

ELCO LIMITED

Interim Consolidated Financial Information

As of June 30, 2019

Convenience Translation into U.S. Dollars

(Unaudited)

ELCO LIMITED

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To: Elco LTD.

Re: Convenience Translation of Interim Financial Information

Per your request, we have reviewed the accompanying interim consolidated financial information of Elco Ltd. ("the Company") as of June 30, 2019 and of the six and three months periods then ended ("the Interim Financial Information"). The Interim Financial Information is the responsibility of the Company's Board of Directors and management. Our responsibility is to express a conclusion regarding the Interim Financial Information based on our review.

We did not review the interim financial information of certain subsidiaries, whose assets constitute approximately 4.7% of the total consolidated assets as of June 30, 2019 and whose revenues constitute approximately 1.1% of the total consolidated revenue for periods of the six months and of three months ended on June 30, 2019. Furthermore, we did not review the interim financial information of certain companies accounted for at equity, the investment in which amounted to approximately 10,065 thousand dollars as of June 30, 2019, and the Company's share of their profits amounted to approximately 2,471 thousand dollars and approximately 739 thousand dollars for the periods of six months and of three months ended on June 30, 2019, respectively. The interim financial information for those companies were reviewed by other auditors, whose reports have been furnished to us, and our conclusion, insofar as it relates to amounts included for those companies, is based on the reports of the other auditors.

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.

The accompanying Interim Financial Information in US Dollars are a convenience translation of the interim consolidated financial statements as prepared in New Israeli Shekels as the rate of exchange of the Shekel into US Dollars prevailing on June 30, 2019, as described in note 2B of the Interim Financial Information.

Based on our review and the reports of the other auditors, we concluded an unqualified conclusion on the Company's consolidated interim financial statements in our report dated August 28, 2019.

The accompanying interim financial information, which are derived from the company's interim consolidated financial statements, are condensed interim financial information and do not include the disclosures required by International Financial Reporting Standards (IFRS). If the omitted disclosures were included in the accompanying interim financial information, it might influence the user's conclusions about the consolidated financial position, results of operations, changes in equity and cash flows of the company. Accordingly, the accompanying interim financial information are not designated for those who are not informed about such matters.

Based on our review and the reports of other auditors, nothing has come to our attention that causes us to believe that the accompanying Interim Financial Information is not present fairly, in all material respects, the information contained in it.

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

	June 30		December 31
	2019	2018	2018
	Unaudited		Audited
Current assets			
Cash and cash equivalents	124,740	108,881	222,229
Short-term investments	78,725	127,379	71,945
Trade receivables	453,109	376,165	387,373
Other accounts receivables	451,150	358,169	387,407
Inventory, inventory of real estate and rights in real estate	280,659	350,037	292,695
Assets held for sale	15,662	60,601	79,718
	<u>1,404,045</u>	<u>1,381,232</u>	<u>1,441,367</u>
Non-current assets			
Long-term receivables	16,174	16,638	12,057
Receivables for concession arrangement for the provision of services	21,919	24,383	24,839
Investment in entities accounted for at equity	267,903	304,949	280,932
Long-term inventory of real estate	18,715	18,943	18,792
Income generating assets	98,872	130,832	97,742
Fixed assets	317,705	137,652	137,196
Goodwill and other intangible assets	675,143	583,717	587,803
Deferred tax assets	14,874	10,721	13,444
	<u>1,431,305</u>	<u>1,227,835</u>	<u>1,172,805</u>
	<u>2,835,350</u>	<u>2,609,067</u>	<u>2,614,172</u>

