

**ELCO LIMITED**

**Interim Consolidated Financial Information**

**As of September 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 September 30, 2019 and of the nine 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 4.9% of the total consolidated assets as of September 30, 2019 and whose revenues constitute approximately 1.1% and approximately 3.4% of the total consolidated revenue for periods of the nine months and of three months ended on September 30, 2019, respectively. Furthermore, we did not review the interim financial information of certain companies accounted for at equity, the investment in which amounted to approximately 10,822 thousand dollars as of September 30, 2019, and the Company's share of their profits amounted to approximately 2,864 thousand dollars and approximately 333 thousand dollars for the periods of nine months and of three months ended on September 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 September 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 November 21, 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)

	<b>September 30</b>		<b>December 31</b>
	<b>2019</b>	<b>2018</b>	<b>2018</b>
	Unaudited		Audited
<b>Current assets</b>			
Cash and cash equivalents	242,843	99,986	227,590
Short-term investments	55,674	102,334	73,680
Trade receivables	482,939	412,291	396,718
Other accounts receivables	411,478	328,792	396,753
Inventory, inventory of real estate and rights in real estate	265,341	319,215	299,756
Assets held for sale	3,028	38,944	81,641
	<u>1,461,303</u>	<u>1,301,562</u>	<u>1,476,138</u>
<b>Non-current assets</b>			
Long-term receivables	18,690	15,128	12,347
Receivables for concession arrangement for the provision of services	21,670	24,340	25,438
Investment in entities accounted for at equity	290,528	325,619	287,710
Long-term inventory of real estate	18,121	19,226	19,245
Income generating assets	101,259	130,981	100,100
Fixed assets	330,571	138,046	140,505
Goodwill and other intangible assets	692,986	599,958	601,984
Deferred tax assets	16,136	10,551	13,769
	<u>1,489,961</u>	<u>1,263,849</u>	<u>1,201,098</u>
	<u>2,951,264</u>	<u>2,565,411</u>	<u>2,677,236</u>

November 21, 2019  
Date of approval of financial statements

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

	<u>September 30</u>		<u>December 31</u>
	<u>2019</u>	<u>2018</u>	<u>2018</u>
	Unaudited		Audited
<b>Current Liabilities</b>			
Credit from banking institutions and others	98,645	167,048	165,925
Bonds - current maturities	105,673	81,304	79,417
Current maturities of leasing liabilities	32,240	-	-
Suppliers and providers of services	559,371	421,448	498,942
Other payables	413,078	421,041	416,576
Liabilities in respect of assets held for sale	-	-	12,984
	<u>1,209,007</u>	<u>1,090,841</u>	<u>1,173,844</u>
<b>Long-Term Liabilities</b>			
Liabilities to banks and financial institutions	149,414	150,012	162,215
Bonds	354,633	317,918	349,422
Leasing liabilities	161,438	-	-
Other liabilities	356,139	317,327	307,384
Employee benefit liabilities	15,754	16,115	15,252
Deferred taxes	62,213	64,742	54,825
	<u>1,099,591</u>	<u>866,114</u>	<u>889,098</u>
<b>Equity</b>			
Equity attributable to equity holders of the Company	345,945	334,798	334,946
Non-controlling interests	296,721	273,658	279,348
Total equity	<u>642,666</u>	<u>608,456</u>	<u>614,294</u>
	<u>2,951,264</u>	<u>2,565,411</u>	<u>2,677,236</u>

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E. Vessely  
Chief Financial Officer

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D. Salkind  
Joint General Manager

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M. Fridman  
Chairman of the Board of  
Directors

