



Shagrir Group Vehicle Services Ltd.

Interim Condensed Financial Statements

As of September 30, 2016

- **Part A: Board of Director's Report of the State of the Company's Affairs for a period of nine months ending on September 30, 2016.**
- **Part B: Condensed Interim Consolidated Financial Statements as of September 30, 2016.**
- **Part C: Summary of Separate Interim Financial Information as of September 30, 2016.**
- **Part D: Managers' Declarations.**

The Company's Board of Directors determined on July 12, 2016 that the Company meets the criteria of a "Small Corporation," as the term is defined in the Securities Regulations (Immediate and Periodic Reports), 5730-1970 (the "Regulations"). The Company's Board of Directors decided to adopt the leniencies established in the Regulations as applying to a "Small Corporation" wherever such are relevant (or will be relevant) to the Company.

Part A - Board of Directors Report of the State of the Corporation's Affairs

For the period ending September 30, 2016

The Board of Directors of Shagrir Group Vehicle Services Ltd. (the "**Company**") is pleased to hereby submit the Board of Director's Report of the State of Business of the Company and its consolidated company for the period of nine and three months ending September 30, 2016 (the "**Period**" or the "**Reporting Period**"), in accordance with the Securities Regulations (Periodic and Immediate Reports), 5730-1970.

The summary brought hereunder is limited in its scope and addresses incidents with significant impact on the state of the Company's affairs during the Reporting Period. This Report should be examined together with the financial statements and the board of director's report on the state of the Company's affairs for the year ending on December 31, 2015, which was attached to the Company's Prospectus on May 27, 2016 (reference: 2016-01-035664) (the "**Prospectus**").

1. Brief Description of the Company (and the Consolidated Company), its Business Environment and the Development of its Businesses during the Reporting Period

1.1. As of the date of the Report, the Company is operating in two areas of activity, reported as sectors of activity in the Company's financial statements:

1.1.1. Area of services to the insurance companies - in this field, the Company provides various services including road services, services to homes, services provided by auto service centers and other services. The aforesaid services are offered and sold to customers of the Company in the area of activity, including mainly the insurance companies, and are provided directly by the Company to subscribers and/or additional customers that purchase these services from the Company directly (and not through the insurance companies).

1.1.2. Area of vehicle sharing and rental - in this field, the Company provides, via its subsidiary Car2Go, private and commercial car rental services to customers from the general public for short periods of time (car sharing). Currently, these services are provided through vehicles spread primarily throughout Tel Aviv, as well as Givatayim, Raanana, Ramat Gan and Herzliya.

2. Explanations of the Board of Directors regarding state of the corporation's business, results of its operations, capital and its cash flow

It is noted that the Company treated in its financial statements the acquisition of shares of Car2Go on July 1, 2015 as a business combination between entities under common control, while applying the "as pooling" method. For additional details, see Note 1 in the Company's annual consolidated financial statements of December 31, 2015.

2.1. Summary of Data from the Statement of Financial Position

The following are explanations of the primary developments in the sections of the combined interim statement of financial position of the Company as of September 30, 2016 and December 31, 2015 (in NIS thousands):

Section	As of September 30, 2016	As of December 31, 2015	The change	Explanation
Total balance sheet	148,566	130,878	17,688	See below.
Current assets	55,701	46,455	9,246	The main growth in current assets stems from the growth in outstanding customer balances amounting to NIS 9,224,000, a growth in the outstanding balance of various debtors amounting to NIS 1,632,000, and a growth in inventory balances in the amount of NIS 117,000. This growth was partially offset by a decrease in outstanding cash and cash value balances amounting to NIS 702,000, in an outstanding balance of fixed assets available for sale amounting to NIS 1,025,000.
Fixed assets	29,637	22,379	7,258	The growth stems from investments in fixed assets, mainly the renewal of a fleet of service and rental vehicles (alongside the decrease in fixed assets available for sale) and the renovation of the central branch in Holon. This increase is offset by current depreciation expenses.
Other intangible assets	3,145	1,843	1,302	The increase arises from the investment in the replacement of the software to managing the car sharing system of the subsidiary. This increase is offset by the current depreciation of the intangible assets.
Goodwill	60,083	60,083	-	
Deferred taxes	-	118	(118)	The decrease stems from the updating of deferred tax balances.
Current liabilities	70,035	60,134	9,901	The main growth in current liabilities stems from a growth in outstanding supplier balances amounting to NIS 5,485,000, and an outstanding advance income balance amounting to NIS 6,192,000. This growth was partially offset by a decrease in outstanding eligible balances amounting to NIS 1,727,000.

Section	As of September 30, 2016	As of December 31, 2015	The change	Explanation
Non-current liabilities	8,668	9,922	(1,254)	The decrease stems from the conversion of a capital note by Pointer, the former controlling shareholder, to capital (for additional details, see Note 3(f) of the interim financial statements) and a decrease in long-term income in advance amounting to NIS 681,000. On the other hand, there has been growth on account of Car2Go's receipt of a long term loan amounting to approximately NIS 721,000, a growth in reserves for deferred taxes amounting to approximately NIS 1,123,000, and a growth in liabilities for employees in the amount of approximately NIS 516,000.
Non-controlling interests	(2,093)	(4,793)	2,700	The increase arises from a decrease in the rating of holdings of the minority in Car2Go (for details, see Note 3(i) of the interim financial statements) and from the net profit in the Reporting Period.
Share capital attributed to shareholders of the Company	71,956	65,615	6,341	The increase in equity arises from the conversion of a capital note by Pointer, the former controlling shareholder, on March 29, 2016, against the allocation of a share, and from the net profit in the Reporting Period. On the other hand, a decrease was recorded in the capital reserve from transactions with the minority, as a result of an increase in the rate of holdings in Car2Go on June 26, 2016.

2.2. Analysis of Results of Operations

2.2.1. The following are explanations of the primary developments in the sections of the combined profit/loss report of the Company for the period of nine months that concluded on September 30, 2016, as compared to the same period last year and 2015 (in NIS thousands):

Section	For the year ending December 31	For a period of nine months ending on September 30		Explanation
	2015	2016	2015	
Income	156,623	131,740	114,908	Income during the Reporting Period, compared to the same period the previous year, increased in the amount of NIS 16,832,000, a growth of approximately 14.6%. This increase stems from the growth in the business operations in the Company's two sectors of operation. For additional details, see the summary results by sector of operation, Section 2.2.3 hereunder.
Gross profit	19,571	21,165	14,922	Gross Profit during the Reporting Period, compared to the same period the previous year, increased in the amount of NIS 6,243,000, a growth of approximately 41.8%. The gross profit increased in both sectors of operation. In the sector of services to the insurance companies, the increase in the gross profits

Section	For the year ending December 31	For a period of nine months ending on September 30		Explanation
	2015	2016	2015	
				and in the rate of profitability stems from the growth in revenues, and increase in revenues with higher profitability rates, and also reflects the economies of scale as stated in Section 6.8.6 of Chapter F(E) of the Prospectus. In the car sharing and rental sector, the increase in gross profit and its rate of the revenue arose from an increase in revenue from the generic activity of the sector and the commencement of operation of the Autotal venture.
Total gross profit rate from revenue	12.5%	16.1%	13.0%	-
Operating profit	1,608	6,769	2,728	Operating profit during the Reporting Period as compared to the same period the previous year grew in the amount of NIS 4,041,000, a growth of approximately 148.1%. Operating profit grew on account of the growth in revenues and the increase in gross profits and in their rates, as stated above.
Rate of operating profit from revenue	1.0%	5.1%	2.4%	-
Net profit before taxes, Financing, Depreciation and amortization (EBITDA)	10,143	12,480	9,030	The EBITDA grew at a rate of 38.2% in relation to the same period last year, owing to an increase in operating profits, as stated above. The EBITDA during the Reporting Period constitutes approximately 9.5% of the income, compared to 7.9% during the same period last year.
Net financing expenses	8,218	352	6,000	The decrease in net financing costs stems from the repayment of the loan that the Company received from Pointer, its former controlling shareholder, for the acquisition of the operations. For details, see Notes 11 and 14 of the Company's financial statements as of December 31, 2015.
Current tax expenses (tax benefit)	(860)	1,575	(242)	The growth in tax expenditures during the Reporting Period as compared to the same period last year stems from an increase in profit before taxes.
Net profit (loss) for the period	(5,750)	4,842	(3,030)	-
Net profit (loss) attributable to Company shareholders	(5,472)	4,376	(2,838)	-
Share of net profit (loss) attributable to Company shareholders from the revenues	(3.5%)	3.3%	(2.5%)	-