August 28, 2019
Date of approval of financial statements

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

	June 30		December 31
	2019	2018	2018
	Unaudited		Audited
Current Liabilities			
Credit from banking institutions and others	142,809	117,944	158,875
Bonds - current maturities	76,084	88,320	77,547
Current maturities of leasing liabilities	32,576	-	-
Suppliers and providers of services	511,455	465,002	487,189
Other payables	406,006	390,248	406,763
Liabilities in respect of assets held for sale	-	-	12,679
	<u>1,168,930</u>	<u>1,061,514</u>	<u>1,143,053</u>
Long-Term Liabilities			
Liabilities to banks and financial institutions	166,973	240,044	161,535
Bonds	306,202	319,872	341,191
Leasing liabilities	158,100	-	-
Other liabilities	380,835	315,047	300,143
Employee benefit liabilities	15,430	15,594	14,893
Deferred taxes	59,666	58,421	53,533
	<u>1,087,206</u>	<u>948,978</u>	<u>871,295</u>
Equity			
Equity attributable to equity holders of the Company	310,957	326,316	327,056
Non-controlling interests	268,257	272,259	272,768
Total equity	<u>579,214</u>	<u>598,575</u>	<u>599,824</u>
	<u>2,835,350</u>	<u>2,609,067</u>	<u>2,614,172</u>

E. Vessely
Chief Financial Officer

M. Salkind
Joint General Manager

M. Fridman
Chairman of the Board of
Directors

ELCO LIMITED

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

	Six months ended June 30		Three months ended June 30		Year ended December 31
	2019	2018	2019	2018	2018
	Unaudited		Unaudited		Audited
Revenues, net	1,351,434	1,248,422	701,109	622,708	2,508,502
Adjustment of the fair value and the results of the disposal of income-generating assets, net	266	7,209	266	7,813	598
Group's share of the profits of companies accounted for at equity, net	10,356	(3,088)	3,604	(8,783)	4,671
Other income	2,991	779	1,135	135	7,270
Total	1,365,047	1,253,322	706,114	621,873	2,521,041
Cost of producing revenues	(1,159,707)	(1,072,511)	(597,264)	(532,123)	(2,160,955)
Selling and marketing expenses	(73,190)	(77,666)	(38,406)	(39,258)	(155,857)
Administrative and general expenses	(46,435)	(39,820)	(23,004)	(18,476)	(80,923)
Other expenses	(761)	(2,236)	(339)	(1,878)	(10,220)
Financing income	8,170	8,544	2,383	4,455	14,868
Financing expenses	(30,653)	(26,079)	(15,965)	(11,857)	(51,097)
Total	(1,302,576)	(1,209,768)	(672,595)	(599,137)	(2,444,184)
Income before taxes on income	62,471	43,554	33,519	22,736	76,857
Taxes on income	(15,750)	(13,340)	(7,465)	(6,566)	(16,339)
Income from continuing operations	46,721	30,214	26,054	16,170	60,518
Operating loss from discontinued operations, net	-	(8,004)	-	(7,474)	(10,349)
Net income	46,721	22,210	26,054	8,696	50,169
Attributable to:					
Equity holders in the Company	22,480	8,219	12,839	3,707	18,095
Non-controlling interest	24,241	13,991	13,215	4,989	32,074
	46,721	22,210	26,054	8,696	50,169
Earnings per share - attributable to the Equity holders of the Company:					
Basic - Earnings					
From continuing operations	0.82	0.45	0.47	0.28	0.86
From discontinued operations	-	(0.15)	-	(0.14)	(0.20)
	0.82	0.30	0.47	0.14	0.66
Fully diluted - Earnings					
From continuing operations	0.81	0.44	0.46	0.27	0.84
From discontinued operations	-	(0.15)	-	(0.14)	(0.20)
	0.81	0.29	0.46	0.13	0.64

ELCO LIMITED

CONSOLIDATED INFORMATION OF COMPREHENSIVE INCOME CONVENIENCE TRANSLATION INTO US DOLLARS (in thousands)

