




April 29, 2014

Sunflower Sustainable Investments Ltd
Ramat Gan, ISRAEL

Re: Sunflower Sustainable Investments Ltd. Financial statements as of December 31, 2013

As the auditors of the company and at your request, we confirm that the translated consolidated balance sheet as of December 31, 2013 and the consolidated statements of comprehensive income (loss), changes in equity and cash flows for the year ended on that date (hereinafter – the financial statements), attached herewith and stamped by us for identification purposes, are identical to the financial statements as of December 31, 2013 that were approved and signed by the company on March 25, 2014 and published to the public.

Kind Regards,


Kesselman & Kesselman
Certified Public Accountants (Isr.)
PwC Israel

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SUNFLOWER SUSTAINABLE INVESTMENTS LTD.

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2013

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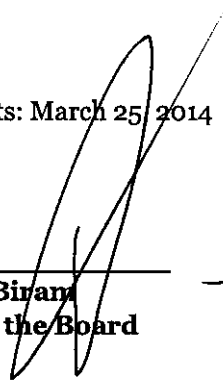
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SUNFLOWER SUSTAINABLE INVESTMENTS LTD

CONSOLIDATED BALANCE SHEETS

	December 31		January 1
	2013	2012	2012
	NIS in thousands		
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	95,563	101,754	124,905
Short-term investments	81,803	136,352	122,616
Trade and accrued income	16,734	13,034	22,120
Other accounts receivable	23,226	16,261	11,944
	217,326	267,401	281,585
Asset classified as held for sale	22,760	-	-
	240,086	267,401	281,585
NON-CURRENT ASSETS:			
Accounts receivable	25,370	26,289	7,618
Investments accounted for using the equity method	82,048	116,191	121,612
Investment in photovoltaic plants	484,612	421,597	364,988
Licenses for production of electricity in photovoltaic plants	37,016	33,738	27,466
Investment in wind technology plants for electricity production	31,238	-	-
Licenses for production of electricity by wind technology	3,064	-	-
Payments on account of renewable energy investments	46,227	19,702	2,590
Investment property	92,380	115,059	109,970
Property, plant and equipment	1,032	1,137	1,232
Deferred taxes	8,747	6,983	2,448
	811,734	740,696	637,924
	1,051,820	1,008,097	919,509

Date of approval of the financial statements: March 25, 2014



Aharon Biran
 Chairman of the Board



Orly Kyram
 CEO

SUNFLOWER SUSTAINABLE INVESTMENTS LTD

CONSOLIDATED BALANCE SHEETS

	December 31	January 1
	2013	2012
	NIS in thousands	
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Short-term credit and current maturities of long-term loans from banks	30,020	42,568
Current maturities of debentures and convertible debentures	80,242	28,227
Loans from non-controlling shareholders in subsidiaries	10,515	-
Trade payables	4,609	6,292
Other accounts payable	22,880	37,396
	148,266	97,532
NON-CURRENT LIABILITIES:		
Loans from banks and others	381,917	341,858
Convertible debentures	92,358	43,256
Conversion component of convertible debentures	-	161
Debentures	107,294	163,469
Loans from non-controlling shareholders in subsidiaries	19,600	10,609
Deferred taxes	7,955	8,929
	609,124	571,498
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:		
Share capital	32,951	32,951
Share premium	224,933	224,933
Warrants and share-based payment	8,362	8,362
Reserve for share-based payment	1,130	776
Capital reserve	(869)	125
Foreign currency translation adjustments	(1,588)	(54)
Retained earnings	25,944	45,753
	290,863	337,151
Non-controlling interests	3,567	1,916
Total equity	294,430	339,067
	1,051,820	919,509