# ELCO LIMITED

## CONSOLIDATED INFORMATION 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
	2019	2018	2019	2018	2018
	Unaudited		Unaudited		Audited
Revenues, net	2,128,186	1,909,482	747,412	636,514	2,556,777
Adjustment of the fair value and the results of the disposal of income-generating assets, net	279	3,527	6	(3,856)	613
Group's share of the profits of companies accounted for at equity, net	16,131	4,861	5,526	8,023	4,784
Other income	70,550	4,600	67,308	2,976	7,444
<b>Total</b>	<b>2,215,146</b>	<b>1,922,470</b>	<b>820,252</b>	<b>643,657</b>	<b>2,569,618</b>
Cost of producing revenues	(1,824,905)	(1,638,276)	(642,152)	(544,629)	(2,201,223)
Selling and marketing expenses	(116,063)	(118,991)	(41,107)	(39,452)	(159,617)
Administrative and general expenses	(74,363)	(62,050)	(26,976)	(21,231)	(81,598)
Other expenses	(6,364)	(2,290)	(5,584)	-	(10,467)
Financing income	12,917	10,175	4,549	1,426	15,226
Financing expenses	(47,885)	(36,980)	(16,594)	(10,358)	(52,189)
<b>Total</b>	<b>(2,056,663)</b>	<b>(1,848,412)</b>	<b>(727,864)</b>	<b>(614,244)</b>	<b>(2,489,868)</b>
<b>Income before taxes on income</b>	<b>158,483</b>	<b>74,058</b>	<b>92,388</b>	<b>29,413</b>	<b>79,750</b>
Taxes on income	(29,821)	(22,406)	(13,246)	(8,693)	(16,974)
Income from continuing operations	128,662	51,652	79,142	20,720	62,776
Operating loss from discontinued operations, net	(5,669)	(8,880)	(3,996)	(694)	(11,397)
<b>Net income</b>	<b>122,993</b>	<b>42,772</b>	<b>75,146</b>	<b>20,026</b>	<b>51,379</b>
Attributable to:					
Equity holders in the Company	60,448	17,392	37,426	8,975	18,532
Non-controlling interest	62,545	25,380	37,720	11,051	32,847
	<u>122,993</u>	<u>42,772</u>	<u>75,146</u>	<u>20,026</u>	<u>51,379</u>
<b>Earnings (loss) per share - attributable to the equity holders of the Company:</b>					
Basic - Earnings (loss)					
From continuing operations	2.32	0.80	1.44	0.34	0.90
From discontinued operations	(0.11)	(0.17)	(0.07)	(0.02)	(0.23)
	<u>2.21</u>	<u>0.63</u>	<u>1.37</u>	<u>0.32</u>	<u>0.67</u>
Fully diluted - Earnings (loss)					
From continuing operations	2.30	0.79	1.44	0.34	0.88
From discontinued operations	(0.11)	(0.17)	(0.07)	(0.02)	(0.23)
	<u>2.19</u>	<u>0.62</u>	<u>1.37</u>	<u>0.32</u>	<u>0.65</u>

