FINANCIAL STATEMENTS

June 30, 2012

(CONVENIENCE TRANSLATION INTO U.S. DOLLARS)

ELECTRA LTD.

CONSOLIDATED FINANCIAL STATEMENTS

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Contents

THE BOARD OF DIRECTORS OF ELECTRA LTD. HEREBY PRESENTS THE FINANCIAL STATEMENTS OF THE COMPANY AND ITS CONSOLIDATED COMPANIES ("THE GROUP") FOR THE PERIODS OF SIX MONTHS AND THREE MONTHS ENDED JUNE 30, 2012

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 subsidiary and investee companies. See the report on the description of the entity's business as at December 31, 2011 which appears in section 1.6**.**

Changes in the economic environment

During the course of the first half of the year 2012, it has been apparent that there are signs of further weakening in the place of the recovery of the global economy. The financial marks have fallen and gone back to a level that is close to where they were at the end of 2011, and as a result of this and of other negative indicators, the International Monetary Fund has amended its growth forecasts.

The International Monetary Fund has downgraded its forecasts for global growth in 2012 and in 2013 from 3.6% and 4.1% to 3.5% and 3.9%. The Fund expects that in 2012 the US economy will grow at a rate of around 2% and that the Euro Bloc will suffer from negative growth of 0.3%. The Fund has lowered its growth forecast for the year 2013 and is forecasting growth of 2.3% and 0.7% in the US and in Europe, respectively.

In Israel, as of the reporting date, it is apparent that there is fear of a fall in the pace of growth, which in any event is already restrained. The fear derives primarily from a fall in the level of demand as a result of the debt crisis in the Euro bloc and from the impact of the social protests that began in 2011 and whose main effect has been to reduce private consumption. According to a forecast published by the Bank of Israel's Research Department in June this year, the GNP is expected to grow by 3.1% in 2012 and by 3.4% in 2013.

The Consumer Prices Index, which remained unchanged in January and February this year, recorded an increase of 0.4% in March and of 0.9% in April, however in May it remained unchanged and in June it fell by 0.3%. The low Consumer Prices Index led the Bank of Israel to reduce the interest rate by a quarter of a percent to 2.25%, following the publication of the Index for June. The Index increased by 0.1% in July.

According to the forecast by the Bank of Israel's Research Department, the rate of inflation that is forecast form the four quarters ending in the second quarter of 2013 is 2.4%.

During the course of the month of July, the government approved a broad package of steps in order to reduce the budgetary deficit, most of which were on the income side. Value Added Tax is expected to increase by one percent in September 2012 and the income tax rate for individuals who earn over US$ 3.6 thousand a month is also expected to rise. In addition, the government expects to receive non-recurring income as the result of the deepening of the collection of taxes – from the war on the black economy and from tax arrangements in respect of captive profits.

The activity in the construction industry is at a relatively high level by comparison with it level in the past decade and it is apparent that the level of building starts is still high, even though it is still lower than the record level that was recorded in mid 2011. At the same time, it is also apparent that the recovery in demand for residential property in the marketplace is not as high as was expected – in accordance with data from the Central Bureau of Statistics, the inventory of apartments that are available for sale in June 2012 stood at a level of approximately 21 thousand apartments (which was some 22% higher than the level in June 2011).

As of the date of this report, the worsening in the economic environment, as aforesaid, has not had a significant impact on the level of the Group's financial stability or on its liquidity. The Group is continuing to monitor the global markets and the implications of events on its fields of activity.

The construction and infrastructure projects in Israel segment - See the details that appear in section 7 of the report that contains a description of the entity's business as of December 31, 2011.

The Group's activities in this segment are carried out such that the Group provides the customer with services in the field of buildings and infrastructure in Israel and this is generally carried out as a package deal. In this way, the Group is equipped to accompany the customer during each stage of the relevant project, starting from the installation of electromechanical systems in building (air conditioning, electricity and plumbing, elevators and escalators), the provision of construction services, the installation of electrical infrastructures for very high voltage power lines, high/intermediate voltage and low voltage supplies for buildings, industries and infrastructure and the construction and execution of national infrastructure facilities.

For the most part, the Group's activities on a particular project include a combination of a number of services, out of a package of services that the Group offers to its customers. The Company launched an "integrated systems" service, within the framework of which the customer is also offered general main electro-mechanical contractor services.

The Group is engaged in the following areas of activity in the construction and infrastructure projects in Israel segment:

1. **The instillation of integrated systems – Electra M & E (Mechanical and Electrical**):

   The provision of services as a main electro-mechanical contractor for the execution of a range of electro-mechanical systems, primarily in large and complex projects. The unit integrates a range of abilities possessed by the Group for its customers, under one management umbrella (a one stop shop).

   In addition the Group is also engaged in this field in the installation of central air-conditioning systems in office and residential buildings, public buildings, shopping centers, hotels, hi-tech industries, hospitals and so on , as well as the installation of electrical infrastructure facilities for very high voltage power lines, high/intermediate voltages and low voltages for buildings, industry and infrastructures and the installation of sanitary piping and plumbing and fire extinguishing systems for office and residential buildings, public buildings, shopping centers, hotels and so on.

2. **The installation of elevators and escalators**:

   The installation of elevators, escalators, stair lifts and access facilities in residential homes, office buildings, public buildings, shopping centers and so on. Moreover, the Group is engaged in the installation of rack and pinion elevators for the construction industry, power stations and the chemicals industry.

3. **Construction**:

   Main construction contractor for residential buildings, office buildings, public buildings, hotels and so on.

4. **Sewage treatment systems**:

   The construction and/or upgrading of sewage treatment facilities for local authorities and/or water corporations including civil engineering, electromechanical electricity and control systems.

The Group has a reputation as a leader in most of the fields in which it operates. The Group specializes in performing large complex projects, in the context of which all or most of the project's systems are provided by the Group including infrastructures, central air conditioning systems, electricity and plumbing, elevators and escalators and construction. The Group specializes in performing a range of projects such as office buildings, hotels, shopping centers, industrial plants, hospitals, public buildings, residential buildings and infrastructure work.

The construction and infrastructure projects overseas segment - See the details that appear in the section 22 of the report that contains a description of the entity's business as of December 31, 2011.

Electech Holdings B.V. (hereinafter - Electech), a Dutch company that is wholly owned by the Company, coordinates the Group's electromechanical activities outside Israel. Elechtech's operations are carried out through foreign companies and partnerships (for additional details on the structure of the holdings in the Group, see section 1.6 of the report on the description of the entity's business as of December 31, 2011).

Electech operates in the following countries:

Belgium – The planning and installation of projects in the field of central air-conditioning systems, heating and plumbing, through the Devis group (a group of Belgian companies).

Nigeria – The planning and installation of projects and the sale of equipment in the electro-mechanical field, through O.T.S., which holds a wholly owned foreign company in Nigeria.

Others – The planning and installation of projects in the electro-mechanical field in Russia, Bulgaria, Romania, England and Belarus through foreign subsidiary companies.

The Group is engaged in the following areas of activity in the construction and infrastructure projects overseas segment:

1. **The installation of central air conditioning systems**:

   The installation of central air-conditioning systems in office and residential buildings, public buildings, shopping centers, hotels, hi-tech industries, hospitals and so on.

2. **The installation of electrical systems and plumbing**:

   The installation of electrical infrastructure products for very high voltage power lines, high/intermediate voltages and low voltages for buildings, industry and infrastructures and the installation of sanitary piping and plumbing and fire extinguishing systems for office and residential buildings, public buildings, shopping centers, hotels and so on.

The services, maintenance and trade segment - See the details that appear in the section 35 of the report that contains a description of the entity's business as of December 31, 2011.

The Group's activities in this segment complement its activities in the construction and infrastructure projects segments in Israel and overseas. Within the context of this segment, the Group provides services for elevators and air conditioning systems, the management and maintenance of buildings and the operation of sewage treatment facilities. In many cases, the know-how gained in the construction and infrastructure projects segments in Israel and abroad also serves the Group's activities in this segment. Sometimes, the very fact that the Group constructed a specific project provides it with an advantage in obtaining a maintenance contract for the same project. In addition, the Group, within the context of this segment, is engaged in importing and marketing light bulbs and electrical switching equipment as well as in the marketing of lighting fixtures for electrical projects (an activity which complements the activity in the construction and infrastructure projects segment in the electrical field).

Within the context of this segment, the Group mainly provides the following services:

1. **Facility management (FM):**

   The management of properties, primarily office buildings, parking lots and shopping centers as well as the operation and provision of services for buildings, projects, facilities (including security facilities), equipment, highways and tunnels. The scope of the services that is provided to customers is determined in accordance with the contract covering the relationship with them and primarily includes the maintenance of systems, security services, cleaning and insurance for the property.

2. **Servicing air conditioning systems**:

   The provision of services for air conditioning systems in office buildings, public buildings, shopping centers and so on.

3. **Services for elevators, escalators and stair lifts**:

   The provision of services for elevators, escalators and stair lifts in residential homes, office buildings, public buildings, shopping centers and so on.

4. **The operation of sewage treatment facilities**:

   The operation of sewage treatment facilities for local authorities under contracts of engagement, which are usually for a number of years. The consideration can be calculated on the basis of cubic meters of purified water or at a fixed monthly fee, or as a combination of both methods.

5. **Trading**:

   The Group imports lighting fixtures for interior and exterior lighting, switching components, auxiliary equipment and electrical fixtures, which supplement the Group's electrical infrastructure products, from abroad and markets them in Israel.

Most of the activities in this segment are performed in Israel and the foreign activities are carried out through foreign subsidiaries whose main activities consist of building and infrastructure projects, where the servicing and maintenance activities are insignificant. The servicing and maintenance activities overseas are primarily in the fields of central air conditioning, heating and plumbing.

The entrepreneurial real estate development and construction segment - See the details that appears in the section 48 of the report that contains a description of the entity's business as of December 31, 2011.

Electra Investments (1998) Ltd. (hereinafter - Electra Investments), a wholly owned subsidiary of the Company, coordinates most of the Group's real estate development and construction activities. Electra Investments carries out most of its activities through investee companies (including a partnership) in Israel and through Glotir Trading Ltd. (hereinafter - Glotir), a subsidiary company that is registered in Holland. Electra Investments' activities are performed by acquiring land, obtaining the re-zoning of the land, if needed, obtaining the permits that are required, marketing, planning and constructing the projects and/or by selling the real estate during one of the various stages of development.

As of the date of this report, Electra Investments operates in Russia, Bulgaria, Poland, Latvia, Lithuania, and Israel, where the overseas operations focus primarily in Russia and Bulgaria.

As of the date of this report, Electra Investments holds, including via investee companies in Israel and overseas, 13 real estate development properties at various rates of holding where one of them is an investment property asset in Israel. The realty properties are at various stages of development and construction.

The concessions segment - See the details that appear in the section 63 of the report that contains a description of the entity's business as of December 31, 2011.

The Group's activities in this segment complement the activities in the projects segment and focus on concessions activities in national infrastructure projects that are executed with financing from the private sector (primarily BOT and BOO projects). These activities are executed through participation in national tenders, and also by competing for projects which progress within the framework of licenses and/or specific regulation. At this stage the operations are focused in Israel and the Group is also examining additional countries in which the Electra Group has a relative advantage.

The Group's activities in this segment are executed such that within the framework of the projects the Company is given a long-term concession by a public body, to plan, finance, set-up and operate the project. Where the project is a BOT type project, it is transferred to the ordering body at the end of the period of the franchise. In a BOO type project, the project remains the property of the franchisee at the end of the period of the franchise.

The concession projects are generally ordered by the public body that is in charge of the relevant service. Since there are large scale projects from the perspective of the resources that are required to execute them, competing over the receipt of a concession is generally done together with a number of partners.

In order to execute this sort of projects, it is customary to set up three separate legal entities: the concessionaire company, which is a special purpose company, which has a commitment with the ordering body under a concession agreement, the construction contractor company, which is responsible for the setting-up of the project (this part is executed as part of the projects segment) and the operational contractor company, which operates and maintains the project throughout the period of the concession(this part is executed as part of the services and maintenance segment).