	Six months ended June 30		Three months ended June 30		Year ended December 31
	2019	2018	2019	2018	2018
	Unaudited		Unaudited		Audited
Net income	<u>46,721</u>	<u>22,210</u>	<u>26,054</u>	<u>8,696</u>	<u>50,169</u>
Other comprehensive income (loss) (after tax effects):					
Amounts that will never be reclassified to profit or loss:					
Loss on financial assets that are measured at fair value through other comprehensive income, net	-	-	-	-	(2,508)
Gain from the re-measurement of defined benefit plans	-	-	-	-	1,208
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,300)</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, net	(14,384)	7,498	(3,888)	15	10,163
Gain (loss) on hedging transactions	(1,158)	280	(300)	(132)	514
	<u>(15,542)</u>	<u>7,778</u>	<u>(4,188)</u>	<u>(117)</u>	<u>10,677</u>
Total other comprehensive income (loss)	<u>(15,542)</u>	<u>7,778</u>	<u>(4,188)</u>	<u>(117)</u>	<u>9,377</u>
Total comprehensive income	<u><u>31,179</u></u>	<u><u>29,988</u></u>	<u><u>21,866</u></u>	<u><u>8,579</u></u>	<u><u>59,546</u></u>
Comprehensive income attributable to:					
Equity holders in the company	13,346	12,849	10,393	4,028	24,054
Non-controlling interests	17,833	17,139	11,473	4,551	35,492
	<u><u>31,179</u></u>	<u><u>29,988</u></u>	<u><u>21,866</u></u>	<u><u>8,579</u></u>	<u><u>59,546</u></u>

ELCO LIMITED

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

Attributable to equity holders in the company

	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	Total	Non-controlling interests	Total equity
						Unaudited								
Balance as of January 1, 2019	31,967	16,542	(56,744)	467,824	455	(54,220)	3,250	(430)	(89,594)	8,006	327,056	272,768	599,824	
Changes following the initial implementation of IFRS 16	-	-	-	(257)	-	-	-	-	-	-	(257)	(252)	(509)	
Changes following the initial implementation of IAS 28	-	-	-	(19,214)	-	-	-	-	-	-	(19,214)	(10,842)	(30,056)	
Reclassification of capital reserve on translation differences deriving from the implementation of the revision to IAS 28	-	-	-	(8,211)	-	-	-	-	8,211	-	-	-	-	
Balance as of January 1, 2019 following the initial implementation of IFRS 16 and IAS 28	31,967	16,542	(56,744)	440,142	455	(54,220)	3,250	(430)	(81,383)	8,006	307,585	261,674	569,259	
Net income	-	-	-	22,480	-	-	-	-	-	-	22,480	24,241	46,721	
Other comprehensive loss:														
Adjustments deriving from the translation of financial statements	-	-	-	-	-	-	-	-	(8,524)	-	(8,524)	(5,860)	(14,384)	
Loss on hedging transactions	-	-	-	-	-	-	(610)	-	-	-	(610)	(548)	(1,158)	
Total other comprehensive income	-	-	-	-	-	-	(610)	-	(8,524)	-	(9,134)	(6,408)	(15,542)	
Total comprehensive income	-	-	-	22,480	-	-	(610)	-	(8,524)	-	13,346	17,833	31,179	
Cost of share-based payment	-	-	-	-	-	-	-	-	-	121	121	984	1,105	
Dividend to shareholders in the company	-	-	-	(9,254)	-	-	-	-	-	-	(9,254)	-	(9,254)	
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(12,806)	(12,806)	
Acquisition of treasury shares in the company	-	-	(313)	-	-	-	-	-	-	-	(313)	-	(313)	
Acquisition non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	778	778	
Issuance of capital /purchase and sale of shares in a consolidated company to non-controlling interests	-	-	-	(526)	-	-	-	4	(7)	-	(529)	(206)	(735)	
Exercise of option warrants	-	335	-	-	-	-	-	-	-	(334)	1	-	1	
As of June 30, 2019	31,967	16,877	(57,057)	452,842	455	(54,220)	2,640	(426)	(89,914)	7,793	310,957	268,257	579,214	

