

ELCO LIMITED

Interim Consolidated Financial Information

As of June 30, 2020

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, 2020 and for the periods of six and three months 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 3.4% of the total consolidated assets as of June 30, 2020 and whose revenues constitute approximately 0.4% and approximately 0.2% of the total consolidated revenue for the periods of the six and three months ended on June 30, 2020, respectively. Furthermore, we did not review the interim financial information of certain companies accounted for at equity, the investment in which amounted to approximately 10,026 thousand dollars as of June 30, 2020, and the Company's share of their losses amounted to approximately 248 thousand dollars and approximately 749 thousand dollars for the periods of six and three months ended on June 30, 2020, 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 (Israel) 2410 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, 2020, as described in note 4 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 26, 2020.

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
	2020	2019	2019
	Unaudited		Audited
Current assets			
Cash and cash equivalents	306,420	128,339	266,634
Short-term investments	76,599	80,996	68,259
Trade receivables	492,881	441,384	497,834
Other accounts receivables	527,478	464,167	480,738
Inventory, inventory of real estate and rights in real estate	306,452	288,409	273,105
Assets held for sale	152	16,114	3,564
	<u>1,709,982</u>	<u>1,419,409</u>	<u>1,590,134</u>
Non-current assets			
Long-term receivables	24,995	16,640	26,476
Receivables for concession arrangement for the provision of services	19,506	22,551	21,044
Investment in entities accounted for at equity	338,501	275,632	320,926
Long-term inventory of real estate	18,182	19,254	18,164
Income generating assets	100,961	101,725	101,779
Fixed assets	233,020	143,375	227,149
Right-of-use assets	192,411	183,496	186,288
Goodwill and other intangible assets	852,146	639,394	833,612
Intangible asset for a concession project	101,434	55,229	78,399
Deferred tax assets	21,337	15,304	10,481
	<u>1,902,493</u>	<u>1,472,600</u>	<u>1,824,318</u>
	<u>3,612,475</u>	<u>2,892,009</u>	<u>3,414,452</u>

August 26, 2020
Date of approval of financial statements

ELCO LIMITED

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

	June 30		December 31
	2020	2019	2019
	Unaudited		Audited
Current Liabilities			
Credit from banking institutions and others	178,351	146,930	114,308
Bonds - current maturities	161,053	78,279	96,174
Current maturities of leasing liabilities	40,580	33,516	37,709
Suppliers and providers of services	598,567	526,211	621,890
Other payables	513,646	392,922	464,708
	<u>1,492,197</u>	<u>1,177,858</u>	<u>1,334,789</u>
Long-Term Liabilities			
Credit from banking institutions and others	306,598	171,790	290,942
Bonds	335,162	315,037	446,944
Leasing liabilities	166,122	162,661	161,643
Other liabilities	352,886	391,822	375,327
Employee benefit liabilities, net	17,331	15,876	17,922
Deferred taxes	84,145	61,387	67,411
	<u>1,262,244</u>	<u>1,118,573</u>	<u>1,360,189</u>
Equity			
Equity attributable to equity holders of the Company	446,993	319,732	387,314
Non-controlling interests	411,041	275,846	332,160
Total equity	<u>858,034</u>	<u>595,578</u>	<u>719,474</u>
	<u>3,612,475</u>	<u>2,892,009</u>	<u>3,414,452</u>

