

ELCO LIMITED

Annual Report
Convenience Translation into US Dollars

2019

ELCO LIMITED

CONSOLIDATED FINANCIAL INFORMATION
AS OF DECEMBER 31, 2019

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To: Elco LTD.

Re: Convenience Translation of Financial Information

Per your request, we have audited the accompanying consolidated financial information of Elco Ltd. ("the Company") as of December 31, 2019 and 2018 and for each of the three years in the period ended on December 31, 2019 ("the Financial Information"). The Financial Information is the responsibility of the Company's Board of Directors and management. Our responsibility is to express an opinion on the Financial Information based on our audits.

We did not audit the financial information of certain subsidiaries, whose assets constitute approximately 3.5% and 6.6% of the total consolidated assets as of December 31, 2019 and 2018, respectively, and whose revenues constitute approximately 0.8%, 1.4% and 6% of the total consolidated revenue for the years ended December 31, 2019, 2018 and 2017, respectively. Furthermore, we did not audit the financial information of certain companies accounted for at equity, the investment in which amounted to approximately 10,108 thousand dollars and 90,479 thousand dollars as of December 31, 2019 and 2018, respectively, and the Company's share of their profits amounted to approximately 2,541 thousand dollars, 5,931 thousand dollars and 3,319 thousand dollars for the years ended December 31, 2019, 2018 and 2017, respectively. The financial information for those companies were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to amounts included for those companies, is based on the reports of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards in Israel, including those prescribed by the Auditors' Regulations (Auditor's Mode of Performance), 1973. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Financial Information are free of material misstatement. An audit includes examining, on the test basis, evidence supporting the amounts in the Financial Information. An audit also includes assessing the accounting principles used and the significant estimates made by the Company's Board of Directors and management, as well as evaluating the overall Financial Information presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinion

The accompanying Financial Information in US Dollars are a convenience translation of the consolidated financial statements as prepared in New Israeli Shekels as the rate of exchange of the Shekel into US Dollars prevailing on December 31, 2019 as described in Note 4 of the Financial Information.

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

Based on our audits and the reports of other auditors, we expressed an unqualified opinion on the consolidated financial statements in our report dated March 29, 2020.

In our opinion, based on our audit and the reports of other auditors, the abovementioned Financial Information presents fairly, in all material respects, the information contained therein.

Tel-Aviv, Israel
March 29, 2020

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

ELCO LIMITED**CONSOLIDATED INFORMATION OF FINANCIAL POSITION
CONVENIENCE TRANSLATION INTO US DOLLARS (in thousands)**

	December 31	
	2019	2018
Current assets		
Cash and cash equivalents	267,405	229,302
Short-term investments	68,457	74,234
Trade receivables	502,745	399,702
Other receivables	482,130	399,738
Inventory, inventory of real estate and rights in real estate	273,895	301,663
Assets held for sale	3,574	82,256
	<u>1,598,206</u>	<u>1,486,895</u>
Non-current assets		
Long-term receivables	26,552	12,440
Receivables for concession arrangement for the provision of services	21,104	25,630
Investments in entities accounted for at equity	321,855	289,874
Long-term inventory of real estate	18,217	19,390
Income-generating assets	102,074	100,853
Fixed Assets	227,806	141,563
Usage right assets	186,828	-
Goodwill and other intangible assets	836,024	570,899
Intangible asset for a concession project	78,626	35,613
Deferred taxes	10,511	13,872
	<u>1,829,597</u>	<u>1,210,134</u>
	<u>3,427,803</u>	<u>2,697,029</u>

March 29, 2020

Date of the approval of the financial statements

ELCO LIMITED**CONSOLIDATED INFORMATION OF FINANCIAL POSITION
CONVENIENCE TRANSLATION INTO US DOLLARS (in thousands)**

	December 31	
	2019	2018
Current Liabilities		
Credit from banks and others	114,639	163,932
Bonds - current maturities	96,452	80,015
Current maturities of leasing liabilities	37,818	-
Suppliers and providers of services	623,689	502,696
Other payables	469,524	419,709
Liabilities in respect of assets held for sale	-	13,082
	<u>1,342,122</u>	<u>1,179,434</u>
Non-Current Liabilities		
Liabilities to banks and others	291,784	166,676
Bonds	448,238	352,051
Leasing liabilities	162,111	-
Other liabilities	376,413	309,696
Employee benefit liabilities, net	17,974	15,367
Deferred taxes	67,605	55,237
	<u>1,364,125</u>	<u>899,027</u>
Equity		
Equity attributable to shareholders in the company	388,435	337,269
Non-controlling interests	333,121	281,299
	<u>721,556</u>	<u>618,568</u>
Total equity	<u><u>3,427,803</u></u>	<u><u>2,697,029</u></u>