Financial position

The Group's assets in the consolidated balance sheet at the end of the period amounted to approximately US$ 765 million, compared to approximately US$ 730 million at the end of 2011, an increase of approximately 4.7%.
The excess of the current assets over the current liabilities amounted to approximately US$ 29.6 million as compared with approximately US$ 54.9 million at the end of 2011.
The current ratio is currently 1.08 and at the end of 2011 it was 1.16.

Equity

As of the balance sheet date, the equity amounts to approximately US$ 194 million, compared with approximately US$ 192 million at the end of 2011. The change in equity as of the balance sheet date derives primarily from the net income for the period in an amount of approximately US$ 14 million and with the addition of the profit that was reflected under a capital reserve on the adjustments deriving from the translation of financial statements of foreign operations in an amount of US$ 0.8 million, which derived from the impact of the change in the exchange rates in relation to the NIS of the currencies in the markets in which the Group operates and after setting off a dividend of US$ 13 million that was paid in the reporting period (see additional details, which appear in the statement of changes in equity in the financial statements).

The following are details of the changes in the exchange rates, as aforesaid (from 31.12.2011 to 30.6.2012):

Currency	As a %
US Dollar	2.67
Euro	(0.13)
Nigerian Niera	3.17
Russian Ruble	0.18

Operating results

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

	Q 04-06/12	Q 1-3/12	Q 10-12/11	Q 07-09/11	Q 04-06/11
Revenues from the performance of works and the provision of services	197,887	188,225	185,379	185,294	180,346
Cost of works and services	(177,642)	(168,495)	165,004	165,520	(161,467)
Gross profit	20,245	19,730	20,375	19,774	18,879
Adjustment of the fair value of income-generating assets	1,680	1,307	1,560	857	6,122
Administrative and general expenses	(9,511)	(9,151)	(9,768)	(9,294)	(9,266)
Selling and marketing expenses	(1,638)	(1,628)	(1,577)	(1,481)	(1,588)
Company's share of profits (losses) of affiliated companies, net	997	1,080	(505)	924	933
Other expenses, net	(423)	(125)	(161)	(181)	(520)
Financing income (expenses), net	(767)	(2,460)	(614)	320	-
	(9,662)	(10,977)	(11,065)	(8,855)	(6,472)
Income before taxes on income	10,583	8,753	9,310	10,919	12,407
Taxes on income	(2,697)	(2,685)	2,718	3,154	(2,901)
Net income for the period	7,886	6,068	6,592	7,765	9,506
Attributable to:					
Shareholders of the Company	7,866	6,047	6,539	7,701	9,472
Non-controlling interests	20	21	53	64	34
	7,886	6,068	6,592	7,765	9,506

Revenues from the performance of works and the provision of services

The Group's revenues in the first six months of 2012 (hereinafter - the reporting period) amounted to approximately US$ 386 million compared with approximately US$ 355 million in the comparative period in the previous year, an increase of approximately 8.7%. The increase in the revenues in the reporting period relates to the buildings and infrastructure projects in Israel segment as well as an increase in the services, maintenance and trade segment, after setting off a decrease in income in the buildings and infrastructure projects overseas (see the additional details that appear in the section on the report in respect of business segments, which follows).

The Group's revenues in 2011 amounted to US$ 726 million.

Gross profit

The gross profit in the reporting period amounted to approximately US$ 40 million, compared with approximately US$ 39.8 million in the corresponding period of the previous year, an increase of approximately 0.4%.

The gross profit in 2011 amounted to US$ 80 million.

The adjustment of the fair value of income-generating assets

During the reporting period, a gain of approximately US$ 3 million was recorded on the revaluation of the income-generating assets as compared with a gain of approximately US$ 8.2 million in the corresponding period of the previous year. The gain from the revaluation of a project in which the Company has a 25% holding (the project is jointly controlled with Electra Real Estate, which has a 25% holding and a third party that has a 50% holding) has been recorded in accordance with an evaluation that was received at the time of the Company's financial statements. The gain in the year 2011 from the adjustment of the fair value of income-generating assets amounted to approximately US$ 10.7 million.

Financing expenses, net

Financing expenses, net amounted to approximately US$ 3.2 million in the reporting period, as compared with financing expenses of approximately US$ 3.7 million in the corresponding period of the previous year.

The decrease in financing expenses, net in the reporting period by comparison with the comparative period in the previous year derives primarily from the impact of the change in the exchange rates of foreign currencies and in respect of Dollar denoted loan that the Company has extended to a company that is treated under the equity method of accounting as well as from an increase in interest and linkage differentials in respect of the increase in the volume of the Company's loans by comparison with the comparative period in the previous year.

Financing expenses, net in 2011 amounted to US$ 4 million.

Net income

The Group's net income in the reporting period amounted to approximately US$ 14 million, compared with approximately US$ 18.5 million in the corresponding period of the previous year. The decrease derived primarily from the buildings and infrastructure projects overseas segment, as well as from a decrease in income from the adjustment of the fair value of income-generating real estate from US$ 8.2 million in the comparative period in the previous year to US$ 3 million in the reporting period.

Report in respect of business segments

Revenues:

	For the period of six months ended June 30		For the period of three months ended June 31		For the year ended December 31
	2012	2011	2012	2011	2011
	US$ thousands				
Construction and infrastructure projects in Israel	214,042	185,720	113,275	96,081	382,714
Construction and infrastructure projects abroad	72,726	77,791	34,131	35,301	148,659
Services, maintenance and trading	100,795	95,338	51,146	49,733	198,252
Development & construction of entrepreneurial real estate	2,329	2,913	1,348	2,477	5,492
Concessions	1,514	1,550	778	885	3,009
Consolidation adjustments	(5,177)	(7,746)	(2,719)	(3,840)	(11,828)
Total	386,229	355,566	197,959	180,637	726,298
The turnover shown for the operating segments is larger than the turnover reported in the statement of income as a result of a difference arising from the classification of financing income, solely for the purposes of the segmental reporting	117	371	72	291	429

A. Construction and infrastructure projects in Israel

The revenues in the reporting period amounted to approximately US$ 214 million (approximately 55% of segmental revenues) as compared with US$ 186 million (approximately 52% of segmental revenues) in the comparative period in the previous year, an increase of approximately 15% which derived from an increase in most of the Group's activities.

B. Construction and infrastructure projects abroad

The revenues in the reporting period amounted to approximately US$ 73 million (approximately 19% of segmental revenues) as compared with US$ 78 million (approximately 22% of segmental revenues) in the comparative period in the previous year, a decrease of approximately 7%.

The decrease derived primarily from the fact that in the comparative period the performance of a number of significant projects in Eastern Europe were completed.

C. Services, maintenance and trade

The revenues in the reporting period amounted to approximately US$ 101 million (approximately 26% of segmental revenues) as compared with US$ 95 million (approximately 27% of segmental revenues) in the comparative period in the previous year, an increase of approximately 6% which derived from an increase in most of the Group's activities.

D. Development & construction of entrepreneurial real estate

The revenues from the entrepreneurial real estate segment includes income from the sale of apartments, which is reported, in accordance with the international standards (IFRS), when the apartments are handed over to the purchasers, and from rental income from income-generating real estate.

E. Concessions

The revenues in the reporting period and in the comparative period in the previous year amounted to approximately US$ 1.5 million and approximately US$ 1.6 million, relating primarily to the concessions activities in the field of waste water treatment facilities.

Segmental operating income (loss):

	For the period of six months ended June 30		For the period of three months ended June 30		For the year ended December 31
	2012	2011	2012	2011	2011
	US$ thousands				
Construction and infrastructure projects in Israel	6,881	3,679	3,770	1,863	11,186
Construction and infrastructure projects abroad	4,795	10,999	1,722	4,293	15,806
Services, maintenance and trading	14,253	13,494	7,569	7,388	28,906
Development & construction of entrepreneurial real estate	3,442	7,088	2,114	5,488	6,949
Concessions	102	(803)	294	(279)	(1,229)
Consolidation adjustments	(195)	(413)	(105)	(367)	(456)
Total	29,278	34,044	15,364	18,386	61,162

A. Construction and infrastructure projects in Israel

The operating income in the reporting period amounted to approximately US$ 6.9 million (approximately 24% of segmental operating income) as compared with US$ 3.7 million (approximately 11% of segmental operating income) in the comparative period in the previous year, an increase of approximately 87%. The increase in the operating income derived primarily from the completion of the execution of a number of large projects in the reporting period.

B. Construction and infrastructure projects abroad

The operating income in the reporting period amounted to approximately US$ 4.8 million (approximately 17% of segmental operating income) as compared with US$ 11 million (approximately 32% of segmental operating income) in the comparative period in the previous year, a decrease of approximately 56%. The decrease in the operating income derived primarily from the fact that in the comparative period the performance of a number of significant projects in Eastern Europe were completed.

C. Services, maintenance and trade

The operating income in the reporting period amounted to approximately US$ 14.3 million (approximately 49% of segmental operating income) as compared with approximately US$ 13.5 million (approximately 40% of segmental operating income) in the comparative period in the previous year, an increase of approximately 6%.

D. Development & construction of entrepreneurial real estate

The operating income in the reporting period amounted to approximately US$ 3.4 million (approximately 12% of segmental operating income) as compared with operating income of approximately US$ 7.1 million (approximately 21% of segmental operating income) in the comparative period in the previous year, and derived primarily from the adjustment of the fair value of income-generating assets.

E. Concessions

The operating income in the reporting period amounted to approximately US$ 0.1 million as compared with a loss of US$ 0.8 million in the comparative period in the previous year. The expenses derived primarily from expenses related to participation in national tenders, as well as expenses in connection with competing for projects, which progress within the framework of licenses and/or specific regulation, which have not yet been capitalized to the cost of the investment at this stage. The increase derives primarily from financing income from the revaluation of embedded derivatives in a company that is treated under the equity method of accounting.

Orders backlog

The Group's backlog of orders as of June 30, 2012 amounted to approximately US$ 1,442 million, compared with approximately US$ 1,065 million at the end of 2011.The backlog as of June 30, 2012 includes the Group's share of affiliated companies and companies under joint control, which are treated under the equity method of accounting, in an amount of US$ 404 million (31.12.2011 – US$ 71 million).
The following is the distribution of the orders backlog in accordance with the operating segments:

A. The construction and infrastructure projects in Israel segment:

The Group's orders backlog in this segment amounted to approximately US$ 816 million as of June 30, 2012, compared with approximately US$ 661 million at the end 2011 (the backlog as of June 30, 2012 includes the Group's share of affiliated companies and companies under joint control, which are treated under the equity method of accounting, in an amount of approximately US$ 185 million). This orders backlog is planned to be executed as follows: Approximately US$ 325 million will be executed in the year 2012 and the balance of approximately US$ 491 million will be executed in the year 2013 and thereafter. The increase in the orders backlog in the construction and infrastructure projects in Israel segment derives primarily from Electra Construction (a wholly owned subsidiary company)'s share of the construction contractor of the IDF's Training complex in the Negev, which is treated as an affiliated company, this backlog of orders is for performance in the years 2012 – 2016.

B. The construction and infrastructure projects abroad segment:

The Group's orders backlog in this segment amounted to approximately US$ 216 million as of June 30, 2012, compared with approximately US$ 192 million at the end 2011 (the backlog as of June 30, 2012 includes the Group's share of affiliated companies and companies under joint control, which are treated under the equity method of accounting, in an amount of approximately US$ 19.6 million). This orders backlog is planned to be executed as follows: Approximately US$ 85 million will be executed in the year 2012 and the balance of approximately US$ 131 million will be executed in the year 2013 and thereafter.

C. The services, maintenance and trade segment:

The Group's orders backlog in this segment is comprised of contracts that are generally made for several years as well as from service agreements that are for renewable periods which the customer has the right to cancel at any time.

The Group's orders backlog in this segment amounted to approximately US$ 410 million as of June 30, 2012, compared with approximately US$ 212 million as of December 31, 2011, including a backlog in respect of the operation of waste water treatment facilities in the amount of US$ 95 million (the backlog as of June 30, 2012 includes the Group's share of affiliated companies and companies under joint control, which are treated under the equity method of accounting, in an amount of approximately US$ 200 million). This orders backlog is planned to be executed as follows: Approximately US$ 63 million will be executed in the year 2012 and the balance of approximately US$ 347 million will be executed in the year 2013 and thereafter. The increase in the orders backlog in the services, maintenance and trade segment derived primarily from Electra FM (a wholly owned subsidiary company)'s share of the operating contractor of the IDF's Training complex in the Negev, which is treated as an affiliated company, this backlog of orders is for performance in the years 2016 – 2037.