E. Vessely
Chief Financial Officer

D. 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
	2020	2019	2020	2019	2019
	Unaudited		Unaudited		Audited
Revenues, net	1,562,977	1,387,148	774,028	719,767	2,917,376
Adjustment of the fair value and the results of the disposal of income-generating assets, net	(818)	274	(818)	274	(291)
Group's share of the profits of companies accounted for at equity, net	7,929	10,655	4,425	3,708	19,484
Other income	2,101	3,077	337	1,167	71,516
Total	1,572,189	1,401,154	777,972	724,916	3,008,085
Cost of producing revenues	(1,322,327)	(1,188,213)	(652,284)	(611,987)	(2,503,203)
Selling and marketing expenses	(84,410)	(75,302)	(41,115)	(39,514)	(157,764)
Administrative and general expenses	(52,490)	(47,606)	(25,275)	(23,614)	(99,050)
Other expenses	(3,225)	(603)	(1,528)	(170)	(6,448)
Financing income	8,057	8,406	2,198	2,452	14,408
Financing expenses	(33,741)	(31,435)	(15,722)	(16,384)	(62,661)
Total	(1,488,136)	(1,334,753)	(733,726)	(689,217)	(2,814,718)
Income before taxes on income	84,053	66,401	44,246	35,699	193,367
Taxes on income	(23,296)	(16,651)	(12,519)	(7,884)	(37,354)
Income from continuing operations	60,757	49,750	31,727	27,815	156,013
Operating loss from discontinued operations, net	-	(1,681)	-	(1,009)	(6,143)
Net income	60,757	48,069	31,727	26,806	149,870
Attributable to:					
Equity holders in the Company	31,605	23,129	15,534	13,210	74,720
Non-controlling interest	29,152	24,940	16,193	13,596	75,150
	60,757	48,069	31,727	26,806	149,870
Earnings per share - attributable to the Equity holders of the Company:					
Basic – Earnings (loss)					
From continuing operations	1.15	0.88	0.57	0.50	2.85
From discontinued operations	-	(0.03)	-	(0.02)	(0.12)
	1.15	0.85	0.57	0.48	2.73
Fully diluted – Earnings (loss)					
From continuing operations	1.06	0.87	0.54	0.49	2.81
From discontinued operations	-	(0.03)	-	(0.02)	(0.12)
	1.06	0.84	0.54	0.47	2.69

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

	Six months ended		Three months ended		Year ended
	June 30		June 30		December 31
	2020	2019	2020	2019	2019
	Unaudited		Unaudited		Audited
Net income	60,757	48,069	31,727	26,806	149,870
Other comprehensive income (loss) (after tax effects):					
Amounts that will never be reclassified to profit or loss:					
Gain (loss) from the re-measurement of defined benefit plans, net	345	-	-	-	(956)
Gain (loss) on hedging transactions	-	-	-	-	(444)
	<u>345</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,400)</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	(10,375)	(14,799)	(8,145)	(4,000)	(25,674)
Gain (loss) on hedging transactions	4,383	(1,191)	(679)	(309)	(1,310)
	<u>(5,992)</u>	<u>(15,990)</u>	<u>(8,824)</u>	<u>(4,309)</u>	<u>(26,984)</u>
Total other comprehensive loss	(5,647)	(15,990)	(8,824)	(4,309)	(28,384)
Total comprehensive income	55,110	32,079	22,903	22,497	121,486
Comprehensive income attributable to:					
Equity holders in the company	28,665	13,732	9,207	10,693	57,432
Non-controlling interests	26,445	18,347	13,696	11,804	64,054
	<u>55,110</u>	<u>32,079</u>	<u>22,903</u>	<u>22,497</u>	<u>121,486</u>

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, 2020 (Audited)	32,890	17,437	(60,146)	539,043	291	(55,559)	2,445	(937)	(96,612)	8,462	387,314	332,160	719,474
Net income	-	-	-	31,605	-	-	-	-	-	-	31,605	29,152	60,757
Total other comprehensive income (loss)	-	-	-	-	-	-	2,361	187	(5,488)	-	(2,940)	(2,707)	(5,647)
Total comprehensive income (loss)	-	-	-	31,605	-	-	2,361	187	(5,488)	-	28,665	26,445	55,110
Cost of share-based payment	-	-	-	-	-	-	-	-	-	468	468	1,730	2,198
Dividend to shareholders in the company	-	-	-	(10,675)	-	-	-	-	-	-	(10,675)	-	(10,675)
Dividend to non-controlling interests	-	-	-	(3,980)	-	-	-	-	-	-	(3,980)	(29,718)	(33,698)
Acquisition of treasury shares in the company and in subsidiary companies	-	-	(972)	(1,601)	-	-	-	-	-	-	(2,573)	(1,371)	(3,944)
Transaction with non-controlling interests	-	-	-	-	8	-	-	-	-	-	8	812	820
Issuance of capital /purchase and sale of shares in consolidated companies	-	-	-	45,871	-	-	10	(8)	1,893	-	47,766	80,983	128,749
Balance as of June 30, 2020	32,890	17,437	(61,118)	600,263	299	(55,559)	4,816	(758)	(100,207)	8,930	446,993	411,041	858,034

