,268)	-	(10,268)
Total comprehensive income (loss)	**-**	**-**	**11,221**	**-**	**280**	**-**	**(10,548)**	**-**	**953**	**211**	**1,164**
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	(132)	(132)
Initially consolidated company	-	-	-	-	-	-	-	-	-	355	355
Purchase of treasury shares, net	-	-	-	-	-	-	-	(135)	(135)	-	(135)
Cost of share-based payments	-	-	-	120	-	-	-	-	120	-	120
Dividend to shareholders in the company	-	-	(16,865)	-	-	-	-	-	(16,865)	-	(16,865)
Balance as of March 31, 2015	**31,198**	**84,674**	**160,511**	**1,675**	**1,648**	**361**	**(70,179)**	**(7,002)**	**202,886**	**8,497**	**211,383**

*) 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 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
	U.S. Dollars in thousands										
Balance as of January 1, 2015	**31,198**	**84,674**	**165,032**	**1,555**	**1,368**	**361**	**(59,631)**	**(6,867)**	**217,690**	**8,063**	**225,753**
Changes following the initial implementation of IFRS 15 (see Note 2D).	-	-	1,123	-	-	-	-	-	1,123	-	1,123
Balance as of January 1, 2015 following the initial implementation of IFRS 15	**31,198**	**84,674**	**166,155**	**1,555**	**1,368**	**361**	**(59,631)**	**(6,867)**	**218,813**	**8,063**	**226,876**
Net income	-	-	38,204	-	-	-	-	-	38,204	600	38,804
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	-	-	-	-	-	-	(24,333)	-	(24,333)	-	(24,333)
Gain on hedging transactions, net	-	-	-	-	(826)	-	-	-	(826)	-	(826)
Total other comprehensive income (loss)	-	-	-	-	(826)	(174)	(24,333)	-	(25,333)	1	(25,332)
Total comprehensive income (loss)	**-**	**-**	**38,204**	**-**	**(826)**	**(174)**	**(24,333)**	**-**	**12,871**	**601**	**13,472**
Exercise of option warrants into shares	4	1,351	-	(1,424)	-	-	-	73	4	-	4
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	(132)	(132)
Initially consolidated company	-	-	-	-	-	-	-	-	-	355	355
Purchase of treasury shares, net	-	-	-	-	-	-	-	(818)	(818)	-	(818)
Cost of share-based payment	-	-	-	1,519	-	-	-	-	1,519	-	1,519
Dividend to shareholders in the company	-	-	(16,865)	-	-	-	-	-	(16,865)	-	(16,865)
Balance at December 31, 2015	**31,202**	**86,025**	**187,494**	**1,650**	**542**	**187**	**(83,964)**	**(7,612)**	**215,524**	**8,887**	**224,411**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
CONVENIENCE TRANSLATION INTO US DOLLARS

	Three months ended March 31		Year ended December 31
	2016	(*) 2015	2015
	Unaudited		Audited
	U.S. Dollars in thousands		
Cash flows from operating activities:			
Net income	10,996	11,432	38,804
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	(4,255)	(5,286)	(13,506)
Dividend received from companies accounted for at equity	2,265	511	3,074
Depreciation and amortization	3,042	2,913	12,725
Increase (decrease) in employee benefit liabilities, net	99	(116)	309
Gain on the disposal of fixed assets and investments, net	(5,744)	(3)	(758)
Increase in the value of marketable securities, net	(60)	(1)	42
Cost of share-based payment	312	120	1,519
Deferred taxes, net	1,495	2,761	4,692
Erosion (revaluation) of long-term receivables and payables, long-term loans and bonds, net	2,232	(2,911)	923
Changes in asset and liability items:			
Increase in trade receivables	(12,105)	(15,734)	(8,406)
Decrease (increase) in other receivables and in respect of a concession arrangement for the provision of services	(3,531)	1,953	3,125
Increase in income receivable from work under construction contracts	(1,658)	(10,084)	(36,745)
Decrease in inventory	136	1,899	2,297
Decrease in inventories of real estate and rights in real estate (before acquisition of and investment in land)	1,082	1,306	6,106
Increase (decrease) in trade payables	(2,069)	(24,395)	16,280
Increase (decrease) in other payables	17,439	4,230	(1,313)
Increase (decrease) in liabilities in respect of works under construction contracts	(29,517)	(4,907)	37,411
	(30,837)	(47,744)	27,775
Net cash generated (absorbed) by operating activities (before acquisition of and investment in land)	(19,841)	(36,312)	66,579
Acquisition of and investment in land (**)	-	-	(36,624)
Net cash generated (absorbed) by operating activities	(19,841)	(36,312)	29,955