Liquidity and sources of finance

The Group's liquid means amounted to approximately US$ 67 million as of June 30, 2012, as compared with approximately US$ 73 million as of December 31, 2011.

The change in the Group's liquid means in the first six months of the year 2012 derived, inter alia, from cash of approximately US$ 1.8 million generated by operating activities as compared with cash of approximately US$ 5.2 million generated by operating activities in the comparative period in the previous year.

Liquidity and sources of finance – (continued)

Net cash absorbed by investment activities amounted to approximately US$ 24.9 million in the first six months of the year 2012, by comparison with net cash of approximately US$ 2.8 million generated by investment activity in the comparative period in the previous year, and included, inter alia, investments in investee companies of approximately US$ 12.5 million, the purchase of fixed assets and intangible assets in an amount of approximately US$ 6.2 million, income generating assets in an amount of approximately US$ 1.8 million and an investment in receivables in respect of a concession arrangement for the provision of services in an amount of approximately US$ 5.8 million and a net investment of approximately US$ 2 million in marketable securities.

The cash generated by financing activities amounted to approximately US$ 15.3 million in the first six months of the year 2012, by comparison with net cash of approximately US$ 6.4 million generated by financing activity in the comparative period in the previous year and primarily included the receipt of long-term loans in an amount of approximately US$ 25.9 million, the net issuance of bonds in an amount of approximately US$ 26.9 million and on the other hand the payment of a dividend of US$ 13 million to non-controlling interests and shareholders in the Company and the repayment of long-term loans and bonds in an amount of US$ 31 million.

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.

Significant events during and after the reporting period

A. For details in respect of the Company’s joining with the Mabat La'Negev Group in a tender that was published by the State of Israel through the Ministry of Defense, for the financing, planning, construction and operation of the IDF training complex in the Negev, the signature on the concession agreement (on April 5, 2012) and the approval of the composition of the structure of Mabat La'Negev by the Tenders Committee of the Ministry of Defense, see Note 4 A to the consolidated interim financial statements as of June 30, 2012.

B. On March 6, 2012 the Board of Directors of the Company and the subsidiary companies, respectively, approved a plan for the allocation of option warrants for directors in the Company and the updating of the terms of the option warrants that had been awarded to the Company’s CEO as well as the updating of the terms of option warrants for director in two subsidiary companies. For additional details, see Note 36 (B – D) to the annual financial statements as of December 31, 2011.

C. On March 6, 2012 the Company declared the distribution of a dividend of approximately US$ 12.7 million (approximately US$ 3.59 a share), which was paid on March 27, 2012.

D. On March 6, 2012 the Company's Board of Directors approved principles and guidelines for the classification of immaterial transactions, within the meaning of that term in the Securities Regulations (Annual financial statements) – 2010. For details, see Note 4 D to the consolidated interim financial statements as of June 30, 2012.

E. Within the framework of the expansion of a series of bonds (Series C) to institutional investors, in March 2012 the Company issued US$ 22.9 million par value for a gross consideration of approximately US$ 27.5 million. For details, see Note 4 E to the consolidated interim financial statements as of June 30, 2012.

F. In March 2012 the Company's general meeting approved an agreement for the receipt of management services from Elco for a period of 3 years. For details, see Note 4 G to the consolidated interim financial statements as of June 30, 2012.

G. On the subject of the cancellation of the agreement with Dalkia following the decision by the Anti-Trust Director, on May 3, 2012 regarding his opposition to the merger with Dalkia Energy and Services Ltd, see Note 4 H to the consolidated interim financial statements as of June 30, 2012.

H. On the subject of the continuation of a commitment of a consolidated company under an agreement for the acquisition of half of the rights held by W Prime Ltd., in land that is located in Tel-Aviv, see Note 4 L to the consolidated interim financial statements as of June 30, 2012.

I. On the subject of the entry into force of a conditional license for the construction of an electricity production facility, using pumped storage power technology at Ma'aleh Gilboa, which was granted to the investee company P.S.P. Investments on July 24, 2012, see Note 4 I to the consolidated interim financial statements as of June 30, 2012.

J. On the subject of the commitment with the Covenant Group Ltd. and with Hofrey Ha'Sharon Ltd., on July 25, 2012, for the allocation and purchase of regular shares in Hofrey Ha'Sharon Ltd., and under an agreement that arranges the relationships between the parties, see Note 4 K to the consolidated interim financial statements as of June 30, 2012.

K. Within the framework of the expansion of a series of bonds (Series C) for institutional investors, in July 2012 the Company issued US$ 15.3 million par value of bonds for gross consideration of approximately US$ 18.2 million. See Note 4 J to the consolidated interim financial statements as of June 30, 2012 for details.

L. During the period from the balance sheet date (June 30, 2012) to a time shortly before the publication of the financial statements (August 19, 2012), changes occurred in the exchange rates in relation to the Shekel, including in respect of the currencies in the countries in which the Company operates.

The following are details of the changes, as aforesaid (from 30.6.2012 to 19.8.2012):

Currency	As a %
US Dollar	2.68
Euro	0.91
Nigerian Niera	2.77
Russian Ruble	5.80

Since a significant portion of the Company's revenues 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, there is nothing in this that significantly affects 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 third quarter of 2012 will be determined in accordance with the exchange rates that will be in effect during the course of and at the end of the quarter (September 30, 2012).

Qualitative report in respect of market risks and their management

The entity's policies in respect of the management and control of market risks

The Company takes the following measures in order to prevent its exposure to market risks:
The Company is in the habit of using currency options and other derivatives. These transactions are conducted with large financial corporations both in Israel and abroad and are performed for hedging purposes.
The cash balances that are created from time to time are deposited in banks with high financial ratings and in marketable securities.
The Company's management makes periodic reports to the Board of Directors in respect of market risks and the Company's exposure to such risks. The measures taken to reduce these risks are presented to the Board of Directors for its knowledge and approval.

The persons in the Company who are responsible for the management of market risks

The Group maintains control in respect of the exercise of its policy in the field of the management of risks by means of reports within the framework of meetings of the boards of directors in so far as they are required. The management of the Group's market risks in the Group is carried out by the Company's Chief Executive Officer and the Chief Financial Officer. For details in respect of the risk factors to which the Group is exposed, see section 84 of the description of the entity's business as of December 31, 2011.

Directors having accounting and financial expertise

No changes occurred during the reporting period in the number of Directors having accounting and financial expertise, who hold office in the Company.

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.

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 2011.

Details in respect of the Company’s debt certificates

During the reporting period it was decided to approve a private issue to institutional bodies of up to US$ 22.9 million of Bonds (Series C) – see Note 4 E to the financial statements as of June 30, 2012.

In July 2012 it was decided to approve a private issue to institutional bodies of up to US$ 15.3 million of Bonds, within the framework of the expansion of Series C', see Note 4 J to the financial statements as of June 30, 2012.

Accounting estimates

See the report of the Board of Directors as of December 31, 2011.

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. The members of the Board of Directors are Mr. Michael Salkind (Chairman), Mr. Daniel Salkind, Ms. Orli Ben Yosef, Mr. Dani Marian (external director) and Mr. Ehud Ratzabi (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:

- Orli Ben Yosef - A director who has accounting and financial skills.
- Dani Marian - An external director who has accounting and financial skills.
- Ehud Ratzabi - An external director who has accounting and financial skills (Chairman of the Financial Statements Committee).

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 and/or as possessing accounting and financial skills, see the section on Directors possessing accounting and financial skills, in the Report of the Board of Directors for the year 2011.

The 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.

Report of the company's control and the process of the approval of the financial statements – (continued)

On 16.8.2012 the significant issues in the financial reporting were reviewed and discussed by the Financial Statements Examination 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, the Company's Chief Financial Officer, the corporate controller, the Company's Secretary, the internal auditor and the external auditor were all invited to the meeting of the Financial Statements Committee, which they attended.

A meeting of the Board of Directors was held on 23.8.2012, during the course of which the Company's Chief Executive Officer and 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. During the course of the discussion the Company's external auditor clarifies accounting issues that arise from the financial statements.

Sufficient time is given for the presentation of questions in respect of the financial statements and for the giving of answers. In addition, the Chairperson of the Financial Statements Committee presents 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 recommendations of the Financial Statements Committee were passed to the Board of Directors for review 4 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	**Michael Salkind**
Chief Executive Officer	**Chairman of the Board of Directors**

August 23, 2012

In this Report of the Board of Directors for the period ended June 30, 2012, the figures in US Dollars are a convenience translation of the amounts originally reported in new Israeli Shekels at the representative exchange rate of the New Israeli Shekel against US Dollar on June 30, 2012 (US$ 1.- = NIS 3.923).

E L E C T R A   L I M I T E D

Interim Consolidated Financial Statements

As of June 30, 2012

Unaudited

C o n t e n t s

Kost Forer Gabbay & Kasierer
3 Aminadav St.
Tel-Aviv 67067, Israel

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Auditors' review report to the shareholders of Electra Ltd.

Introduction

We have reviewed the accompanying financial information of Electra Ltd. and its subsidiaries (hereinafter - "the Group"), which includes the condensed consolidated balance sheet as of June 30, 2012, the condensed consolidated statements of income and of comprehensive income, the statement of changes in shareholders' equity and the statement of cash flows, for the periods of six and 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 these 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 these 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 12% of the total consolidated assets as of June 30, 2012, and whose revenues constitute approximately 13% and 12% respectively of the total consolidated revenues for the periods of six months and three months ended on that date. Furthermore, we have not reviewed the condensed financial information for the interim periods of companies that are presented under the equity method of accounting, the investment in which amounted to approximately US$ 59,907 thousand as of June 30, 2012 and the Group's share of whose profits amounted to approximately US$ 439 thousand and approximately 422 thousand respectively for the periods of six months and three months ended on that date. 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, 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.

Without qualifying our above opinion, we draw attention to the contents of Note 2D to the condensed interim financial statements on the subject of the adjustment by way of restatement of the interim consolidated financial statements as of June 30, 2011 and for the periods of six months and three months ended on that date, in order to retrospectively reflect in them the impact of a change in the Company’s accounting policy in respect of the implementation of the equity method of accounting in respect of companies under common control and not by way of proportional consolidation.

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 for the convenience of the reader (see Note 2E).

Yours sincerely

KOST FORER GABBAY & KASIRER

Certified Public Accountants
A Member of Ernst & Young Global

Tel-Aviv
August 23, 2012

CONSOLIDATED BALANCE SHEETS
CONVENIENCE TRANSLATION INTO US DOLLARS

	June 30		December 31
	2012	2011 *)	2011
	Unaudited		Audited
	U.S. Dollars in thousands		
Current assets			
Cash and cash equivalents	58,717	88,724	66,396
Investments, short-term loans and deposit in trust	8,271	7,096	6,859
Trade receivables	139,600	127,028	123,663
Other receivables	30,534	32,505	35,002
Income receivable from works under construction contracts	87,521	64,872	85,164
Inventories and inventories of real estate	91,901	66,109	89,085
	416,544	386,334	406,169
Non-current assets			
Investments in investee companies	116,297	95,681	104,216
Other Long-term receivables	4,117	8,548	4,244
Fixed assets	33,241	31,800	32,137
Goodwill and other intangible assets	72,190	65,117	70,293
Receivables for concession for the provision of services	25,667	8,648	19,820
Long-term Inventories of real estate	17,184	16,330	17,162
Income-generating assets	73,260	63,217	68,774
Deferred taxes	6,475	6,775	7,221
	348,431	296,116	323,867
	764,975	682,450	730,036

*) Restated see Note 2D.

