

ELCO LIMITED

Interim Consolidated Financial Statements

As of September 30, 2017

Convenience Translation into U.S. Dollars

(Unaudited)

ELCO LIMITED

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Auditors' review report to the shareholders of Elco Holdings Ltd.

Introduction

We have reviewed the accompanying financial information of Elco Holdings Ltd. and its subsidiaries (hereinafter - the Group), which includes the condensed consolidated balance sheet as of September 30, 2017, the condensed consolidated statements of profit or loss, of comprehensive income, of changes in equity and of cash flows, for the periods of nine months and of three months ended on that date. The Company's board of directors and management are responsible for the preparation and presentation of financial information for this interim period, in accordance with International Accounting Standard IAS 34, "Interim Financial Reporting" and they are also responsible for the preparation of financial information for the interim period in accordance with Part D' of the Securities Regulations (Periodic and Immediate Reports) 1970. Our responsibility is to express a conclusion on this interim financial information based on our review.

We did not review the condensed financial information for the interim period of certain consolidated companies, whose assets constitute approximately 12% of the total consolidated assets as of September 30, 2017, and whose revenues constitute approximately 6% and approximately 5% of the total consolidated revenues for the periods of nine and three months ended on that date, respectively. Furthermore, we did not review the condensed financial information for the interim period of companies that are accounted for at equity, the investment in which amounted to approximately US\$ 93,233 thousand as of September 30, 2017 and the Group's share of their profits (losses) amounted to approximately US\$ 3,718 thousand and approximately US\$ (1,776) in the periods of nine and three months ended on that date, respectively. The condensed financial information of those companies for the interim period was reviewed by other auditors, whose review reports have been furnished to us, and our conclusion, insofar as it relates to amounts included for those companies, is based on the review reports of the other auditors.

The scope of the review

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

Conclusion

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

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

Convenience translation of the financial statements

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

Yours sincerely

KOST FORER GABBAY & KASIRER

Tel-Aviv, November 21, 2017

ELCO LIMITED**CONSOLIDATED BALANCE SHEETS**
CONVENIENCE TRANSLATION INTO US DOLLARS (in thousands)

	September 30		December 31
	2017	2016	2016
	Unaudited		Audited
Current assets			
Cash and cash equivalents	121,224	236,785	282,082
Short-term investments	127,148	47,898	54,812
Trade receivables	416,394	389,451	337,744
Other accounts receivables	342,504	273,470	279,014
Inventory, inventory of real estate and residential apartments	285,197	239,262	248,261
Assets held for sale	37,672	5,791	56,258
	<u>1,330,139</u>	<u>1,192,657</u>	<u>1,258,171</u>
Non-current assets			
Long-term receivables	32,075	27,860	25,166
Receivables for concession arrangement for the provision of services	26,433	28,892	28,206
Investment in entities accounted for at equity	333,577	332,684	344,908
Long-term inventory of real estate	19,731	17,512	16,586
Income generating assets	160,742	140,854	101,341
Fixed assets	124,782	91,009	94,498
Goodwill and other intangible assets	552,146	216,308	219,734
Deferred tax assets	9,599	3,067	1,066
	<u>1,259,085</u>	<u>858,186</u>	<u>831,505</u>
	<u>2,589,224</u>	<u>2,050,843</u>	<u>2,089,676</u>

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

November 21, 2017
Date of approval of financial statements

ELCO LIMITED**CONSOLIDATED BALANCE SHEETS**
CONVENIENCE TRANSLATION INTO US DOLLARS (in thousands)

	September 30		December 31
	2017	2016	2016
	Unaudited		Audited
Current Liabilities			
Credit from banking institutions and others	164,190	99,276	73,848
Bonds - current maturities	70,193	66,835	66,806
Suppliers and providers of services	446,784	427,683	432,311
Other payables	404,622	308,059	383,496
Liabilities in respect of assets held for sale	1,515	3,391	23,914
	<u>1,087,304</u>	<u>905,244</u>	<u>980,375</u>
Long-Term Liabilities			
Liabilities to banks and financial institutions	135,778	81,593	65,057
Bonds	355,792	396,382	363,642
Other liabilities	334,718	70,650	80,269
Employee benefit liabilities	15,835	15,215	15,653
Deferred taxes	52,150	55,057	41,061
	<u>894,273</u>	<u>618,897</u>	<u>565,682</u>
Equity			
Equity attributable to equity holders of the Company	335,241	283,987	300,083
Non-controlling interests	272,406	242,715	243,536
Total equity	<u>607,647</u>	<u>526,702</u>	<u>543,619</u>
	<u>2,589,224</u>	<u>2,050,843</u>	<u>2,089,676</u>