E. Vessely
Chief Financial Officer

M. Salkind
Joint Managing Director

M. Friedman
Chairman of the Board of
Directors

ELCO LIMITED

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

	For the year ended December 31		
	2019	2018	2017
Continuing operations			
Revenues, net	2,925,817	2,576,012	2,574,627
Adjustment of the fair value, success fee and the results of the disposal of income-generating assets, net	8,741	617	3,610
Group's share of the profits of entities accounted for at equity, net	10,508	4,820	11,507
Other income	71,722	7,501	9,527
Total	3,016,788	2,588,950	2,599,271
Cost of producing revenues	(2,510,446)	(2,217,595)	(2,211,720)
Selling and marketing expenses	(158,221)	(160,818)	(157,027)
Administrative and general expenses	(99,337)	(82,212)	(79,689)
Other expenses	(6,466)	(10,546)	(887)
Financial income	14,450	15,341	16,365
Financing expenses	(62,842)	(52,710)	(55,436)
Total	(2,822,862)	(2,508,540)	(2,488,394)
Income before taxes on income	193,926	80,410	110,877
Taxes on income	(37,462)	(17,102)	(25,872)
Income from continuing operations	156,464	63,308	85,005
Operating income (loss) from discontinued operations	(6,160)	(11,483)	3,475
Reclassification from the translation differences reserve in connection with operation that have been disposed of in Canada	-	-	(15,945)
Net income	150,304	51,825	72,535
Attributable to:			
Shareholders in the company	74,936	18,702	33,321
Non-controlling interests	75,368	33,123	39,214
	150,304	51,825	72,535
Earnings (loss) per share (in u.s. Dollars) - attributable to the Equity holders of the Company:			
Basic - Earnings (loss)			
From continuing operations	2.85	0.90	1.50
From discontinued operations	(0.12)	(0.23)	(0.29)
	2.73	0.67	1.21
Fully diluted - Earnings (loss)			
From continuing operations	2.82	0.89	1.42
From discontinued operations	(0.12)	(0.23)	(0.29)
	2.70	0.66	1.13

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

	For the year ended December 31		
	2019	2018	2017
Net income	150,304	51,825	72,535
Other comprehensive income (loss) (after tax effects):			
Amounts that will not be reclassified to profit or loss in subsequent periods:			
Loss on financial assets that are measured at fair value through other comprehensive income, net	-	(2,588)	(1,877)
Gain (loss) from the re-measurement of defined benefit plans, net	(959)	1,247	(519)
	(959)	(1,341)	(2,396)
Amounts that will be classified or reclassified to profit or loss when specific conditions are met:			
Adjustment deriving from the translation of the financial statements of foreign operations, net	(25,748)	10,487	(13,975)
Reclassification from the translation differences reserve in connection with operation that have been disposed of in Canada	-	-	15,945
Gain (loss) on hedging transactions, net	(1,760)	530	707
	(27,508)	11,017	2,677
Total other comprehensive income (loss)	(28,467)	9,676	281
Total comprehensive income	121,837	61,501	72,816
Comprehensive income attributable to:			
Shareholders in the company	57,598	24,852	33,897
Non-controlling interests	64,239	36,649	38,919
	121,837	61,501	72,816