2.2.2. The following are explanations of the primary developments in the sections of the combined profit/loss report of the Company for the period of three months that concluded on September 30, 2016, as compared to the same period last year:

Section	For a period of three months ending on September 30:		Explanation
	2016	2015	
Income	46,466	39,798	Income in the third quarter of 2016 grew in the amount of NIS 6,668,000, an increase of approximately 16.8%, compared to the same period last year. This increase stems from the growth in the business operations in the Company's two sectors of operation. For additional details, see the summary results by sector of operation, Section 2.2.3 hereunder.
Gross profit	7,431	5,491	Gross profit in the third quarter of 2016 grew in the amount of NIS 1,940,000- an increase of approximately 35.3% compared to the same period last year. The main increase in the gross profit and its rate of the revenues arises from the commencement of the operation of the Autotal venture by Car2Go, the subsidiary, and from the growth in generic business activity in the two operating segments.
Total gross profit rate from revenue	16.0%	13.8%	-
Operating profit	2,592	1,213	Operating profit in the third quarter of 2016 grew in the amount of NIS 1,379,000- an increase of approximately 113.7 compared to the same period last year. This is on account of the growth in revenues and the increase in gross profits and in their rates, as stated above.
Rate of operating profit from revenue	5.6%	3.0%	-
Net profit before taxes, Financing, Depreciation and amortization (EBITDA)	4,575	3,428	The EBITDA grew at a rate of 33.5% in relation to the same period last year, owing to an increase in operating profits, as stated above. The EBITDA in the third quarter of 2016 constitutes 9.8% of the revenue compared to 8.6% in the same quarter last year.
Net financing expenses	119	2,216	The decrease in net financing costs stems from the repayment of the loan that the Company received from Pointer, its former controlling shareholder, for the acquisition of the operations. For details, see Notes 11 and 14 of the Company's financial statements as of December 31, 2015.
Current tax expenses (tax benefit)	341	(25)	The growth compared to the same period last year stems from an increase in profit before taxes.
Net profit (loss) for the period	2,132	(978)	-
Net profit (loss) attributable to Company shareholders	1,845	(974)	-
Share of net profit (loss) attributable to Company shareholders from the revenues	4.0%	(2.4%)	-

2.2.3. Summary results by sector of operation (in NIS thousands):

Income

	For nine months ending As of September 30 In NIS thousands			For three months ending As of September 30 In NIS thousands		
	2016	2015	Nature of change	2016	2015	Nature of change
Services to the Insurance Companies	118,039	104,810	12.6%	40,596	35,797	13.4%
Field of car sharing and rental	14,101	10,818	30.3%	5,976	4,093	46.0%
Adjustments	(400)	(720)	(44.4%)	(106)	(92)	(15.2%)
Total	131,740	114,908	14.6%	46,466	39,798	16.8%

Operating Profit

	For a period of six months ending As of September 30 In NIS thousands			For the three months ending As of September 30 In NIS thousands		
	2016	2015	Nature of change	2016	2015	Nature of change
Services to the Insurance Companies	4,783	2,715	76.2%	1,393	1,012	37.6%
Field of car sharing and rental	1,986	13	15176.9%	1,199	201	496.5%
Total	6,769	2,728	148.1%	2,592	1,213	113.7%

Sector of services to the insurance companies:

The income during the Reporting Period amounted to a total of NIS 118,039,000 compared to loss of NIS 104,810,000 during the same period last year. Growth of approximately 12.6%.

The growth in income was positively influenced, compared to the same period the previous year, by the growth in business operations in most of the services supplied by

the Company. *Inter alia*, a growth of some 37% in the scope of tinsmith and painting services in the existing service centers, and the opening of two additional service centers during the second half of 2015. In addition, a growth in the number of subscriptions sold by the Company led to a growth of approximately 8.7% in subscription fees during the Reporting Period, compared to the same period last year.

Income in the third fiscal quarter of 2016 amounted to a total of NIS 40,596,000 compared to income of NIS 35,797,000 in the same period last year. An increase of approximately 13.4%, arising from the increase in business activity as stated above.

The operating profit for the Reporting Period amounted to a total of NIS 4,783,000, compared to operating profit of NIS 2,715,000 in the same period last year. Growth of approximately 76.2%.

The operating profit for the third fiscal quarter of 2016 amounted to a total of NIS 1,393,000 compared to an operating profit of approximately NIS 1,012,000 in the same period last year. Growth of approximately 37.6%.

The increase in the operating profits and its rate of revenues stems from the growth in revenues, a change in the composition of revenue, an increase in revenues with higher profitability rates, and also reflects the economies of scale as stated in Section 6.8.6 of Chapter F(E) of the Prospectus.

Sector of car sharing and rental:

The income during the Reporting Period amounted to a total of NIS 14,101,000 compared to income of NIS 10,818,000 during the same period last year. Growth of approximately 30.3%. Income in the third fiscal quarter of 2016 amounted to a total of NIS 5,976,000 compared to income of NIS 4,093,000 in the same period last year. Growth of approximately 46%. The increase stems from an increase in vehicle quantity and utilization. In addition, in the third quarter of 2016, in accordance with the agreement signed with the Economic Development Authority of Tel Aviv Jaffa Ltd., which entered into force on July 1, 2016, the Company generated income from the establishment of a shared vehicle system in the city of Tel Aviv (Autotal). Matching the pace of progress.

The operating profit for the Reporting Period amounted to a total of NIS 1,986,000, compared to operating profit of NIS 13,000 in the same period last year. The operating

profit for the third fiscal quarter of 2016 amounted to a total of NIS 1,199,000 compared to an operating profit of approximately NIS 201,000 in the same period last year. The increase in operating profit and its rate arises from growth in income from generic activity of the sector and from the commencement of the operation of the Autotal venture.

2.3. Summary of Cash Flows (in NIS thousands):

	For nine months ending As of September 30		For three months ending As of September 30		For year ending on December 31
	2016	2015	2016	2015	2015
Net profit (loss)	4,842	(3,030)	2,132	(978)	(5,750)
Adjustments to profit or loss sections:	7,063	11,706	2,347	4,344	15,341
Operating cash flows	11,905	8,676	4,479	3,366	9,591
Changes in sections of assets and liabilities	(2,286)	(3,506)	1,564	(4,039)	2,411
Cash flows arising from (used for) current operations	9,619	5,170	6,043	(673)	12,002
Net cash used in investing activities	(10,989)	(1,962)	(3,942)	(2,080)	(2,974)
Net cash deriving from (used in) financing activities	668	236	(240)	153	(888)
Increase (decrease) in cash	(702)	3,444	1,861	(2,600)	8,140

Cash flow from current operations

Net cash arising from current activities during the Report Period amounted to a total of NIS 9,619,000 compared to income of NIS 5,170,000 in the same period last year.

The operating cash flow for the Reporting Period amounted to a total of NIS 11,905,000, compared to NIS 8,676,000 in the same period last year - a growth of some 37.2% stemming from an improvement in operating profitability. This growth was offset by an increase in net changes in the assets and liabilities sections following the increase in the scope of operations.

Cash flow from investment activity

Net cash used in investing activities for the Reporting Period amounted to a total of NIS 10,989,000, compared to a total of NIS 1,962,000 used for investment activities for the same period last year.