E. Vessely
Chief Financial Officer

D. Salkind
Joint General Manager

M. Fridman
Chairman of the Board of
Directors

ELCO LIMITED

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS CONVENIENCE TRANSLATION INTO US DOLLARS (in thousands)

	Nine months ended September 30		Three months ended September 30		Year ended December 31
	2017	2016	2017	2016	2016
	Unaudited		Unaudited		Audited
Revenues, net	1,895,668	1,619,833	690,996	570,929	2,142,884
Adjustment of the fair value and the results of the disposal of income-generating assets, net	(2,387)	507	(610)	8	7,415
Group's share of the profits of companies accounted for at equity, net	5,313	23,294	(824)	9,061	20,867
Other income	6,762	95,097	3,663	10,456	109,427
Total	1,905,356	1,738,731	693,225	590,454	2,280,593
Cost of producing revenues	(1,630,383)	(1,414,058)	(589,397)	(498,985)	(1,863,711)
Selling and marketing expenses	(113,172)	(98,505)	(44,110)	(34,853)	(130,389)
Administrative and general expenses	(57,955)	(55,445)	(19,013)	(17,739)	(76,059)
Other expenses	(2,043)	(79)	(775)	-	(4,604)
Financing income	11,924	6,163	3,974	2,500	9,336
Change in the fair value of a financial asset through profit and loss	6,845	-	-	-	-
Financing expenses	(38,697)	(32,478)	(12,545)	(6,649)	(41,344)
Total	(1,823,481)	(1,594,402)	(661,866)	(555,726)	(2,106,771)
Income before taxes on income	81,875	144,329	31,359	34,728	173,822
Taxes on income	(23,797)	(24,404)	(7,644)	(10,848)	(28,188)
Income from continuing operations	58,078	119,925	23,715	23,880	145,634
Operating income (loss) from discontinued operations	17,503	2,179	-	(1,086)	843
Net income	75,581	122,104	23,715	22,794	146,477
Attributable to:					
Equity holders in the Company	36,122	92,056	12,005	11,191	110,695
Non-controlling interest	39,459	30,048	11,710	11,603	35,782
	75,581	122,104	23,715	22,794	146,477
Earnings per share - attributable to the Equity holders of the Company:					
Basic - Earnings					
From continuing operations	0.97	3.28	0.43	0.42	3.99
From discontinued operations	0.34	0.06	-	(0.02)	0.03
	1.31	3.34	0.43	0.40	4.02
Fully diluted - Earnings					
From continuing operations	0.89	3.26	0.42	0.41	3.96
From discontinued operations	0.34	0.06	-	(0.02)	0.03
	1.23	3.32	0.42	0.39	3.99

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

ELCO LIMITED**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**
CONVENIENCE TRANSLATION INTO US DOLLARS (in thousands)

	Nine months ended		Three months ended		Year ended
	September 30		September 30		December 31
	2017	2016	2017	2016	2016
	Unaudited		Unaudited		Audited
Net income	<u>75,581</u>	<u>122,104</u>	<u>23,715</u>	<u>22,794</u>	<u>146,477</u>
Other comprehensive income (loss) (after tax effects):					
Amounts that will never be reclassified to profit or loss:					
Loss from the re-measurement of defined benefit plans	<u>-</u>	<u>(4)</u>	<u>-</u>	<u>-</u>	<u>(51)</u>
Amounts that will be classified or reclassified to the profit or loss, when specific conditions are met:					
Adjustments deriving from the translation of the financial statements of foreign operations	<u>(10,002)</u>	<u>(18,572)</u>	<u>7,294</u>	<u>(11,409)</u>	<u>(14,054)</u>
Gain (loss) on hedging transactions	<u>745</u>	<u>(549)</u>	<u>1,845</u>	<u>(972)</u>	<u>(1,183)</u>
	<u>(9,257)</u>	<u>(19,121)</u>	<u>9,139</u>	<u>(12,381)</u>	<u>(15,237)</u>
Total other comprehensive loss	<u>(9,257)</u>	<u>(19,125)</u>	<u>9,139</u>	<u>(12,381)</u>	<u>(15,288)</u>
Total comprehensive income	<u>66,324</u>	<u>102,979</u>	<u>32,854</u>	<u>10,413</u>	<u>131,189</u>
Comprehensive income attributable to:					
Equity holders in the company	<u>31,410</u>	<u>79,230</u>	<u>17,497</u>	<u>3,666</u>	<u>100,975</u>
Non-controlling interests	<u>34,914</u>	<u>23,749</u>	<u>15,357</u>	<u>6,747</u>	<u>30,214</u>
	<u>66,324</u>	<u>102,979</u>	<u>32,854</u>	<u>10,413</u>	<u>131,189</u>