*) 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

	Three months ended March 31		Year ended December 31
	2016	2015	2015
	Unaudited		Audited
	U.S. Dollars in thousands		
Cash flows from investment activities:			
Investment in entities accounted for at equity, net	(5,650)	(1,647)	(11,259)
Decrease (increase) in investments, restricted cash and deposit in trust, net	5,026	3,227	(2,941)
Purchase of fixed assets and intangible assets	(8,251)	(4,137)	(13,147)
Decrease in receivables for a concession arrangement for the provision of services	372	382	1,483
Acquisition of initially consolidated companies (A)	-	(176)	(5,291)
Proceeds from the sale of fixed assets	8,342	179	1,152
Investment in marketable securities, net	(7,123)	(1)	(7,675)
Collection of long-term debts, net	1	14	11
Proceeds from the disposal of income-generating real estate	-	-	26,952
Net cash absorbed by investment activities	(7,283)	(2,159)	(10,715)
Cash flows from financing activities:			
Issuance of share capital	-	-	4
Payment of dividend to non-controlling interests and to shareholders in the company	(280)	(132)	(16,997)
Acquisition of treasury shares, net	(592)	(135)	(818)
Issuance of bonds, net	-	49,052	49,052
Receipt of long-term loans	-	-	452
Repayment of long-term loans	(3,217)	(5,204)	(14,586)
Repayment of bonds	-	-	(24,984)
Short-term credit from banking entities and others and for the financing of entrepreneurial real estate, net	245	(1,321)	26,311
Net cash generated (absorbed) by financing activities	(3,844)	42,260	18,434
Exchange differences in respect of cash and cash equivalents	(1,914)	(1,213)	(1,043)
Increase (decrease) in cash and cash equivalents	(32,882)	2,576	36,631
Cash and cash equivalents at the beginning of the period	160,521	123,890	123,890
Cash and cash equivalents at the end of the period	127,639	126,466	160,521

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
CONVENIENCE TRANSLATION INTO US DOLLARS

	Three months ended March 31		Year ended December 31
	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)	-	214	(3,366)
Investments in marketable securities and deposit in trust	-	(568)	(595)
Fixed assets, net	-	(536)	(1,138)
Intangible assets, net	-	(832)	(5,549)
Goodwill	-	(2,027)	(4,798)
Deferred taxes	-	93	2,516
Liability for conditional consideration	-	1,479	2,294
Liability for put option for non-controlling interests	-	1,541	3,050
Other long-term liabilities	-	105	1,940
Non-controlling interests	-	355	355
	-	(176)	(5,291)
(B) Additional cash flow information:			
Cash paid during the period for:			
Interest	635	565	11,012
Taxes on income	1,846	3,511	8,947
Cash received during the period for:			
Interest	746	433	2,767
Taxes on income	872	4	1,022
(C) Significant activities not involving cash flows			
Dividend payable	17,261	16,865	-

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 March 31, 2016 and for the period 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 March 31, 2015 and for the period 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 March 31, 2015 and on the statements of profit or loss and of comprehensive income for the period ended on that date:

As of March 31, 2015	In accordance with the previous policy	The change	In accordance with IFRS 15
Investments in entities accounted for at equity, net	127,225	1,375	128,600
Deferred taxes, net	(18,945)	(23)	(18,968)
Retained earnings	(159,159)	(1,352)	(160,511)

