

ELCO LIMITED

Interim Consolidated Financial Information

As of September 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 September 30, 2020 and for the periods of nine 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 2.5% of the total consolidated assets as of September 30, 2020 and whose revenues constitute approximately 0.3% and approximately 0.2% of the total consolidated revenue for the periods of the nine and three months ended on September 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 21,979 thousand dollars as of September 30, 2020, and the Company's share of their profits amounted to approximately 608 thousand dollars and approximately 397 thousand dollars for the periods of nine and three months ended on September 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 September 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 November 23, 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.

Tel-Aviv, Israel
November 23, 2020

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

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

	<u>September 30</u>		<u>December 31</u>
	<u>2020</u>	<u>2019</u>	<u>2019</u>
	Unaudited		Audited
Current assets			
Cash and cash equivalents	326,273	245,736	268,571
Short-term investments	49,506	56,338	68,755
Trade receivables	507,092	479,052	501,451
Other accounts receivables	466,390	416,381	484,231
Inventory, inventory of real estate and rights in real estate	278,328	268,153	275,089
Assets held for sale	22,743	3,064	3,590
	<u>1,650,332</u>	<u>1,468,724</u>	<u>1,601,687</u>
Non-current assets			
Long-term receivables	25,059	18,913	26,668
Receivables for concession arrangement for the provision of services	18,921	21,928	21,196
Investment in entities accounted for at equity	338,886	293,989	323,258
Long-term inventory of real estate	18,975	18,337	18,296
Income generating assets	101,694	102,466	102,519
Fixed assets	208,504	153,207	228,799
Right-of-use assets	198,341	181,303	187,642
Goodwill and other intangible assets	601,593	635,973	839,668
Intangible asset for a concession project	106,387	65,270	78,969
Deferred tax assets	9,373	16,328	10,557
	<u>1,627,733</u>	<u>1,507,714</u>	<u>1,837,572</u>
	<u>3,278,065</u>	<u>2,976,438</u>	<u>3,439,259</u>

November 23, 2020
Date of approval of financial statements

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

	September 30		December 31
	2020	2019	2019
	Unaudited		Audited
Current Liabilities			
Credit from banking institutions and others	98,916	99,821	115,139
Bonds - current maturities	78,719	106,932	96,872
Current maturities of leasing liabilities	39,381	32,623	37,983
Suppliers and providers of services	598,536	566,037	626,408
Other payables	488,985	408,358	468,084
	<u>1,304,537</u>	<u>1,213,771</u>	<u>1,344,486</u>
Long-Term Liabilities			
Credit from banking institutions and others	263,742	151,194	293,056
Bonds	387,351	358,858	450,191
Leasing liabilities	159,414	163,362	162,818
Other liabilities	173,961	360,383	378,054
Employee benefit liabilities, net	17,651	15,942	18,052
Deferred taxes	63,295	62,954	67,901
	<u>1,065,414</u>	<u>1,112,693</u>	<u>1,370,072</u>
Equity			
Equity attributable to equity holders of the Company	481,101	350,365 *)	390,624 *)
Non-controlling interests	427,013	299,609 *)	334,077 *)
Total equity	<u>908,114</u>	<u>649,974</u>	<u>724,701</u>
	<u>3,278,065</u>	<u>2,976,438</u>	<u>3,439,259</u>

*) Reclassified.