# ELCO LIMITED

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

	Nine months ended		Three months ended		Year ended
	September 30		September 30		December 31
	2019	2018	2019	2018	2018
	Unaudited		Unaudited		Audited
<b>Net income</b>	<u>122,993</u>	<u>42,772</u>	<u>75,146</u>	<u>20,026</u>	<u>51,379</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	-	-	-	-	(2,568)
Gain from the re-measurement of defined benefit plans	-	-	-	-	1,238
	-	-	-	-	(1,330)
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	(27,382)	3,635	(12,651)	(4,044)	10,408
Gain (loss) on hedging transactions	(2,481)	27	(1,295)	(258)	526
	(29,863)	3,662	(13,946)	(4,302)	10,934
<b>Total other comprehensive income (loss)</b>	<u>(29,863)</u>	<u>3,662</u>	<u>(13,946)</u>	<u>(4,302)</u>	<u>9,604</u>
<b>Total comprehensive income</b>	<u>93,130</u>	<u>46,434</u>	<u>61,200</u>	<u>15,724</u>	<u>60,983</u>
Comprehensive income attributable to:					
Equity holders in the company	43,394	19,668	29,726	6,510	24,635
Non-controlling interests	49,736	26,766	31,474	9,214	36,348
	<u>93,130</u>	<u>46,434</u>	<u>61,200</u>	<u>15,724</u>	<u>60,983</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	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited			
<b>Balance as of January 1, 2019</b>	<b>32,739</b>	<b>16,941</b>	<b>(58,113)</b>	<b>479,110</b>	<b>466</b>	<b>(55,529)</b>	<b>3,329</b>	<b>(441)</b>	<b>(91,755)</b>	<b>8,199</b>	<b>334,946</b>	<b>279,348</b>	<b>614,294</b>
Changes following the initial implementation of IFRS 16	-	-	-	(264)	-	-	-	-	-	-	(264)	(257)	(521)
Changes following the initial implementation of IAS 28	-	-	-	(19,678)	-	-	-	-	-	-	(19,678)	(11,103)	(30,781)
Reclassification of capital reserve on translation differences deriving from the implementation of the revision to IAS 28	-	-	-	(8,408)	-	-	-	-	8,408	-	-	-	-
<b>Balance as of January 1, 2019 following the initial implementation of IFRS 16 and IAS 28</b>	<b>32,739</b>	<b>16,941</b>	<b>(58,113)</b>	<b>450,760</b>	<b>466</b>	<b>(55,529)</b>	<b>3,329</b>	<b>(441)</b>	<b>(83,347)</b>	<b>8,199</b>	<b>315,004</b>	<b>267,988</b>	<b>582,992</b>
Net income	-	-	-	60,448	-	-	-	-	-	-	60,448	62,545	122,993
Other comprehensive loss:													
Adjustments deriving from the translation of financial statements	-	-	-	-	-	-	-	-	(15,753)	-	(15,753)	(11,629)	(27,382)
Loss on hedging transactions	-	-	-	-	-	-	(1,301)	-	-	-	(1,301)	(1,180)	(2,481)
Total other comprehensive income	-	-	-	-	-	-	(1,301)	-	(15,753)	-	(17,054)	(12,809)	(29,863)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>60,448</b>	<b>-</b>	<b>-</b>	<b>(1,301)</b>	<b>-</b>	<b>(15,753)</b>	<b>-</b>	<b>43,394</b>	<b>49,736</b>	<b>93,130</b>
Cost of share-based payment	-	-	-	-	-	-	-	-	-	380	380	2,070	2,450
Loan for the purchase of shares	-	-	(1,436)	-	-	-	-	-	-	-	(1,436)	-	(1,436)
Dividend to shareholders in the company	-	-	-	(9,477)	-	-	-	-	-	-	(9,477)	-	(9,477)
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(23,690)	(23,690)
Acquisition of treasury shares in the company and in subsidiary companies	-	-	(320)	(856)	-	-	-	-	-	-	(1,176)	(740)	(1,916)
Acquisition non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	796	796
Issuance of capital /purchase and sale of shares in a consolidated company to non-controlling interests	-	-	-	(1,048)	(129)	-	(2)	(8)	441	-	(746)	561	(185)
Exercise of option warrants	-	416	-	-	-	-	-	-	-	(414)	2	-	2
<b>As of September 30, 2019</b>	<b>32,739</b>	<b>17,357</b>	<b>(59,869)</b>	<b>499,827</b>	<b>337</b>	<b>(55,529)</b>	<b>2,026</b>	<b>(449)</b>	<b>(98,659)</b>	<b>8,165</b>	<b>345,945</b>	<b>296,721</b>	<b>642,666</b>



# 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													
<b>Balance as of January 1, 2018</b>	<b>32,739</b>	<b>15,846</b>	<b>(53,018)</b>	<b>472,240</b>	<b>466</b>	<b>(53,887)</b>	<b>3,052</b>	<b>(1,131)</b>	<b>(98,575)</b>	<b>9,097</b>	<b>9,747</b>	<b>336,576</b>	<b>281,307</b>	<b>617,883</b>
Changes following the initial implementation of IFRS 9	-	-	-	(749)	-	-	-	-	-	-	-	(749)	(674)	(1,423)
<b>Balance as of January 1, 2018 following the initial implementation of IFRS 9</b>	<b>32,739</b>	<b>15,846</b>	<b>(53,018)</b>	<b>471,491</b>	<b>466</b>	<b>(53,887)</b>	<b>3,052</b>	<b>(1,131)</b>	<b>(98,575)</b>	<b>9,097</b>	<b>9,747</b>	<b>335,827</b>	<b>280,633</b>	<b>616,460</b>
Net income	-	-	-	17,392	-	-	-	-	-	-	-	17,392	25,380	42,772
Other comprehensive loss:														
Adjustments deriving from the translation of financial statements	-	-	-	-	-	-	-	-	2,262	-	-	2,262	1,373	3,635
Gain on hedging transactions	-	-	-	-	-	-	14	-	-	-	-	14	13	27
Total other comprehensive income	-	-	-	-	-	-	14	-	2,262	-	-	2,276	1,386	3,662
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17,392</b>	<b>-</b>	<b>-</b>	<b>14</b>	<b>-</b>	<b>2,262</b>	<b>-</b>	<b>-</b>	<b>19,668</b>	<b>26,766</b>	<b>46,434</b>
Cost of share-based payment	-	-	-	-	-	-	-	-	-	147	-	147	1,583	1,730
Dividend to shareholders in the company	-	-	-	(8,616)	-	-	-	-	-	-	-	(8,616)	-	(8,616)
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(23,452)	(23,452)
Acquisition of treasury shares in subsidiary companies	-	-	(545)	(9,790)	-	-	-	-	-	-	-	(10,335)	(8,713)	(19,048)
Disposal of income generating asset that was owner occupied in the past	-	-	-	9,747	-	-	-	-	-	-	(9,747)	-	-	-
Issuance of capital /purchase and sale of shares in a consolidated companies	-	-	-	(1,981)	-	-	-	19	68	-	-	(1,894)	(3,159)	(5,053)
Exercise of option warrants	-	1	-	-	-	-	-	-	-	-	-	1	-	1
<b>As of September 30, 2018</b>	<b>32,739</b>	<b>15,847</b>	<b>(53,563)</b>	<b>478,243</b>	<b>466</b>	<b>(53,887)</b>	<b>3,066</b>	<b>(1,112)</b>	<b>(96,245)</b>	<b>9,244</b>	<b>-</b>	<b>334,798</b>	<b>273,658</b>	<b>608,456</b>