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

ELCO LIMITED

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY CONVENIENCE TRANSLATION INTO US DOLLARS (in thousands)

	Attributable to equity holders in the company													Non-controlling interests	Total equity
	Share capital	Share premium	Treasury shares	Retained earnings	Capital reserve on transactions with controlling interests	Capital reserve on financial assets at fair value through other comprehensive income	Capital reserve on hedging transactions	Capital reserve on the re-measurement of defined benefit plans	Adjustments deriving from the translation of financial Statements	Capital reserve on share-based payment	Revaluation reserve	Total			
	Unaudited														
Balance as of January 1, 2017	32,303	15,632	(52,312)	435,942	136	(52,050)	2,644	(951)	(99,494)	8,616	9,617	300,083	243,536	543,619	
Net income	-	-	-	36,122	-	-	-	-	-	-	-	36,122	39,459	75,581	
Other comprehensive income (loss):															
Adjustments deriving from the translation of financial statements	-	-	-	-	-	-	-	-	(5,099)	-	-	(5,099)	(4,903)	(10,002)	
Gain on hedging transactions	-	-	-	-	-	-	387	-	-	-	-	387	358	745	
Total other comprehensive income (loss)	-	-	-	-	-	-	387	-	(5,099)	-	-	(4,712)	(4,545)	(9,257)	
Total comprehensive income (loss)	-	-	-	36,122	-	-	387	-	(5,099)	-	-	31,410	34,914	66,324	
Cost of share-based payment	-	-	-	-	-	-	-	-	-	271	-	271	3,878	4,149	
Dividend to shareholders in the company	-	-	-	(7,084)	-	-	-	-	-	-	-	(7,084)	-	(7,084)	
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(21,711)	(21,711)	
Issuance of capital /sale of shares in a consolidated company to non-controlling interests	-	-	-	10,127	-	-	8	96	604	-	-	10,835	9,882	20,717	
Initial consolidation of companies	-	-	-	-	-	-	-	-	-	-	-	-	187	187	
Acquisition of non-controlling interests	-	-	-	21	-	-	-	-	-	-	-	21	345	366	
Acquisition of treasury shares in subsidiary companies	-	-	-	(298)	-	-	-	-	-	-	-	(298)	(243)	(541)	
Exercise of option warrants	-	3	-	-	-	-	-	-	-	-	-	3	23	26	
Issuance of shares to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	1,595	1,595	
Balance as of September 30, 2017	32,303	15,635	(52,312)	474,830	136	(52,050)	3,039	(855)	(103,989)	8,887	9,617	335,241	272,406	607,647	

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

ELCO LIMITED

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY CONVENIENCE TRANSLATION INTO US DOLLARS (in thousands)