E. Vessely
Chief Financial Officer

M. Salkind
Joint General Manager

M. Fridman
Chairman of the Board of
Directors

ELCO LIMITED

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

	Nine months ended September 30		Three months ended September 30		Year ended December 31
	2020	2019 *)	2020	2019 *)	2019 *)
	Unaudited		Unaudited		Audited
Revenues, net	2,330,740	2,037,911	833,905	716,620	2,784,650
Adjustment of the fair value and the results of the disposal of income-generating assets, net	(824)	282	-	7	(293)
Group's share of the profits of companies accounted for at equity, net	11,574	16,565	3,423	5,673	19,943
Other income	3,178	35,610	1,062	34,011	35,903
Total	2,344,668	2,090,368	838,390	756,311	2,840,203
Cost of producing revenues	(1,992,174)	(1,776,442)	(708,727)	(626,527)	(2,427,829)
Selling and marketing expenses	(114,980)	(96,946)	(42,093)	(34,670)	(131,848)
Administrative and general expenses	(76,859)	(71,994)	(25,793)	(26,074)	(95,408)
Other expenses	(13,955)	(6,439)	(10,922)	(5,650)	(6,495)
Financing income	10,053	12,858	2,093	4,506	14,323
Financing expenses	(41,251)	(37,084)	(13,766)	(13,480)	(48,468)
Total	(2,229,166)	(1,976,047)	(799,208)	(701,895)	(2,695,725)
Income before taxes on income	115,502	114,321	39,182	54,416	144,478
Taxes on income	(32,400)	(30,176)	(10,440)	(13,404)	(37,625)
Income from continuing operations	83,102	84,145	28,742	41,012	106,853
Operating loss from discontinued operations, net	58,489	40,313	51,651	35,029	44,106
Net income	141,591	124,458	80,393	76,041	150,959
Attributable to:					
Equity holders in the Company	67,953	61,168	36,119	37,872	75,263
Non-controlling interest	73,638	63,290	44,274	38,169	75,696
	141,591	124,458	80,393	76,041	150,959
Earnings per share - attributable to the Equity holders of the Company:					
Basic – Earnings (loss)					
From continuing operations	1.35	1.48	0.30	0.73	1.93
From discontinued operations	1.13	0.75	1.02	0.65	0.82
	2.48	2.23	1.32	1.38	2.75
Fully diluted – Earnings (loss)					
From continuing operations	1.28	1.47	0.30	0.73	1.89
From discontinued operations	1.13	0.75	1.02	0.65	0.82
	2.41	2.22	1.32	1.38	2.71

*) Reclassified in respect of discontinued operation.

ELCO LIMITED

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

	Nine months ended September 30		Three months ended September 30		Year ended December 31
	2020	2019	2020	2019	2019
	Unaudited		Unaudited		Audited
Net income	141,591	124,458	80,393	76,041	150,959
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	347	-	-	-	(963)
	<u>347</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(963)</u>
Amounts that will be classified or reclassified to the profit or loss, when specific conditions are met:					
Adjustments deriving from the translation of the financial statements of foreign operations, net	(14,972)	(27,709)	(4,521)	(12,802)	(25,860)
Gain (loss) on hedging transactions, net	3,313	(2,510)	(1,102)	(1,311)	(1,768)
	<u>(11,659)</u>	<u>(30,219)</u>	<u>(5,623)</u>	<u>(14,113)</u>	<u>(27,628)</u>
Total other comprehensive loss	(11,312)	(30,219)	(5,623)	(14,113)	(28,591)
Total comprehensive income	130,279	94,239	74,770	61,928	122,368
Comprehensive income attributable to:					
Equity holders in the company	61,859	43,911	32,987	30,080	57,849
Non-controlling interests	68,420	50,328	41,783	31,848	64,519
	<u>130,279</u>	<u>94,239</u>	<u>74,770</u>	<u>61,928</u>	<u>122,368</u>

ELCO LIMITED

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

Attributable to equity holders in the company

	Share capital	Share premium	Treasury shares	Retained earnings*)	Capital reserve on transactions with controlling interests	Capital reserve on financial assets at fair value through other comprehensive income	Capital reserve on hedging transactions	Capital reserve on the re-measurement of defined benefit plans	Adjustments deriving from the translation of financial Statements	Capital reserve on share-based payment	Total		
											Non-controlling interests *)	Total equity	
Unaudited													
Balance as of January 1, 2020 (Audited)	33,129	17,564	(60,583)	543,455	294	(55,962)	2,462	(943)	(97,314)	8,522	390,624	334,077	724,701
Net income	-	-	-	67,953	-	-	-	-	-	-	67,953	73,638	141,591
Total other comprehensive income (loss)	-	-	-	-	-	-	1,735	188	(8,017)	-	(6,094)	(5,218)	(11,312)
Total comprehensive income (loss)	-	-	-	67,953	-	-	1,735	188	(8,017)	-	61,859	68,420	130,279
Cost of share-based payment	-	-	-	-	-	-	-	-	-	645	645	2,590	3,235
Dividend to shareholders in the company	-	-	-	(16,565)	-	-	-	-	-	-	(16,565)	-	(16,565)
Dividend to non-controlling interests	-	-	-	(3,923)	-	-	-	-	-	-	(3,923)	(85,955)	(89,878)
Acquisition of treasury shares in the company and in subsidiary companies	-	-	(979)	(2,421)	-	-	-	-	-	-	(3,400)	(2,239)	(5,639)
Transaction with non-controlling interests	-	-	-	-	7	-	-	-	-	-	7	818	825
Issuance of capital /purchase and sale of shares in consolidated companies	-	-	-	49,582	-	-	(100)	32	2,340	-	51,854	109,302	161,156
Balance as of September 30, 2020	33,129	17,564	(61,562)	638,081	301	(55,962)	4,097	(723)	(102,991)	9,167	481,101	427,013	908,114