# ELCO LIMITED

## CONSOLIDATED INFORMATION 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	Total		
	Unaudited												
<b>Balance as of July 1, 2019</b>	<b>32,739</b>	<b>17,285</b>	<b>(58,433)</b>	<b>463,766</b>	<b>466</b>	<b>(55,529)</b>	<b>2,704</b>	<b>(436)</b>	<b>(92,084)</b>	<b>7,980</b>	<b>318,458</b>	<b>274,727</b>	<b>593,185</b>
Net income	-	-	-	37,426	-	-	-	-	-	-	37,426	37,720	75,146
Other comprehensive loss:													
Adjustments deriving from the translation of financial statements	-	-	-	-	-	-	-	-	(7,024)	-	(7,024)	(5,627)	(12,651)
Loss on hedging transactions	-	-	-	-	-	-	(676)	-	-	-	(676)	(619)	(1,295)
Total other comprehensive income	-	-	-	-	-	-	(676)	-	(7,024)	-	(7,700)	(6,246)	(13,946)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>37,426</b>	<b>-</b>	<b>-</b>	<b>(676)</b>	<b>-</b>	<b>(7,024)</b>	<b>-</b>	<b>29,726</b>	<b>31,474</b>	<b>61,200</b>
Cost of share-based payment	-	-	-	-	-	-	-	-	-	256	256	1,062	1,318
Loan for the purchase of shares	-	-	(1,436)	-	-	-	-	-	-	-	(1,436)	-	(1,436)
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(10,575)	(10,575)
Acquisition of treasury shares in the company and in subsidiary companies	-	-	-	(856)	-	-	-	-	-	-	(856)	(740)	(1,596)
Issuance of capital/purchase and sale of shares in a consolidated companies	-	-	-	(509)	(129)	-	(2)	(13)	449	-	(204)	773	569
Exercise of option warrants	-	72	-	-	-	-	-	-	-	(71)	1	-	1
<b>As of September 30, 2019</b>	<b>32,739</b>	<b>17,357</b>	<b>(59,869)</b>	<b>499,827</b>	<b>337</b>	<b>(55,529)</b>	<b>2,026</b>	<b>(449)</b>	<b>(98,659)</b>	<b>8,165</b>	<b>345,945</b>	<b>296,721</b>	<b>642,666</b>