SUNFLOWER SUSTAINABLE INVESTMENTS LTD

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended December 31		
	2013	2012	2011
	NIS in thousands		
Revenues	99,910	82,780	47,824
Cost of revenues	<u>43,863</u>	<u>34,962</u>	<u>17,070</u>
Gross profit	56,047	47,818	30,754
Valuation gains of investment property, net	21	16,418	4,357
Valuation losses of photovoltaic plants	-	(2,195)	-
General and administrative expenses	(14,493)	(13,723)	(13,582)
Other income (expenses), net	403	(1,020)	258
Share of earnings (losses) of investments accounted for using the equity method	<u>(33,904)</u>	<u>564</u>	<u>(698)</u>
Operating income	8,074	47,862	21,089
Finance income	11,701	17,939	23,550
Finance costs	<u>(49,250)</u>	<u>(37,290)</u>	<u>(36,111)</u>
Income (loss) before taxes on income	(29,475)	28,511	8,528
Taxes on income	<u>7,069</u>	<u>2,902</u>	<u>5,106</u>
Income (loss) from continuing operations	(36,544)	25,609	3,422
Income from discontinued operation, net	-	-	<u>12,598</u>
Net income (loss)	<u>(36,544)</u>	<u>25,609</u>	<u>16,020</u>
Other comprehensive income:			
Foreign currency translation adjustments	<u>(1,660)</u>	<u>(244)</u>	<u>878</u>
Total comprehensive income (loss)	<u>(38,204)</u>	<u>25,365</u>	<u>16,898</u>
Net income (loss) attributable to:			
Equity holders of the Company	(37,114)	24,305	15,765
Non-controlling interests	<u>570</u>	<u>1,304</u>	<u>255</u>
	<u>(36,544)</u>	<u>25,609</u>	<u>16,020</u>
Total comprehensive income (loss) attributable to:			
Equity holders of the Company	(38,648)	24,078	16,636
Non-controlling interests	<u>444</u>	<u>1,287</u>	<u>262</u>
	<u>(38,204)</u>	<u>25,365</u>	<u>16,898</u>
<u>Net earnings (loss) per share attributable to equity holders of the Company (in NIS):</u>			
Net income (loss) from continuing operations	(1.13)	0.74	0.10
Net income from discontinued operation	-	-	<u>0.38</u>
Net earnings (loss)	<u>(1.13)</u>	<u>0.74</u>	<u>0.48</u>

SUNFLOWER SUSTAINABLE INVESTMENTS LTD

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company									
	Share Capital I	Share premium	Warrants	Share- based payment	Retained earnings	Capital reserve	Foreign currency translation adjustments	Total	Non- controlling interests	Total equity
	NIS in thousands									
Balance at January 1 2011	32,951	224,933	8,362	1	29,988	125	(698)	295,662	(35)	295,627
Net income (loss)	-	-	-	-	15,765	-	-	15,765	255	16,020
Comprehensive income - foreign currency translation adjustments, net	-	-	-	-	-	-	871	871	7	878
Total comprehensive income	-	-	-	-	15,765	-	871	16,636	262	16,898
Transactions with equity holders:										
Share based payment	-	-	-	387	-	-	-	387	-	387
Conversion of loan into subsidiary's equity	-	-	-	-	-	-	-	-	96	96
Total transactions with equity holders	-	-	-	387	-	-	-	387	96	483
Balance as of December 31 2011	32,951	224,933	8,362	388	45,753	125	173	312,685	323	313,008
Net income	-	-	-	-	24,305	-	-	24,305	1,304	25,609
Comprehensive income - foreign currency translation adjustments, net	-	-	-	-	-	-	(227)	(227)	(17)	(244)
Total comprehensive income (loss)	-	-	-	-	24,305	-	(227)	24,078	1,287	25,365
Transactions with equity holders:										
Share based payment	-	-	-	388	-	-	-	388	-	388
Conversion of loan into subsidiary's equity	-	-	-	-	-	-	-	-	306	306
Total transactions with equity holders	-	-	-	388	-	-	-	388	306	694
Balance as of December 31, 2012	32,951	224,933	8,362	776	70,058	125	(54)	337,151	1,916	339,067
Net income (loss)	-	-	-	-	(37,114)	-	-	(37,114)	570	(36,544)
Comprehensive (loss) - foreign currency translation adjustments, net	-	-	-	-	-	-	(1,534)	(1,534)	(126)	(1,660)
Total comprehensive income (loss)	-	-	-	-	(37,114)	-	(1,534)	(38,648)	444	(38,204)
Transactions with equity holders:										
Share based payment	-	-	-	354	-	-	-	354	-	354
Equity conversion component of convertible debentures	-	-	-	-	-	213	-	213	-	213
Dividend	-	-	-	-	(7,000)	-	-	(7,000)	-	(7,000)
Acquisition of non-controlling interests	-	-	-	-	-	(1,207)	-	(1,207)	1,207	-
Total transactions with equity holders	-	-	-	354	(7,000)	(994)	-	(7,640)	1,207	(6,433)
Balance as of December 31, 2013	32,951	224,933	8,362	1,130	25,944	(869)	(1,588)	290,863	3,567	294,430