*) Reclassified.

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								
Balance as of January 1, 2019 (Audited)	33,129	17,143	(58,806)	485,117	471	(56,190)	3,368	(446)	(92,849)	8,298	339,235	282,029	621,264	
Changes following the initial implementation of IFRS 16	-	-	-	(267)	-	-	-	-	-	-	(267)	(261)	(528)	
Changes following the initial implementation of IAS 28	-	-	-	(19,912)	-	-	-	-	-	-	(19,912)	(11,235)	(31,147)	
Reclassification of capital reserve on translation differences deriving from the implementation of the revision to IAS 28	-	-	-	(8,509)	-	-	-	-	8,509	-	-	-	-	
Balance as of January 1, 2019 following the initial implementation of IFRS 16 and IAS 28	33,129	17,143	(58,806)	456,429	471	(56,190)	3,368	(446)	(84,340)	8,298	319,056	270,533	589,589	
Net income	-	-	-	61,168	-	-	-	-	-	-	61,168	63,290	124,458	
Total other comprehensive loss	-	-	-	-	-	-	(1,316)	-	(15,941)	-	(17,257)	(12,962)	(30,219)	
Total comprehensive income (loss)	-	-	-	61,168	-	-	(1,316)	-	(15,941)	-	43,911	50,328	94,239	
Cost of share-based payment	-	-	-	-	-	-	-	-	-	385	385	2,095	2,480	
Loan for the purchase of shares	-	-	(1,453)	-	-	-	-	-	-	-	(1,453)	-	(1,453)	
Dividend to shareholders in the company	-	-	-	(9,590)	-	-	-	-	-	-	(9,590)	-	(9,590)	
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(23,972)	(23,972)	
Acquisition of treasury shares in the company	-	-	(324)	(866)	-	-	-	-	-	-	(1,190)	(749)	(1,939)	
Acquisition non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	806	806	
Issuance of capital /purchase and sale of shares in a consolidated companies	-	-	-	(1,060)	(130)	-	(3)	(9)	447	-	(755)	568	(187)	
Exercise of option warrants	-	421	-	-	-	-	-	-	-	(420)	1	-	1	
Balance as of September 30, 2019	33,129	17,564	(60,583)	506,081	341	(56,190)	2,049	(455)	(99,834)	8,263	350,365	299,609	649,974	

*) Reclassified.

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 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
						Capital reserve on hedging transactions	Unaudited						
Balance as of July 1, 2020	33,129	17,564	(61,562)	605,120	301	(55,962)	4,850	(763)	(100,935)	8,995	450,737	413,531	864,268
Net income	-	-	-	36,119	-	-	-	-	-	-	36,119	44,274	80,393
Total other comprehensive income (loss)	-	-	-	-	-	-	(643)	-	(2,489)	-	(3,132)	(2,491)	(5,623)
Total comprehensive income (loss)	-	-	-	36,119	-	-	(643)	-	(2,489)	-	32,987	41,783	74,770
Cost of share-based payment	-	-	-	-	-	-	-	-	-	172	172	848	1,020
Dividend to shareholders in the company	-	-	-	(5,812)	-	-	-	-	-	-	(5,812)	-	(5,812)
Dividend to non-controlling interests	-	-	-	85	-	-	-	-	-	-	85	(56,022)	(55,937)
Acquisition of treasury shares in subsidiary companies	-	-	-	(808)	-	-	-	-	-	-	(808)	(859)	(1,667)
Issuance of capital /purchase and sale of shares in consolidated companies	-	-	-	3,377	-	-	(110)	40	433	-	3,740	27,732	31,472
Balance as of September 30, 2020	33,129	17,564	(61,562)	638,081	301	(55,962)	4,097	(723)	(102,991)	9,167	481,101	427,013	908,114

*) Reclassified.