The investments served to procure fixed assets, mainly the renewal of a fleet of service and rental vehicles and the renovation of the central branch in Holon.

Cash flows from financing activities

Net cash arising from financing activities during the Reporting Period amounted to a total of NIS 668,000, compared to a total of NIS 236,000 for the same period last year, primarily bank credit.

2.4. Sources of Financing

As of the date of its incorporation, the Company has financed its ongoing operations through current credit from bank corporations, supplier credit and the independent sources of the Company, arising from the Company's income from sales.

The following is information regarding the financing sources of the Company as of September 30, 2016:

	September 30, 2016	
	%	In NIS thousands
Equity attributed to the Company's shareholders	48%	71,956
Non-current liabilities	6%	8,668
Current liabilities	46%	70,035

3. Information regarding incidents during the Reporting Period and thereafter

See Notes 3 and 5 of the Company's interim financial statements of September 30, 2016.

On behalf of the Board of Directors,

Yossi Ben Shalom,
Chairman of the Board

Yossi Regev, CEO

Signing date: November 23, 2016

SHAGRIR GROUP VEHICLE SERVICES LTD.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS OF SEPTEMBER 30, 2016

UNAUDITED

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Auditors' review report to the shareholders of Shagrir Group Vehicle Services Ltd.

Introduction

We have reviewed the accompanying financial information of Shagrir Group Vehicle Services Ltd. ("the Company"), which comprises the condensed consolidated statement of financial position as of September 30, 2016 and the related condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the nine and three months periods then ended. The Company's board of directors and management are responsible for the preparation and presentation of interim financial information for these periods in accordance with IAS 34, "Interim Financial Reporting" and are responsible for the preparation of this interim financial information in accordance with Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with Review Standard 1 of the Institute of Certified Public Accountants in Israel, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in Israel and consequently 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, 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 the abovementioned, based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not comply, in all material respects, with the disclosure requirements of Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970.

Tel-Aviv, Israel
November 23, 2016

KOST FORER GABBAY & KASIERER
A Member of Ernst & Young Global

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	September 30,		December 31,
	2016	2015	2015
	Unaudited		Audited
	NIS in thousands		
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	7,474	3,480	8,176
Trade receivables	43,990	36,101	34,766
Other accounts receivable	3,390	3,656	1,758
Inventories	771	555	654
Assets held for sale	76	1,976	1,101
	<u>55,701</u>	<u>45,768</u>	<u>46,455</u>
NON-CURRENT ASSETS:			
Property, plant and equipment	29,637	21,949	22,379
Intangible assets	3,145	1,947	1,843
Goodwill	60,083	60,083	60,083
Deferred taxes	-	104	118
	<u>92,865</u>	<u>84,083</u>	<u>84,423</u>
	<u><u>148,566</u></u>	<u><u>129,851</u></u>	<u><u>130,878</u></u>

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	September 30,		December 31,
	2016	2015	2015
	Unaudited		Audited
	NIS in thousands		
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Credit from banks, the parent company and others	277	82,629	326
Trade payables	33,140	27,149	27,655
Accrued income	27,283	22,584	21,091
Other accounts payable	9,335	8,405	11,062
	<u>70,035</u>	<u>140,767</u>	<u>60,134</u>
NON-CURRENT LIABILITIES:			
Long-term accrued income	1,135	-	1,816
Loans from shareholders and others	4,584	700	6,796
Employee benefit liabilities, net	1,826	1,251	1,310
Deferred taxes	1,123	-	-
	<u>8,668</u>	<u>1,951</u>	<u>9,922</u>
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:			
Share capital	97	95	95
Share premium	81,291	1,213	76,179
Accumulated deficit	(5,839)	(8,246)	(9,497)
Reserve from transactions with non-controlling interests	(4,179)	(1,945)	(1,945)
Reserve from remeasurement of defined benefit plans	586	732	783
	<u>71,956</u>	<u>(8,151)</u>	<u>65,615</u>
Non-controlling interests	<u>(2,093)</u>	<u>(4,716)</u>	<u>(4,793)</u>
Total equity (deficit)	<u>69,863</u>	<u>(12,867)</u>	<u>60,822</u>
	<u>148,566</u>	<u>129,851</u>	<u>130,878</u>

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

November 23, 2016			
Date of approval of the financial statements	Yossi Ben-Shalom Chairman of the Board	Yossi Regev CEO	Revital Avrahami CFO

**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME**

	Nine months ended September 30,		Three months ended September 30,		Year ended December 31,
	2016	2015	2016	2015	2015
	Unaudited				Audited
	NIS in thousands				
Revenues from sales	22,615	17,302	8,094	6,704	24,642
Revenues from rendering of services	109,125	97,606	38,372	33,094	131,981
Total revenues	131,740	114,908	46,466	39,798	156,623
Cost of sales	12,723	9,683	4,540	3,729	13,847
Cost of rendering of services	97,852	90,303	34,495	30,578	123,205
Total cost of sales and services	110,575	99,986	39,035	34,307	137,052
Gross profit	21,165	14,922	7,431	5,491	19,571
Operating expenses:					
Selling and marketing expenses	6,542	5,742	2,437	1,926	7,976
General and administrative expenses	7,970	6,452	2,518	2,352	9,987
Other income	116	-	116	-	-
	14,396	12,194	4,839	4,278	17,963
Operating income	6,769	2,728	2,592	1,213	1,608
Finance expenses, net	352	6,000	119	2,216	8,218
Income (loss) before taxes on income	6,417	(3,272)	2,473	(1,003)	(6,610)
Taxes on income (tax benefit)	1,575	(242)	341	(25)	(860)
Net income (loss)	4,842	(3,030)	2,132	(978)	(5,750)
Other comprehensive loss (income) net of tax effect:					
Amounts not to be reclassified to profit or loss in subsequent periods:					
Remeasurement gain (loss) from defined benefit plans	(197)	(12)	(212)	(101)	40
Total components not to be reclassified to profit or loss in subsequent periods	(197)	(12)	(212)	(101)	40
Total other comprehensive income	(197)	(12)	(212)	(101)	40
Total comprehensive income (loss)	4,645	(3,042)	1,920	(1,079)	(5,710)

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

**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME (Cont.)**

	Nine months ended September 30,		Three months ended September 30,		Year ended December 31,
	2016	2015	2016	2015	2015
	Unaudited				Audited
	NIS in thousands (except per share data)				
Net income (loss) attributable to:					
Equity holders of the Company	4,376	(2,838)	1,845	(974)	(5,472)
Non-controlling interests	466	(192)	287	(4)	(278)
	<u>4,842</u>	<u>(3,030)</u>	<u>2,132</u>	<u>(978)</u>	<u>(5,750)</u>
Total comprehensive income (loss) attributable to:					
Equity holders of the Company	4,179	(2,850)	1,633	(1,075)	(5,433)
Non-controlling interests	466	(192)	287	(4)	(277)
	<u>4,645</u>	<u>(3,042)</u>	<u>1,920</u>	<u>(1,079)</u>	<u>(5,710)</u>
Net earnings (loss) per share attributable to equity holders of the Company (in NIS):					
Basic net earnings (loss)	<u>0.55</u>	<u>(0.36)</u>	<u>0.23</u>	<u>(0.12)</u>	<u>(0.70)</u>
Diluted net earnings (loss)	<u>0.54</u>	<u>(0.36)</u>	<u>0.23</u>	<u>(0.12)</u>	<u>(0.70)</u>

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company							Total equity
	Share capital	Share premium	Reserve from remeasurement of defined benefit plans	Accumulated deficit	Reserve from transactions with non-controlling interests	Total	Non-controlling interests	
	Unaudited							
	NIS in thousands							
Balance at January 1, 2016 (audited)	95	76,179	783	(9,497)	(1,945)	65,615	(4,793)	60,822
Net Income	-	-	-	4,376	-	4,376	466	4,842
Other comprehensive income	-	-	(197)	-	-	(197)	-	(197)
Cost of share-based payment	-	1,012	-	-	-	1,012	-	1,012
Exercise of options into shares	2	-	-	-	-	2	-	2
Conversion of loan from controlling shareholder	(* -	4,100	-	(718)	-	3,382	-	3,382
Reserve from transactions with non-controlling interests	-	-	-	-	(2,234)	(2,234)	2,234	-
Balance at September 30, 2016	97	81,291	586	(5,839)	(4,179)	71,956	(2,093)	69,863

*) Represents less than NIS 1 thousand.