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

CONSOLIDATED BALANCE SHEETS
CONVENIENCE TRANSLATION INTO US DOLLARS

	June 30		December 31
	2012	2011 *)	2011
	Unaudited		Audited
	U.S. Dollars in thousands		
Current liabilities			
Credit from banks and others	49,968	41,902	58,501
Credit to finance income generating assets	39,364	35,165	-
Current maturities of bonds	17,106	14,156	14,211
Trade payables	127,442	104,945	129,543
Other payables	92,152	86,214	94,375
Liabilities in respect of works under construction contracts	60,891	56,177	54,678
	386,923	338,559	351,308
Non-current liabilities			
Liabilities to banks and others	65,601	49,868	45,485
Bonds	93,778	85,068	79,383
Loans to finance income-generating assets	-	-	37,894
Other long-term liabilities	991	1,191	1,143
Net employee benefit liabilities	10,430	10,667	10,651
Deferred taxes	13,300	8,470	12,322
	184,100	155,264	186,878
Equity attributed to shareholders in the company			
Share capital	29,946	29,940	29,940
Share premium	79,247	78,742	78,755
Capital reserves for translation differences in investee companies and other reserves	(16,714)	(17,458)	(17,922)
Treasury shares	(5,953)	(5,146)	(5,391)
Retained earnings	106,989	101,778	105,821
	193,515	187,856	191,203
Non-controlling interests	437	771	647
	193,952	188,627	191,850
Total equity	764,975	682,450	730,036

*) Restated see Note 2D.

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

August 23, 2012			
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 INCOME
CONVENIENCE TRANSLATION INTO US DOLLARS

	Six months ended June 30		Three months ended June 30		Year ended December 31
	2012	2011 *)	2012	2011 *)	2011
	Unaudited				Audited
	U.S. Dollars in thousands (except per share data)				
Revenues from the performance of works and the provision of services	386,112	355,195	197,887	180,346	725,869
Cost of works and services	(346,137)	(315,338)	(177,642)	(161,467)	(645,863)
Gross profit	39,975	39,857	20,245	18,879	80,006
Adjustment of fair value of income-generating assets	2,987	8,240	1,680	6,122	10,656
Administrative and general expenses	(18,662)	(18,099)	(9,511)	(9,266)	(37,161)
Selling and marketing expenses	(3,266)	(3,339)	(1,638)	(1,588)	(6,397)
Company's share of profit of companies treated under the equity method of accounting, net	2,077	1,657	997	933	2,076
Other expenses, net	(548)	(670)	(423)	(520)	(1,012)
Financing income	5,686	5,768	3,368	3,302	14,041
Financing expenses	(8,913)	(9,464)	(4,135)	(5,455)	(18,031)
	(20,639)	(15,907)	(9,662)	(6,472)	(35,828)
Income before taxes on income	19,336	23,950	10,583	12,407	44,178
Taxes on income	(5,382)	(5,487)	(2,697)	(2,901)	(11,359)
Net income	13,954	18,463	7,886	9,506	32,819
Net income attributable to:					
Shareholders in the Company	13,913	18,343	7,866	9,472	32,582
Non-controlling interests	41	120	20	34	237
	13,954	18,463	7,886	9,506	32,819
Net earnings per share attributable to shareholders in the company (in U.S. Dollars):					
Basic net earnings per share	3.92	5.17	2.22	2.67	9.18
Diluted net earnings per share	3.92	5.16	2.22	2.66	9.16

*) Restated see Note 2D.

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
CONVENIENCE TRANSLATION INTO US DOLLARS

	Six months ended June 30		Three months ended June 30		Year ended December 31
	2012	**2011 *)**	**2012**	**2011 *)**	**2011**
	Unaudited				**Audited**
	U.S. Dollars in thousands				
Net income	13,954	18,463	7,886	9,506	32,819
Other comprehensive income (loss) - (after tax effects):					
Adjustments deriving from the translation of the financial statements of foreign operations, net	783	5,176	(3,686)	(941)	3,566
Profit (loss) from hedging transactions	(49)	208	43	511	699
Other comprehensive income	734	5,384	(3,643)	(430)	4,265
Total comprehensive income	14,688	23,847	4,243	9,076	37,084
Comprehensive income attributable to:					
Shareholders in the Company	14,647	23,727	4,223	9,042	36,847
Non-controlling interests	41	120	20	34	237
	14,688	23,847	4,243	9,076	37,084

*) Restated see Note 2D.

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	Adjustments deriving from the translation of financial statements of foreign operations	Treasury shares	Total	Non-controlling interests	Total equity
	Unaudited									
	U.S. Dollars in thousands									
Balance as of January 1, 2012 (Audited)	**29,940**	**78,755**	**105,821**	**1,661**	**353**	**(19,936)**	**(5,391)**	**191,203**	**647**	**191,850**
Net income	-	-	13,913	-	-	-	-	13,913	41	13,954
Other comprehensive income (loss): Adjustments deriving from the translation of financial statements of foreign operations	-	-	-	-	-	783	-	783	-	783
Loss on hedging transactions	-	-	-	-	(49)	-	-	(49)	-	(49)
Total other comprehensive income (loss)	-	-	-	-	(49)	783	-	734	-	734
Total comprehensive income (loss)	**-**	**-**	**13,913**	**-**	**(49)**	**783**	**-**	**14,647**	**41**	**14,688**
Exercise of option warrants into shares	6	492	-	(492)	-	-	-	6	-	6
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	(251)	(251)
Purchase of treasury shares, net	-	-	-	-	-	-	(562)	(562)	-	(562)
Cost of share-based payments	-	-	-	966	-	-	-	966	-	966
Dividend	-	-	(12,745)	-	-	-	-	(12,745)	-	(12,745)
Balance at June 30, 2012	**29,946**	**79,247**	**106,989**	**2,135**	**304**	**(19,153)**	**(5,953)**	**193,515**	**437**	**193,952**

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	Adjustments deriving from the translation of financial statements of foreign operations	Treasury shares	Total	Non-controlling interests	Total equity
	Unaudited									
	U.S. Dollars in thousands									
Balance as of January 1, 2011 (Audited)	**29,934**	**78,281**	**83,435**	**1,019**	**(346)**	**(23,502)**	**(4,497)**	**164,324**	**776**	**165,100**
Net income	-	-	18,343	-	-	-	-	18,343	120	18,463
Other comprehensive income:										
Adjustments deriving from the translation of financial statements of foreign operations	-	-	-	-	-	5,176	-	5,176	-	5,176
Gain on hedging transactions	-	-	-	-	208	-	-	208	-	208
Total other comprehensive income	-	-	-	-	208	5,176	-	5,384	-	5,384
Total comprehensive income	**-**	**-**	**18,343**	**-**	**208**	**5,176**	**-**	**23,727**	**120**	**23,847**
Exercise of option warrants into shares	6	461	-	(461)	-	-	-	6	-	6
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	(125)	(125)
Purchase of treasury shares	-	-	-	-	-	-	(649)	(649)	-	(649)
Cost of share-based payment	-	-	-	448	-	-	-	448	-	448
Balance at June 30, 2011	**29,940**	**78,742**	**101,778**	**1,006**	**(138)**	**(18,326)**	**(5,146)**	**187,856**	**771**	**188,627**

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	Adjustments deriving from the translation of financial statements of foreign operations	Treasury shares	Total	Non-controlling interests	Total equity
	Unaudited									
	U.S. Dollars in thousands									
Balance as of April 1, 2012	**29,940**	**78,759**	**99,123**	**2,150**	**261**	**(15,467)**	**(5,360)**	**189,406**	**417**	**189,823**
Net income	-	-	7,866	-	-	-	-	7,866	20	7,886
Other comprehensive income (loss):										
Adjustments deriving from the translation of the financial statements of foreign operations	-	-	-	-	-	(3,686)	-	(3,686)	-	(3,686)
Gain on hedging transactions	-	-	-	-	43	-	-	43	-	43
Total other comprehensive income (loss)	-	-	-	-	43	(3,686)	-	(3,643)	-	(3,643)
Total comprehensive income (loss)	**-**	**-**	**7,866**	**-**	**43**	**(3,686)**	**-**	**4,223**	**20**	**4,243**
Exercise of option warrants into shares	6	488	-	(488)	-	-	-	6	-	6
Purchase of treasury shares, net	-	-	-	-	-	-	(593)	(593)	-	(593)
Cost of share-based payment	-	-	-	473	-	-	-	473	-	473
Balance at June 30, 2012	**29,946**	**79,247**	**106,989**	**2,135**	**304**	**(19,153)**	**(5,953)**	**193,515**	**437**	**193,952**

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	Adjustments deriving from the translation of financial statements of foreign operations	Treasury shares	Total	Non-controlling interests	Total equity
	Unaudited									
	U.S. Dollars in thousands									
Balance as of April 1, 2011	**29,939**	**78,489**	**92,306**	**925**	**(649)**	**(17,385)**	**(4,929)**	**178,696**	**737**	**179,433**
Net income	-	-	9,472	-	-	-	-	9,472	34	9,506
Other comprehensive income (loss):										
Adjustments deriving from the translation of financial statements of foreign operations	-	-	-	-	-	(941)	-	(941)	-	(941)
Gain on hedging transactions	-	-	-	-	511	-	-	511	-	511
Total other comprehensive income	-	-	-	-	511	(941)	-	(430)	-	(430)
Total comprehensive income (loss)	**-**	**-**	**9,472**	**-**	**511**	**(941)**	**-**	**9,042**	**34**	**9,076**
Exercise of option warrants into shares	1	253	-	(253)	-	-	-	1	-	1
Purchase of treasury shares, net	-	-	-	-	-	-	(217)	(217)	-	(217)
Cost of share-based payment	-	-	-	334	-	-	-	334	-	334
Balance at June 30, 2011	**29,940**	**78,742**	**101,778**	**1,006**	**(138)**	**(18,326)**	**(5,146)**	**187,856**	**771**	**188,627**

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**	**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, 2011	**29,934**	**78,281**	**83,435**	**1,019**	**(346)**	**(23,502)**	**(4,497)**	**164,324**	**776**	**165,100**
Net income	-	-	32,582	-	-	-	-	32,582	237	32,819
Other comprehensive income:										
Adjustments deriving from the translation of the financial statements of foreign operations	-	-	-	-	-	3,566	-	3,566	-	3,566
Gain on hedging transactions	-	-	-	-	699	-	-	699	-	699
Total other comprehensive income	-	-	-	-	699	3,566	-	4,265	-	4,265
Total comprehensive income	**-**	**-**	**32,582**	**-**	**699**	**3,566**	**-**	**36,847**	**237**	**37,084**
Exercise of option warrants into shares	6	474	-	(474)	-	-	-	6	-	6
Acquisition of non-controlling interests	-	-	-	-	-	-	-	-	(241)	(241)
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	(125)	(125)
Purchase of treasury shares, net	-	-	-	-	-	-	(894)	(894)	-	(894)
Cost of share-based payment	-	-	-	1,116	-	-	-	1,116	-	1,116
Dividend	-	-	(10,196)	-	-	-	-	(10,196)	-	(10,196)
Balance at December 31, 2011	**29,940**	**78,755**	**105,821**	**1,661**	**353**	**(19,936)**	**(5,391)**	**191,203**	**647**	**191,850**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
CONVENIENCE TRANSLATION INTO US DOLLARS

	Six months ended June 30		Three months ended June 30		Year ended December 31
	2012	2011 *)	2012	2011 *)	2011
	Unaudited				Audited
	U.S. Dollars in thousands				
Cash flows from operating activities:					
Net income	13,954	18,463	7,886	9,506	32,819
Adjustments to reconcile net income to cash flows from operating activities:					
Adjustments to profit and loss items:					
Company's share of profit of companies treated under the equity method of accounting, net	(2,077)	(1,657)	(997)	(933)	(2,076)
Capitalization of the financing of qualifying assets in companies treated under the equity method of accounting	(1,996)	(1,782)	(256)	(460)	362
Depreciation of fixed assets and intangible assets	3,563	3,435	2,067	1,746	6,905
Increase (Decrease) in employee benefit liabilities, net	(310)	(180)	15	139	(437)
Adjustment of fair value of income-generating assets	(2,987)	(8,240)	(1,680)	(6,122)	(10,656)
Gain on the disposal of fixed assets and investments, net	(27)	(33)	(6)	(10)	(36)
Increase in the value of marketable securities	(179)	(32)	(83)	(15)	(35)
Cost of share-based payment	966	448	473	334	1,116
Deferred taxes, net	1,740	3,754	1,043	2,375	7,157
Erosion (revaluation) of long-term receivables and payables, long-term loans and bonds, net	(408)	2,231	(159)	1,438	2,613
Changes in asset and liability items:					
Decrease (increase) in trade receivables	(16,410)	(10,940)	(14,317)	2,819	(19,345)
Decrease (increase) in other receivables	2,080	(11,453)	(3,153)	641	(7,964)
Increase in income receivable from work under construction contracts	(2,214)	(201)	(1,956)	(7,401)	(19,966)
Decrease (increase) in inventories and inventories of real estate	(2,556)	1,180	279	(5,784)	(25,220)
Increase (decrease) in trade payables	(1,603)	2,841	1,118	(1,334)	39,007
Increase (decrease) in other payables	4,574	9,444	4,170	(3,614)	15,648
Increase (decrease) in liabilities in respect of works under construction contracts	5,647	(2,051)	7,942	(8,974)	(5,810)
	(12,197)	(13,236)	(5,500)	(25,155)	(18,737)
Net cash generated (absorbed) by operating activities	1,757	5,227	2,386	(15,649)	14,082