	Attributable to equity holders in the company												Non-controlling interests	Total equity
	Share capital	Share premium	Treasury shares	Retained earnings	Capital reserve on transactions with controlling interests	Capital reserve on financial assets at fair value through other comprehensive income	Capital reserve on hedging transactions	Capital reserve on the re-measurement of defined benefit plans	Adjustments deriving from the translation of financial Statements	Capital reserve on share-based payment	Revaluation reserve	Total		
	Unaudited													
Balance as of January 1, 2016 (audited)	32,303	15,632	(52,312)	330,587	136	(52,050)	3,273	(918)	(90,436)	8,092	9,617	203,924	221,610	425,534
Net income	-	-	-	92,056	-	-	-	-	-	-	-	92,056	30,048	122,104
Other comprehensive income (loss):														
Adjustments deriving from the translation of financial statements	-	-	-	-	-	-	-	-	(12,532)	-	-	(12,532)	(6,040)	(18,572)
Loss on the re-measurement of defined benefit plans	-	-	-	-	-	-	-	(2)	-	-	-	(2)	(2)	(4)
Loss on hedging transactions	-	-	-	-	-	-	(292)	-	-	-	-	(292)	(257)	(549)
Total other comprehensive income (loss)	-	-	-	-	-	-	(292)	(2)	(12,532)	-	-	(12,826)	(6,299)	(19,125)
Total comprehensive income (loss)	-	-	-	92,056	-	-	(292)	(2)	(12,532)	-	-	79,230	23,749	102,979
Cost of share-based payment	-	-	-	-	-	-	-	-	-	391	-	391	1,880	2,271
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(13,854)	(13,854)
Acquisition of non-controlling interests	-	-	-	442	-	-	-	-	-	-	-	442	(3,817)	(3,375)
Issuance of shares to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	13,147	13,147
Balance as of September 30, 2016	32,303	15,632	(52,312)	423,085	136	(52,050)	2,981	(920)	(102,968)	8,483	9,617	283,987	242,715	526,702

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

ELCO LIMITED

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY CONVENIENCE TRANSLATION INTO US DOLLARS (in thousands)

	Attributable to equity holders in the company											Total	Non-controlling interests	Total equity
	Share capital	Share premium	Treasury shares	Retained earnings	Capital reserve on transactions with controlling interests	Capital reserve on financial assets at fair value through other comprehensive income	Capital reserve on hedging transactions	Capital reserve on the re-measurement of defined benefit plans	Adjustments deriving from the translation of financial Statements	Capital reserve on share-based payment	Revaluation reserve			
	Unaudited													
Balance as of July 1, 2017	32,303	15,635	(52,312)	471,879	136	(52,050)	2,059	(855)	(108,977)	8,797	9,617	326,232	263,534	589,766
Net income	-	-	-	12,005	-	-	-	-	-	-	-	12,005	11,710	23,715
Other comprehensive income:														
Adjustments deriving from the translation of financial statements	-	-	-	-	-	-	-	-	4,520	-	-	4,520	2,774	7,294
Gain on hedging transactions	-	-	-	-	-	-	972	-	-	-	-	972	873	1,845
Total other comprehensive income	-	-	-	-	-	-	972	-	4,520	-	-	5,492	3,647	9,139
Total comprehensive income	-	-	-	12,005	-	-	972	-	4,520	-	-	17,497	15,357	32,854
Cost of share-based payment	-	-	-	-	-	-	-	-	-	90	-	90	1,149	1,239
Dividend to shareholders in the company	-	-	-	(7,084)	-	-	-	-	-	-	-	(7,084)	-	(7,084)
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(8,621)	(8,621)
Issuance of capital in a consolidated company to non-controlling interests	-	-	-	(1,676)	-	-	8	-	468	-	-	(1,200)	1,200	-
Acquisition of non-controlling interests	-	-	-	4	-	-	-	-	-	-	-	4	7	11
Exercise of option warrants	-	-	-	-	-	-	-	-	-	-	-	-	23	23
Acquisition of treasury shares in subsidiary companies	-	-	-	(298)	-	-	-	-	-	-	-	(298)	(243)	(541)
Balance as of September 30, 2017	32,303	15,635	(52,312)	474,830	136	(52,050)	3,039	(855)	(103,989)	8,887	9,617	335,241	272,406	607,647

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

ELCO LIMITED

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY CONVENIENCE TRANSLATION INTO US DOLLARS (in thousands)