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company								
	Share capital	Share premium	Reserve from remeasurement of defined benefit plans	Reserve from controlling shareholder	Accumulated deficit	Reserve from transactions with non-controlling interests	Total	Non-controlling interests	Total equity
	Unaudited								
	NIS in thousands								
Balance at January 1, 2015 (audited)	*) -	-	744	5,649	-	(1,945)	4,448	(4,554)	(106)
Net Loss	-	-	-	-	(2,838)	-	(2,838)	(192)	(3,030)
Other comprehensive income	-	-	(12)	-	-	-	(12)	-	(12)
Cost of share-based payment	-	1,308	-	-	-	-	1,308	30	1,338
Reserve from transactions with controlling shareholder	-	-	-	(5,649)	(5,408)	-	(11,057)	-	(11,057)
Issue of bonus shares	95	(95)	-	-	-	-	-	-	-
Balance at September 30, 2015	95	1,213	732	-	(8,246)	(1,945)	(8,151)	(4,716)	(12,867)

*) Represents less than NIS 1 thousand.

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company								
	Share capital	Share premium	Reserve from remeasurement of defined benefit plans	Reserve from controlling shareholder	Accumulated deficit	Reserve from transactions with non-controlling interests	Total	Non-controlling interests	Total equity
	Unaudited								
	NIS in thousands								
Balance at July 1, 2016	97	80,985	798		(7,684)	(4,179)	70,017	(2,380)	67,637
Net Income	-	-	-		1,845	-	1,845	287	2,132
Other comprehensive income	-	-	(212)		-	-	(212)	-	(212)
Cost of share-based payment	-	306	-		-	-	306	-	306
Balance at September 30, 2016	97	81,291	586		(5,839)	(4,179)	71,956	(2,093)	69,863

*) Represents less than NIS 1 thousand.

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company								
	Share capital	Share premium	Reserve from remeasurement of defined benefit plans	Reserve from controlling shareholder	Accumulated deficit	Reserve from transactions with non-controlling interests	Total	Non-controlling interests	Total equity
	Unaudited								
	NIS in thousands								
Balance at July 1, 2015	95	652	833	5,649	(1,864)	(1,945)	3,420	(4,721)	(1,301)
Net Loss	-	-	-	-	(974)	-	(974)	(4)	(978)
Other comprehensive income	-	-	(101)	-	-	-	(101)	-	(101)
Cost of share-based payment	-	561	-	-	-	-	561	9	570
Reserve from transactions with controlling shareholder	-	-	-	(5,649)	(5,408)	-	(11,057)	-	(11,057)
Balance at September 30, 2015	95	1,213	732	-	(8,246)	(1,945)	(8,151)	(4,716)	(12,867)

*) Represents less than NIS 1 thousand.

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company								
	Share capital	Share premium	Reserve from remeasurement of defined benefit plans	Reserve from controlling shareholder	Accumulated deficit	Reserve from transactions with non-controlling interests	Total	Non-controlling interests	Total equity
	Audited								
	NIS in thousands								
Balance at January 1, 2015	*) -	-	744	5,649	-	(1,945)	4,448	(4,554)	(106)
Net Loss	-	-	-	-	(5,472)	-	(5,472)	(278)	(5,750)
Other comprehensive income	-	-	39	-	-	-	39	1	40
Cost of share-based payment	-	1,774	-	-	-	-	1,774	38	1,812
Issue of bonus shares	95	(95)	-	-	-	-	-	-	-
Conversion of loan	*) -	74,500	-	-	-	-	74,500	-	74,500
Reserve from transactions with controlling shareholder	-	-	-	(5,649)	(4,025)	-	(9,674)	-	(9,674)
Balance at December 31, 2015	95	76,179	783	-	(9,497)	(1,945)	65,615	(4,793)	60,822

*) Represents less than NIS 1 thousand.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine months ended September 30,		Three months ended September 30,		Year ended December 31,
	2016	2015	2016	2015	2015
	Unaudited				Audited
	NIS in thousands				
<u>Cash flows from operating activities:</u>					
Net Income (loss)	4,842	(3,030)	2,132	(978)	(5,750)
Adjustments to reconcile income (loss) to net cash provided by operating activities:					
Adjustments to the profit or loss items:					
Depreciation and amortization	4,700	4,964	1,677	1,642	6,795
Finance expenses, net	209	5,860	56	2,147	7,935
Cost of share-based payment	1,012	1,338	306	570	1,812
Gain from sale of property, plant and equipment	(687)	(331)	(127)	(95)	(587)
Taxes on income (tax benefit)	1,575	(242)	341	(25)	(860)
Change in employee benefit liabilities, net	254	117	94	105	246
	11,905	8,676	4,479	3,366	9,591
Changes in asset and liability items:					
Decrease (increase) in trade receivables	(9,473)	(4,542)	(84)	(2,545)	(3,141)
Decrease (increase) in other accounts receivable and prepaid expenses	(849)	(741)	(252)	526	382
Decrease (increase) in inventories	(117)	33	(146)	20	(66)
Increase in other accounts payable	(1,625)	(3,498)	(272)	(1,122)	(896)
Decrease in trade payable	4,267	5,106	1,373	744	5,673
Increase (decrease) in accrued income	5,511	136	945	(1,662)	459
	(2,286)	(3,506)	1,564	(673)	2,411
Net cash provided by operating activities	9,619	5,170	6,043	(673)	12,002
<u>Cash flows from investing activities:</u>					
Purchase of property, plant and equipment	(12,919)	(4,474)	(4,152)	(2,604)	(6,868)
Purchase of intangible assets	(849)	(130)	(410)	(69)	(275)
Proceeds from sale of property, plant and equipment	2,779	2,642	620	593	4,149
Proceeds from sale of intangible assets	-	-	-	-	20
Net cash provided by (used in) investing activities	(10,989)	(1,962)	(3,942)	(2,080)	(2,974)

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine months ended September 30,		Three months ended September 30,		Year ended December 31,
	2016	2015	2016	2015	2015
	Unaudited				Audited
	NIS in thousands				
<u>Cash flows from financing activities:</u>					
Receives of long-term loans from banks	1,058	-	-	-	
Repayment of long-term loans from banks and others.	(390)	(154)	(63)	(51)	(206)
Short-term credit from banks and others	-	390	(177)	204	(682)
Net cash provided by (used in) financing activities	668	236	(240)	153	(888)
Increase (decrease) in cash and cash equivalents	(702)	3,444	1,861	(2,600)	8,140
Cash and cash equivalents at beginning of period	8,176	36	5,613	6,080	36
Cash and cash equivalents at end of period	<u>7,474</u>	<u>3,480</u>	<u>7,474</u>	<u>3,480</u>	<u>8,176</u>
<u>(a) Significant non-cash transactions:</u>					
Purchase of property, plant and equipment on credit	<u>1,224</u>	<u>1,389</u>	<u>1,224</u>	<u>1,389</u>	<u>1,469</u>
Sale of property, plant and equipment for credit	<u>169</u>	<u>183</u>	<u>169</u>	<u>183</u>	<u>249</u>

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

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1:- GENERAL

These financial statements have been prepared in a condensed format as of September 30, 2016 and for the nine and three months periods then ended ("interim consolidated financial statements"). These financial statements should be read in conjunction with the Company's annual financial statements as of December 31, 2015 and for the year then ended and accompanying notes ("annual consolidated financial statements").

