

ELCO LIMITED

Annual Report
Convenience Translation into US Dollars

2020

ELCO LIMITED

CONSOLIDATED FINANCIAL INFORMATION
AS OF DECEMBER 31, 2020

<u>Contents</u>	<u>Page</u>
Auditors' Report	3
Consolidated Information of financial position	4 - 5
Consolidated Information of profit or loss	6
Consolidated Information of Comprehensive Income	7
Consolidated Information of Changes in Equity	8 - 10
Consolidated Information of Cash Flows	11 - 14
Notes to the Financial Information	15 - 20

To: Elco LTD.

Re: Convenience Translation of Financial Information

Per your request, we have audited the accompanying consolidated financial information of Elco Ltd. ("the Company") as of December 31, 2020 and 2019 and for each of the three years in the period ended on December 31, 2020 ("the Financial Information"). The Financial Information is the responsibility of the Company's Board of Directors and management. Our responsibility is to express an opinion on the Financial Information based on our audits.

We did not audit the financial information of certain subsidiaries, whose assets constitute approximately 2.4% and 3.5% of the total consolidated assets as of December 31, 2020 and 2019, respectively, and whose revenues constitute approximately 0.6%, 0.8% and 1.4% of the total consolidated revenue for the years ended December 31, 2020, 2019 and 2018, respectively. Furthermore, we did not audit the financial information of certain companies accounted for at equity, the investment in which amounted to approximately 21,882 thousand dollars and 10,866 thousand dollars as of December 31, 2020 and 2019, respectively, and the Company's share of their profits (loss) amounted to approximately (936) thousand dollars, 2,731 thousand dollars and 6,375 thousand dollars for the years ended December 31, 2020, 2019 and 2018, respectively. The financial information for those companies were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to amounts included for those companies, is based on the reports of the other auditors.

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

The accompanying Financial Information in US Dollars are a convenience translation of the consolidated financial statements as prepared in New Israeli Shekels as the rate of exchange of the Shekel into US Dollars prevailing on December 31, 2020 as described in Note 4 of the Financial Information.

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

Based on our audits and the reports of other auditors, we expressed an unqualified opinion on the consolidated financial statements in our report dated March 23, 2021.

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

Tel-Aviv, Israel
March 23, 2021

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

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

	December 31	
	2020	2019
Current assets		
Cash and cash equivalents	432,609	287,450
Short-term investments	81,071	73,589
Trade receivables	543,399	536,701
Other receivables	484,142	518,271
Inventory, inventory of real estate and rights in real estate	321,098	294,426
Assets held for sale	21,367	3,842
	<u>1,883,686</u>	<u>1,714,279</u>
Non-current assets		
Long-term receivables	25,288	28,543
Receivables for concession arrangement for the provision of services	19,450	22,687
Investments in entities accounted for at equity	345,460	345,981
Long-term inventory of real estate	15,408	19,582
Income-generating assets	108,843	109,725
Fixed Assets	232,657	244,883
Usage right assets	217,880	200,832
Goodwill and other intangible assets	632,022	898,693
Intangible asset for a concession project	131,417	84,520
Deferred taxes	18,298	11,299
	<u>1,746,723</u>	<u>1,966,745</u>
	<u>3,630,409</u>	<u>3,681,024</u>

March 23, 2021

Date of the approval of the financial statements

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

	December 31	
	2020	2019
Current Liabilities		
Credit from banks and others	97,696	123,232
Bonds - current maturities	67,836	103,682
Current maturities of leasing liabilities	43,717	40,653
Suppliers and providers of services	722,084	670,442
Other payables	620,605	500,989
	<u>1,551,938</u>	<u>1,438,998</u>
Non-Current Liabilities		
Liabilities to banks and others	281,976	313,657
Bonds	442,915	481,838
Leasing liabilities	175,037	174,263
Other liabilities	160,820	404,629
Employee benefit liabilities, net	19,176	19,321
Deferred taxes	57,172	72,674
	<u>1,137,096</u>	<u>1,466,382</u>
Equity		
Equity attributable to shareholders in the company	496,368	418,083
Non-controlling interests	445,007	357,561
	<u>941,375</u>	<u>775,644</u>
Total equity	<u>3,630,409</u>	<u>3,681,024</u>