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 (Audited)	32,890	17,020	(58,382)	481,125	468	(55,785)	3,344	(443)	(92,179)	8,238	336,296	280,488	616,784
Changes following the initial implementation of IFRS 16	-	-	-	(265)	-	-	-	-	-	-	(265)	(259)	(524)
Changes following the initial implementation of IAS 28	-	-	-	(19,769)	-	-	-	-	-	-	(19,769)	(11,154)	(30,923)
Reclassification of capital reserve on translation differences deriving from the implementation of the revision to IAS 28	-	-	-	(8,447)	-	-	-	-	8,447	-	-	-	-
Balance as of January 1, 2019 following the initial implementation of IFRS 16 and IAS 28	32,890	17,020	(58,382)	452,644	468	(55,785)	3,344	(443)	(83,732)	8,238	316,262	269,075	585,337
Net income	-	-	-	23,129	-	-	-	-	-	-	23,129	24,940	48,069
Total other comprehensive loss	-	-	-	-	-	-	(627)	-	(8,770)	-	(9,397)	(6,593)	(15,990)
Total comprehensive income (loss)	-	-	-	23,129	-	-	(627)	-	(8,770)	-	13,732	18,347	32,079
Cost of share-based payment	-	-	-	-	-	-	-	-	-	125	125	1,012	1,137
Dividend to shareholders in the company	-	-	-	(9,521)	-	-	-	-	-	-	(9,521)	-	(9,521)
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(13,175)	(13,175)
Acquisition of treasury shares in the company	-	-	(322)	-	-	-	-	-	-	-	(322)	-	(322)
Acquisition non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	800	800
Issuance of capital /purchase and sale of shares in a consolidated companies	-	-	-	(542)	-	-	-	4	(7)	-	(545)	(213)	(758)
Exercise of option warrants	-	345	-	-	-	-	-	-	-	(344)	1	-	1
Balance as of June 30, 2019	32,890	17,365	(58,704)	465,710	468	(55,785)	2,717	(439)	(92,509)	8,019	319,732	275,846	595,578

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	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
						on financial assets at fair value through other comprehensive income							
						Unaudited							
Balance as of April 1, 2020	32,890	17,437	(61,118)	559,696	299	(55,559)	5,219	(758)	(94,625)	8,712	412,193	348,317	760,510
Net income	-	-	-	15,534	-	-	-	-	-	-	15,534	16,193	31,727
Total other comprehensive income (loss)	-	-	-	-	-	-	(403)	-	(5,924)	-	(6,327)	(2,497)	(8,824)
Total comprehensive income (loss)	-	-	-	15,534	-	-	(403)	-	(5,924)	-	9,207	13,696	22,903
Cost of share-based payment	-	-	-	-	-	-	-	-	-	218	218	999	1,217
Dividend to non-controlling interests	-	-	-	(239)	-	-	-	-	-	-	(239)	(2,194)	(2,433)
Acquisition of treasury shares in the company	-	-	-	(70)	-	-	-	-	-	-	(70)	(74)	(144)
Issuance of capital /purchase and sale of shares in consolidated companies	-	-	-	25,342	-	-	-	-	342	-	25,684	50,297	75,981
Balance as of June 30, 2020	32,890	17,437	(61,118)	600,263	299	(55,559)	4,816	(758)	(100,207)	8,930	446,993	411,041	858,034

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				
Balance as of April 1, 2019	32,890	17,365	(58,704)	452,500	468	(55,785)	2,880	(439)	(90,155)	7,920	308,940	264,047	572,987
Net income	-	-	-	13,210	-	-	-	-	-	-	13,210	13,596	26,806
Total other comprehensive loss	-	-	-	-	-	-	(163)	-	(2,354)	-	(2,517)	(1,792)	(4,309)
Total comprehensive income (loss)	-	-	-	13,210	-	-	(163)	-	(2,354)	-	10,693	11,804	22,497
Cost of share-based payment	-	-	-	-	-	-	-	-	-	99	99	456	555
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(461)	(461)
Balance as of June 30, 2019	32,890	17,365	(58,704)	465,710	468	(55,785)	2,717	(439)	(92,509)	8,019	319,732	275,846	595,578