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation of the interim consolidated financial statements:

The interim consolidated financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting" and in accordance with the disclosure requirements of Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970.

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the annual consolidated financial statements.

NOTE 3:- SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

- a. In January 2016, the Law for Amending the Income Tax Ordinance (No. 216) (Reduction of Corporate Tax Rate), 2016 was approved, which includes a reduction of the corporate tax rate from 26.5% to 25%, effective from January 1, 2016.

The deferred tax balances as of December 31, 2015 were calculated according to the former tax rate. The deferred tax balances included in the financial statements as of September 30, 2016 are calculated according to the new tax rate, as explained above.

The change in tax rate described above resulted in a decrease in the balance of deferred tax liabilities of NIS 119 thousand and a decrease in the balance of deferred tax assets of NIS 125 thousand. Therefore, in the reporting period, an expense of NIS 35 thousand was recorded in profit or loss in taxes on income and an amount of NIS 29 thousand was recognized in capital reserves.

- b. On January 27, 2016, a subsidiary, Car2go, granted 562 shares in consideration their par value to the leaving CEO as a result of which, the Company's interests in Car2go were reduced from 62.3% to 61.06%.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3:- SIGNIFICANT EVENTS DURING THE REPORTING PERIOD (Cont.)

- c. On February 22, 2016, the Company and the subsidiary, Car2go ("Car2go"), entered into a convertible loan agreement according to which the Company and additional investors will provide Car2go a loan of approximately NIS 5,000 thousand of which an amount of approximately NIS 3,710 thousand by the Company.

The loan is linked to the Israeli CPI and bears annual interest of 7% to be calculated on a compounded interest basis. The actual provision of any part of the loan will be done in accordance with Car2go's notification to the investors, the latest of which will not be later than 18 months from the signing date.

Car2go will repay the loan principal, interest and linkage at the end of two years (24 months) from the date of actual provision of any part of the loan principal in 12 quarterly installments, each representing 8.333% of the loan, with the addition of interest and linkage differences accrued on the relevant part of the loan through that date. This is provided that none of the investors (as applicable) has repaid or converted the loan before its maturity dates as specified below.

In addition, according to the loan terms, if before the final maturity date Car2go raises capital from third parties in a total that exceeds NIS 5,000 thousand then on the date of completion of such capital raising transaction, the relevant lenders will be entitled to convert the loan into shares of the same class and conferring the same rights as allocated in the capital raising with a 30% discount on the share price in the capital raising. However, if Car2go fails to complete such raising round within 12 months from the date of receiving the loan principal, the relevant lenders will be entitled to convert the unrepaid loan into Preferred A shares of Car2go at a value of NIS 10 million before the money and on a fully diluted basis, this at any time from the end of the 12 months stated above through the full repayment of the loan.

As of the date of approval of these financial statements, practically no amounts under the above loan agreement were provided to Car2go.

- d. In March 2016, 1,667 employee options vested and were exercised into shares of NIS 1 par value each in return for their par value.
- e. On March 28, 2016, an agreement was signed between the Company and Car2go whereby the maturity date of a loan totaling NIS 6,000 thousand will be deferred to September 1, 2016. The loan was given to the subsidiary on May 15, 2009 and its original maturity date was March 1, 2016.
- f. On March 29, 2016, the parent company's board decided to repay a capital note of NIS 8,000 thousand that had been issued by the Company on December 30, 2015. The board also decided to convert an amount of NIS 4,100 thousand from the capital note into capital. In respect of the unconverted balance, two capital notes were issued in the amount of NIS 3,100 thousand and NIS 800 thousand under the same terms as the original capital note.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3:- SIGNIFICANT EVENTS DURING THE REPORTING PERIOD (Cont.)

- g. On May 19, 2016, the Company's authorized share capital was increased by NIS 940,000 so that instead of authorized share capital of NIS 16,000,000 divided into 16,000,000 Ordinary shares of NIS 1.00 par value each, the Company's authorized share capital now consists of NIS 16,940,000 divided into 16,940,000 Ordinary shares of NIS 1.00 par value each. The Company's share capital was also split from Ordinary shares of NIS 1.00 par value each to Ordinary shares of NIS 0.0121 par value each. According to international accounting standards, data of earnings (loss) per share in the consolidated statements of profit or loss and other comprehensive income were adjusted in the reporting periods to the number of shares after the split.
- h. On May 19, 2016, the Company allocated the parent company, Pointer, 14,726 Ordinary shares of NIS 0.0121 par value each in return for their par value.
- i. On June 26, 2016, the company converted loan that was given to Car2go from April 9, 2014, which the balance to the day of the convert was NIS 3,490 thousand (including interest and linkage) against 11,542 share in premiere and consequently from the convert increased the company holding in Car2go from 61.06% to 72.4%.
- j. On June 26, 2016, Car2go provided a bank guarantee to The Tel Aviv-Yafo Economic Development Authority Ltd. (the "Authority") in the amount of NIS 3.5 million that owe or may come available to the authority from Car2go Car Sharing TLV, LTD Partnership, in connection with the contact for the foundation, maintenance and operation of the vehicle sharing system in Tel Aviv.
- k. On June 27, 2016, an agreement was signed between Car2go and the Authority in connection with the operation of vehicles sharing in Tel Aviv by Car2go. The agreement will be valid as of July 1, 2016. The agreement states that the company will provide for the Authority a guarantee in the amount of, up to NIS 6 million to ensure the full and exact implementation of the commitments of Car2go to the Authority under the agreement. In consideration for providing the guarantee, will be registered, for Shagrir lien on the registered share capital of Car2go, that will be second in the grade to the lien that will be registered to the bank that issued the guarantee.
- l. On June 8, 2016, the company was divided as dividend to the shareholders of Pointer and began to trading in Tel Aviv Stock Exchange from June 28, 2016.
- m. As of the reporting date, the company CEO holds 0.91% from the share capital of the company.
- n. The board of directors determined on July 12, 2016, that the company stands in the criteria for "small corporation", as defined in clause 5C of the Securities Regulations (Periodic and Immediate Reports), 1970 (the regulations of the reports). The board of directors decided to adopt all the exemption that apply on "small corporation" in the regulations of the reports (clause 5D(B) of the reports) as they are relevant (or will be relevant) to the reports.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4:- OPERATING SEGMENTS

a. General:

As stated in the annual consolidated financial statements, the Group operates in the following operating segments:

1. The rendering of services to insurance companies segment.
2. The vehicle sharing and rental segment.

b. Reporting on operating segments:

	<u>Services to insurance companies</u>	<u>Vehicle sharing and rental</u>	<u>Adjustments</u>	<u>Total</u>
	<u>Unaudited</u>			
	<u>NIS in thousands</u>			
Nine months ended September 30, 2016:				
Revenues from external customers	117,639	14,101	-	131,740
Intersegment revenues	400	-	(400)	-
Total revenues	<u>118,039</u>	<u>14,101</u>	<u>(400)</u>	<u>131,740</u>
Segment income	<u>4,783</u>	<u>1,986</u>	<u>-</u>	<u>6,769</u>
Finance expense, net				352
Income before taxes on income				<u>6,417</u>
	<u>Services to insurance companies</u>	<u>Vehicle sharing and rental</u>	<u>Adjustments</u>	<u>Total</u>
	<u>Unaudited</u>			
	<u>NIS in thousands</u>			
Nine months ended September 30, 2015:				
Revenues from external customers	104,090	10,818	-	114,908
Intersegment revenues	720	-	(720)	-
Total revenues	<u>104,810</u>	<u>10,818</u>	<u>(720)</u>	<u>114,908</u>
Segment income (loss)	<u>2,715</u>	<u>13</u>	<u>-</u>	<u>2,728</u>
Finance expense, net				6,000
Loss before taxes on income				<u>(3,273)</u>

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4:- OPERATING SEGMENTS (Cont.)