# 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	Total		
<b>Balance as of July 1, 2018</b>	<b>32,739</b>	<b>15,847</b>	<b>(53,018)</b>	<b>474,834</b>	<b>466</b>	<b>(53,887)</b>	<b>3,202</b>	<b>(1,112)</b>	<b>(94,079)</b>	<b>9,196</b>	<b>334,188</b>	<b>278,827</b>	<b>613,015</b>
Net income	-	-	-	8,975	-	-	-	-	-	-	8,975	11,051	20,026
Other comprehensive loss:													
Adjustments deriving from the translation of financial statements	-	-	-	-	-	-	-	(2,329)	-	-	(2,329)	(1,715)	(4,044)
Loss on hedging transactions	-	-	-	-	-	(136)	-	-	-	-	(136)	(122)	(258)
Total other comprehensive income	-	-	-	-	-	(136)	-	(2,329)	-	-	(2,465)	(1,837)	(4,302)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,975</b>	<b>-</b>	<b>-</b>	<b>(136)</b>	<b>-</b>	<b>(2,329)</b>	<b>-</b>	<b>6,510</b>	<b>9,214</b>	<b>15,724</b>
Cost of share-based payment	-	-	-	-	-	-	-	-	-	48	48	244	292
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(5,781)	(5,781)
Acquisition of treasury shares in subsidiary companies	-	-	(545)	(4,828)	-	-	-	-	-	-	(5,373)	(4,347)	(9,720)
Issuance of capital /purchase and sale of shares in a consolidated companies	-	-	-	(738)	-	-	-	-	163	-	(575)	(4,499)	(5,074)
<b>As of September 30, 2018</b>	<b>32,739</b>	<b>15,847</b>	<b>(53,563)</b>	<b>478,243</b>	<b>466</b>	<b>(53,887)</b>	<b>3,066</b>	<b>(1,112)</b>	<b>(96,245)</b>	<b>9,244</b>	<b>334,798</b>	<b>273,658</b>	<b>608,456</b>

# 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	
<b>Balance as of January 1, 2018</b>	<b>32,739</b>	<b>15,846</b>	<b>(53,018)</b>	<b>472,240</b>	<b>466</b>	<b>(53,887)</b>	<b>3,052</b>	<b>(1,131)</b>	<b>(98,575)</b>	<b>9,097</b>	<b>9,747</b>	<b>336,576</b>	<b>281,307</b>	<b>617,883</b>
Changes following the initial implementation of IFRS 9	-	-	-	(749)	-	-	-	-	-	-	-	(749)	(674)	(1,423)
<b>Balance of January 1, 2018 following the initial implementation of IFRS 9</b>	<b>32,739</b>	<b>15,846</b>	<b>(53,018)</b>	<b>471,491</b>	<b>466</b>	<b>(53,887)</b>	<b>3,052</b>	<b>(1,131)</b>	<b>(98,575)</b>	<b>9,097</b>	<b>9,747</b>	<b>335,827</b>	<b>280,633</b>	<b>616,460</b>
Net profit	-	-	-	18,532	-	-	-	-	-	-	-	18,532	32,847	51,379
Other comprehensive income (loss):														
Adjustments deriving from the translation of financial statements	-	-	-	-	-	-	-	-	6,797	-	-	6,797	3,611	10,408
Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	(1,642)	-	-	-	-	-	(1,642)	(926)	(2,568)
Gain on the re-measurement of defined benefit plans	-	-	-	-	-	-	-	671	-	-	-	671	567	1,238
Gain on hedging transactions	-	-	-	-	-	-	277	-	-	-	-	277	249	526
Total other comprehensive income	-	-	-	-	-	(1,642)	277	671	6,797	-	-	6,103	3,501	9,604
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18,532</b>	<b>-</b>	<b>(1,642)</b>	<b>277</b>	<b>671</b>	<b>6,797</b>	<b>-</b>	<b>-</b>	<b>24,635</b>	<b>36,348</b>	<b>60,983</b>
Cost of share-based payment	-	-	-	-	-	-	-	-	-	196	-	196	1,899	2,095
Dividend to shareholders in the company	-	-	-	(8,616)	-	-	-	-	-	-	-	(8,616)	-	(8,616)
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(24,831)	(24,831)
Acquisition of treasury shares in the company and in subsidiary companies	-	-	(5,095)	(10,239)	-	-	-	-	-	-	-	(15,334)	(9,115)	(24,449)
Disposal of income generating asset that was owner occupied in the past	-	-	-	9,747	-	-	-	-	-	-	9,747	-	-	-
Issuance of capital/purchase and sale of shares in a consolidated companies	-	-	-	(1,805)	-	-	-	19	23	-	-	(1,763)	(5,586)	(7,349)
Exercise of option warrants	-	1,095	-	-	-	-	-	-	-	(1,094)	-	1	-	1
<b>As of December 31, 2018</b>	<b>32,739</b>	<b>16,941</b>	<b>(58,113)</b>	<b>479,110</b>	<b>466</b>	<b>(55,529)</b>	<b>3,329</b>	<b>(441)</b>	<b>(91,755)</b>	<b>8,199</b>	<b>-</b>	<b>334,946</b>	<b>279,348</b>	<b>614,294</b>