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
	Audited												
Balance as of January 1, 2019	32,890	17,020	(58,382)	481,125	468	(55,785)	3,344	(443)	(92,179)	8,238	336,296	280,488	616,784
Changes following the initial implementation of IFRS 16	-	-	-	(265)	-	-	-	-	-	-	(265)	(259)	(524)
Changes following the initial implementation of IAS 28	-	-	-	(19,769)	-	-	-	-	-	-	(19,769)	(11,154)	(30,923)
Reclassification of capital reserve on translation differences deriving from the implementation of the revision to IAS 28	-	-	-	(8,447)	-	-	-	-	8,447	-	-	-	-
Balance as of January 1, 2019 following the initial implementation of IFRS 16 and IAS 28	32,890	17,020	(58,382)	452,644	468	(55,785)	3,344	(443)	(83,732)	8,238	316,262	269,075	585,337
Net income	-	-	-	74,720	-	-	-	-	-	-	74,720	75,150	149,870
Total other comprehensive loss	-	-	-	-	-	-	(940)	(510)	(15,838)	-	(17,288)	(11,096)	(28,384)
Total comprehensive income (loss)	-	-	-	74,720	-	-	(940)	(510)	(15,838)	-	57,432	64,054	121,486
Cost of share-based payment	-	-	-	-	-	-	-	-	-	639	639	3,117	3,756
Loan for the purchase of shares	-	-	(1,442)	-	-	-	-	-	-	-	(1,442)	-	(1,442)
Dividend to shareholders in the company	-	-	-	(9,521)	-	-	-	-	-	-	(9,521)	-	(9,521)
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(24,272)	(24,272)
Acquisition of treasury shares in the company and in subsidiary companies	-	-	(322)	(1,533)	-	-	-	-	-	-	(1,855)	(1,327)	(3,182)
Issuance of capital /purchase and sale of shares in consolidated companies	-	-	-	22,733	(177)	226	41	16	2,958	-	25,797	13,360	39,157
Initial consolidation of companies	-	-	-	-	-	-	-	-	-	-	-	1,613	1,613
Receipts for option warrants	-	-	-	-	-	-	-	-	-	-	-	6,540	6,540
Exercise of option warrants	-	417	-	-	-	-	-	-	-	(415)	2	-	2
Balance as of December 31, 2019	32,890	17,437	(60,146)	539,043	291	(55,559)	2,445	(937)	(96,612)	8,462	387,314	332,160	719,474

ELCO LIMITED

CONSOLIDATED INFORMATION OF CASH FLOWS

CONVENIENCE TRANSLATION INTO US DOLLARS (in thousands)