	Services to insurance companies	Vehicle sharing and rental	Adjustments	Total
	Unaudited			
	NIS in thousands			
Three months ended September 30, 2016:				
Revenues from external customers	40,490	5,976	-	46,466
Intersegment revenues	106	-	(106)	-
Total revenues	<u>40,596</u>	<u>5,976</u>	<u>(106)</u>	<u>46,466</u>
Segment income (loss)	<u>1,393</u>	<u>1,199</u>	<u>-</u>	<u>2,592</u>
Finance expense, net				<u>119</u>
Income before taxes on income				<u>2,473</u>

	Services to insurance companies	Vehicle sharing and rental	Adjustments	Total
	Unaudited			
	NIS in thousands			
Three months ended September 30, 2015:				
Revenues from external customers	35,705	4,093	-	39,798
Intersegment revenues	92	-	(92)	-
Total revenues	<u>35,797</u>	<u>4,093</u>	<u>(92)</u>	<u>39,798</u>
Segment income (loss)	<u>1,012</u>	<u>201</u>	<u>-</u>	<u>1,213</u>
Finance expense, net				<u>2,216</u>
Loss before taxes on income				<u>(1,003)</u>

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4:- OPERATING SEGMENTS (Cont.)

	Services to insurance companies	Vehicle sharing and rental	Adjustments	Total
	Audited			
	NIS in thousands			
Year ended December 31, 2015:				
Revenues from external customers	141,794	14,829	-	156,623
Intersegment revenues	(818)	-	(818)	-
Total revenues	<u>142,612</u>	<u>14,829</u>	<u>(818)</u>	<u>156,623</u>
Segment income (loss)	<u>1,710</u>	<u>(102)</u>	<u>-</u>	<u>1,608</u>
Finance expense, net				<u>8,218</u>
Loss before taxes on income				<u>(6,610)</u>

The following table presents the segment assets and liabilities as of September 30, 2016 and 2015 and December 31, 2015:

	Services to insurance companies	Vehicle sharing and rental	Adjustments	Total
	NIS in thousands			
Segment assets:				
September 30, 2016 (unaudited)	<u>144,147</u>	<u>7,339</u>	<u>(2,920)</u>	<u>148,566</u>
September 30, 2015 (unaudited)	<u>152,027</u>	<u>3,446</u>	<u>3,704</u>	<u>151,769</u>
December 31, 2015 (audited)	<u>131,754</u>	<u>2,787</u>	<u>(3,663)</u>	<u>130,878</u>
Segment liabilities:				
September 30, 2016 (unaudited)	<u>72,191</u>	<u>15,303</u>	<u>(8,791)</u>	<u>78,703</u>
September 30, 2015 (unaudited)	<u>160,178</u>	<u>16,181</u>	<u>(11,723)</u>	<u>164,636</u>
December 31, 2015 (audited)	<u>66,139</u>	<u>15,741</u>	<u>(11,824)</u>	<u>70,056</u>

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5:- EVENTS AFTER THE REPORTING PERIOD

- a. On November 3, 2016, the General Meeting approved the agreement with the holder of controlling interest, DBSI Investment Ltd. to Management Services for an amount of NIS 35 thousand for month. The General Meeting also approved the payment of directors fees based on "fixed amount" as stated in the companies ordinance.
- b. On November 23, 2016, an amendment to the loan agreement to Car 2 Go from May 15, 2016 was approved. As stated in amendment, the interest rate raised from 6% to 7% and the payment dates were extended from 12 quarterly payments to 84 months payments.

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SHAGRIR GROUP VEHICLE SERVICES LTD.

FINANCIAL DATA FROM THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

ATTRIBUTABLE TO THE COMPANY

AS OF SEPTEMBER 30, 2016

UNAUDITED

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Special Auditors' Report on the Separate Interim Financial Information in accordance with Regulation 38d to the Israeli Securities Regulations (Periodic and Immediate Reports), 1970

Introduction

We have reviewed the separate interim financial information disclosed in accordance with Regulation 38d to the Israeli Securities Regulations (Periodic and Immediate Reports), 1970 of Shagrir Group Vehicle Services Ltd. ("the Company") as of September 30, 2016 and for the nine and three months periods then ended. The Company's board of directors and management are responsible for the separate interim financial information. Our responsibility is to express a conclusion on the separate interim financial information based on our review.

Scope of review

We conducted our review in accordance with Review Standard 1 of the Institute of Certified Public Accountants in Israel, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of the separate interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in Israel and consequently 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, nothing has come to our attention that causes us to believe that the separate interim financial information is not prepared, in all material respects, in accordance with Regulation 38d to the Israeli Securities Regulations (Periodic and Immediate Reports), 1970.

Tel-Aviv, Israel
November 23, 2016

KOST FORER GABBAY & KASIERER
A Member of Ernst & Young Global

Special Report in accordance with Regulation 38d

Financial Data and Financial Information from the

Interim Consolidated Financial Statements Attributable to the Company

Below are separate financial data and financial information attributable to the Company from the Group's interim consolidated financial statements as of September 30, 2016, published as part of the periodic reports ("consolidated financial statements") presented in accordance with Regulation 38d to the Israeli Securities Regulations (Periodic and Immediate Reports), 1970.

Financial Data from the Consolidated Balance Sheets Attributable to the Company

	<u>September 30,</u>		<u>December 31,</u>
	<u>2016</u>	<u>2015</u>	<u>2015</u>
	<u>Unaudited</u>		<u>Audited</u>
	<u>NIS in thousands</u>		
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	4,987	3,475	7,948
Current maturities of loan to investee	3,563	2,835	3,596
Trade receivables	43,649	34,970	33,950
Other accounts receivable	3,144	3,417	1,509
Inventories	607	472	499
	<u>76</u>	<u>1,976</u>	<u>1,101</u>
Assets held for sale	<u>56,026</u>	<u>47,145</u>	<u>48,603</u>
NON-CURRENT ASSETS:			
Loans to investees	4,988	8,698	8,033
Excess liabilities over assets attributable to investees, net, including goodwill	(5,871)	(8,019)	(8,161)
Property, plant and equipment	27,263	20,438	21,235
Intangible assets, net	1,658	1,947	1,843
Goodwill	60,083	60,083	60,083
Deferred taxes	-	104	118
	<u>88,121</u>	<u>83,251</u>	<u>83,151</u>
	<u>144,147</u>	<u>130,396</u>	<u>131,754</u>

The accompanying additional information is an integral part of the separate financial data and financial information.

Financial Data from the Consolidated Balance Sheets Attributable to the Company

	<u>September 30,</u>		<u>December 31,</u>
	<u>2016</u>	<u>2015</u>	<u>2015</u>
	<u>Unaudited</u>		<u>Audited</u>
	<u>NIS in thousands</u>		
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Credit from the parent company less discount	-	81,197	-
Trade payables	29,681	25,767	25,787
Accrued income	26,660	22,584	21,091
Other accounts payable	8,653	7,778	10,060
	<u>64,994</u>	<u>137,326</u>	<u>56,938</u>
NON-CURRENT LIABILITIES:			
Capital note from shareholders less discount	3,146	-	6,094
Employee benefit liabilities, net	1,793	1,221	1,291
Long-term accrued income	1,135	-	1,816
Deferred taxes	1,123	-	-
	<u>7,197</u>	<u>1,221</u>	<u>9,201</u>
CONTINGENT COMMITMENTS AND LIABILITIES			
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:			
Share capital	97	95	95
Share premium	81,291	1,213	76,179
Accumulated deficit	(5,839)	(8,246)	(9,497)
Reserve from transactions with non-controlling interests	(4,179)	(1,945)	(1,945)
Reserve from remeasurement of defined benefit plans	586	732	783
	<u>71,956</u>	<u>(8,151)</u>	<u>65,615</u>
Total equity	<u>144,147</u>	<u>130,396</u>	<u>131,754</u>

The accompanying additional information is an integral part of the separate financial data and financial information.