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

For the three months ended March 31, 2015	In accordance with the previous policy	The change (*)	In accordance with IFRS 15
Revenues	292,960	-	292,960
Cost of sales	(268,545)	17	(268,528)
Gross profit	24,415	17	24,432
Operating expenses	(10,946)	-	(10,946)
Company’s share of the profits of entities accounted for at equity, net	5,069	217	5,286
Operating income	18,538	234	18,772
Financing income	1,682	-	1,682
Financing expenses	(4,260)	-	(4,260)
Taxes on income	(4,757)	(5)	(4,762)
Net income	11,203	229	11,432
Comprehensive income	935	229	1,164
Basic earnings per share	3.14	0.06	3.20
Diluted earnings per share	3.10	0.06	3.16

(*) 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

	March 31		December 31
	2016	**2015**	**2015**
Israeli Consumer Prices Index (in points) *)	219.35	219.79	221.35
Exchange rates (in NIS):			
U.S. Dollar	3.77	3.98	3.90
Euro	4.29	4.27	4.25
100 Russian Ruble	5.57	6.81	5.35
100 Nigerian Naira	1.90	2.01	1.96

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

	Three months ended March 31		Year ended December 31
	2016	**2015**	**2015**
Rate of change in the period (%):			
Israeli Consumer Prices Index	(0.91)	(1.60)	(0.90)
U.S. Dollar	(3.49)	2.34	0.33
Euro	0.91	(9.55)	(10.11)
Russian Ruble	4.05	(1.52)	(22.55)
Nigerian Naira	(3.16)	(12.74)	(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 March 31, 2016 (NIS 3.766 = 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 three months ended March 31, 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	228,971	6,717	96,209	1,731	777	(610)	333,795
Inter-segmental activities	-	-	(610)	-	-	610	-
Total external revenues	228,971	6,717	95,599	1,731	777	-	333,795
Segmental operating income	7,566	489	7,808	4,848	138	-	20,849
Less – unallocated expenses:							
Administrative and general expenses							(3,088)
Financing expenses							(2,660)
Others							12
Income before taxes on income							15,113

Note 3 – Operating segments - (continued)

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

	For the three months ended March 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**
				Unaudited			
				U.S. Dollars (in thousands)			
Revenues	208,390	15,752	66,649	3,349	953	(2,133)	292,960
Inter-segmental activities	(142)	-	(1,912)	(79)	-	2,133	-
Total external revenues	208,248	15,752	64,737	3,270	953	-	292,960
Segmental operating income	8,151	703	6,700	923	5,160	-	21,637
Less – unallocated expenses:							
Administrative and general expenses							(2,715)
Financing expenses							(2,578)
Others							(150)
Income before taxes on income							16,194

*) 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	838,448	51,898	338,031	14,572	3,799	(6,661)	1,240,087
Inter-segmental activities	(332)	-	(6,011)	(318)	-	6,661	-
Total external revenues	838,116	51,898	332,020	14,254	3,799	-	1,240,087
Segmental operating income	28,398	6,508	31,119	(264)	5,869	-	71,630
Less – unallocated expenses:							
Administrative and general expenses							(12,005)
Financing expenses							(8,181)
Others							(293)
Income before taxes on income							51,151

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 March 31				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	1,121	1,142	1,707	1,804	1,267	1,300
In NIS – Unlinked	18,817	19,743	27,214	28,518	21,592	22,631
In Euro	213	219	639	733	318	298
Bonds						
Bonds (Series C) – Index linked	95,273	104,422	111,626	125,049	95,042	103,378
Bonds (Series D) – Unlinked	103,812	110,615	113,374	120,391	102,850	108,867
Total	219,236	236,141	254,560	276,495	221,069	236,474

*) 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$ 8,632 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$ 4.9 million and of approximately US$ 4 million, respectively. Furthermore, the Company generated cash flows, net of tax, of approximately US$ 6.8 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$ 318.6 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$ 4.82 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$ 5.8 million in its financial statements. Furthermore, the Company will derive cash flows of approximately US$ 22.8 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$ 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.

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.