ELCO LIMITED

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

	Attributable to equity holders in the company													
	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	Non-controlling interests	Total equity
	Unaudited													
Balance as of January 1, 2018	31,967	15,473	(51,769)	461,116	455	(52,617)	2,980	(1,104)	(96,253)	8,883	9,517	328,648	274,680	603,328
Changes following the initial implementation of IFRS 9	-	-	-	(732)	-	-	-	-	-	-	-	(732)	(658)	(1,390)
Balance as of January 1, 2018 following the initial implementation of IFRS 9	31,967	15,473	(51,769)	460,384	455	(52,617)	2,980	(1,104)	(96,253)	8,883	9,517	327,916	274,022	601,938
Net income	-	-	-	8,219	-	-	-	-	-	-	-	8,219	13,991	22,210
Other comprehensive loss:														
Adjustments deriving from the translation of financial statements	-	-	-	-	-	-	-	-	4,483	-	-	4,483	3,015	7,498
Gain on hedging transactions	-	-	-	-	-	-	147	-	-	-	-	147	133	280
Total other comprehensive income	-	-	-	-	-	-	147	-	4,483	-	-	4,630	3,148	7,778
Total comprehensive income	-	-	-	8,219	-	-	147	-	4,483	-	-	12,849	17,139	29,988
Cost of share-based payment	-	-	-	-	-	-	-	-	-	96	-	96	1,308	1,404
Dividend to shareholders in the company	-	-	-	(8,413)	-	-	-	-	-	-	-	(8,413)	-	(8,413)
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(17,255)	(17,255)
Acquisition of treasury shares in subsidiary companies	-	-	-	(4,845)	-	-	-	-	-	-	-	(4,845)	(4,263)	(9,108)
Disposal of income generating asset that was owner occupied in the past	-	-	-	9,517	-	-	-	-	-	-	(9,517)	-	-	-
Issuance of capital /purchase and sale of shares in a consolidated companies	-	-	-	(1,214)	-	-	-	18	(92)	-	-	(1,288)	1,308	20
Exercise of option warrants	-	1	-	-	-	-	-	-	-	-	-	1	-	1
As of June 30, 2018	31,967	15,474	(51,769)	463,648	455	(52,617)	3,127	(1,086)	(91,862)	8,979	-	326,316	272,259	598,575

ELCO LIMITED

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

Attributable to equity holders in the company

	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	Total	Non-controlling interests	Total equity
Balance as of April 1, 2019	31,967	16,877	(57,057)	440,003	455	(54,220)	2,798	(426)	(87,626)	7,697	300,468	256,789	557,257
Net income	-	-	-	12,839	-	-	-	-	-	-	12,839	13,215	26,054
Other comprehensive loss:													
Adjustments deriving from the translation of financial statements	-	-	-	-	-	-	-	-	(2,288)	-	(2,288)	(1,600)	(3,888)
Loss on hedging transactions	-	-	-	-	-	-	(158)	-	-	-	(158)	(142)	(300)
Total other comprehensive income	-	-	-	-	-	-	(158)	-	(2,288)	-	(2,446)	(1,742)	(4,188)
Total comprehensive income	-	-	-	12,839	-	-	(158)	-	(2,288)	-	10,393	11,473	21,866
Cost of share-based payment	-	-	-	-	-	-	-	-	-	96	96	443	539
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(448)	(448)
As of June 30, 2019	31,967	16,877	(57,057)	452,842	455	(54,220)	2,640	(426)	(89,914)	7,793	310,957	268,257	579,214

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 April 1, 2018	31,967	15,474	(51,769)	451,060	455	(52,617)	3,197	(1,086)	(92,146)	8,931	9,517	322,983	268,405	591,388
Net income	-	-	-	3,707	-	-	-	-	-	-	-	3,707	4,989	8,696
Other comprehensive loss:														
Adjustments deriving from the translation of financial statements	-	-	-	-	-	-	-	-	391	-	-	391	(376)	15
Loss on hedging transactions	-	-	-	-	-	-	(70)	-	-	-	-	(70)	(62)	(132)
Total other comprehensive income	-	-	-	-	-	-	(70)	-	391	-	-	321	(438)	(117)
Total comprehensive income	-	-	-	3,707	-	-	(70)	-	391	-	-	4,028	4,551	8,579
Cost of share-based payment	-	-	-	-	-	-	-	-	-	48	-	48	551	599
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(729)	(729)
Acquisition of treasury shares in subsidiary companies	-	-	-	(1,050)	-	-	-	-	-	-	-	(1,050)	(939)	(1,989)
Disposal of income generating asset that was owner occupied in the past	-	-	-	9,517	-	-	-	-	-	-	(9,517)	-	-	-
Issuance of capital /purchase and sale of shares in a consolidated companies	-	-	-	414	-	-	-	-	(107)	-	-	307	420	727
As of June 30, 2018	31,967	15,474	(51,769)	463,648	455	(52,617)	3,127	(1,086)	(91,862)	8,979	-	326,316	272,259	598,575