*) Restated see Note 2D.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
CONVENIENCE TRANSLATION INTO US DOLLARS

	Six months ended June 30		Three months ended June 30		Year ended December 31
	2012	2011 *)	2012	2011 *)	2011
	Unaudited				Audited
	U.S. Dollars in thousands				
Cash flows from investment activities:					
Investment in investee companies	(12,544)	(3,677)	(5,250)	(4,326)	(12,840)
Investments, short-term loans and deposit in trust, net	887	3,596	(553)	(720)	5,396
Purchase of fixed assets and intangible assets	(6,158)	(9,585)	(3,238)	(2,444)	(14,162)
Investment in income-generating assets	(1,851)	(5,148)	(1,220)	(2,715)	(8,241)
Investment in receivables for a concession arrangement for the provision of services	(5,812)	(3,550)	(1,278)	(2,834)	(14,722)
Proceeds from sale of fixed assets	137	105	24	54	90
Proceeds from the sale (investments) of marketable securities, net	(1,960)	3,908	49	3,857	2,601
Collection of long-term debts	2,434	17,207	2,332	2,287	17,291
Extension of long-term loans	-	(96)	-	(56)	(543)
Net cash generated (absorbed) by investment activities	(24,867)	2,760	(9,134)	(6,897)	(25,130)
Cash flows from financing activities:					
Payment of dividend to non-controlling interests and to shareholders of the company	(12,996)	(125)	-	-	(10,321)
Issuance of share capital	6	6	6	1	6
Acquisition of non-controlling interests	-	-	-	-	(241)
Purchase of treasury shares	(562)	(649)	(593)	(217)	(894)
Repayment of long-term loans and bonds	(31,015)	-	(30,217)	-	-
Issuance of bonds, net	26,901	17,403	-	17,398	25,324
Receipt of long-term loans	25,927	(2,801)	-	(1,883)	(12,223)
Short-term credit from banking entities and others, net	7,072	(7,423)	3,511	6,117	3,459
Net cash generated (absorbed) by financing activities	15,333	6,411	(27,293)	21,416	5,110
Translation differences on cash balances in foreign currency	98	2,309	265	567	317
Increase (decrease) in cash and cash equivalents	(7,679)	16,707	(33,776)	(563)	(5,621)
Cash and cash equivalents at the beginning of the period	66,396	72,017	92,493	89,287	72,017
Cash and cash equivalents at the end of the period	58,717	88,724	58,717	88,724	66,396
Additional cash flow information:					
Cash paid during the period for:					
Interest	6,685	3,986	5,392	3,166	11,099
Taxes on income	3,290	3,424	1,606	1,961	6,310
Cash received during the period for:					
Interest	1,006	863	729	506	1,377

*) Restated see Note 2D.

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

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

Note 1 - General

These financial statements have been prepared in a condensed format as at June 30, 2012 and for the period of six months and three months ended on that date (hereinafter - interim consolidated financial statements).

The interim financial statements should be read together with the Company's annual financial statements as of December 31, 2011 and 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 generally accepted accounting principles for the preparation of financial statements for interim periods as determined in 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.

The principal accounting policies and methods of calculation 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.

IAS 12 – Taxes on income

The amendment to IAS 12 (hereinafter – the amendment) applies to investment property that is measured in accordance with the fair value model. The amendment determines that the deferred tax asset/ liability is to be measured in respect of assets, as aforesaid, based on the assumption that the carrying value of the base asset in the accounting records will be fully settled by means of a disposal (and not by means of usage). At the same time, if the investment property is depreciable and is held, in accordance with the Company's business model, for the purpose of recovering substantially all of the economic benefits that are inherent in it by way of usage and not by way of sale, the Company is to measure the deferred taxes in accordance with the manner of the expected settlement of the base asset on the basis of disposal and not of usage.

The amendment cancels the provisions of SIC 21, which in the case of investment property that is measured at fair value requires a split to be made between the component of land and the component of the building in order to measure the deferred tax.

The amendment has been implemented retrospectively as from January 1, 2012.

The implementation of the standard has not had a significant impact on the Company's financial statements.

Note 2 – Significant accounting policies - (continued)

B. Disclosure in respect of new IFRS standards in the period before their implementation

1. For information in respect of the commencement dates, transition arrangements and the possible impacts of the standards, the amendments to standards and the interpretations that are detailed below, see Note 2 AI to the annual financial statements as of December 31, 2011:

   - IFRS 9 – Financial instruments.
   - IFRS 10 – Consolidated financial statements.
   - IFRS 11 – Joint arrangements.
   - IFRS 12 – Disclosures in respect of involvement with other entities.
   - IAS 28 (2011) – Investments in affiliated companies and joint ventures.
   - IFRS 13 – Fair value measurement.
   - IAS 19 (2011) – Employee benefits.
   - IAS 1 (Amended) – Presentation of financial statements (on the subject of the presentation of other comprehensive items in the statement of comprehensive income).

2. Amendments to IFRS 10, IFRS 11 and IFRS 12 – Consolidated financial statements, Joint arrangements and disclosure in respect of rights in other entities

   In June 2012 the IASB published amendments to IFRS 10 –Consolidated financial statements (hereinafter –IFRS 10), IFRS 11 – Joint arrangements (hereinafter –IFRS 11), and IFRS 12- Disclosure in respect of rights in other entities, (hereinafter –IFRS 12). The amendments clarify the transition provisions contained in IFRS 10.

   The amendments include easements in connection with the transition provisions in IFRS 10, IFRS 11 and IFRS 12, and permit the comparative figures to be amended for just one year. The amendment of the comparative figures for earlier periods is possible but is not mandatory. The amendments have even cancelled the requirement to present comparative information for previous periods in relation to structured entities that are not consolidated.

   The amendments enter force as from the financial statements for annual periods commencing on January 1, 2013, which is the time at which IFRS 10, IFRS 11 and IFRS 12 enter into force.

C. The following are data in respect of the Israeli CPI and the exchange rates of a number of currencies in relation to the NIS:

	June 30		**December 31**
	2012	**2011**	**2011**
Israeli Consumer Prices Index (in points) *)	218.97	215.44	216.27
Exchange rates (in NIS):			
U.S. Dollar	3.92	3.41	3.82
Euro	4.93	4.94	4.94
100 Nigerian Naira	2.50	2.21	2.42
Russian Ruble	0.12	0.12	0.12

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

Note 2 – Significant accounting policies (continued)

C. The following are data in respect of the Israeli CPI and the exchange rates of a number of currencies in relation to the NIS: (continued)

	Six months ended June 30		Three months ended June 30		Year ended December 31
	2012	**2011**	**2012**	**2011**	**2011**
Rate of change in the period (%):					
Israeli Consumer Prices Index	1.25	2.16	1.25	1.27	2.55
U.S. Dollar	2.67	(3.78)	5.60	(1.90)	7.66
Euro	(0.13)	4.35	(0.43)	(0.11)	4.23
Nigerian Naira	3.17	(6.10)	5.65	(2.07)	2.48
Russian Ruble	0.18	4.45	(5.77)	(0.66)	(1.80)

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

D. **Retrospective adjustment in respect of a change in accounting policy – the presentation of companies under common control**

Up to September 30, 2011 the Group's rights in entities under common control were consolidated in accordance with the proportional consolidation method. As from December 31, 2011 the Group has been implementing the equity method of accounting, in accordance with which the gains or losses of entities under common control are recorded under the equity basis of accounting.

The change in the accounting policy was made because in the opinion of the Group's management, the new accounting policy provides more reliable and relevant information in respect of the Group's assets. The Company is of the opinion that the new accounting policy provides more reliable and relevant information in respect of its financial statements.

At the time of the testing of the appropriateness of the planned change in the accounting policy and the compliance with the criteria that were set in IAS 8, it needs to be taken into account that IAS 31 is an old standard, which was published in 1990 (even though it has been through a number of amendments over the years, the main one being the publication of the amended version in December 2003). This standard includes a number of statements in respect of the appropriateness of the proportional consolidation method, the IASB's attitude to which has changed over time. The IASB's decisions, which were given expression in the publication of the IFRS 11 standard, clarify beyond any doubt the proportional consolidation method results in an unfair presentation and to the recognition of assets and liabilities where the entity has not rights and commitments in respect of the assets and the liabilities of the common arrangement. This is correct in respect of the range of the Group's operations in which it has implemented the proportional consolidation method.

In the light of the aforesaid, the Group is of the opinion that the change in the accounting policy in respect of entities in which the Group has common control from the proportional consolidation method to the equity method of accounting will result in the financial statements providing more reliable and more relevant information to the various users of the financial statements and therefore this is a change in policy that meets the criteria set in IAS 8 for an initiated change in policy.

Accordingly, the Company has adjusted the comparative figures that are included in these financial statements by way of restatement in order to retrospectively reflect the impact of the change in the Company's accounting policy, in respect of the implementation of the equity method of accounting in respect of companies under common control and not by way of proportional consolidation, in them.

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

Note 2 – Significant accounting policies (continued)

D. Retrospective adjustment in respect of a change in accounting policy – the presentation of companies under common control (continued)

The impact of the retrospective adjustment on components of the statement of balance sheets

	As of June 30 ,2011		
	As reported in the past	The impact of the retrospective restatement adjustment	As reported in the financial statements
	Unaudited		
	U.S. Dollars In thousand		
Current assets			
Cash and cash equivalents	97,051	(8,327)	88,724
Investments, short-term loans and deposit in trust	8,166	(1,070)	7,096
Trade receivables	134,902	(7,874)	127,028
Other receivables	39,004	(6,499)	32,505
Income receivable from works under construction contracts	72,647	(7,775)	64,872
Inventories and inventories of real estate	71,544	(5,435)	66,109
	423,314	(36,980)	386,334
Non-current assets			
Investments in investee companies	871	94,810	95,681
Other long-term receivables	25,875	(17,327)	8,548
Fixed assets	32,225	(425)	31,800
Goodwill and other intangible assets	65,789	(672)	65,117
Receivables for concession for the provision of services	8,648	-	8,648
Long-term inventories of real estate	92,462	(76,132)	16,330
Income-generating assets	63,217	-	63,217
Deferred taxes	7,266	(491)	6,775
	296,353	(237)	296,116
	719,667	(37,217)	682,450

Note 2 – Significant accounting policies (continued)

D. Retrospective adjustment in respect of a change in accounting policy – the presentation of companies under common control (continued)

The impact of the retrospective adjustment on components of the statement of balance sheets (continued)

	As of June 30 ,2011		
	As reported in the past	The impact of the retrospective restatement adjustment	As reported in the financial statements
	Unaudited		
	U.S. Dollars In thousand		
Current liabilities			
Credit from banks and other providers of credit	25,015	16,887	41,902
Credit to finance income generating assets	35,165	-	35,165
Current maturities of bonds	14,156	-	14,156
Trade payables	117,715	(12,770)	104,945
Other payables	109,736	(23,522)	86,214
Liabilities in respect of works under construction contracts	56,578	(401)	56,177
	358,365	(19,806)	338,559
Non-current liabilities			
Liabilities to banks and others	67,143	(17,275)	49,868
Bonds	85,068	-	85,068
Other long-term liabilities	1,306	(115)	1,191
Net employee benefit liabilities	10,667	-	10,667
Deferred taxes	8,491	(21)	8,470
	172,675	(17,411)	155,264
Equity			
Share capital	29,940	-	29,940
Share premium	78,742	-	78,742
Capital reserves for translation differences in investee companies and other reserves	(17,458)	-	(17,458)
Treasury shares	(5,146)	-	(5,146)
Retained earnings	101,778	-	101,778
	187,856	-	187,856
Non-controlling interests	771	-	771
Total equity	188,627	-	188,627
	719,667	(37,217)	682,450