E. Vessely
Chief Financial Officer

D. Salkind
Joint Managing Director

M. Friedman
Chairman of the Board of
Directors

ELCO LIMITED

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

	For the year ended December 31		
	2020	2019	2018
Continuing operations			
Revenues, net	3,411,515	2,980,399	2,607,704
Adjustment of the fair value, success fee and the results of the disposal of income-generating assets, net	(1,836)	(313)	664
Group's share of the profits of entities accounted for at equity, net	12,892	21,344	5,422
Other income	4,293	38,981	3,266
Total	3,426,864	3,040,411	2,617,056
Cost of producing revenues	(2,920,603)	(2,598,494)	(2,282,614)
Selling and marketing expenses	(172,994)	(141,116)	(140,955)
Administrative and general expenses	(113,194)	(102,115)	(83,933)
Other expenses	(15,872)	(7,505)	(11,336)
Financial income	10,587	15,330	16,491
Financing expenses	(55,839)	(51,876)	(39,347)
Total	(3,267,915)	(2,885,776)	(2,541,694)
Income before taxes on income	158,949	154,635	75,362
Taxes on income	(41,028)	(40,270)	(18,383)
Income from continuing operations	117,921	114,365	56,979
Operating income (loss) from discontinued operations	62,600	47,206	(1,269)
Net income	180,521	161,571	55,710
Attributable to:			
Shareholders in the company	88,350	80,554	20,104
Non-controlling interests	92,171	81,017	35,606
	180,521	161,571	55,710
Earnings (loss) per share (in u.s. Dollars) - attributable to the Equity holders of the Company:			
Basic - Earnings (loss)			
From continuing operations	2.03	2.06	0.77
From discontinued operations	1.20	0.88	(0.04)
	3.23	2.94	0.73
Fully diluted - Earnings (loss)			
From continuing operations	1.89	2.02	0.75
From discontinued operations	1.20	0.88	(0.04)
	3.09	2.90	0.71

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

	For the year ended December 31		
	2020	2019	2018
Net income	<u>180,521</u>	<u>161,571</u>	<u>55,710</u>
Other comprehensive income (loss) (after tax effects):			
Amounts that will not be reclassified to profit or loss in subsequent periods:			
Loss on financial assets that are measured at fair value through other comprehensive income, net	-	-	(2,781)
Gain (loss) from the re-measurement of defined benefit plans, net	<u>674</u>	<u>(1,031)</u>	<u>1,340</u>
	<u>674</u>	<u>(1,031)</u>	<u>(1,441)</u>
Amounts that will be classified or reclassified to profit or loss when specific conditions are met:			
Adjustment deriving from the translation of the financial statements of foreign operations, net	(42,537)	(27,678)	11,273
Gain (loss) on hedging transactions, net	<u>935</u>	<u>(1,892)</u>	<u>570</u>
	<u>(41,602)</u>	<u>(29,570)</u>	<u>11,843</u>
Total other comprehensive income (loss)	<u>(40,928)</u>	<u>(30,601)</u>	<u>10,402</u>
Total comprehensive income	<u><u>139,593</u></u>	<u><u>130,970</u></u>	<u><u>66,112</u></u>
Comprehensive income attributable to:			
Shareholders in the company	65,249	61,916	26,715
Non-controlling interests	<u>74,344</u>	<u>69,054</u>	<u>39,397</u>
	<u><u>139,593</u></u>	<u><u>130,970</u></u>	<u><u>66,112</u></u>