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 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
					Capital reserve on transactions with controlling interests	Capital reserve on financial assets at fair value through other comprehensive income							
Unaudited													
Balance as of July 1, 2019	33,129	17,491	(59,130)	469,590	471	(56,190)	2,736	(442)	(93,180)	8,077	322,552	277,354	599,906
Net income	-	-	-	37,872	-	-	-	-	-	-	37,872	38,169	76,041
Total other comprehensive loss	-	-	-	-	-	-	(684)	-	(7,108)	-	(7,792)	(6,321)	(14,113)
Total comprehensive income (loss)	-	-	-	37,872	-	-	(684)	-	(7,108)	-	30,080	31,848	61,928
Cost of share-based payment	-	-	-	-	-	-	-	-	-	258	258	1,075	1,333
Loan for the purchase of shares	-	-	(1,453)	-	-	-	-	-	-	-	(1,453)	-	(1,453)
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(10,701)	(10,701)
Acquisition of treasury shares in the company and in subsidiary companies	-	-	-	(866)	-	-	-	-	-	-	(866)	(749)	(1,615)
Issuance of capital /purchase and sale of shares in consolidated companies	-	-	-	(515)	(130)	-	(3)	(13)	454	-	(207)	782	575
Exercise of option warrants	-	73	-	-	-	-	-	-	-	(72)	1	-	1
Balance as of September 30, 2019	33,129	17,564	(60,583)	506,081	341	(56,190)	2,049	(455)	(99,834)	8,263	350,365	299,609	649,974

^{*)} Reclassified.

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		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
					Capital reserve on transactions with controlling interests	Capital reserve on financial assets at fair value through other comprehensive income							
Audited													
Balance as of January 1, 2019	33,129	17,143	(58,806)	485,117	471	(56,190)	3,368	(446)	(92,849)	8,298	339,235	282,029	621,264
Changes following the initial implementation of IFRS 16	-	-	-	(267)	-	-	-	-	-	-	(267)	(261)	(528)
Changes following the initial implementation of IAS 28	-	-	-	(19,912)	-	-	-	-	-	-	(19,912)	(11,235)	(31,147)
Reclassification of capital reserve on translation differences deriving from the implementation of the revision to IAS 28	-	-	-	(8,509)	-	-	-	-	8,509	-	-	-	-
Balance as of January 1, 2019 following the initial implementation of IFRS 16 and IAS 28	33,129	17,143	(58,806)	456,429	471	(56,190)	3,368	(446)	(84,340)	8,298	319,056	270,533	589,589
Net income	-	-	-	75,263	-	-	-	-	-	-	75,263	75,696	150,959
Total other comprehensive loss	-	-	-	-	-	-	(947)	(514)	(15,953)	-	(17,414)	(11,177)	(28,591)
Total comprehensive income (loss)	-	-	-	75,263	-	-	(947)	(514)	(15,953)	-	57,849	64,519	122,368
Cost of share-based payment	-	-	-	-	-	-	-	-	-	644	644	3,140	3,784
Loan for the purchase of shares	-	-	(1,453)	-	-	-	-	-	-	-	(1,453)	-	(1,453)
Dividend to shareholders in the company	-	-	-	(9,590)	-	-	-	-	-	-	(9,590)	-	(9,590)
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(24,448)	(24,448)
Acquisition of treasury shares in the company and in subsidiary companies	-	-	(324)	(1,544)	-	-	-	-	-	-	(1,868)	(1,336)	(3,204)
Issuance of capital /purchase and sale of shares in consolidated companies	-	-	-	22,897	(177)	228	41	17	2,979	-	25,985	13,457	39,442
Initial consolidation of companies	-	-	-	-	-	-	-	-	-	-	-	1,625	1,625
Receipts for option warrants	-	-	-	-	-	-	-	-	-	-	-	6,587	6,587
Exercise of option warrants	-	421	-	-	-	-	-	-	-	(420)	1	-	1
Balance as of December 31, 2019	33,129	17,564	(60,583)	543,455	294	(55,962)	2,462	(943)	(97,314)	8,522	390,624	334,077	724,701

*) Reclassified.