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

Note 2 – Significant accounting policies (continued)

D. Retrospective adjustment in respect of a change in accounting policy – the presentation of companies under common control (continued)

The impact of the retrospective adjustment on components of the statement of income (continued)

	Six months ended June 30, 2011			Three months ended June, 2011		
	As reported in the past	The impact of the retrospective restatement adjustment	As reported in the financial statements	As reported in the past	The impact of the retrospective restatement adjustment	As reported in the financial statements
		Unaudited			Unaudited	
		U.S. Dollars In thousand			U.S. Dollars In thousand	
Revenues from the performance of works and the provision of services	378,213	(23,018)	355,195	189,848	(9,502)	180,346
Cost of works and services	(335,243)	19,905	(315,338)	(169,128)	7,661	(161,467)
Gross profit	42,970	(3,113)	39,857	20,720	(1,841)	18,879
Adjustment of fair value of income-generating assets	8,240	-	8,240	6,122	-	6,122
Administrative and general expenses	(19,439)	1,340	(18,099)	(9,938)	672	(9,266)
Selling and marketing expenses	(3,512)	173	(3,339)	(1,670)	82	(1,588)
Company's share of profits (losses) of companies treated under the equity method of accounting, net	(45)	1,702	1,657	(39)	972	933
Other expenses, net	(672)	2	(670)	(521)	1	(520)
Financing income	6,403	(635)	5,768	3,794	(492)	3,302
Financing expenses	(9,905)	441	(9,464)	(5,886)	431	(5,455)
	(18,930)	3,023	(15,907)	(8,138)	1,666	(6,742)
Income before taxes on income	24,040	(90)	23,950	12,582	(175)	12,407
Taxes on income	(5,577)	90	(5,487)	(3,076)	175	(2,901)
Net income	18,463	-	18,463	9,506	-	9,506

The impact of the retrospective adjustment on the components of comprehensive income and on the profit per share

There was no impact on the components of comprehensive income and on the profit per share.

Note 2 – Significant accounting policies (continued)

E. Convenience translation

The Interim Financial Statements in US Dollars are a translation of the Financial Statements as prepared in New Israeli Shekels ("NIS" or "Shekel") at the rate of exchange of the Shekel for the US Dollar prevailing on June 30, 2012 (NIS 3.923 = 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:

The Group operates in a number of fields of activity, which are presented in five operating segments, in accordance with IFRS 8.

The following are the operating segments:

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.

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

Note 3 – Operating segments - (continued)

B. Operating segment reporting:

	For the six months ended June 30, 2012						
	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	214,042	72,726	100,795	2,329	1,514	(5,177)	386,229 *)
Inter-segmental activities	(1,496)	-	(3,681)	-	-	5,177	-
Total external revenues	212,546	72,726	97,114	2,329	1,514	-	386,229 *)
Segmental operating income (loss)	6,881	4,795	14,253	3,442	102	(195)	29,278
Less - unallocated expenses:							
Administrative and general expenses							(6,050)
Financing, net							(3,344) *)
Other							(548)
Income before taxes on income							19,336

*) The turnover for segmental activities for the period ending June 30, 2012 was higher than the turnover that is reported in the statement of income by US$ 117 thousand. The difference derives from the classification of financing income, which was generated in the period of six months ended June 30, 2012, in respect of a financial asset, to the Company's income in the segmental note alone.

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

Note 3 – Operating segments - (continued)

B. Operating segment reporting: - (continued)

	For the six months ended June 30, 2011						
	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	185,720	77,791	95,338	2,913	1,550	(7,746)	355,566 *)
Inter-segmental activities	(3,169)	-	(4,577)	-	-	7,746	-
Total external revenues	182,551	77,791	90,761	2,913	1,550	-	355,566 *)
Segmental operating income (loss)	3,679	10,999	13,494	7,088	(803)	(413)	34,044
Less - unallocated income (expenses):							
Administrative and general expenses							(5,675)
Financing, net							(4,067) *)
Other							(352)
Income before taxes on income							23,950

*) The turnover for segmental activities for the period ending June 30, 2011 was higher than the turnover that is reported in the statement of income by US$ 371 thousand. The difference derives from the classification of financing income, which was generated in the period of six months ended June 30, 2011, in respect of a financial asset, to the Company's income in the segmental note alone.

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

Note 3 – Operating segments - (continued)

B. Operating segment reporting: - (continued)

	For the three months ended June 30, 2012						
	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	113,275	34,131	51,146	1,348	778	(2,719)	197,959 *)
Inter-segmental activities	(759)	-	(1,960)	-	-	2,719	-
Total external revenues	112,516	34,131	49,186	1,348	778	-	197,959 *)
Segmental operating income (loss)	3,770	1,723	7,569	2,114	294	(106)	15,364
Less - unallocated income (expenses):							
Administrative and general expenses							(3,519)
Financing, net							(839) *)
Other							(423)
Income before taxes on income							10,583

*) The turnover for segmental activities for the period ending June 30, 2012 was higher than the turnover that is reported in the statement of income by US$ 72 thousand. The difference derives from the classification of financing income, which was generated in the period of three months ended June 30, 2012, in respect of a financial asset, to the Company's income in the segmental note alone.

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

Note 3 – <u>Operating segments</u> - (continued)

B. Operating segment reporting: - (continued)

	For the three months ended June 30, 2011						
	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	96,081	35,301	49,733	2,477	885	(3,840)	180,637 *)
Inter-segmental activities	(1,815)	-	(2,025)	-	-	3,840	-
Total external revenues	94,266	35,301	47,708	2,477	885	-	180,637 *)
Segmental operating income (loss)	1,863	4,293	7,388	5,488	(280)	(367)	18,385
Less - unallocated income (expenses):							
Administrative and general expenses							(3,014)
Financing, net							(2,444) *)
Other							(520)
Income before taxes on income							12,407

*) The turnover for segmental activities for the period ending June 30, 2011 was higher than the turnover that is reported in the statement of income by US$ 291 thousand. The difference derives from the classification of financing income, which was generated in the period of three months ended June 30, 2011, in respect of a financial asset, to the Company's income in the segmental note alone.

Note 3 – Operating segments - (continued)

B. Operating segment reporting: - (continued)

	For the year ended December 31, 2011						
	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	382,714	148,659	198,252	5,492	3,009	(11,828)	726,298 *)
Inter-segmental activities	(3,944)	-	(7,884)	-	-	11,828	-
Total external revenues	378,770	148,659	190,368	5,492	3,009	-	726,298 *)
Segmental operating income (loss)	11,186	15,806	28,906	6,949	(1,229)	(456)	61,162
Less - unallocated expenses:							
Administrative and general expenses							(11,972)
Financing, net							(4,319) *)
Other							(693)
Income before taxes on income							44,178

*) The turnover for segmental activities for the year ended December 31, 2011 was higher than the turnover that is reported in the statement of income by US$ 429 thousand. The difference derives from the classification of financing income, which was generated in the year ended December 31, 2011, in respect of a financial asset, to the Company's income in the segmental note alone.

Note 4 – Significant events during and after the reporting period

A. In continuation of what is stated in Note 36 A to the Company's annual financial statements as of December 31, 2011 on the subject of an agreement for the acquisition of shares and rights in Mabat Lanegev Ltd. (hereinafter, respectively: "**The agreement"** and "**Mabat Lanegev"** or **"The concession holder**"), on April 5, 2012 Mabat Lanegev signed on a concession agreement with the Ministry of Defense for the financing, planning, construction, operation and maintenance of the IDF's training complex in the Negev. In May 2012 the Ministry of Defense's Tenders Committee approved a change in the composition of the structure of Mabat Lanegev, as well as a change in the composition of the structure of the construction and operating contractors, such that the composition of the holdings in the concession holder will be as follows: Minrav Holdings Ltd. – 67.5%, Electra Ltd. – 25% and Zisapel Holdings (1992) Ltd. – 7.5%; the composition of the construction contractor that has been approved will be as follows: Minrav Engineering and Construction Ltd. – 70%, Electra Construction Ltd. – 30%; and he composition of the operating contractor that has been approved will be as follows: Minrav Engineering and Construction Ltd. – 56%, Electra FM Building Maintenance and Systems Ltd. – 25% and Binet Computer Communications Ltd. – 19%,

The following are the main details in respect of the concession agreement of Mabat Lanegev with the Ministry of Defense as well as details of the financing agreement in connection with the project:

1. General

a) The State of Israel, through the Ministry of Defense ("**The ordering party**"), published the tender in May 2010. In accordance with the tender documents, it has been determined that the period of the concession for the project will be a period of twenty five years from the time of the signing of the concession agreement and its entry into force (except for certain areas, such as the maintenance of ordnance and a number of telecommunications systems, in respect of which the concession will only be for a period of six years, as well as the field of driving trainers, in respect of which the concession will only be for a period of ten years). The concession agreement is a PFI/PPP type, in accordance with which the State grants the concession holder the right, and the concession holder takes upon itself the commitment to finance, plan and construct the training complex, to operate and to maintain the training complex for the ordering party as well as the entire area of the training complex, for the length of the entire period of the concession. In addition, the concession holder undertakes to transfer all of the operations, the systems and the equipment that are used by the concession holder in order to fulfill its commitments in connection with the training complex to the ordering party at the end of the period of the concession.

b) The Concession agreement contains provisions and conditions, as is customary in concession agreements of this sort, including compensation in respect of delays at the responsibility of the ordering party, a demand for guarantees, restrictions on the concession and on the transfer of the rights in it, confirmation by the ordering party for commitments that are connected to the project, insurance requirements, force majeure events, compensation in respect of the early completion of the project, agreed compensation in respect of a delay in the completion of the construction work, agreed compensation in respect of events involving unavailability or non-compliance with operational criteria, a direct agreement between the ordering party and the accompaniers, provisions for changes, a change that is legally discriminatory, archeological finds and so on.

Note 4 – Significant events during and after the reporting period (continued)

A. (continued)

1. General (continued)

   c) The concession holder has entered into commitments under turn-key type agreements for the purpose of the performance of the project and the transfer of the full responsibility for performance (Back-to-Back) with the construction contractor – Minrav Engineering Ltd. and with the operating contractor – Mabat Lanegev Operations Ltd.

   d) The concession holder has entered into commitments for the purpose of the performance of the project with the construction contractor – Minrav Engineering Ltd. and with the operating and maintenance contractor - Mabat Lanegev Operations Ltd.

2. The construction period

   The planned construction period of the project is around forty-two months in total, which includes four central milestones, which relate primarily to buildings and infrastructure, whose construction will be completed in each of the relevant periods of time. At the time of the completion of each of the said milestones, the concession holders will be given a partial approval for operation. In addition, during the course of the construction period the concession holder will be entitled to receive a construction grant of US$ 102 million, which will be paid to it on the completion of each of the four milestones, as detailed below:

Details of the milestone	The time at which the approval for operation will be received	The construction grant (US$ Million)
The first approval for operation	30 months from the time of the entry of the agreement into force	51.00
The second approval for operation	34 months from the time of the entry of the agreement into force	12.75
The third approval for operation	38 months from the time of the entry of the agreement into force	12.75
The full approval for operation	42 months from the time of the entry of the agreement into force	25.50

3. The payments to the concession holder in the operating period

   a) The payments to the concession holder in the operating period are comprised of two sorts of payments: (a) a fixed capital payment – the concession holder will be entitled to a fixed bi-monthly capital payment, which will be linked to the basket of linkages to indices that were presented by Mabat Lanegev as part of its offer in the tender, and which will be adjusted to changes in the base interest rates, on the basis of the proposal made in the tender; (b) a fixed operating payment – the concession holder will be entitled to a fixed bi-monthly operating payment, which will be linked to the basket of linkages to indices on the basis of its offer in the tender.