ELCO LIMITED

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

	Attributable to equity holders in the company												
	Share capital	Share premium	Treasury shares	Retained earnings	Capital reserve on transactions with controlling interests	Capital reserve on financial assets at fair value through other comprehensive income	Capital reserve on hedging transactions	Capital reserve on the re-measurement of defined benefit plans	Adjustments deriving from the translation of financial Statements	Capital reserve on share-based payment	Total	Non-controlling interests	Total equity
Balance as of January 1, 2020	35,458	18,798	(64,842)	581,658	315	(59,896)	2,635	(1,010)	(104,155)	9,122	418,083	357,561	775,644
Net income	-	-	-	88,350	-	-	-	-	-	-	88,350	92,171	180,521
Total other comprehensive income (loss)	-	-	-	-	-	-	521	338	(23,960)	-	(23,101)	(17,827)	(40,928)
Total comprehensive income (loss)	-	-	-	88,350	-	-	521	338	(23,960)	-	65,249	74,344	139,593
Cost of share-based payment	-	-	-	-	-	-	-	-	-	874	874	5,036	5,910
Dividend to shareholders in the company	-	-	-	(17,729)	-	-	-	-	-	-	(17,729)	-	(17,729)
Dividend to non-controlling interests	-	-	-	(3,969)	-	-	-	-	-	-	(3,969)	(95,285)	(99,254)
Acquisition of treasury shares in the company and in subsidiary companies	-	-	(1,047)	(2,591)	-	-	-	-	-	-	(3,638)	(2,397)	(6,035)
Transaction with non-controlling interests	-	-	-	(16,514)	-	-	-	-	-	-	(16,514)	(17,193)	(33,707)
Exercise of option warrants	-	39	-	-	-	-	-	-	-	(39)	-	-	-
Issuance of capital /purchase and sale of shares in consolidated companies	-	-	-	51,459	-	-	(107)	36	2,624	-	54,012	122,941	176,953
As of December 31, 2020	35,458	18,837	(65,889)	680,664	315	(59,896)	3,049	(636)	(125,491)	9,957	496,368	445,007	941,375

ELCO LIMITED

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

	Attributable to equity holders in the company											Non-controlling interests	Total equity
	Share capital	Share premium	Treasury shares	Retained earnings	Capital reserve on transactions with controlling interests	Capital reserve on financial assets at fair value through other comprehensive income	Capital reserve on hedging transactions	Capital reserve on the re-measurement of defined benefit plans	Adjustments deriving from the translation of financial Statements	Capital reserve on share-based payment	Total		
Balance as of January 1, 2019	35,458	18,348	(62,940)	519,218	505	(60,140)	3,605	(477)	(99,376)	8,881	363,082	301,855	664,937
Changes following the initial implementation of IFRS 16	-	-	-	(286)	-	-	-	-	-	-	(286)	(279)	(565)
Changes following the initial implementation of IAS 28	-	-	-	(21,312)	-	-	-	-	-	-	(21,312)	(12,025)	(33,337)
Reclassification of capital reserve on translation differences deriving from the implementation of the revision to IAS 28	-	-	-	(9,107)	-	-	-	-	9,107	-	-	-	-
Balance as of January 1, 2019 following the initial implementation of IFRS 16 and IAS 28	35,458	18,348	(62,940)	488,513	505	(60,140)	3,605	(477)	(90,269)	8,881	341,484	289,551	631,035
Net income	-	-	-	80,554	-	-	-	-	-	-	80,554	81,017	161,571
Total other comprehensive loss	-	-	-	-	-	-	(1,013)	(550)	(17,075)	-	(18,638)	(11,963)	(30,601)
Total comprehensive income (loss)	-	-	-	80,554	-	-	(1,013)	(550)	(17,075)	-	61,916	69,054	130,970
Cost of share-based payment	-	-	-	-	-	-	-	-	-	689	689	3,361	4,050
Loan for the purchase of shares	-	-	(1,555)	-	-	-	-	-	-	-	(1,555)	-	(1,555)
Dividend to shareholders in the company	-	-	-	(10,264)	-	-	-	-	-	-	(10,264)	-	(10,264)
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(26,167)	(26,167)
Acquisition of treasury shares in the company and in subsidiary companies	-	-	(347)	(1,653)	-	-	-	-	-	-	(2,000)	(1,430)	(3,430)
Issuance of capital /purchase and sale of shares in consolidated companies	-	-	-	24,508	(190)	244	43	17	3,189	-	27,811	14,403	42,214
Initial consolidation of companies	-	-	-	-	-	-	-	-	-	-	-	1,739	1,739
Receipts for option warrants	-	-	-	-	-	-	-	-	-	-	-	7,050	7,050
Exercise of option warrants	-	450	-	-	-	-	-	-	-	(448)	2	-	2
As of December 31, 2019	35,458	18,798	(64,842)	581,658	315	(59,896)	2,635	(1,010)	(104,155)	9,122	418,083	357,561	775,644