ELCO LIMITED

CONSOLIDATED INFORMATION OF CHANGES IN EQUITY

CONVENIENCE TRANSLATION INTO US DOLLARS (in thousands)

	Attributable to equity holders of the company													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	Non-controlling interests	
Balance as of January 1, 2018	31,967	15,473	(51,769)	461,116	455	(52,617)	2,980	(1,104)	(96,253)	8,883	9,517	328,648	274,680	603,328
Changes following the initial implementation of IFRS 9	-	-	-	(732)	-	-	-	-	-	-	-	(732)	(658)	(1,390)
Balance of January 1, 2018 following the initial implementation of IFRS 9	31,967	15,473	(51,769)	460,384	455	(52,617)	2,980	(1,104)	(96,253)	8,883	9,517	327,916	274,022	601,938
Net profit	-	-	-	18,095	-	-	-	-	-	-	-	18,095	32,074	50,169
Other comprehensive income (loss):														
Adjustments deriving from the translation of financial statements	-	-	-	-	-	-	-	-	6,637	-	-	6,637	3,526	10,163
Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	(1,603)	-	-	-	-	-	(1,603)	(905)	(2,508)
Gain on the re-measurement of defined benefit plans	-	-	-	-	-	-	-	655	-	-	-	655	553	1,208
Gain on hedging transactions	-	-	-	-	-	-	270	-	-	-	-	270	244	514
Total other comprehensive income	-	-	-	-	-	(1,603)	270	655	6,637	-	-	5,959	3,418	9,377
Total comprehensive income	-	-	-	18,095	-	(1,603)	270	655	6,637	-	-	24,054	35,492	59,546
Cost of share-based payment	-	-	-	-	-	-	-	-	-	191	-	191	1,854	2,045
Dividend to shareholders in the company	-	-	-	(8,413)	-	-	-	-	-	-	-	(8,413)	-	(8,413)
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(24,246)	(24,246)
Acquisition of treasury shares in the company and in subsidiary companies	-	-	(4,975)	(9,997)	-	-	-	-	-	-	-	(14,972)	(8,900)	(23,872)
Disposal of income generating asset that was owner occupied in the past	-	-	-	9,517	-	-	-	-	-	-	(9,517)	-	-	-
Issuance of capital/purchase and sale of shares in a consolidated companies	-	-	-	(1,762)	-	-	-	19	22	-	-	(1,721)	(5,454)	(7,175)
Exercise of option warrants	-	1,069	-	-	-	-	-	-	-	(1,068)	-	1	-	1
As of December 31, 2018	31,967	16,542	(56,744)	467,824	455	(54,220)	3,250	(430)	(89,594)	8,006	-	327,056	272,768	599,824

ELCO LIMITED

CONSOLIDATED INFORMATION OF CASH FLOWS

CONVENIENCE TRANSLATION INTO US DOLLARS (in thousands)