Note 4 – Significant events during and after the reporting period (continued)

A. (continued)

3. The payments to the concession holder in the operating period (continued)

b) In the partial operating period (in other words, as from the time of the receipt of the first approval for operation and up to the time of the receipt of the full approval for operation), the concession holder will be entitled to receive a relative portion of the fixed capital payment and the fixed operation payment, as detailed below:

The approval for operation	The rate of the payment
The first approval for operation	30%
The second approval for operation	50%
The third approval for operation	70%
The full approval for operation	100%

c) A variable payment in respect of catering services- the concession holder will be entitled to a bi-monthly payment in accordance with the quantity of people actually using the catering services and with a division according to the types of meals eaten. The variable payment in respect of the catering services will be linked to the basket of linkages to indices on the basis of its offer in the tender;

d) A variable payment in respect of accommodation – the concession holder will be entitled to a variable payment in respect of accommodation, which will be paid to the concession holder each bi-monthly period in accordance with the number of people actually staying in the training complex; The variable payment in respect of the accommodation will be linked to the basket linkages to indices on the basis of its offer in the tender;

e) A variable payment for certain expenses – the concession holder will be entitled to receive a variable payment for certain expenses, inter alia, in respect of publishing expenses, haulage services, in respect of participation at a rate of 20% in the costs of the consumption of electricity and water and so on, which will be paid to it each bi-monthly period, in accordance with the provisions of the concession agreement.

Note 4 – Significant events during and after the reporting period (continued)

A. (continued)

4. Collateral that has been made available in favor of the ordering party

   As collateral for the compliance with all of its commitments under the concession agreement, the concession holder is to produce autonomous guarantees, which will be made available by the shareholders, which are unconditional and unrepeatable, in favor of the ordering party, as detailed below: (a) at the time of the entry of the concession agreement into force the concession holder delivered a guarantee in the amount of US$ 25.5 million to the ordering party, which will be in force until the time of the receipt of the full approval for operation for the training complex; (b) the concession holder is to deliver a guarantee in an amount of US$ 12.75 million to the ordering party at the time of the receipt of the full approval for operation (and as a condition for its receipt), which will be in force for a period of three years from the time of the receipt of the full approval for the operation of the training complex. This guarantee will replace the guarantee that is described in (a) above; (c) at the end of a period of three years from the time of the receipt of the full approval for the operation of the training complex the concession holder is to deliver a guarantee in an amount of US$ 8.9 million to the ordering party, which will be in force up to a time three years before the end of the concession period. This guarantee will replace the guarantee described in (b) above; (d) three years before the end of the concession period, the concession holder is to deliver a guarantee in an amount of US$ 19.1 million to the ordering party, which will be in force up to the end of the checking period for the project. . This guarantee will replace the guarantee described in (c) above

5. The main points of the financing agreement

   a) General

      The financial closure has been made and the financing agreement signed, prior to the presentation of the offer in the second stage of the tender as well as most of the additional financing agreements in the project, except for the collateral agreements and the charges, and this was as part of the requirements made to the concession holder, that it present the financial closure within the framework of the proposal, which is different from other tenders in which after having won the concession holder makes an approach to execute the financial closure.

   b) The financing bodies

      The organizer of the senior debt and the representative of the senior accompanying financers for the project is a banking entity.

   c) The financing periods

      The financing for the project can be divided into two main periods, as follows:

      (1) Short-term financing – the short-term financing amounts to approximately US$ 0.51 billion, of which approximately US$ 102 million will be made available as a grant loan. The short-term financing is intended to cover the construction costs of the project. The grant loan will be repaid as stated in section 2 above, whereas the rest of the short-term financing will be repaid from shareholders' equity as stated in section 5 d below and by means of long-term loans as detailed below.

      (2) Long-term financing – the long-term financing will be in an amount equal to the balance of the credit that remains as stated in sub-section (a) above. This financing is intended to cover the short-term loans. The long-term loans will be repaid in accordance with a bi-monthly schedule, over a period of 21 years.

Note 4 – Significant events during and after the reporting period (continued)

A. (continued)

5. The main points of the financing agreement (continued)

d) Shareholders' equity

The shareholders' equity in the construction period is to stand at an average rate of approximately 20% of the overall costs of the project. During the construction period a bridging loan will be made available against the shareholders' equity, which will be repaid at the time of the receipt of the full approval for operation by means of the making available of shareholders' loans.

e) Collateral

As collateral for the compliance with their commitments under the construction and operating agreements, the construction contractor, the operating contractor and the shareholders are to present various collateral, as follows: (a) a performance guarantee in respect of the construction contractor, which is to stand at an amount of 10% of the fees under the construction contract. This guarantee is to be in force until 60 days from the time of the receipt of the full approval for operation; (b) at the time of the receipt of the full approval for operation, the construction contractor is to make an autonomous unconditional guarantee available, which is to stand at an amount of 5% of the fees under the contract, and this is to be in force until the end of a period of six months from the end of the check period; (c) a performance guarantee in respect of the operating contractor. This guarantee is to stand at all times at an amount of 16.6% of the annual consideration under the operating agreement. This guarantee is to be in force as from the time of the receipt of the full approval for operation and until the end of the check period (as defined in the concession agreement); (d) a guarantee from the shareholders of the operating contractor for the fulfillment of all of its commitments in accordance with the operating agreement, at the level of approximately six months of operations; (e) in addition, the concession holders is to make various reserve funds available to the satisfaction of the accompanying financers (as agreed in the financing agreement).

f) Interest

The short-term financing is being extended in a mix of Dollars and Shekels. The Dollar component bears interest at the LIBOR rate with the addition of a margin, and the Shekel component bears interest at the rate set by the Bank of Israel with a margin, as is customary in projects of this sort. The long-term financing will bear interest at the rate on state bonds, with the addition of a margin, as is customary in projects of this sort.

g) Financial covenants and restrictions

The concession holder may not make a distribution (as defined in the financing agreement, including a repayment of shareholders' loans and the distribution of dividends), unless at least one year has passed from the time of the first payment on account of the amount of the principal in respect of the short-term loan, and also that all of the conditions that are detailed below have been complied with:

(1) The ADSCR coverage ratio (Average Debt Service Coverage Ratio) is required to stand at an average ratio over the length of the period in which the finance is made available of at least 1:1.20.

(2) The LLCR (Loan Life Coverage Ratio) is required to stand at an average ratio over the length of the period in which the finance is made available of at least 1:1.20.

Note 4 – Significant events during and after the reporting period (continued)

A. (continued)

5. The main points of the financing agreement (continued)

g) Financial covenants and restrictions (continued)

In any event, the amount of the distribution is not to exceed the available cash flows in the six months ending on the date of the calculation less the debt servicing in that period, and less an amount that is the lower of (1) 25% of the historical surpluses; or (b)US$ 7.65 million.

h) Pre-conditions for the execution of the first withdrawal

The execution of the first withdrawal from the loan for the project will be subject to the financing bodies having received all of the documents that are detailed below:

(1) The incorporation documents of the concession holding company, the shareholders in the concession holder, the construction contractor, the operating contractor, the sub-contractor for the construction and the sub-contractor for the telecommunications.

(2) A copy of all of the project documents (including the financing agreement and the concession agreement), which have been lawfully signed;

(3) A copy of the program for the obtaining of the approvals for the project, which the concession holder is required to receive in order to meet its commitments;

(4) Confirmation in respect of the preparation and entry into force of all of the insurance policies for the project, which are required to be in force as that time, including copies of all of the insurance policies;

(5) A copy of the last audited and reviewed financial statements (in so far as they exist) of all of the project bodies, including the construction and telecommunications sub-contractors);

(6) The up to date financing model as of the time of the first withdrawal, which includes sensitivity analysis to the satisfaction of the accompanying financers and compliance with the covenants that have been defined by them;

(7) The construction budget and the operating budget as updated as of the time of the first withdrawal;

(8) Up to date reports of the accompanying consultants (including an updated report of the financial controller).

(9) Certification of the registration of the collateral that is required in accordance with the financing agreement, as well as copies of all of the notifications of charge, mortgage or endorsement, which the concession holder or the shareholders therein are required to deliver to any government authority or other body.

The agreement has not had a significant impact on the Company's financial statements as of the balance sheet date.

Note 4 – Significant events during and after the reporting period (continued)

B. On March 6, 2012 the Boards of Directors of the Company and of the subsidiary companies, respectively, approved a plan for the allocation of option warrants to directors in the Company and the updating of the terms of the option warrants that had been issued to the Company's Chief Executive Officer and also of option warrants for directors in two subsidiary companies.

   For additional details, see Note 36 (B – D) to the annual financial statements as of December 31, 2011.

C. On March 6, 2012 the Company declared the distribution of a dividend of approximately US$ 12.75 million (approximately US$ 3.59 per share), which was paid on March 27, 2012.

D. On March 6, 2012 the Company's Board of Directors approved principles and guidelines for the classification of immaterial transactions, within the meaning of that term in the Securities Regulations (Annual financial statements) – 2010. For details see Note 29 J to the annual financial statements as of December 31, 2011.

E. Within the framework of the approval of the Company's Board of Directors on March 13, 2012 it was decided to approve a private issue to institutional bodies of up to US$ 22.9 million of bonds (series C) by means of the expansion of that series of bonds, which is in circulation and which are traded on the Tel-Aviv Stock Exchange under the "Continuous institutions" list. Within this framework, on March 22, 2012 the company allocated US$ 22.9 million par value of bonds (series C), by way of the expansion of a series of bonds and this for an overall gross consideration of approximately US$ 27.5 million. The terms of the bonds that were issued by way of the expansion of the series, as aforesaid, are identical to the terms of the bonds in circulation.

   In March 2012 Midroog approved a rating of A1 with a stable rating outlook for the Company for its bonds in an amount of up to US$ 22.9 million par value, which were issued within the framework of an expansion of Series C.

F. In the reporting period and thereafter seven applications for recognition as a class action were presented against investee companies, in an overall amount of approximately US$ 19.4 million in respect of the breach of the provisions of the Parking for handicapped persons Law – 1993.
   In the assessment of the managements of the investee companies, based, inter alia, on the opinion of their legal advisors, the chances of the applications for approval as class actions being turned down exceed the chances that those applications will be approved.

Note 4 – <u>Significant events during and after the reporting period</u> (continued)

G. On February 21, 2012 a general meeting of the Company's shareholders, following the approval of the Company’s Audit Committee and its Board of Directors, approved a new management agreement in place of the previous management arrangement. In accordance with the management agreement, Elco will grant the following services to the Company for the consideration that is detailed below:

1) The services of the Chairman of the Board of Directors at an extent of a 60% position in consideration for an annual amount of US$ 0.36 million a year with the addition of VAT as required under the law, linked to the increase in the Consumer Prices Index as known at the time of the payment as compared with the index for the month of February 2012.

2) The services of directors – Elco will make directors available to the company on a permanent basis to act on its behalf in their Board of Directors (no more than two directors for payment) in consideration for annual remuneration and remuneration for participation for each meeting at which the directors will be present in accordance with the amounts that are acceptable in the company.

3) The reimbursement of expenses to Elco in respect of additional management services that are provided by Elco in consideration for an annual amount of US$ 0.74 million a year with the addition of VAT. as required under the law, constituting the reimbursement of the expenses that are expended by Elco in respect of the management services that are provided to the company.

4) A grant in respect of the management services, which is derived from the pre-tax profit in accordance with the company's audited annual financial statements for the relevant year, after eliminating the gain (loss) on the revaluation of real estate property and capital gains or capital losses from the disposal of revalued assets. For the purpose of the calculation, capital gains or losses on the disposal of assets will be added to the profit or loss, in accordance with a mechanism that has been set.
In respect of the management grant, a profit scale has been set in accordance with which any grant will be paid, as follows:

a) If the adjusted annual profit is less than US$ 17.31 million, the Company will not pay an annual management grant.

b) In respect of an adjusted annual profit from an amount of US$ 17.31 million to an amount of US$ 19.78 million, the Company will pay an annual management grant at a rate of 1%.

c) In respect of an adjusted annual profit from an amount of US$ 19.78 million to an amount of US$ 22.25 million, the Company will pay an annual management grant at a rate of 2%.

d) In respect of an adjusted annual profit of more than US$ 22.25 million, the Company will pay an annual management grant at a rate of 6.5%.