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		
Balance as of January 1, 2019	32,985	17,069	(58,551)	482,517	469	(55,946)	3,354	(444)	(92,446)	8,262	337,269	281,299	618,568
Changes following the initial implementation of IFRS 16	-	-	-	(266)	-	-	-	-	-	-	(266)	(259)	(525)
Changes following the initial implementation of IAS 28	-	-	-	(19,826)	-	-	-	-	-	-	(19,826)	(11,187)	(31,013)
Reclassification of capital reserve on translation differences deriving from the implementation of the revision to IAS 28	-	-	-	(8,472)	-	-	-	-	8,472	-	-	-	-
Balance as of January 1, 2019 following the initial implementation of IFRS 16 and IAS 28	32,985	17,069	(58,551)	453,953	469	(55,946)	3,354	(444)	(83,974)	8,262	317,177	269,853	587,030
Net income	-	-	-	74,936	-	-	-	-	-	-	74,936	75,368	150,304
Total other comprehensive income	-	-	-	-	-	-	(943)	(511)	(15,884)	-	(17,338)	(11,129)	(28,467)
Total comprehensive income (loss)	-	-	-	74,936	-	-	(943)	(511)	(15,884)	-	57,598	64,239	121,837
Cost of share-based payment	-	-	-	-	-	-	-	-	-	641	641	3,126	3,767
Loan for the purchase of shares	-	-	(1,447)	-	-	-	-	-	-	-	(1,447)	-	(1,447)
Dividend to shareholders in the company	-	-	-	(9,549)	-	-	-	-	-	-	(9,549)	-	(9,549)
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(24,342)	(24,342)
Acquisition of treasury shares in the company and in subsidiary companies	-	-	(323)	(1,537)	-	-	-	-	-	-	(1,860)	(1,330)	(3,190)
Issuance of capital /purchase and sale of shares in consolidated companies	-	-	-	22,799	(177)	227	41	16	2,967	-	25,873	13,398	39,271
Initial consolidation of companies	-	-	-	-	-	-	-	-	-	-	-	1,618	1,618
Receipts for option warrants	-	-	-	-	-	-	-	-	-	-	-	6,559	6,559
Exercise of option warrants	-	419	-	-	-	-	-	-	-	(417)	2	-	2
As of December 31, 2019	32,985	17,488	(60,321)	540,602	292	(55,719)	2,452	(939)	(96,891)	8,486	388,435	333,121	721,556

ELCO LIMITED

CONSOLIDATED INFORMATION 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		
Balance as of January 1, 2018	32,985	15,966	(53,417)	475,564	469	(54,292)	3,074	(1,139)	(99,317)	9,166	9,820	338,879	283,244	622,123
Changes following the initial implementation of IFRS 9	-	-	-	(755)	-	-	-	-	-	-	-	(755)	(678)	(1,433)
Balance of January 1, 2018 following the initial implementation of IFRS 9	32,985	15,966	(53,417)	474,809	469	(54,292)	3,074	(1,139)	(99,317)	9,166	9,820	338,124	282,566	620,690
Net profit	-	-	-	18,702	-	-	-	-	-	-	-	18,702	33,123	51,825
Other comprehensive income (loss):	-	-	-	-	-	(1,654)	280	676	6,848	-	-	6,150	3,526	9,676
Total comprehensive income (loss)	-	-	-	18,702	-	(1,654)	280	676	6,848	-	-	24,852	36,649	61,501
Cost of share-based payment	-	-	-	-	-	-	-	-	-	198	-	198	1,913	2,111
Dividend to shareholders in the company	-	-	-	(8,680)	-	-	-	-	-	-	-	(8,680)	-	(8,680)
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(25,018)	(25,018)
Acquisition of treasury shares in the company and in subsidiary companies	-	-	(5,134)	(10,316)	-	-	-	-	-	-	-	(15,450)	(9,183)	(24,633)
Disposal of income generating asset that was owner occupied in the past	-	-	-	9,820	-	-	-	-	-	-	(9,820)	-	-	-
Issuance of capital/purchase and sale of shares in consolidated companies	-	-	-	(1,818)	-	-	-	19	23	-	-	(1,776)	(5,628)	(7,404)
Exercise of option warrants	-	1,103	-	-	-	-	-	-	-	(1,102)	-	1	-	1
As of December 31, 2018	32,985	17,069	(58,551)	482,517	469	(55,946)	3,354	(444)	(92,446)	8,262	-	337,269	281,299	618,568