	Six months ended		Three months ended		Year ended
	June 30		June 30		December 31
	2019	2018	2019	2018	2018
	Unaudited		Unaudited		Audited
Cash flows from operating activities:					
Net income	46,721	22,210	26,054	8,696	50,169
Adjustments required in order to present the cash flows from operating activities (Appendix A')	4,338	(26,044)	58,997	(7,084)	38,231
Net cash generated by (absorbed) by operating activities (before acquisition of and investment in land)	51,059	(3,834)	85,051	1,612	88,400
Acquisition of and investment in land *)	(3,522)	(31,475)	(1,526)	(466)	(32,764)
Net cash generated by (absorbed) by operating activities	47,537	(35,309)	83,525	1,146	55,636
Cash flows from investment activities:					
Acquisition of fixed assets and intangible assets	(51,446)	(17,610)	(38,805)	(9,360)	(41,643)
Capitalization of customer acquisition costs	(1,936)	(2,294)	(966)	(1,113)	(4,337)
Acquisition and construction of income generating assets	(975)	(1,347)	(928)	(928)	(4,656)
Initially consolidated companies and activities (Appendix B)	(43,006)	666	(1,989)	(757)	666
Investment in shares of affiliated and other companies	6,017	(68,660)	(21,145)	(57,528)	(75,510)
Consideration from the disposal of (investment in) short-term investments, net	(5,265)	(12,698)	6,464	7,726	40,393
Consideration from the disposal of fixed and income-generating assets and investments	41,446	14,130	4,386	12,720	68,292
Net consideration from the sale of operation	466	7,009	117	350	14,019
Decrease (increase) in long-term loans and deposits	(1,021)	(573)	(1,006)	(193)	(932)
Net cash absorbed by investment activities	(55,720)	(81,377)	(53,872)	(49,083)	(3,708)
Cash flows from financing activities:					
Dividend paid to shareholders in the company	(9,254)	(8,413)	(9,254)	(8,413)	(8,413)
Dividend to non-controlling interests	(12,806)	(19,523)	(9,599)	(17,072)	(26,514)
Issuance of bonds	-	-	-	-	60,846
Repayment of long-term liabilities	(86,728)	(30,305)	(66,718)	(23,724)	(136,895)
Repayment of leasing liabilities	(23,429)	(2,351)	(11,771)	(1,165)	(4,851)
Receipt of long-term liabilities	65,008	64,137	36,906	46,452	93,445
Short-term bank credit, net	(19,609)	21,400	15,035	(12,520)	14,885
Exercise of option warrants, purchase and sale of shares to non-controlling interests	(734)	846	-	934	(7,334)
Acquisition of treasury shares in the company and in consolidated companies	(313)	(9,108)	-	(1,989)	(23,872)
Net cash generated (absorbed) by financing activities	(87,865)	16,683	(45,401)	(17,497)	(38,703)
Exchange rate differences in respect of cash and cash equivalents balances	(1,441)	1,229	93	(404)	1,349
Increase (decrease) in cash and cash equivalents	(97,489)	(98,774)	(15,655)	(65,838)	14,574
Cash and cash equivalents at the beginning of the period	222,229	207,655	140,395	174,719	207,655
Cash and cash equivalents at the end of the period	124,740	108,881	124,740	108,881	222,229

*) The acquisition of and investment in land are presented under inventories of real estate.

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

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

	Six months ended		Three months ended		Year ended
	June 30		June 30		December 31
	2019	2018	2019	2018	2018
	Unaudited		Unaudited		Audited
Income and expenses not involving cash flows:					
The Group's share of the profits of companies accounted for at equity, net	(10,356)	3,088	(3,604)	8,783	(4,671)
Dividends and interest received from companies accounted for at equity	6,526	8,345	2,441	6,989	14,125
Success fee in respect of increase in the value of housing complexes (Promote)	(11,017)	(7,627)	(6,989)	(6,394)	(18,207)
Adjustment of fair value and the results of the disposal of income-generating assets, net	(155)	(461)	(155)	(1,065)	6,150
Change in the fair value of a financial asset through profit or loss	(111)	(6,748)	(111)	(6,748)	(6,748)
Depreciation and amortization	45,077	23,107	22,865	11,580	49,418
Amortization of customer acquisition expenses	2,080	4,079	1,092	2,101	6,287
Impairment in value of intangible assets less commitment to sellers, net	-	7,019	-	7,019	7,133
Deferred taxes, net	4,558	1,814	1,367	1,583	(1,152)
Reclassification from the translation differences reserve in connection with joint venture that have been disposed of	-	(1,279)	-	-	(1,279)
Change in employee benefit liabilities	685	689	189	1,253	1,549
Capital gain on the sale of fixed assets and other investments	(1,202)	1,350	(251)	1,969	(2,694)
Revaluation of long-term receivable and liabilities, net	4,825	2,288	5,171	742	6,772
Increase (decrease) in the value of short-term investments	(2,105)	268	(994)	49	799
Cost of share-based payment	1,105	1,404	539	599	2,045
Other expenses, net	-	-	-	-	4,617
Changes in asset and liability items:					
Decrease (increase) in inventory and inventory of real estate	15,474	(33,530)	12,672	(14,121)	23,656
Decrease (increase) in trade receivables	(35,394)	12,317	(10,220)	(298)	3,139
Decrease (increase) in other accounts receivable	(14,983)	5,282	(19,051)	(2,262)	(30,867)
Increase (decrease) in suppliers and providers of services	8,873	(50,113)	56,744	(8,447)	(37,807)
(decrease) in other accounts payable	(9,542)	2,664	(2,708)	(10,416)	15,966
	<u>4,338</u>	<u>(26,044)</u>	<u>58,997</u>	<u>(7,084)</u>	<u>38,231</u>