November 23, 2016			
Date of approval of the financial statements	Yossi Ben-Shalom Chairman of the Board	Yossi Regev CEO	Revital Avrahami CFO

**Financial Data from the Consolidated Statements of Profit or Loss and Other Comprehensive Income
Attributable to the Company**

	Nine months ended September 30,		Three months ended September 30,		Year ended December 31,
	2016	2015	2016	2015	2015
	Unaudited				Audited
	NIS in thousands				
Revenues from sales	22,571	17,186	8,088	6,588	24,502
Revenues from rendering of services	95,468	87,624	32,508	29,209	118,110
Total revenues	118,039	104,810	40,596	35,797	142,612
Cost of sales	12,717	9,671	4,541	3,718	13,829
Cost of rendering of services	89,152	82,491	31,227	27,575	112,568
Total cost of sales and services	101,869	92,162	35,768	31,293	126,397
Gross profit	16,170	12,648	4,828	4,504	16,215
Selling and marketing expenses	5,142	4,729	1,822	1,615	6,547
General and administrative expenses	6,361	5,204	1,729	1,877	7,958
Other income	116	-	116	-	-
Operating income	4,783	2,715	1,393	1,012	1,710
Finance expenses, net	278	5,919	92	2,188	8,119
Finance income in respect of loans from investees	412	440	132	183	536
Company's share of earnings (losses) of investees (less impairment of goodwill), net	1,034	(316)	753	(6)	(459)
Income (loss) before taxes on income	5,951	(3,080)	2,186	(999)	(6,332)
Taxes on income (tax benefit)	1,575	(242)	341	(25)	(860)
Net income (loss) attributable to the Company	4,376	(2,838)	1,845	(974)	(5,472)

The accompanying additional information is an integral part of the separate financial data and financial information.

**Financial Data from the Consolidated Statements of Profit or Loss and Other Comprehensive Income
Attributable to the Company**

	Nine months ended September 30,		Three months ended September 30,		Year ended December 31,
	2016	2015	2016	2015	2015
	Unaudited				Audited
	NIS in thousands				
Other comprehensive income (loss) attributable to the Company (net of tax effect):					
Amounts not to be reclassified to profit or loss in subsequent periods:					
Remeasurement gain from defined benefit plans	(197)	(12)	(212)	(101)	39
Total components not to be reclassified to profit or loss in subsequent periods	(197)	(12)	(212)	(101)	39
Total other comprehensive income attributable to the Company	(197)	(12)	(212)	(101)	39
Total comprehensive income (loss) attributable to the Company	4,179	(2,851)	1,633	(1,076)	(5,433)

The accompanying additional information is an integral part of the separate financial data and financial information.

SHAGRIR GROUP VEHICLE SERVICES LTD.

Financial Data from the Consolidated Statements of Cash Flows Attributable to the Company

	Nine months ended September 30,		Three months ended September 30,		Year ended December 31,
	2016	2015	2016	2015	2015
	Unaudited				Audited
	NIS in thousands				
<u>Cash flows from operating activities of the Company:</u>					
Net income (loss) attributable to the Company	4,376	(2,838)	1,845	(974)	(5,472)
Adjustments to reconcile net income (loss) to net cash provided by operating activities of the Company:					
Adjustments to the profit or loss items of the Company:					
Depreciation and amortization	4,207	4,473	1,473	1,474	6,150
Finance expenses, net	(221)	5,384	(86)	1,952	7,353
Gain from sale of property, plant and equipment	(608)	(333)	(48)	(95)	(577)
Taxes on income (tax benefit)	1,575	(242)	341	(25)	(860)
Change in employee benefit liabilities, net	240	111	79	102	249
Amortization of options	1,012	1,308	306	561	1,774
Company's share of losses (earnings) of investees	(1,034)	316	(753)	6	459
	9,547	8,179	3,157	3,000	9,076
Changes in asset and liability items of the Company:					
Decrease (increase) in trade receivables	(9,948)	(3,720)	(654)	(2,234)	(2,634)
Decrease (increase) in other accounts receivable	(854)	(659)	(420)	488	476
Decrease (increase) in inventories	(108)	-	(123)	(7)	(27)
Increase in trade payable	4,139	4,808	994	896	4,748
Decrease in other accounts payable	(1,432)	(3,426)	(377)	(1,015)	(1,058)
Increase (decrease) in accrued income	4,888	136	322	(1,662)	459
	(3,315)	(2,861)	(258)	(3,534)	1,964
Net cash provided by operating activities of the Company	6,232	5,318	2,899	(534)	11,040

The accompanying additional information is an integral part of the separate financial data and financial information.

Financial Data from the Consolidated Statements of Cash Flows Attributable to the Company

	Nine months ended September 30,		Three months ended September 30,		Year ended December 31,
	2016	2015	2016	2015	2015
	Unaudited				Audited
	NIS in thousands				
<u>Cash flows from investing activities of the Company:</u>					
Purchase of property, plant and equipment	(11,118)	(4,386)	(3,727)	(2,589)	(6,780)
Purchase of intangible assets	(493)	(130)	(54)	(69)	(275)
Proceeds from sale of property, plant and equipment	2,418	2,642	258	593	3,924
Proceeds from sale of intangible assets	-	-	-	-	20
Net cash provided by (used in) investing activities of the Company	(9,193)	(1,874)	3,523	(2,065)	(3,111)
<u>Cash flows from financing activities of the Company:</u>					
Short-term credit from banks and others	-	-	-	-	(12)
Net cash used in financing activities of the Company	-	-	-	-	(12)
Increase (decrease) in cash and cash equivalents	(2,961)	3,444	(624)	(2,599)	7,917
Cash and cash equivalents at beginning of period	7,948	31	5,611	6,074	31
Cash and cash equivalents at end of period	4,987	3,475	4,978	3,475	7,948
(a) <u>Significant non-cash transactions:</u>					
Purchase of property, plant and equipment on credit	1,224	1,389	1,224	1,389	1,469
Sale of property, plant and equipment for credit	169	189	169	189	249

The accompanying additional information is an integral part of the separate financial data and financial information.

Additional Information

NOTE 1:- GENERAL

- a. Shagrir Group Vehicle Services Ltd. ("the Company") was incorporated in Israel on November 25, 2014. The Company provides services to insurance companies consisting of auto repair, field and towing and car rental services ("services to insurance companies") and also provides vehicle sharing and rental services for different timeframes through Car2Go Ltd. ("Car2Go" or "the subsidiary"). The Company was established by Pointer Telocation Ltd. ("the parent company").
- b. This separate financial information has been prepared in a condensed format as of September 30, 2016 and for the nine and three months periods then ended in accordance with Regulation 38d to the Israeli Securities Regulations (Periodic and Immediate Reports), 1970. This separate financial information should be read in conjunction with the annual financial statements as of December 31, 2015 and for the year then ended and the accompanying additional information.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of this separate financial information are consistent with those applied in the preparation of the separate financial information as of December 31, 2015.

NOTE 3:- SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

- a. In January 2016, the Law for Amending the Income Tax Ordinance (No. 216) (Reduction of Corporate Tax Rate), 2016 was approved, which includes a reduction of the corporate tax rate from 26.5% to 25%, effective from January 1, 2016.

The deferred tax balances as of December 31, 2015 were calculated according to the former tax rate. The deferred tax balances included in the financial statements as of September 30, 2016 are calculated according to the new tax rate, as explained above.

The change in tax rate described above resulted in a decrease in the balance of deferred tax liabilities of NIS 119 thousand and a decrease in the balance of deferred tax assets of NIS 125 thousand. Therefore, in the reporting period, an expense of NIS 35 thousand was recorded in profit or loss in taxes on income and an amount of NIS 29 thousand was recognized in capital reserves.