ELCO LIMITED

CONSOLIDATED INFORMATION 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		
Balance as of January 1, 2017	32,985	15,963	(53,417)	442,268	139	(53,150)	2,699	(971)	(101,595)	8,797	9,820	303,538	246,111	549,649
Net profit	-	-	-	33,321	-	-	-	-	-	-	-	33,321	39,214	72,535
Total other comprehensive income (loss)	-	-	-	-	-	(1,142)	367	(279)	1,630	-	-	576	(295)	281
Total comprehensive income (loss)	-	-	-	33,321	-	(1,142)	367	(279)	1,630	-	-	33,897	38,919	72,816
Cost of share-based payment	-	-	-	-	-	-	-	-	-	369	-	369	4,756	5,125
Dividend to shareholders in the company	-	-	-	(7,234)	-	-	-	-	-	-	-	(7,234)	-	(7,234)
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(23,168)	(23,168)
Issuance of capital /sale of shares in consolidated companies to non-controlling interests	-	-	-	9,045	-	-	8	111	648	-	-	9,812	11,342	21,154
Initial consolidation of companies	-	-	-	-	-	-	-	-	-	-	-	-	4,417	4,417
Acquisition of non-controlling interests	-	-	-	21	-	-	-	-	-	-	-	21	853	874
Acquisition of treasury shares in subsidiary companies	-	-	-	(1,857)	-	-	-	-	-	-	-	(1,857)	(1,525)	(3,382)
Exercise of option warrants	-	3	-	-	-	-	-	-	-	-	-	3	86	89
Transaction with controlling interests	-	-	-	-	330	-	-	-	-	-	-	330	270	600
Issuance of shares to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	1,183	1,183
As of December 31, 2017	32,985	15,966	(53,417)	475,564	469	(54,292)	3,074	(1,139)	(99,317)	9,166	9,820	338,879	283,244	622,123

ELCO LIMITED
CONSOLIDATED CASH FLOW INFORMATION
CONVENIENCE TRANSLATION INTO US DOLLARS (in thousands)

	For the year ended December 31		
	2019	2018	2017
Cash flows from operating activities:			
Net income	150,304	51,825	72,535
Adjustments required in order to present the cash flows from operating activities (Appendix A')	100,785	39,389	79,110
Net cash generated by operating activities (before acquisition of and investment in land)	251,089	91,214	151,645
Acquisition of and investment in land **)	(5,666)	(33,806)	(23,713)
Net cash generated by operating activities *)	245,423	57,408	127,932
Cash flows from investment activities:			
Acquisition of fixed assets and intangible assets	(107,748)	(42,968)	(49,890)
Capitalization of customer acquisition costs	(4,405)	(4,475)	(4,370)
Acquisition and construction of income generating assets	(30)	(4,804)	(36,726)
Newly consolidated subsidiaries and activities (Appendix B')	(222,208)	687	(105,898)
Change in investment in and loans to investee companies, net	(43,237)	(77,914)	(51,650)
Consideration from (purchase of) short-term investments, net	11,291	41,679	(47,743)
Consideration from the disposal of fixed and income-generating assets and investments	96,519	70,465	83,787
Net consideration from the sale of operation	481	14,465	29,347
Decrease (increase) in long term receivables, net	(3,003)	(962)	(1,590)
Net cash absorbed by investment activities *)	(272,340)	(3,827)	(184,733)
Cash flows from financing activities:			
Dividend paid to shareholders in the company	(9,549)	(8,680)	(7,234)
Dividend paid to non-controlling interests	(24,342)	(27,358)	(30,142)
Issuance of bonds	99,137	62,783	67,700
Repayment of long-term liabilities	(150,858)	(141,252)	(166,348)
Repayment of leasing liabilities	(46,579)	(5,006)	(2,626)
Receipt of long-term liabilities	249,011	96,419	139,564
Short-term bank credit, net	(90,544)	15,359	(36,062)
Receipts for option warrants	8,518	-	-
Exercise of option warrants, purchase and sale of shares in consolidated companies, net	38,041	(7,567)	22,426
Loan for the purchase of shares	(1,447)	-	-
Purchase of treasury shares in the Company and in consolidated companies	(3,190)	(24,633)	(3,382)
Net cash generated (absorbed) by financing activities *)	68,198	(39,935)	(16,104)
Translation differences in respect of cash and cash equivalent balances	(3,178)	1,392	(872)
Increase (decrease) in cash and cash equivalents	38,103	15,038	(73,777)
Balance of cash and cash equivalents at the beginning of the year	229,302	214,264	288,041
Balance of cash and cash equivalents at the end of the year	267,405	229,302	214,264

*) Includes cash in respect of discontinued activities.

***) The acquisition of and the investment in land are presented in the information of financial position under inventory of real estate.