	Six months ended		Three months ended		Year ended December 31 2019
	June 30		June 30		
	2020	2019	2020	2019	
	Unaudited		Unaudited		Audited
Cash flows from operating activities:					
Net income	60,757	48,069	31,727	26,806	149,870
Adjustments required in order to present the cash flows from operating activities (Appendix A')	27,291	4,463	45,725	60,699	100,494
Net cash generated by (absorbed) by operating activities (before acquisition of and investment in land)	88,048	52,532	77,452	87,505	250,364
Acquisition of and investment in land *)	(13,211)	(3,623)	(12,064)	(1,570)	(5,649)
Net cash generated by (absorbed) by operating activities	74,837	48,909	65,388	85,935	244,715
Cash flows from investment activities:					
Acquisition of fixed assets and intangible assets	(45,405)	(52,930)	(16,608)	(39,924)	(107,437)
Capitalization of customer acquisition costs	(1,945)	(1,992)	(911)	(994)	(4,392)
Acquisition and construction of income generating assets	(438)	(1,003)	(395)	(955)	(30)
Initially consolidated companies and activities (Appendix B)	(14,253)	(44,247)	(294)	(2,046)	(221,567)
Changes in investments, loans to investee companies, net	(41,031)	6,191	(46,808)	(21,755)	(43,112)
Changes in deposits and marketable securities, net	(7,939)	(5,417)	(7,205)	6,650	11,258
Consideration from the disposal of fixed and income-generating assets and investments	3,987	42,641	466	4,513	96,240
Net consideration from the sale of operation	-	480	-	120	480
Decrease (increase) in long-term loans and deposits	(1,522)	(1,051)	581	(1,035)	(2,994)
Net cash absorbed by investment activities	(108,546)	(57,328)	(71,174)	(55,426)	(271,554)
Cash flows from financing activities:					
Dividend paid to shareholders in the company	(10,675)	(9,521)	(10,675)	(9,521)	(9,521)
Dividend paid to non-controlling interests	(21,706)	(13,175)	(16,140)	(9,876)	(24,272)
Issuance of bonds	-	-	-	-	98,851
Self-purchase of the company's bonds	(281)	-	-	-	-
Repayment of long-term liabilities	(86,684)	(89,229)	(60,317)	(68,642)	(150,422)
Repayment of leasing liabilities	(24,526)	(24,105)	(12,114)	(12,111)	(46,445)
Receipt of long-term liabilities	64,681	66,884	12,863	37,971	248,293
Short-term bank credit, net	31,623	(20,175)	(1,049)	15,469	(90,283)
Acquisition of a partner's share in a sub-subsidiary company	(2,683)	-	(2,683)	-	-
Receipts for option warrants	-	-	-	-	8,493
Exercise of option warrants and issuance of shares to non-controlling interests	128,749	(757)	75,981	-	37,931
Loan for the purchase of shares	-	-	-	-	(1,442)
Acquisition of treasury shares in the company and in consolidated companies	(3,944)	(322)	(144)	-	(3,182)
Net cash generated (absorbed) by financing activities	74,554	(90,400)	(14,278)	(46,710)	68,001
Translation differences in respect of cash and cash equivalents balances	(1,059)	(1,483)	(1,513)	95	(3,169)
Increase (decrease) in cash and cash equivalents	39,786	(100,302)	(21,577)	(16,106)	37,993
Balance of cash and cash equivalents at the beginning of the period	266,634	228,641	327,997	144,445	228,641
Balance of cash and cash equivalents at the end of the period	306,420	128,339	306,420	128,339	266,634

*) 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:

	Six months ended		Three months ended		Year ended
	June 30		June 30		December 31
	2020	2019	2020	2019	2019
	Unaudited		Unaudited		Audited
Income and expenses not involving cash flows:					
The Group's share of the profits of companies accounted for at equity, net	(7,929)	(10,655)	(4,425)	(3,708)	(19,484)
Dividends and interest received from companies accounted for at equity	8,112	6,714	7,086	2,511	11,876
Success fee in respect of increase in the value of housing complexes (Promote)	(10,181)	(11,335)	(8,464)	(7,191)	(21,949)
Adjustment of fair value and the results of the disposal of income-generating assets, net	818	(160)	818	(160)	418
Change in the fair value of a financial asset through profit or loss	-	(114)	-	(114)	(120)
Depreciation and amortization	54,857	46,377	27,361	23,525	99,142
Amortization of customer acquisition expenses	2,369	2,140	1,076	1,123	4,519
Gain on the self-purchase of the company's bonds	(72)	-	-	-	-
Deferred taxes, net	4,391	4,689	3,370	1,406	4,394
Change in employee benefit liabilities	(22)	705	(264)	194	1,290
Capital (gain) loss on the sale of fixed assets and other investments	(72)	(1,237)	104	(257)	(33,596)
Revaluation of long-term receivable and liabilities, net	5,204	4,964	4,258	5,320	10,558
(Increase) decrease in the value of short-term investments	(695)	(2,165)	55	(1,023)	(2,537)
Cost of share-based payment	2,198	1,137	1,217	555	3,756
Income in respect of the cancellation of a liability for an onerous contract	-	-	-	-	(33,968)
Other income	-	-	-	-	(546)
Changes in asset and liability items:					
Decrease (increase) in inventory and inventory of real estate	(10,264)	15,920	(18,108)	13,038	45,760
Decrease (increase) in trade receivables	7,516	(25,844)	38,051	(10,462)	(47,884)
Increase in other accounts receivable	(968)	(15,415)	(5,965)	(19,601)	(1,460)
Increase (decrease) in suppliers and providers of services	(39,911)	9,129	9,778	58,381	96,428
Increase (decrease) in other accounts payable	11,940	(20,387)	(10,223)	(2,838)	(16,103)
	<u>27,291</u>	<u>4,463</u>	<u>45,725</u>	<u>60,699</u>	<u>100,494</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
	2020	2019	2020	2019	2019
	Unaudited		Unaudited		Audited
Working capital, net (except cash)	988	(26,086)	373	(1,222)	(58,144)
Fixed assets	(3,508)	(5,768)	(5)	-	(73,342)
Intangible assets	(6,135)	(15,020)	(316)	(332)	(122,317)
Goodwill	(20,698)	(63,091)	(535)	(674)	(164,000)
Non-current assets	-	(189)	-	-	(35,803)
Deferred taxes	(270)	344	(270)	69	29,414
Non-current liabilities	1,289	11,418	244	-	24,522
Bonds	-	-	-	-	92,556
Liability for put option, conditional consideration and future dividends for non-controlling interests	13,866	52,282	-	113	52,282
Non-controlling interests	-	800	-	-	1,613
Gain on the removal of previous relationships	215	-	215	-	-
Collection of income receivable for cash flows in an interim period	-	1,063	-	-	147
Balance of deferred consideration	-	-	-	-	31,505
	<u>(14,253)</u>	<u>(44,247)</u>	<u>(294)</u>	<u>(2,046)</u>	<u>(221,567)</u>