# ELCO LIMITED

## CONSOLIDATED INFORMATION OF CASH FLOWS

CONVENIENCE TRANSLATION INTO US DOLLARS (in thousands)

	Nine months ended		Three months ended		Year ended
	September 30		September 30		December 31
	2019	2018	2019	2018	2018
	Unaudited		Unaudited		Audited
<b>Cash flows from operating activities:</b>					
Net income	122,993	42,772	75,146	20,026	51,379
Adjustments required in order to present the cash flows from operating activities (Appendix A')	14,466	(57,573)	10,022	(30,901)	39,154
<b>Net cash generated by (absorbed) by operating activities (before acquisition of and investment in land)</b>	137,459	(14,801)	85,168	(10,875)	90,533
Acquisition of and investment in land *)	(5,001)	(33,234)	(1,394)	(999)	(33,554)
<b>Net cash generated by (absorbed) by operating activities</b>	132,458	(48,035)	83,774	(11,874)	56,979
<b>Cash flows from investment activities:</b>					
Acquisition of fixed assets and intangible assets	(85,813)	(29,486)	(33,127)	(11,451)	(42,647)
Capitalization of customer acquisition costs	(3,240)	(3,372)	(1,257)	(1,022)	(4,442)
Acquisition and construction of income generating assets	(1,160)	(2,826)	(161)	(1,447)	(4,769)
Initially consolidated companies and activities (Appendix B)	(44,956)	682	(912)	-	682
Investment in shares of affiliated and other companies	23,867	(18,450)	17,704	51,024	(77,332)
Consideration from the disposal of (investment in) short-term investments, net	19,355	13,548	24,747	26,553	41,368
Consideration from the disposal of fixed and income-generating assets and investments	95,602	35,777	53,157	21,306	69,939
Net consideration from the sale of operation	478	13,999	-	6,820	14,357
Decrease (increase) in long-term loans and deposits	(1,122)	(588)	(76)	(2)	(954)
<b>Net cash generated (absorbed) by investment activities</b>	3,011	9,284	60,075	91,781	(3,798)
<b>Cash flows from financing activities:</b>					
Dividend paid to shareholders in the company	(9,477)	(8,616)	-	-	(8,616)
Dividend to non-controlling interests	(16,264)	(21,270)	(3,149)	(1,276)	(27,153)
Issuance of bonds	51,072	-	51,072	-	62,314
Repayment of long-term liabilities	(112,037)	(103,423)	(23,217)	(72,387)	(140,197)
Repayment of leasing liabilities	(34,935)	(3,678)	(10,941)	(1,270)	(4,968)
Receipt of long-term liabilities	78,273	65,960	11,696	275	95,699
Short-term bank credit, net	(70,108)	21,121	(50,025)	(796)	15,244
Exercise of option warrants, purchase and sale of shares to non-controlling interests	(183)	(5,146)	570	(5,170)	(7,511)
Loan for the purchase of shares	(1,436)	-	(1,436)	-	-
Acquisition of treasury shares in the company and in consolidated companies	(1,916)	(19,048)	(1,596)	(9,720)	(24,449)
<b>Net cash absorbed by financing activities</b>	(117,011)	(74,100)	(27,026)	(90,344)	(39,637)
<b>Exchange rate differences in respect of cash and cash equivalents balances</b>	(3,205)	173	(1,729)	(1,085)	1,382
<b>Increase (decrease) in cash and cash equivalents</b>	15,253	(112,678)	115,094	(11,522)	14,926
<b>Cash and cash equivalents at the beginning of the period</b>	227,590	212,664	127,749	111,508	212,664
<b>Cash and cash equivalents at the end of the period</b>	242,843	99,986	242,843	99,986	227,590