In any event, the maximum annual management grant may not exceed an amount of US$ 1.27 million a year with the addition of VAT as required under the law. In so far as the Company has an adjusted loss (after the aforesaid adjustments) no grant will be paid for that year and the adjusted loss will be set off against the adjusted profit in the following year or years, from the year that follows the last grant that was paid in accordance with the agreement, without any time limit, until the end of the period of the agreement.

The management agreement is in force for three years, as from the time of its approval by the Company’s general meeting.

For additional details see Note 26 B (1) to the annual financial statements as of December 31, 2011.

Note 4 – Significant events during and after the reporting period (continued)

G. (continued)

Continuing commitment for a different consideration

The following are details of the impact on the components of the statement of income, on the profit per share figures and on the balance of the profit that relates to the reported period, on the assumption that the changes in the terms had been in force in all of the reporting period:

	Six months ended June 30		Three months ended June 30		Year ended December 31	
	2011		2011		2011	
	U.S. Dollars in thousands (except per share data)					
	Actual data	Pro-forma data	Actual data	Pro-forma data	Actual data	Pro-forma data
Administrative and general expenses	18,099	17,375	9,266	8,754	37,161	36,117
Taxes on income	5,487	5,661	2,901	3,023	11,359	11,610
Net income attributable to shareholders in the company	18,343	18,893	9,472	9,861	32,582	33,375
Net earnings per share (in US Dollars):						
Basic net earning	5.17	5.33	2.67	2.78	9.18	9.40
Diluted net earning	5.16	5.31	2.66	2.77	9.16	9.39

	June 30, 2011		December 31, 2011	
	U.S. Dollars in thousands			
	Actual data	Pro-forma data	Actual data	Pro-forma data
Retained earnings	101,778	102,328	105,821	106,614

H. In continuation of what was stated in Note 26 B (7) to the annual financial statement as of December 31, 2011, on the subject of the signing of an agreement for the acquisition of the operations of Dalkia Energy and Services Ltd., on May 3, 2012 the Company received notification of a decision by the Anti-Trust Director in respect of the opposition to the merger with Dalkia Energy and Services Ltd.. In accordance with the agreement, the non-receipt of approval from the Anti-Trust Director as aforesaid, terminates and cancels the agreement.

Note 4 – <u>Significant events during and after the reporting period</u> (continued)

I. In continuation of what is stated in Note 9G (6) to the annual financial statements as of December 31, 2011, on the subject of the receipt of a conditional license for the construction of a facility for the production of electricity using pumped storage power technology at Ma'aleh Gilboa, which was granted to the company P.S.P. Investments Ltd., in which the Company holds 38% of the issued share capital, the conditional license has been renewed, following the receipt of the approval of the Minister of Energy and Water on July 24, 2012.

J. On July 25, 2012 the Company’s Board of Directors decided to approve a private issue to institutional bodies of up to US$ 15.3 million par value of bonds (Series C) by means of the expansion of a series of bonds (Series C), which are in circulation and which are traded on the Tel-Aviv Stock Exchange under the "Continuous institutions" list.

On July 31, 2012 US$ 15.3 million par value of bonds (Series C) were issued for a gross consideration of approximately US$ 18.2 million.

Midroog, ratified an A1 rating for the Company in July 2012, with a stable rating horizon for the bonds in an amount of up to US$ 15.3 million, which were issued within the framework of the expansion of Series C.

K. On July 25, 2012 the Company's Board of Directors approved the entry into a commitment with the Covenant Group Ltd. (hereinafter – Covenant) and with Hofrey Ha'Sharon Ltd. (hereinafter – Hofrey Ha'Sharon) under an agreement for the allocation and purchase of regular shares in Hofrey Ha'Sharon, which is engaged in the infrastructure and development sector, as well as under an agreement that arranges the relationship between the parties as shareholders in Hofrey Ha'sharon (hereinafter, together – The agreement), according to which , at the time of the completion of the transaction the Company will acquire shares from Covenant and from Hofrey Ha'Sharon, constituting 51% of the Hofrey Ha'Sharon's issued and paid up share capital (at full dilution) (except for one preference share in respect of G.Infinity's operations, as set forth in sub-section d below) (hereinafter – the transaction).

1. <u>Date of purchase</u>

   The completion of the transaction is subject to the compliance with a number of crucial conditions, which are detailed in the agreement, inter alia, the receipt of approval from the Anti-Trust Director and the receipt of the agreements of unrelated third parties, however in any event, no later than December 31, 2012, or any other date, on which the parties may agree in writing. If the crucial terms are not met by the said time, except for certain crucial conditions in respect of which it has been agreed that the Company is entitled to waiver compliance, then each party will be entitled to cancel the agreements by giving written knowledge to the other parties.

2. <u>The manner of the purchase</u>

   The Company will acquire regular shares in Hofrey Ha'Sharon by way of an allocation from Hofrey H'Ssharon and also by way of the purchase of shares from Covenant, such that following the allocation and the purchase, the Company will hold 51% of Hofrey Ha'Sharon's issued and paid up share capital (at full dilution) and Covenant will hold 49% of Hofrey Ha'Sharon's issued and paid up share capital (at full dilution).

Note 4 – <u>Significant events during and after the reporting period</u> (continued)

K. (continued)

3. <u>The consideration for the purchase</u>

   At the time of the completion, the Company is to pay an amount of US$ 13 million to Hofrey Ha'Sharon and Covenant, subject to adjustments, as detailed below:

   a. The consideration for the allocation – an amount of US$ 10.2 million is to be paid to Hofrey Ha'Sharon against the allocation of 39.9% of Hofrey Ha'Sharon's issued and paid up share capital (at full dilution).

   b. The consideration for the purchase – the base price that will be paid at the time of the completion to Covenant is 2.8 US$ million, against the purchase of 11.1% of Hofrey Ha'Sharon's issued and paid up share capital (at full dilution).

   c. The parties have agreed upon a mechanism for the adjustment of the consideration for the purchase – an earn out mechanism, whilst giving a waiting of 40% to the "value of Hofrey Ha'Sharon at the time of the completion" and 60% to the "value of Hofrey Ha'Sharon for adjustment".

4. <u>The asset being purchased</u>

   In accordance with the provisions of the agreement, immediately before the time of the completion Covenant and Hofrey Ha'Sharon are to execute a structural change at their expense and at their responsibility, which includes the sale of certain holdings and operations by the time of the completion of the transaction, such that as of the time of the completion, Hofrey Ha'Sharon will be the absolute and exclusive owner of the holdings that are detailed below (hereinafter – the Hofrey Ha'Sharon Group):

   a. 50% of the issued and paid up share capital of the company Linom Ltd. (at full dilution), where mechanisms are set in the agreement, which eliminate Linom's operations in relation to a plot of land in the Barkan Industrial Zone, in respect of which Linom has rights under a development contract, which attributes all of the expenses and all of the revenues in respect of the said plot of land to Covenant, and which also affords Covenant rights in connection with decisions relating to the said plot of land. This elimination is executed under the force of the preference share in the company G. Infinity Promotion and Investment Ltd., as described in sub-section 4f below.

   b. Linom holds 50% of the issued and paid up share capital of the company Typhoon Contractors Ltd. (at full dilution).

   c. 80% of the issued and paid up share capital of the company Ben Hasharon Ltd. (at full dilution).

   d. 50% in the Wuwa Bau Partnership.

   e. 50% of the issued and paid up share capital of the company Hodaya G.D. Ltd. (at full dilution) (hereinafter – Hodaya). A mechanism is set in the agreement, which eliminates Hodaya's operations from the consideration (including from the earn out).

   f. 100% of the issued and paid up share capital of the company G. Infinity Promotion and Investment Ltd. (hereinafter – G. Infinity). A mechanism is set in the agreement for the allocation of a preference share in Hofrey Ha'Sharon to Covenant, which eliminates G. Infinity's operations from the consideration (including from the earn-out), and which attributes all of the expenses and all of the revenues in respect of the said plot of land to Covenant, and which also affords Covenant rights in connection with decisions relating to its operations and also eliminates the rights in respect of Linom's plot of land in Barkan, as stated in section 4a above (hereinafter – G. Infinity's operations and also the G. Infinity share).

Note 4 – <u>Significant events during and after the reporting period</u> (continued)

K. (continued)

5. <u>Option</u>

   Within the framework of the transaction, Electra has afforded Covenant an option to sell to Electra (hereinafter: The sale option) all of its holdings in Hofrey Ha'Sharon as they may be from time to time (except for the preference share in respect of the operations of G. Infinity, as mentioned in Section 4f above) (hereinafter- the Covenant shares), at a price that will be determined in accordance with a formula that is set in the agreement, and this as from the end of 8 years from the time of the completion and up to the end of 3 years thereafter. However, if certain conditions are met, the exercise period will begin prior to then and in any event not before the end of 3 years from the time of the completion.

   Furthermore, Covenant has awarded the Company an option to purchase (hereinafter – the purchase option) all of Covenant's shares from Covenant during the exercise period at a price that will be determined in accordance with a formula that is set in the agreement.

   It has been agreed between the parties that in the event of the operation of the sale option or of the purchase option, as the case may be, the purchase option or the sale option (which has not been operated), as the case may be, will expire.

As of the time of the publication of the report, the transaction has not yet been completed.

L. In continuation of what is stated in Note 8B (4) and in Note 22C to the annual financial statements as of December 31, 2011, on the subject of the commitment by a consolidated company under an agreement for the purchase of half of the rights of W Prime Ltd. in land that is located in the Ztameret Park in Tel-Aviv, which is known as the W Prime Tel-Aviv Project, within the framework of which the consolidated company holds 46% of the rights, as of the date of the publication of the report, 70% of the rights in the consolidated company and W Prime (hereinafter – the managers) in the land have been sold to various purchases who constitute a purchase group (hereinafter – the purchasers) for consideration in an amount of approximately US$ 39.8 million) (inclusive of VAT), in respect of which an amount of approximately US$ 31.9 million (inclusive of VAT), has been received to date in a trust account for the project.

The balance of the rights that have not yet been sold, at a rate of 30% of the managers' rights in the land are held by the managers in equal shares. The managers are continuing to act for the sale of the balance of the rights in the project to various purchasers. The consideration will be transferred to the managers after the deduction of the following amounts and after the various documents have been produced:

1. A rate of 7.5% of the consideration, or a lower amount, in accordance with the relevant approvals for the reduction of the amount of the advance that may be received from the tax authorities, will be transferred to the tax authorities as an advance on account of betterment tax and/or income tax.
2. The repayment of a loan that was made available to the managers by a bank for the purchase of the land in the project, which as of July 25, 2012 amounts to approximately US$ 25.5 million and the elimination of the mortgage that is registered on the land in favor of the bank.
3. The balance of the consideration in respect of the rights in the land will be transferred to the managers in equal shares.

Note 4 – <u>Significant events during and after the reporting period</u> (continued)

L. (continued)

Within the framework of the sale agreements that have been signed with the purchasers, the managers, the parties that are related to W. Prime and the purchasers have signed on a cooperation agreement within the framework of which, inter alia, principles have been determined for the construction and the management of the project, the division of the areas in the project and so on, as well as a management agreement that arranges the management services that will be provided to the purchasers by the managers. In consideration for the management services, the managers will be entitled to an amount of approximately US$ 11.7 million (inclusive of VAT) of which an amount of approximately US$ 5.3 million (inclusive of VAT) has already been deposited in trust.

As aforesaid, upon the repayment of the Company's share of a loan from a bank, in an amount of US$ 12.7 million, the financial covenants that are related to the said loan will be removed.

Following the sale to the purchase group, the acquisition will generate income for the Company (in respect of the sale agreement and the management fees, in an amount of approximately US$ 3.8 million, of which approximately US$ 3.3 million before tax will be reflected under gross profit in the Company's statement of income for the third quarter of 2012.

The said capital gain is merely an estimate, based on the information that exists as of the time of the approval of the financial statements and as such it not final and it may changes after the completion of the review of the financial statements by the external auditors.