ELCO LIMITED

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
	2020	2019	2020	2019	2019
	Unaudited		Unaudited		Audited
Cash paid in the period for:					
Interest	21,990	20,562	12,140	13,631	40,475
Taxes on income	16,025	16,651	7,068	7,991	41,970
Cash received for:					
Interest	1,858	1,563	658	1,024	3,653
Taxes on income	1,958	2,929	268	2,081	4,660

Appendix D' – Significant activities not involving cash flows

	Six months ended		Three months ended		Year ended
	June 30		June 30		December 31
	2020	2019	2020	2019	2019
	Unaudited		Unaudited		Audited
Acquisition of fixed assets, investment property and intangible assets	1,278	1,484	-	1,484	3,171
Dividend payable to non-controlling interests and to shareholders in the company	11,992	-	2,403	-	-

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 of June 30, 2020 and for the periods of six 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, 2019 and for the year ended on that date and the accompanying notes thereto (hereinafter – The Annual Consolidated Financial Statement).

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.

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. |

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**Note 3 - The implications of the spread of the Corona Virus**

At the beginning of 2020, the Corona virus began to spread across the world and was declared to be a global pandemic by the World Health Organization. As a result, many countries, including the State of Israel, have taken significant steps in an attempt to prevent the spread of the Corona virus. The government of Israel has issued emergency regulations, which have imposed restriction on movements and gatherings of people, whilst cutting down on people going out in public, stopping flights to Israel, placing restriction on the transportation of passengers and goods, the imposition of full or partial lockdowns, requiring people who are carriers of the virus or who have been in the proximity of a person who carries it to self-quarantine and etcetera. These steps and the uncertainty that exists in relation to the length of the period in which the virus will be spreading have resulted in serious implications for many economies across the globe (hereinafter: "The crisis"). In May 2020, the State of Israel and some other countries begun to reduce the restrictions that had been imposed, with the objective of getting their economies to return to functioning as usual. Recently, following a renewed increase in the rate of morbidity and in light of signs of an outbreak of a second wave of the spread of the virus, the State of Israel has decided to re-impose certain restrictions, of which the main ones lead to a restriction on gatherings, with the objective of leading to a reduction in the morbidity rate.

The Group is taking action in order to reduce the impact of the crisis on its operations and as at the time of the approval of the financial statements, the Group has not been affected significantly and the Company's management does not expect, at this stage, that it will be affected adversely to any significant extent as a result of the crisis during the year.

The following are abbreviated details of the impacts deriving from the crisis on the Group's operating segments:

A. Electra

Electra operates in Israel in a number of fields, in the construction and infrastructure projects field the implications are examined routinely, including delays in the arrival of goods and the absence of employees and/or sub-contractors and as a result delays may occur in projects. However, in the wake of the crisis, government authorities have been required to make adaptations in medical institutions, which has increased the demand for Electra's services. Furthermore, as from the latter part of March 2020, Electra has been identifying that there is growing demand on the part of government authorities for accelerating the pace of work in infrastructure projects. As at the time of the approval of the financial statements, no significant disruptions have occurred that have adversely affected the results from these operations.