	Attributable to equity holders in the company												Non-controlling interests	Total equity
	Share capital	Share premium	Treasury shares	Retained earnings	Capital reserve on transactions with controlling interests	Capital reserve on financial assets at fair value through other comprehensive income	Capital reserve on hedging transactions	Capital reserve on the re-measurement of defined benefit plans	Adjustments deriving from the translation of financial Statements	Capital reserve on share-based payment	Revaluation reserve	Total		
	Unaudited													
Balance as of July 1, 2016	32,303	15,632	(52,312)	412,019	136	(52,050)	3,498	(920)	(95,960)	8,352	9,617	280,315	227,663	507,978
Net income	-	-	-	11,191	-	-	-	-	-	-	-	11,191	11,603	22,794
Other comprehensive income (loss):														
Adjustments deriving from the translation of financial statements	-	-	-	-	-	-	-	-	(7,008)	-	-	(7,008)	(4,401)	(11,409)
Gain on hedging transactions	-	-	-	-	-	-	(517)	-	-	-	-	(517)	(455)	(972)
Total other comprehensive income (loss)	-	-	-	-	-	-	(517)	-	(7,008)	-	-	(7,525)	(4,856)	(12,381)
Total comprehensive income (loss)	-	-	-	11,191	-	-	(517)	-	(7,008)	-	-	3,666	6,747	10,413
Cost of share-based payment	-	-	-	-	-	-	-	-	-	131	-	131	809	940
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(3,274)	(3,274)
Acquisition of non-controlling interests	-	-	-	(125)	-	-	-	-	-	-	-	(125)	(1,054)	(1,179)
Issuance of shares to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	11,824	11,824
Balance as of September 30, 2016	32,303	15,632	(52,312)	423,085	136	(52,050)	2,981	(920)	(102,968)	8,483	9,617	283,987	242,715	526,702

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

ELCO LIMITED

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

CONVENIENCE TRANSLATION INTO US DOLLARS (in thousands)

	Attributable to equity holders of the company												Non-controlling interests	Total equity
	Share capital	Share premium	Treasury shares	Retained earnings	Capital reserve on transactions with controlling interests	Capital reserve on financial assets at fair value through other comprehensive income	Capital reserve on hedging transactions	Capital reserve on the re-measurement of defined benefit plans	Adjustments deriving from the translation of financial Statements	Capital reserve on share-based payment	Revaluation reserve	Total		
	Audited													
Balance as of January 1, 2016	32,303	15,632	(52,312)	330,587	136	(52,050)	3,273	(918)	(90,436)	8,092	9,617	203,924	221,610	425,534
Net profit	-	-	-	110,695	-	-	-	-	-	-	-	110,695	35,782	146,477
Other comprehensive loss:														
Adjustments deriving from the translation of financial statements	-	-	-	-	-	-	-	-	(9,058)	-	-	(9,058)	(4,996)	(14,054)
Loss on the re-measurement of defined benefit plans	-	-	-	-	-	-	-	(33)	-	-	-	(33)	(18)	(51)
Loss on hedging transactions	-	-	-	-	-	-	(629)	-	-	-	-	(629)	(554)	(1,183)
Total other comprehensive loss	-	-	-	-	-	-	(629)	(33)	(9,058)	-	-	(9,720)	(5,568)	(15,288)
Total comprehensive income (loss)	-	-	-	110,695	-	-	(629)	(33)	(9,058)	-	-	100,975	30,214	131,189
Cost of share-based payment	-	-	-	-	-	-	-	-	-	524	-	524	2,974	3,498
Dividend to shareholders in the company	-	-	-	(5,782)	-	-	-	-	-	-	-	(5,782)	-	(5,782)
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(22,069)	(22,069)
Acquisition of non-controlling interests	-	-	-	442	-	-	-	-	-	-	-	442	(3,817)	(3,375)
Issuance of shares to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	14,624	14,624
Balance as of December 31, 2016	32,303	15,632	(52,312)	435,942	136	(52,050)	2,644	(951)	(99,494)	8,616	9,617	300,083	243,536	543,619

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

ELCO LIMITED

CONSOLIDATED STATEMENTS OF CASH FLOWS

CONVENIENCE TRANSLATION INTO US DOLLARS (in thousands)