ELCO LIMITED**CONSOLIDATED INFORMATION OF CASH FLOWS**
CONVENIENCE TRANSLATION INTO US DOLLARS (in thousands)**Appendix B' - Investment in initially consolidated companies and activities**

	Six months ended		Three months ended		Year ended
	June 30		June 30		December 31
	2019	2018	2019	2018	2018
	Unaudited		Unaudited		Audited
Working capital, net (except cash)	(25,354)	8	(1,187)	-	8
Fixed assets	(5,607)	(39)	-	-	(39)
Intangible assets	(14,599)	(3,587)	(323)	-	(3,829)
Goodwill	(61,322)	(4,113)	(656)	-	(4,501)
Non-current assets	(183)	-	-	-	-
Deferred taxes	334	974	67	-	1,029
Non-current liabilities	11,098	200	-	-	200
Payables for conditional consideration	-	-	-	(757)	-
Liability for put option and future dividends for non-controlling interests	50,816	4,187	110	-	4,762
Non-controlling interests	778	-	-	-	-
Collection of income receivable for cash flows in an interim period	1,033	3,036	-	-	3,036
	<u>(43,006)</u>	<u>666</u>	<u>(1,989)</u>	<u>(757)</u>	<u>666</u>

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

Appendix C' - Further information on cash flows

	Six months ended		Three months ended		Year ended
	June 30		June 30		December 31
	2019	2018	2019	2018	2018
	Unaudited		Unaudited		Audited
Cash paid in the period for:					
Interest	<u>19,985</u>	<u>16,781</u>	<u>13,249</u>	<u>9,789</u>	<u>38,535</u>
Taxes on income	<u>16,184</u>	<u>15,546</u>	<u>7,767</u>	<u>4,146</u>	<u>24,582</u>
Cash received for:					
Interest	<u>1,520</u>	<u>3,543</u>	<u>995</u>	<u>2,459</u>	<u>7,554</u>
Taxes on income	<u>2,847</u>	<u>3,948</u>	<u>2,022</u>	<u>3,832</u>	<u>4,184</u>

Appendix D' – Significant activities not involving cash flows

	Six months ended		Three months ended		Year ended
	June 30		June 30		December 31
	2019	2018	2019	2018	2018
	Unaudited		Unaudited		Audited
Acquisition of fixed assets, investment property and intangible assets	<u>1,443</u>	<u>28,081</u>	<u>1,443</u>	<u>28,081</u>	<u>25,050</u>

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL INFORMATION

Note 1 - General

The accompanying Financial Information, is derived from the Hebrew version of the interim consolidated financial statement as at June 30, 2019 and for the six months and three months ended on that date and do not include the disclosures required by International Financial Reporting Standards (IFRS) (hereinafter - The Interim Consolidate Financial Information).

The interim consolidated financial information should be read together with the Company's Hebrew version of the annual consolidated financial statement as at December 31, 2018 and for the year ended on that date and the accompanying notes thereto (hereinafter – The Annual Consolidated Financial Statement).

Note 2 - Significant Accounting Policies

A. The format for the preparation of the interim consolidated financial information

The interim consolidated financial information is a translation which is based on The Interim Consolidated Financial Statements, which have been prepared in accordance with International Financial Reporting Standard IAS 34 "Financial Reporting for Interim Periods", and also in accordance with the disclosure requirements in accordance with section D of the Securities Regulations (Periodic and Immediate Reports) - 1970.

B. Convenience translation

The Interim Consolidate Financial Information in US Dollars is a translation of the statements as prepared in New Israeli Shekels ("NIS" or "Shekel") at the rate of exchange of the Shekel for the US Dollar prevailing on June 30, 2019 (NIS 3.566 = 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 Interim Consolidate 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. This financial information has 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.