SUNFLOWER SUSTAINABLE INVESTMENTS LTD

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year ended December 31

2013 2012 2011

NIS in thousands

Cash flow from operating activities:

Net income (loss)	(36,544)	25,609	16,020
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Adjustments to the profit or loss items:			
Finance costs, net	37,549	19,351	15,449
Depreciation and amortization	28,417	24,188	12,104
Valuation gains of investment property, net	(21)	(4,390)	(4,357)
Taxes on income	7,069	2,902	9,305
Change in employee benefit liabilities, net	354	388	387
Share of losses (earnings) of investments accounted for using the equity method	33,904	(564)	698
	<u>107,272</u>	<u>41,875</u>	<u>33,586</u>
Changes in asset and liability items:			
Decrease (increase) in trade and other accounts receivable	8,187	14,260	(18,784)
Decrease in inventory of buildings and land for sale	-	-	15,881
Increase (decrease) in trade and other accounts payable	564	(2,192)	(29,603)
	<u>8,751</u>	<u>12,068</u>	<u>(32,506)</u>
Cash paid and received during the period for:			
Interest paid	(37,509)	(28,408)	(25,074)
Interest received	2,758	8,299	6,759
Taxes paid	(9,523)	(7,132)	(978)
Taxes received	94	1,292	1,748
	<u>(44,180)</u>	<u>(25,949)</u>	<u>(17,545)</u>
Net cash provided by (used in) operating activities	<u>35,299</u>	<u>53,603</u>	<u>(445)</u>

SUNFLOWER SUSTAINABLE INVESTMENTS LTD

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year ended December 31

2013 2012 2011

NIS in thousands

Cash flow from investing activities:

Investment in renewable energy and licenses for production of electricity (includes advances payments)	(56,868)	(14,883)	(212,442)
Purchase of fixed assets	(78)	(106)	(1,067)
Investment in investment property	(60)	(699)	(23)
increase in non-current accounts receivable and others	(6,893)	(16,640)	(545)
Sale of marketable securities and deposits, net	39,475	10,191	95,134
Repayment (Grant) of short-term loans	20,000	(20,000)	-
Repayment of loans to investments accounted for using the equity method, net	-	7,561	8,144
Purchase of consolidated subsidiary	(123,499)	(61,306)	(13,474)
Net cash used in investing activities	<u>(127,923)</u>	<u>(95,882)</u>	<u>(124,273)</u>

Cash flow from financing activities:

Receipt of loans from non-controlling shareholders in subsidiaries	19,270	155	3,320
Repurchase of debentures	-	(8,427)	(16,888)
Issue of convertible debentures, net	70,548	-	-
Repayment of debentures	(28,511)	(28,295)	(27,684)
Receipt of long-term loans from banks and others	71,587	76,017	184,445
Repayment of long-term loans from banks and others	(18,146)	(9,688)	(2,036)
Short-term credit from banks and others, net	(17,817)	(10,404)	10,559
Dividend payment	(7,000)	-	-
Net cash provided by financing activities	<u>89,931</u>	<u>19,358</u>	<u>151,716</u>
Translation differences of balances of cash and cash equivalents	<u>(3,498)</u>	<u>(230)</u>	<u>4,080</u>
Increase (decrease) in cash and cash equivalents	(6,191)	(23,151)	31,078
Cash and cash equivalents at the beginning of the period	<u>101,754</u>	<u>124,905</u>	<u>93,827</u>
Cash and cash equivalents at the end of the period	<u>95,563</u>	<u>101,754</u>	<u>124,905</u>

SUNFLOWER SUSTAINABLE INVESTMENTS LTD

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31		
	2013	2012	2011
	NIS in thousands		
(a) Purchase of consolidated subsidiary:			
The subsidiary's assets and liabilities at date of purchase :			
Working capital (excluding cash and cash equivalents)	(13,137)	20,074	(3,658)
Investment in photovoltaic plants and Licenses	(72,351)	(88,016)	(38,438)
Payments on account of wind technology plants for electricity production	(3,319)	(19,003)	-
Investment in wind technology plants for electricity production	(34,302)	-	-
Deferred taxes, net	(769)	(703)	(691)
Non-current liabilities	379	26,342	29,313
	(123,499)	(61,306)	(13,474)
(b) Significant non-cash transactions:			
Payments on account of solar photovoltaic plants	2,067	3,993	15,540