	Nine months ended		Three months ended		Year ended
	September 30		September 30		December 31
	2017	2016	2017	2016	2016
	Unaudited		Unaudited		Audited
Cash flows from operating activities:					
Net income	75,581	122,104	23,715	22,794	146,477
Adjustments required in order to present the cash flows from operating activities (Appendix A')	(98,843)	(154,263)	(19,194)	(9,644)	(85,937)
Net cash generated (absorbed) by operating activities	<u>(23,262)</u>	<u>(32,159)</u>	<u>4,521</u>	<u>13,150</u>	<u>60,540</u>
Cash flows from investment activities:					
Acquisition of fixed assets and intangible assets	(37,692)	(26,396)	(10,354)	(5,255)	(32,291)
Acquisition and construction of income generating assets	(32,414)	(4,079)	(1,727)	(1,086)	(7,523)
Initially consolidated companies and activities (Appendix B)	(48,039)	(5,400)	(2,834)	(4,817)	(11,594)
Investment in shares of affiliated and other companies	(63,065)	(50,398)	2,200	(17,281)	(62,666)
Purchase of short-term investments, net	(59,611)	(26,708)	23,795	(16,039)	(26,711)
Consideration from the disposal of fixed and income-generating assets and investments	59,555	410,810	141	32,765	444,277
Net consideration from the sale of operation	28,387	-	353	-	-
Decrease (increase) in long-term receivables	(1,426)	147	(21)	5	146
Net cash generated (absorbed) by investment activities	<u>(154,305)</u>	<u>297,976</u>	<u>11,553</u>	<u>(11,708)</u>	<u>303,638</u>
Cash flows from financing activities:					
Dividend paid to shareholders in the company	(7,084)	-	(7,084)	-	(5,782)
Dividend to non-controlling interests	(27,216)	(10,972)	(5,891)	(392)	(10,953)
Issuance of bonds	29,333	103,640	29,333	59,808	103,266
Sale of shares in a consolidated company to non-controlling interests	20,717	-	-	-	-
Repayment of long-term liabilities	(104,010)	(339,943)	(49,458)	(20,457)	(378,612)
Receipt of long-term liabilities	123,702	15,946	9,870	3,054	21,338
Short-term bank credit, net	(19,780)	(16,020)	11,561	2,889	(31,006)
Acquisition of non-controlling interests	-	(3,375)	-	(1,179)	(3,375)
Exercise of option warrants	26	-	23	-	-
Issuance of shares to non-controlling interests in consolidated companies	1,595	13,147	-	11,824	14,624
Acquisition of treasury shares in the company and in consolidated companies	(541)	-	(541)	-	-
Net cash generated (absorbed) by financing activities	<u>16,742</u>	<u>(237,577)</u>	<u>(12,187)</u>	<u>55,547</u>	<u>(290,500)</u>
Translation differences in respect of cash and cash equivalents balances	<u>(33)</u>	<u>(9,483)</u>	<u>845</u>	<u>(2,104)</u>	<u>(9,624)</u>
Increase (decrease) in cash and cash equivalents	<u>(160,858)</u>	<u>18,757</u>	<u>4,732</u>	<u>54,885</u>	<u>64,054</u>
Balance of cash and cash equivalents at the beginning of the period	<u>282,082</u>	<u>218,028</u>	<u>116,492</u>	<u>181,900</u>	<u>218,028</u>
Balance of cash and cash equivalents at the end of the period	<u>121,224</u>	<u>236,785</u>	<u>121,224</u>	<u>236,785</u>	<u>282,082</u>

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

ELCO LIMITED

CONSOLIDATED STATEMENTS OF CASH FLOWS CONVENIENCE TRANSLATION INTO US DOLLARS (in thousands)

Appendix A' - Adjustments required in order to present the cash flows from operating activities:

	Nine months ended		Three months ended		Year ended
	September 30		September 30		December 31
	2017	2016	2017	2016	2016
	Unaudited		Unaudited		Audited
Income and expenses not involving cash flows:					
The Group's share of the profits of companies accounted for at equity, net	(5,313)	(23,294)	824	(9,061)	(20,867)
Dividends and interest received from companies accounted for at equity	8,994	16,151	1,656	2,648	10,619
Adjustment of fair value and the results of the disposal of income-generating assets, net	2,741	(507)	610	(8)	(7,415)
Change in the fair value of a financial asset through profit and loss	(6,845)	-	-	-	-
Depreciation and amortization	33,159	19,764	12,765	7,303	28,954
Deferred taxes, net	2,966	(5,082)	198	(121)	(24,206)
Increase (decrease) in employee benefit liabilities	(360)	(18)	52	(173)	419
Capital gain on the sale of fixed assets and other investments	(3,170)	(89,636)	(181)	(7,213)	(106,770)
Gain on the disposal of discontinued operation	(20,657)	-	-	-	-
Gain as a result of increase to control and initial consolidation	-	(1,939)	-	-	(2,157)
Revaluation of long-term receivable and liabilities, net	6,342	457	3,710	2,376	(4,016)
Increase in the value of short-term investments	(2,762)	(579)	(649)	(41)	(2,537)
Cost of share-based payment	4,149	2,271	1,239	940	3,498
Changes in asset and liability items:					
Decrease (Increase) in inventory and inventory of real estate	(18,825)	23,729	20,499	32,287	27,393
Increase in trade receivables	(52,068)	(76,439)	(34,020)	(26,913)	(27,335)
Decrease (increase) in other accounts receivable	(18,735)	(12,988)	17,599	714	(17,484)
Increase in suppliers and providers of services	3,675	15,744	(27,310)	(12,798)	22,932
Increase (decrease) in other accounts payable	(32,134)	(21,897)	(16,186)	416	33,035
	<u>(98,843)</u>	<u>(154,263)</u>	<u>(19,194)</u>	<u>(9,644)</u>	<u>(85,937)</u>