In the facility management field, since the latter part of March 2020, some of Electra's customers, which operate in the tourism and leisure field (such as hotels and shopping malls) as well as office towers, have been forced to reduce their activity in light of the restrictions that the State of Israel imposed. As a result of this and in order to adapt the expenses structure some of the employees have been put on unpaid leave for a set period of time. As from May 2020, as a result of the reduction of the restrictions that were imposed, a considerable portion of the employees have returned to work and the activity opposite such customers has begun to return to normal, in accordance with the directives issued by the Ministry of Health. As a result of the crisis, Electra's operations in this field have been adversely affected during the second quarter of 2020, however in light of the broad diversity of the customers in this activity, the impact is not significant. In Electra's assessment, if the activity in the economy were to return to normal and the restrictions were to be removed, then Electra's activity in this field would not be expected to be impaired significantly.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Note 3 - The implications of the spread of the Corona Virus (Continued)

A. Electra (Continued)

In the development and construction of entrepreneurial real estate field there has been a slow-down in sales of housing units in some of the projects that Electra is marketing, which is as a result of the temporary restrictions that the government imposed as from March 2020, which led to the temporary closure of the sales offices. As from May 2020, the sales offices have returned to normal operations. As a result of the crisis, Electra' activity in this segment has been affected adversely in specific locations in the course of the second quarter of 2020. In Electra's assessment, in light of the return of the sales offices to operation and if the activity in the economy returns to normal and the sales of apartment units return gradually, then its operations in this field are not expected to be harmed significantly.

The impact of the spread of the Corona virus on significant operations outside of Israel:

New York City in the United States – in light of the various restrictions that have been imposed by the authorities in the United States, in the latter part of March 2020, there was a slow-down in the operations of the Electra Group's companies that operate in New York City in the United States. As a result of the closure of some of the sites, the local companies in the United States decided to return some of the employees who are employed to the employees' union, which led to a reduction in their costs. Since May 2020, there has been a trend of an improvement in the morbidity data in New York City and the authorities have begun to ease the restrictions in order to get the economy back to working fully. As the result of the closure of some of the sites in which the local companies in the United States operate, there has been an adverse impact on the results from these operations in the second quarter of 2020. However, if the restrictions in New York City are not made more severe, it is not expected that there will be significant impairment of the Group's results as a result of the expected impairment in the operations of the companies that operate in the United States.

Nigeria – As from the latter part of March 2020, there has been a slow-down in the Electra's activity in Nigeria as a result of the general lockdown that was imposed in the country and the directives issued by the authorities to restrict construct on building sites. Furthermore, at the present time the Nigerian economy has been hit as a result of the fall in the oil prices, which may cause economic damage to the country and as a result have implications for Electra's activity in Nigeria. As a result of the implications of the crisis in Nigeria, Electra has taken action to adjust its costs structure in order to reduce the possible impairment of its financial results. As a result of the decrease in the scale of Electra's operations in Nigeria, there has been a negative impact on the results of these operations in the second quarter of 2020, however since the scale of the activity in Nigeria is not significant in relation to the generality of Electra's operations, no marked impairment of Electra's results has been recorded.

Russia –As a result of the crisis, the sales offices that operate in Russia were closed temporarily and sales have been executed online. In the second quarter of 2020 the main sales offices have returned to operating normally and the sales are being executed as usual. The building site is operating normally.

B. Electra Consumer Products (ECP)

At the present time, ECP is not experiencing significant variances in the supply of goods, after its main suppliers in China have returned almost fully to producing and releasing goods after a short break in production and having stocked up in due time with sufficient quantities of inventory from European countries. In addition, in the period in which restrictions were imposed, ECP increased its activities in the sale of electrical products on the internet in order to cope with those restrictions, in addition to which it put some of its employees on unpaid leave and executed steps to increase efficiency, which helped it to meet its profitability targets during the period of the restrictions.