ELCO LIMITED

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

	Nine months ended September 30		Three months ended September 30		Year ended December 31
	2020	2019	2020	2019	2019
	Unaudited		Unaudited		Audited
Cash flows from operating activities:					
Net income	141,591	124,458	80,393	76,041	150,959
Adjustments required in order to present the cash flows from operating activities (Appendix A')	16,832	14,638	(10,657)	10,142	101,224
Net cash generated operating activities (before acquisition of and investment in land)	158,423	139,096	69,736	86,183	252,183
Acquisition of and investment in land *)	(15,498)	(5,060)	(2,191)	(1,411)	(5,690)
Net cash generated by operating activities	142,925	134,036	67,545	84,772	246,493
Cash flows from investment activities:					
Acquisition of fixed assets and intangible assets	(77,192)	(86,836)	(31,457)	(33,521)	(108,217)
Capitalization of customer acquisition costs	(2,436)	(3,279)	(477)	(1,272)	(4,424)
Acquisition and construction of income generating assets	(507)	(1,173)	(66)	(163)	(31)
Initially consolidated companies and activities (Appendix B)	(14,356)	(45,492)	-	(923)	(223,177)
Proceeds from sale of investment in previously consolidated subsidiary (Appendix C)	141,128	-	141,128	-	-
Changes in investments, loans to investee companies, net	6,322	24,151	47,651	17,915	(43,425)
Changes in deposits and marketable securities, net	16,431	19,586	24,428	25,042	11,340
Consideration from the disposal of fixed and income-generating assets and investments	8,387	96,741	4,371	53,790	96,939
Net consideration from the sale of operation	-	484	-	-	484
Decrease (increase) in long-term loans and deposits	(634)	(1,136)	899	(77)	(3,016)
Net cash generated (absorbed) by investment activities	77,143	3,046	186,477	60,791	(273,527)
Cash flows from financing activities:					
Dividend paid to shareholders in the company	(16,565)	(9,590)	(5,812)	-	(9,590)
Dividend paid to non-controlling interests	(74,383)	(16,458)	(52,519)	(3,186)	(24,448)
Issuance of bonds	59,650	51,681	59,650	51,681	99,569
Self-purchase of the company's bonds	(283)	-	-	-	-
Repayment of long-term liabilities	(311,935)	(113,372)	(224,621)	(23,494)	(151,515)
Repayment of leasing liabilities	(35,631)	(35,351)	(10,927)	(11,071)	(46,783)
Receipt of long-term liabilities	105,932	79,206	40,781	11,835	250,096
Short-term bank credit, net	(36,325)	(70,943)	(68,177)	(50,621)	(90,939)
Acquisition of a partner's share in a sub-subsidiary company	(3,283)	-	(581)	-	-
Receipts for option warrants	-	-	-	-	8,555
Exercise of option warrants and issuance of shares to non-controlling interests	156,986	(186)	27,302	576	38,207
Loan for the purchase of shares	-	(1,453)	-	(1,453)	(1,453)
Acquisition of treasury shares in the company and in consolidated companies	(5,639)	(1,939)	(1,667)	(1,615)	(3,204)
Net cash generated (absorbed) by financing activities	(161,476)	(118,405)	(236,571)	(27,348)	68,495
Translation differences in respect of cash and cash equivalents balances	(890)	(3,243)	176	(1,750)	(3,192)
Increase in cash and cash equivalents	57,702	15,434	17,627	116,465	38,269
Balance of cash and cash equivalents at the beginning of the period	268,571	230,302	308,646	129,271	230,302
Balance of cash and cash equivalents at the end of the period	326,273	245,736	326,273	245,736	268,571