ELCO LIMITED

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

Appendix A' – Adjustments to present the cash flows from operating activities

	For the year ended December 31		
	2019	2018	2017
Income and expenses not involving cash flows:			
The Group's share of the profits of companies accounted for at equity, net	(10,508)	(4,820)	(11,507)
Dividends and interest received from companies accounted for at equity	11,910	14,575	27,675
Success fee in respect of increase in the value of housing complexes (Promote)	(22,013)	(18,787)	(7,388)
Adjustments of the fair value and the results of the disposal of income-generating assets, net	(8,613)	6,345	3,741
Reclassification from the translation differences reserve in connection with operation that have been disposed of in Canada	-	-	15,945
Change in the fair value of a financial asset through profit and loss	(121)	(6,963)	(6,990)
Depreciation and amortization	99,429	50,991	43,041
Amortization of customer acquisition expenses	4,532	6,487	5,042
Impairment in value of intangible assets less commitment to sellers, net	-	7,360	7,263
Deferred taxes, net	4,406	(1,189)	1,423
Reclassification from the translation differences reserve in connection with joint venture that have been disposed of	-	(1,320)	-
Change in employee benefit liabilities	1,294	1,598	(2,177)
Capital gain on the sale of fixed assets and other investments	(33,693)	(2,780)	(6,620)
Gain on the disposal of discontinued operation	-	-	(21,093)
Revaluation of long-term receivables and liabilities, net	10,588	6,988	7,871
Decrease (increase) in value of short-term investments	(2,544)	825	(3,390)
Cost of share-based payments	3,767	2,111	5,125
Income in respect of the cancellation of a liability for an onerous contract	(34,066)	-	-
Other expenses, net	(547)	4,764	-
Changes in asset and liability items:			
Decrease in inventory and inventory of real estate (before acquisition of and investment in land)	45,892	24,350	17,350
Decrease (increase) in trade receivables	(37,122)	3,239	(15,375)
Increase in other accounts receivable	(1,464)	(31,849)	(15,888)
Increase (decrease) in suppliers and providers of services	96,708	(39,010)	71,228
Increase (decrease) in other accounts payable	(27,050)	16,474	(36,166)
	<u>100,785</u>	<u>39,389</u>	<u>79,110</u>

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

	For the year ended December 31		
	2019	2018	2017
Working capital, net (except cash)	(58,312)	9	43,803
Restricted cash	-	-	(11,834)
Fixed assets	(73,555)	(40)	(58,239)
Intangible assets	(122,670)	(3,951)	(90,261)
Goodwill	(164,474)	(4,645)	(314,858)
Other non-current assets	(35,907)	-	(823)
Loans from banks and others	-	-	68,866
Customers' deposits	29,499	-	-
Non-current liabilities	24,593	1,269	212,803
Bonds	92,824	-	-
Liability for put option, conditional consideration and future dividends for non-controlling interests	52,433	4,913	40,228
Non-controlling interests	1,618	-	4,417
Collection of income receivable for cash flows in an interim period	147	3,132	-
Balance of deferred consideration	31,596	-	-
	<u>(222,208)</u>	<u>687</u>	<u>(105,898)</u>

ELCO LIMITED**CONSOLIDATED CASH FLOWS INFORMATION
CONVENIENCE TRANSLATION INTO US DOLLARS (in thousands)**

Appendix C' - Additional information on cash flows

	For the year ended December 31		
	2019	2018	2017
Cash paid during the year for:			
Interest	<u>40,592</u>	<u>39,762</u>	<u>46,445</u>
Income tax	<u>42,091</u>	<u>25,364</u>	<u>35,060</u>
Cash received during the year for:			
Interest	<u>3,663</u>	<u>7,794</u>	<u>5,617</u>
Income tax	<u>4,674</u>	<u>4,317</u>	<u>858</u>

Appendix D' - Significant activities not involving cash flows

	For the year ended December 31		
	2019	2018	2017
Acquisition of fixed assets, investment property and intangible assets	<u>3,180</u>	<u>25,848</u>	<u>27,934</u>
Dividend payable to non-controlling interests	<u>-</u>	<u>-</u>	<u>2,340</u>

Note 1 – General

The accompanying Financial Information, is derived from Hebrew version of the annual consolidated financial statement as at December 31, 2019 and for the year ended on that date and the accompanying notes thereto (hereinafter - The annual consolidate financial statement), and is condensed financial information and it does not include the disclosures that are required under the International Financial Reporting Standards (IFRS).

Note 2 - General description of the Company and its activities

Elco Ltd. (hereinafter - The Company), was incorporated in Israel in the year 1949 and its shares are traded on the Stock Exchange in Israel.