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

# ELCO LIMITED

## 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:

	Nine months ended		Three months ended		Year ended
	September 30		September 30		December 31
	2019	2018	2019	2018	2018
	Unaudited		Unaudited		Audited
<b>Income and expenses not involving cash flows:</b>					
The Group's share of the profits of companies accounted for at equity, net	(16,131)	(4,861)	(5,526)	(8,023)	(4,784)
Dividends and interest received from companies accounted for at equity	9,138	10,885	2,454	2,338	14,466
Success fee in respect of increase in the value of housing complexes (Promote)	(17,607)	(17,237)	(6,324)	(9,426)	(18,646)
Adjustment of fair value and the results of the disposal of income-generating assets, net	(159)	3,384	-	3,856	6,298
Change in the fair value of a financial asset through profit or loss	(120)	(6,911)	(6)	-	(6,911)
Depreciation and amortization	72,842	36,324	26,678	12,659	50,610
Amortization of customer acquisition expenses	3,614	5,535	1,483	1,358	6,438
Impairment in value of intangible assets less commitment to sellers, net	-	7,188	-	-	7,305
Deferred taxes, net	5,258	7,242	590	5,384	(1,180)
Reclassification from the translation differences reserve in connection with joint venture that have been disposed of	-	(1,310)	-	-	(1,310)
Change in employee benefit liabilities	694	843	(7)	137	1,586
Capital gain on the sale of fixed assets and other investments	(33,786)	(2,558)	(32,555)	(1,779)	(2,759)
Revaluation of long-term receivable and liabilities, net	8,762	4,720	3,821	2,377	6,936
Increase (decrease) in the value of short-term investments	(2,182)	(520)	(26)	(794)	818
Cost of share-based payment	2,450	1,730	1,318	292	2,095
Other income in respect of a commitment under an onerous contract	(33,812)	-	(33,812)	-	-
Other expenses, net	-	2,161	-	-	4,728
<b>Changes in asset and liability items:</b>					
Decrease in inventory and inventory of real estate	37,321	6,061	21,473	40,399	24,227
Decrease (increase) in trade receivables	(58,356)	(13,291)	(22,108)	(25,905)	3,215
Decrease (increase) in other accounts receivable	6,138	(10,676)	21,483	(16,085)	(31,611)
Increase (decrease) in suppliers and providers of services	41,734	(109,985)	32,647	(58,663)	(38,719)
Increase (decrease) in other accounts payable	(11,332)	23,703	(1,561)	20,974	16,352
	<u>14,466</u>	<u>(57,573)</u>	<u>10,022</u>	<u>(30,901)</u>	<u>39,154</u>

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

	<b>Nine months ended</b>		<b>Three months ended</b>		<b>Year ended</b>
	<b>September 30</b>		<b>September 30</b>		<b>December 31</b>
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2018</b>
	Unaudited		Unaudited		Audited
Working capital, net (except cash)	(25,966)	9	-	-	9
Fixed assets	(5,742)	(40)	-	-	(40)
Intangible assets	(14,951)	(3,673)	-	-	(3,921)
Goodwill	(62,802)	(4,213)	-	-	(4,610)
Non-current assets	(188)	-	-	-	-
Deferred taxes	343	997	-	-	1,054
Non-current liabilities	11,366	205	-	-	205
Liability for put option and future dividends for non-controlling interests	52,042	4,288	-	-	4,876
Non-controlling interests	796	-	-	-	-
Collection of income receivable for cash flows in an interim period	146	3,109	(912)	-	3,109
	<u>(44,956)</u>	<u>682</u>	<u>(912)</u>	<u>-</u>	<u>682</u>

## ELCO LIMITED

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

#### Appendix C' - Further information on cash flows

	<b>Nine months ended</b>		<b>Three months ended</b>		<b>Year ended</b>
	<b>September 30</b>		<b>September 30</b>		<b>December 31</b>
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2018</b>
	Unaudited		Unaudited		Audited
Cash paid in the period for:					
Interest	<u>27,520</u>	<u>28,519</u>	<u>7,052</u>	<u>11,333</u>	<u>39,465</u>
Taxes on income	<u>22,321</u>	<u>19,410</u>	<u>5,747</u>	<u>3,489</u>	<u>25,175</u>
Cash received for:					
Interest	<u>2,615</u>	<u>4,497</u>	<u>1,059</u>	<u>868</u>	<u>7,736</u>
Taxes on income	<u>4,555</u>	<u>4,251</u>	<u>1,639</u>	<u>207</u>	<u>4,285</u>

#### Appendix D' – Significant activities not involving cash flows

	<b>Nine months ended</b>		<b>Three months ended</b>		<b>Year ended</b>
	<b>September 30</b>		<b>September 30</b>		<b>December 31</b>
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2018</b>
	Unaudited		Unaudited		Audited
Acquisition of fixed assets, investment property and intangible assets	<u>1,719</u>	<u>27,914</u>	<u>1,719</u>	<u>27,914</u>	<u>25,655</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 September 30, 2019 and for the nine 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 September 30, 2019 (NIS 3.482 = 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.