In ECP's management's assessment, at this stage, and after the restrictions have been removed almost entirely, no significant impact has occurred on its operations and its results.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Note 3 - The implications of the spread of the Corona Virus (Continued)

C. Supergas Energy

The directives regarding restrictions on movement, the reduction of gathers, the holding of events and the closure of business, as well as the economic slow-down that has been caused as a result of the crisis, have had a negative impact on Supergas Energy's profitability, as a result of a reduction in the consumption of LPG and natural gas, and an increase in exposure to collection risks relating to customers operating in the restaurants, cafes, hotels, events halls and similar sectors. This negative impact has been offset partially as a result of an increase in the consumption of LPG in private households during the period of the restrictions. In addition, the sharp fall in the prices of a barrel of oil as a result of the crisis, has an impacts on Supergas' operations which offset each other, the negative short-term impact on the natural gas operations on the one hand and the positive impact on LPG activity in the intermediate term on the other hand. In light of the aforesaid, and following the steps that Supergas Energy has taken to reduce operating expenses, and also in light of the reliefs in the restrictions, Supergas Energy has not suffered a significant adverse impact and it does not expect that there will be a significant adverse impact during the rest of the year as a result of the crisis. In addition, Supergas Energy does not expect, at this stage, that it will encounter cash flow difficulties that would cause it not to meet its commitments.

D. Electra Real Estate

Electra Real Estate operates primarily in the residential rental property segment (housing complexes) in the United States, which is considered to be relative stable compared to other fields of investment in income-generating real estate.

The regulations that have been published by the various states in the United States, in which Electra Real Estate's housing complexes are located have not had significant implications for Electra Real Estate's results, primarily because of the nature of the restrictions that have been set by the states in relation to housing complexes, as well as the immediate and routine activities of the management company that is owned by Electra Real Estate, which undertook day to day activity in order to reduce operating expenses, to safeguard the health of the tenants in the complexes, to maintain the occupancy rates in the complexes, increased collection activity and maintaining a high level of liquidity in each property (maintaining available cash flows in the property company). Furthermore, Electra Real Estate's management is examining the developments in the collection and in rental fees from customers and the occupancy rates in each asset daily. According to the data that has been received for July 2020, the average collection rate for the rental fees from the properties stands at approximately 97% and the average occupancy rate remains unchanged and stands at approximately 94%.

At this stage, Electra Real Estate does not expect to encounter cash flow difficulties that would cause it not to meet its commitments. Based on the activity that has been undertaken by Electra Real Estate's management, including conversations with an external appraiser and evaluations that have been performed as of March 31, 2020 and as of June 30, 2020, in respect of some of the housing complexes, in Electra Real Estate's assessment, as of the time of the approval of the financial statements, the spread of the Corona Virus has not had a significant adverse impact on the fair value of the housing complexes as of June 30, 2020.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Note 3 - The implications of the spread of the Corona Virus (Continued)

E. Others

Pursuant to the Public Health Order (The Novel Corona Virus) (Isolation at Home and Sundry Directives) (Temporary Directive) – 2020, there is a prohibition on activity in the places that are detailed in the Order, which include, inter alia, cinemas, theaters and cultural institutions. Elco Media has operated in accordance with the temporary directive and it discontinued the operation of the cinemas at the time required, it put most of its employees on unpaid leave and significantly reduced overheads. As of the time of the publication of the financial statements, Elco Media's operations have not been renewed as yet.

Furthermore, as a result of the restrictions that have been imposed by the governments in Israel, the United States and England, MIP's management decided to close all of its sites, to put most of its employees on unpaid leave and it has reduced overheads significantly. As of the time of the publication of the financial statements, MIP has returned to partial activity, pursuant to the directives issued in each and every country.

These operations do not have a significant impact on the Group's results.

The spread of the Corona virus is a rolling event, and a large degree of uncertainty exists regarding the continuation of the spread of the virus and regarding the substantive impacts deriving therefrom, and the implications thereof on economic activity, both globally and in Israel. As of this time, it is not possible to anticipate when the crisis will end, for this is dependent, inter alia, on finding a vaccine and/or drug therapy, the length of time in which the virus will continue to spread, the extent of the restrictions on business activity and the level of governmental support for the economy as well as the full impact on business activity in Israel. If the crisis were to continue and to deepen and if it were to lead to a significant slow-down in business activity in Israel and across the globe, then this could have a significant impact on the financial results of each of the Group's operating segments, even though at this stage the Company's management is unable to assess and to quantify that impact.

Note 4 - 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, 2020 (NIS 3.466 = 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.