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

ELCO LIMITED

CONSOLIDATED STATEMENTS OF CASH FLOWS CONVENIENCE TRANSLATION INTO US DOLLARS (in thousands)

Appendix B' - Investment in initially consolidated companies and activities

	Nine months ended		Three months ended		Year ended
	September 30		September 30		December 31
	2017	2016	2017	2016	2016
	Unaudited		Unaudited		Audited
Working capital, net (except cash and cash equivalents)	53,658	2,585	(2,834)	-	4,642
Restricted cash	(11,589)	-	-	-	-
Fixed assets	(33,006)	(296)	-	(85)	(296)
Other non-current assets	(838)	-	-	-	-
Investment in entities accounted for at equity	-	2,114	-	-	2,114
Intangible assets	(84,317)	(12,201)	-	(3,159)	(23,293)
Goodwill	(264,923)	(6,102)	-	(1,573)	(6,004)
Deferred taxes	2,913	2,177	-	-	4,920
Non-current liabilities	287,011	301	-	-	301
Non-controlling interests	187	-	-	-	-
Conditional liability	2,865	-	-	-	-
Liability for put option	-	3,865	-	-	3,865
Gain on the entry into consolidation	-	218	-	-	-
Gain as a result of an increase to control	-	1,939	-	-	2,157
	<u>(48,039)</u>	<u>(5,400)</u>	<u>(2,834)</u>	<u>(4,817)</u>	<u>(11,594)</u>

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

ELCO LIMITED

CONSOLIDATED STATEMENTS OF CASH FLOWS CONVENIENCE TRANSLATION INTO US DOLLARS (in thousands)

Appendix C' - Further information on cash flows

	Nine months ended		Three months ended		Year ended
	September 30		September 30		December 31
	2017	2016	2017	2016	2016
	Unaudited		Unaudited		Audited
Cash paid in the period for:					
Interest	28,946	30,016	10,750	2,279	39,660
Taxes on income	31,997	34,679	5,363	9,800	42,563
Cash received for:					
Interest	3,381	2,465	1,342	1,358	4,377
Taxes on income	816	2,167	434	338	2,673

Appendix D' – Significant activities not involving cash flows

	Nine months ended		Three months ended		Year ended
	September 30		September 30		December 31
	2017	2016	2017	2016	2016
	Unaudited		Unaudited		Audited
Dividend payable	2,881	2,882	-	2,882	11,116
Liabilities to owners of land and acquisition of fixed assets and intangible assets on credit	66,421	3,093	30,243	2,756	17,995

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Note 1 - General

These financial statements have been prepared in a condensed format as at September 30, 2017 and for the periods of nine months and of three months ended on that date (hereinafter - interim 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 IAS 34 "Financial Reporting for Interim Periods", and also in accordance with the disclosure requirements in accordance with section D of the Securities Regulations (Periodic and Immediate Reports) - 1970.

B. The accounting policies that have been implemented in the preparation of the interim consolidated financial statements are consistent with those that were implemented in the preparation of the annual consolidated financial statements.

C. Convenience translation

The attached Financial Statements in US Dollars are a translation of the statements as prepared in New Israeli Shekels ("NIS" or "Shekel") at the rate of exchange of the Shekel to the US Dollar prevailing on September 30, 2017 (NIS 3.529 = 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.