- b. On January 27, 2016, a subsidiary, Car2go, allocated granted 562 shares in return consideration for their par value to the leaving CEO as a result of which, the Company's interests in Car2go were reduced from 62.3% to 61.06%.

Additional Information

NOTE 3:- SIGNIFICANT EVENTS DURING THE REPORTING PERIOD (Cont.)

- c. On February 22, 2016, the Company and the subsidiary, Car2go ("Car2go"), entered into a convertible loan agreement according to which the Company and additional investors will provide Car2go a loan of approximately NIS 5,000 thousand of which an amount of approximately NIS 3,710 thousand by the Company ("the loan"). The loan is linked to the Israeli CPI and bears annual interest of 7% to be calculated on a compounded interest basis. The actual provision of any part of the loan will be done in accordance with Car2go's notification to the investors, the latest of which will not be later than 18 months from the signing date.

Car2go will repay the loan principal, interest and linkage at the end of two years (24 months) from the date of actual provision of any part of the loan principal in 12 quarterly installments, each representing 8.333% of the loan, with the addition of interest and linkage differences accrued on the relevant part of the loan through that date. This is provided that none of the investors (as applicable) has repaid or converted the loan before its maturity dates as specified below.

In addition, according to the loan terms, if before the final maturity date Car2go raises capital from third parties in a total that exceeds NIS 5,000 thousand then on the date of completion of such capital raising transaction, the relevant lenders will be entitled to convert the loan into shares of the same class and conferring the same rights as allocated in the capital raising with a 30% discount on the share price in the capital raising. However, if Car2go fails to complete such raising round within 12 months from the date of receiving the loan principal, the relevant lenders will be entitled to convert the unrepaid loan into Preferred A shares of Car2go at a value of NIS 10 million before the money and on a fully diluted basis, this at any time from the end of the 12 months stated above through the full repayment of the loan.

- d. In March 2016, 1,667 employee options vested and were exercised into shares of NIS 1 par value each in return for their par value.
- e. On March 28, 2016, an agreement was signed between the Company and Car2go whereby the maturity date of a loan totaling NIS 6,000 thousand will be deferred to September 1, 2016. The loan was granted to the subsidiary on May 15, 2009 and its original maturity date was March 1, 2016.
- f. On March 29, 2016, the parent company's board decided to repay a capital note of NIS 8,000 thousand that had been issued by the Company on December 30, 2015. The board also decided to convert an amount of NIS 4,100 thousand from the capital note into capital. In respect of the unconverted balance, two capital notes were issued in the amount of NIS 3,100 thousand and NIS 800 thousand under the same terms as the original capital note.

Additional Information

NOTE 3:- SIGNIFICANT EVENTS DURING THE REPORTING PERIOD (Cont.)

- g. On May 19, 2016, the Company's authorized share capital was increased by NIS 940,000 so that instead of authorized share capital of NIS 16,000,000 divided into 16,000,000 Ordinary shares of NIS 1.00 par value each, the Company's authorized share capital now consists of NIS 16,940,000 divided into 16,940,000 Ordinary shares of NIS 1.00 par value each. The Company's share capital was also split from Ordinary shares of NIS 1.00 par value each to Ordinary shares of NIS 0.0121 par value each. According to international accounting standards, data of earnings (loss) per share in the consolidated statements of profit or loss and other comprehensive income were adjusted in the reporting periods to the number of shares after the split.
- h. On May 19, 2016, the Company allocated the parent company, Pointer, 14,726 Ordinary shares of NIS 0.0121 par value each in return for their par value.
- i. On June 26, 2016, the company converted loan that given to Car2go from April 9, 2014, which the balance to the day of the convert was NIS 3,490 thousand (including interest and linkage) against 11,542 share in premiere and consequently from the convert increased the company holding in Car2go from 61.06% to 72.4%.
- j. On June 27, 2016, an agreement was signed between Car2go and the Authority in connection with the operation of vehicles sharing in Tel Aviv by Car2go. The agreement will be valid as of July 1, 2016. The agreement states that the company will provide for the Authority a guarantee in the amount of, up to NIS 6 million to ensure the full and exact implementation of the commitments of Car2go to the Authority under the agreement. In consideration for providing the guarantee, will be registered, for Shagrir lien on the registered share capital of Car2go, that will be second in the grade to the lien that will be registered to the bank that issued the guarantee.
- k. On June 8, 2016, the company was divided as dividend to the shareholders of Pointer and began to trading in Tel Aviv Stock Exchange from June 28, 2016.
- l. As of the reporting date, the company CEO holds 0.91% from the share capital of the company.
- m. The board of directors determined on July 12, 2016, that the company stands in the criteria for "small corporation", as defined in clause 5C of the Securities Regulations (Periodic and Immediate Reports), 1970 (the regulations of the reports). The board of directors decided to adopt all the exemption that apply on "small corporation" in the regulations of the reports (clause 5D(B) of the reports) as they are relevant (or will be relevant) to the reports.

Additional Information

NOTE 4:- EVENTS AFTER THE REPORTING PERIOD

- a. On November 3, 2016, the General Meeting approved the agreement with the holder of controlling interest, DBSI Investment Ltd. to Management Services for an amount of NIS 35 thousand for month. The General Meeting also approved the payment of directors fees based on "fixed amount" as stated in the companies ordinance.
- b. On November 23, 2016, an amendment to the loan agreement to Car 2 Go from May 15, 2016 was approved. As stated in amendment, the interest rate raised from 6% to 7% and the payment dates were extended from 12 quarterly payments to 84 months payments.

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Managers' Declaration

CEO Declaration

I, Yosef Regev, declare that:

1. I have examined the interim financial statements and the other financial information included in the reports for the interim period of Shagrir Group Vehicle Services Ltd. (hereinafter: the "Company") for the third quarter of 2016 (hereinafter: the "Reports" or the "Reports for Interim Period");
2. Insofar as I am aware, the Interim Financial Reports and the other financial information included in the Reports for Interim Periods do not include any incorrect representation of material fact and did not omit any representation of material fact that is essential in order for the representations included therein, in light of the circumstances in which the same representations are included, to not be misleading with respect to the period of the Reports;
3. Insofar as I am aware, the financial statements and other financial information included in the Reports properly reflect, from all material respects, the financial state, the results of the operations and the cash flows of the Company as of the dates and for the periods to which the Reports relate;
4. I have revealed to the Company's auditor, to the board of directors and to the audit committee of the Company's board of directors any fraud, whether material or immaterial, in which the CEO or a party directly subject to him is involved or that involves other employees that have a significant role in the internal control of the financial reporting and disclosure.

The provisions above will not derogate from my liability or the liability of any other person under any law.

Yosef Regev, CEO

Date: November 23, 2016

Managers' Declaration

Declaration of the Senior Officer in the Financial Field

I, Revital Avrahami, declare that:

1. I have examined the interim financial statements and the other financial information included in the reports for the interim period of Shagrir Group Vehicle Services Ltd. (hereinafter: the "Company") for the third quarter of 2016 (hereinafter: the "Reports" or the "Reports for Interim Period");
2. Insofar as I am aware, the Interim Financial Reports and the other financial information included in the Reports for Interim Periods do not include any incorrect representation of material fact and did not omit any representation of material fact that is essential in order for the representations included therein, in light of the circumstances in which the same representations are included, to not be misleading with respect to the period of the Reports;
3. Insofar as I am aware, the financial statements and other financial information included in the Reports properly reflect, from all material respects, the financial state, the results of the operations and the cash flows of the Company as of the dates and for the periods to which the Reports relate;
4. I have revealed to the Company's auditor, to the board of directors and to the audit committee of the Company's board of directors any fraud, whether material or immaterial, in which the CEO or a party directly subject to him is involved or that involves other employees that have a significant role in the internal control of the financial reporting and disclosure.

The provisions above will not derogate from my liability or the liability of any other person under any law.

Revital Avrahami, CFO

Date: November 23, 2016