*) 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
	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	(11,386)	(16,323)	(3,399)	(5,591)	(19,625)
Dividends and interest received from companies accounted for at equity	11,089	9,246	2,918	2,483	11,962
Success fee in respect of increase in the value of housing complexes (Promote)	(18,688)	(17,817)	(8,433)	(6,400)	(22,109)
Adjustment of fair value and the results of the disposal of income-generating assets, net	824	(161)	-	-	421
Change in the fair value of a financial asset through profit or loss	-	(121)	-	(7)	(121)
Depreciation and amortization	81,078	73,710	25,823	26,996	99,863
Amortization of customer acquisition expenses	2,748	3,657	361	1,501	4,551
Impairment in the investment in a company accounted for at equity	9,872	-	9,872	-	-
Gain on the self-purchase of the company's bonds	(73)	-	-	-	-
Deferred taxes, net	(19,232)	5,321	(23,655)	598	4,425
Change in employee benefit liabilities	319	703	341	(8)	1,300
Gain from sale of a subsidiary	(66,264)	-	(66,264)	-	-
Capital gain on the sale of fixed assets and other investments	(732)	(34,189)	(659)	(32,943)	(33,841)
Revaluation of long-term receivable and liabilities, net	9,070	8,866	3,829	3,867	10,634
Increase in the value of short-term investments	(702)	(2,208)	(2)	(26)	(2,555)
Cost of share-based payment	3,235	2,480	1,020	1,333	3,784
Income in respect of the cancellation of a liability for an onerous contract	-	(34,215)	-	(34,215)	(34,215)
Changes in asset and liability items:					
Decrease (increase) in inventory and inventory of real estate	20,980	37,765	31,318	21,729	46,092
Decrease (increase) in trade receivables	(14,585)	(63,741)	(22,155)	(37,708)	(48,231)
Increase in other accounts receivable	(18,851)	6,211	(17,876)	21,739	(2,020)
Increase (decrease) in suppliers and providers of services	(8,353)	42,232	31,848	33,036	97,129
Increase (decrease) in other accounts payable	36,483	(6,778)	24,456	13,758	(16,220)
	16,832	14,638	(10,657)	10,142	101,224

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

	Nine months ended		Three months ended		Year ended
	September 30		September 30		December 31
	2020	2019	2020	2019	2019
	Unaudited		Unaudited		Audited
Working capital, net (except cash and cash equivalents)	995	(26,276)	-	-	(58,567)
Fixed assets and right-of-use assets	(3,533)	(5,810)	-	-	(73,875)
Intangible assets	(6,180)	(15,130)	-	-	(123,205)
Goodwill	(20,849)	(63,550)	-	-	(165,192)
Non-current assets	-	(190)	-	-	(36,063)
Deferred taxes	(272)	347	-	-	29,628
Non-current liabilities	1,299	11,501	-	-	24,700
Bonds	-	-	-	-	93,229
Liability for put option, conditional consideration and future dividends for non-controlling interests	13,967	52,662	-	-	52,662
Non-controlling interests	-	806	-	-	1,625
Gain on the removal of previous relationships	217	-	-	-	-
Collection of income receivable for cash flows in an interim period	-	148	-	(923)	148
Balance of deferred consideration	-	-	-	-	31,733
	<u>(14,356)</u>	<u>(45,492)</u>	<u>-</u>	<u>(923)</u>	<u>(223,177)</u>

Appendix C' - Proceeds from sale of investment in previously consolidated subsidiary

	Nine months ended		Three months ended		Year ended
	September 30		September 30		December 31
	2020	2019	2020	2019	2019
	Unaudited		Unaudited		Audited
Working capital, net (except cash and cash equivalents)	(43,327)	-	(43,327)	-	-
Fixed assets	29,819	-	29,819	-	-
Right-of-use assets	3,933	-	3,933	-	-
Intangible assets	21,896	-	21,896	-	-
Goodwill	230,366	-	230,366	-	-
Deferred taxes	12,686	-	12,686	-	-
Leasing liabilities	(4,563)	-	(4,563)	-	-
Other non-current liabilities	(173,607)	-	(173,607)	-	-
Non-controlling interests	(2,339)	-	(2,339)	-	-
Gain from sale of a subsidiary	66,264	-	66,264	-	-
	<u>141,128</u>	<u>-</u>	<u>141,128</u>	<u>-</u>	<u>-</u>