As of the date of the financial statements, the Group operates in Israel and abroad in four segments, in accordance with its investee companies, as follow:

- | | |
|----------------------------------|--|
| Electra | - Operates in the field of services for buildings and infrastructures in Israel and abroad, which includes: the instillation and provision of service for central air-conditioning systems, elevators, sanitation, infrastructures, the execution and construction of national infrastructure facilities, integrated security and protection solutions, electricity and piping, construction, the supervision and management of real estate, entrepreneurial real estate activity, the management and the maintenance of assets. |
| Electra Consumer Products | - Operates in Israel in the importing, manufacturing, exporting, marketing, sale and distribution of electrical consumer products and in the provision of services for products, in the operation of retail marketing chains for the sale of electrical products, in the operation of cellular telecommunications through Golan Telecom and in the field of investment property. |
| Electra Real Estate | - Operates in the field of the purchase, management and enhancement of housing complexes for rental in the South Eastern United States, which are held directly by a subsidiary company and by funds that invest in housing complexes in the United States, and in the disposal of income-generating real estate and entrepreneurial real estate assets in which it has invested in the past ("The strategic disposal assets"). |
| Supergaz Energy | - As from November 2019, the Group operates through Supergas in the marketing, sale and distribution of LPG and LPG consuming products, in marketing and sale of Natural gas, electricity and thermal energy. |

Note 3 - Ramifications of the spread of the Coronavirus

At this time the world is encountering an event with macro-economic ramifications, the source of which is the spread of the Coronavirus in many countries worldwide. Following this event, many countries, including Israel, are taking significant steps in an attempt to prevent the spread of the virus, such as restrictions on movement of citizens, gatherings, transport restrictions for passengers and goods, closure of borders between countries, imposition of a full or partial curfew and so forth. As a derivative of this, the event and the actions taken by the various countries as aforementioned, have significant ramifications on many economies and on the global capital markets.

The spread of the Coronavirus could have ramifications, inter alia, on the scale of the export from China and accordingly on the goods arriving in Israel. Non-arrival of goods to Israel for a prolonged period could have an effect on the scale of activity of the group (mainly in the field of consumer products and contractor projects). However, the group is not experiencing, at this time, significant disparities in supply of goods, and this after the almost total return of its main suppliers in China to production and release of goods following a short break in production. Furthermore, pursuant to the Emergency Regulations (The New Coronavirus – Restriction of Activity) (Amendment), 5780-2020, which came into force on March 25, 2020 for a period of 7 days, new restrictions have been imposed, inter alia, on opening businesses, whereby as of the date of the report, it is possible to operate shops of various types listed in the regulations including shops for essential products for electrical products by delivery services only. On the date of the report, the group has increased its activity in sale of electrical products by means of the internet in order to contend with the aforementioned restrictions.

Pursuant to the Public Health Order (The New Coronavirus) (Isolation at Home and Various Provisions) (Temporary Order), 5780-2020, activity is prohibited in places detailed in the order including, inter alia, cinemas, theatres and cultural institutions. Elco Media has acted pursuant to the temporary order and stopped activity at cinemas on the requested date, has sent the majority of the employees on unpaid leave and has significantly reduced the overheads.

Furthermore, as a consequence of the restrictions imposed by the government in Israel, USA and England the MIP management decided to close immediately all its sites, to send the majority of its employees on unpaid leave and significantly reduce the overheads.

The managements of the group's companies are currently examining the financial ramifications on the group and inter alia in the light of logistical difficulties such as: delays in arrival of goods from overseas, prolonged absence of employees, ramifications of "closed skies" as to entry of packages from overseas for the cellular activity, effect of the restrictions on the operation of businesses as aforementioned and so forth, whereby it is possible that they shall have an effect on the status of the group in the case that the event shall expand.

In the estimation of the company, and at this stage, the disruptions as aforementioned should not have a significant detrimental effect on the activity of the group and its results.

However, in the event that the aforementioned crisis shall intensify and cause a significant deceleration in the business activity in Israel and worldwide, we then anticipate that this may have an effect on the group's financial results.

Note 4 - Convenience translation

The annual Financial information 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 for the US Dollar prevailing on December 31, 2019 (NIS 3.456 = 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 Annual Consolidate Financial Statement 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 annual consolidated financial statements, the annual consolidated financial statements prevail.