ELCO LIMITED**CONSOLIDATED INFORMATION OF CASH FLOWS**
CONVENIENCE TRANSLATION INTO US DOLLARS (in thousands)**Appendix D' - Further information on cash flows**

	Nine months ended		Three months ended		Year ended
	September 30		September 30		December 31
	2020	2019	2020	2019	2019
	Unaudited		Unaudited		Audited
Cash paid in the period for:					
Interest	<u>31,504</u>	<u>27,847</u>	<u>9,354</u>	<u>7,136</u>	<u>40,769</u>
Taxes on income	<u>28,011</u>	<u>22,587</u>	<u>11,869</u>	<u>5,815</u>	<u>42,275</u>
Cash received for:					
Interest	<u>4,543</u>	<u>2,646</u>	<u>2,672</u>	<u>1,071</u>	<u>3,679</u>
Taxes on income	<u>2,037</u>	<u>4,609</u>	<u>65</u>	<u>1,658</u>	<u>4,694</u>

Appendix E' – Significant activities not involving cash flows

	Nine months ended		Three months ended		Year ended
	September 30		September 30		December 31
	2020	2019	2020	2019	2019
	Unaudited		Unaudited		Audited
Acquisition of fixed assets, investment property and intangible assets	<u>792</u>	<u>1,739</u>	<u>792</u>	<u>1,739</u>	<u>3,194</u>
Dividend payable to non-controlling interests and to shareholders in the company	<u>14,237</u>	<u>-</u>	<u>3,418</u>	<u>-</u>	<u>-</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 of September 30, 2020 and for the periods of nine 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 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 Supergaz 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. In September, 2020 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. As of the time of the publication of the financial statements, the State of Israel has started to reduce the restrictions.

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 and third quarters 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's activity in this segment has been affected adversely in specific locations in the course of the second quarter of 2020. During the course of the third quarter of 2020, despite the imposition of restrictions in light of the spread of a second wave of the virus, as described above, this activity returned to being conducted as usual and there has been an increase in the pace of the sale of housing units, inter alia, in light of the sales office returned to work.

In the concessions field, Electra operates primarily opposite bodies in the governmental and public segment. During the reporting period, Electra, operating through a wholly owned subsidiary company (hereinafter: "The subsidiary company") has begun to conduct negotiations opposite Bar Ilan University following the loss of income that is expected on the student accommodation project together with the additional expenses that have been incurred. According to the subsidiary company's management's estimated, and also in accordance with the opinion of its legal advisors, the subsidiary company has reasonable and well-founded demands in relation to the damaged that have been caused to it over the course of the project.

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 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 construction 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 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. As from the second quarter of 2020 and up to the time of the approval of the interim consolidated financial statements, the main sales offices have returned to operating normally and the sales are being executed as usual. The building site is operating normally.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

A. Electra (Continued)

The fair value of Electra's intangible assets -

As part of the examination of the impacts of the crisis on Electra's operations, Electra has examined the impact of the crisis on the significant intangible assets that it owns (including in respect of a concession arrangement for the provision of services in Bar Ilan University's student accommodation project), and including goodwill assets. As part of the check, Electra has examined whether a significant change is expected in the estimated cash flows from Electra's cash-generating units as a result of the impact of the crisis and has found that no signs exist of impairment in the value in the intangible assets, as aforesaid in the reporting period.

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.

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.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**Note 3 - The implications of the spread of the Corona Virus (Continued)****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 October 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, and the evaluations that have been performed as of the end of each of the quarters in 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 September 30, 2020.

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 its operation in three sites in New York. In the reporting period and as of the time of the publication of the financial Statements, MIP's sites in Israel and in England are still closed and the employees have been placed on unpaid leave, with an emphasis having been placed on reducing overheads. When the Corona crisis ends and the restrictions that have been imposed in Israel and in England are removed, it is expected that these sites will be reopened.

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.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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 September 30, 2020 (NIS 3.441 = 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.