ELCO LIMITED

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

	Attributable to equity holders of the company													Total equity
	Share capital	Share premium	Treasury shares	Retained earnings	Capital reserve on transactions with controlling interests	Capital reserve on financial assets at fair value through other comprehensive income	Capital reserve on hedging transactions	Capital reserve on the re-measurement of defined benefit plans	Adjustments deriving from the translation of financial Statements	Capital reserve on share-based payment	Revaluation reserve	Total	Non-controlling interests	
Balance as of January 1, 2018	35,458	17,162	(57,422)	511,745	505	(58,362)	3,305	(1,224)	(106,763)	9,854	10,556	364,814	303,946	668,760
Changes following the initial implementation of IFRS 9	-	-	-	(812)	-	-	-	-	-	-	-	(812)	(729)	(1,541)
Balance of January 1, 2018 following the initial implementation of IFRS 9	35,458	17,162	(57,422)	510,933	505	(58,362)	3,305	(1,224)	(106,763)	9,854	10,556	364,002	303,217	667,219
Net profit	-	-	-	20,104	-	-	-	-	-	-	-	20,104	35,606	55,710
Other comprehensive income (loss)	-	-	-	-	-	(1,778)	300	727	7,362	-	-	6,611	3,791	10,402
Total comprehensive income (loss)	-	-	-	20,104	-	(1,778)	300	727	7,362	-	-	26,715	39,397	66,112
Cost of share-based payment	-	-	-	-	-	-	-	-	-	212	-	212	2,056	2,268
Dividend to shareholders in the company	-	-	-	(9,331)	-	-	-	-	-	-	-	(9,331)	-	(9,331)
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(26,893)	(26,893)
Acquisition of treasury shares in the company and in subsidiary companies	-	-	(5,518)	(11,089)	-	-	-	-	-	-	-	(16,607)	(9,872)	(26,479)
Disposal of income generating asset that was owner occupied in the past	-	-	-	10,556	-	-	-	-	-	-	(10,556)	-	-	-
Issuance of capital/purchase and sale of shares in consolidated companies	-	-	-	(1,955)	-	-	-	20	25	-	-	(1,910)	(6,050)	(7,960)
Exercise of option warrants	-	1,186	-	-	-	-	-	-	-	(1,185)	-	1	-	1
As of December 31, 2018	35,458	18,348	(62,940)	519,218	505	(60,140)	3,605	(477)	(99,376)	8,881	-	363,082	301,855	664,937

ELCO LIMITED

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

	For the year ended December 31		
	2020	2019	2018
Cash flows from operating activities:			
Net income	180,521	161,571	55,710
Adjustments required in order to present the cash flows from operating activities (Appendix A')	138,190	108,340	42,342
Net cash generated by operating activities (before acquisition of and investment in land)	318,711	269,911	98,052
Acquisition of and investment in land *)	(33,766)	(6,091)	(36,341)
Net cash generated by operating activities **)	284,945	263,820	61,711
Cash flows from investment activities:			
Acquisition of fixed assets, intangible assets and capitalized leasing fee	(103,776)	(115,825)	(46,189)
Capitalization of customer acquisition costs	(2,607)	(4,735)	(4,811)
Acquisition and construction of income generating assets	-	(33)	(5,165)
Newly consolidated subsidiaries and activities (Appendix B')	(15,365)	(238,865)	739
Proceeds from sale of investment in previously consolidated subsidiary (Appendix C')	151,048	-	-
Change in investment in and loans to investee companies, net	4,650	(46,478)	(83,754)
Consideration from (purchase of) short-term investments, net	(8,521)	12,137	44,803
Consideration from the disposal of fixed and income-generating assets and investments	16,463	103,754	75,747
Net consideration from the sale of operation	-	518	15,550
Decrease (increase) in long term receivables, net	2,890	(3,228)	(1,034)
Net cash generated (absorbed) by investment activities **)	44,782	(292,755)	(4,114)
Cash flows from financing activities:			
Dividend paid to shareholders in the company	(17,729)	(10,264)	(9,331)
Dividend paid to non-controlling interests	(82,670)	(26,167)	(29,408)
Issuance of bonds	124,718	106,569	67,489
Self-purchase of the Company's bonds	(303)	-	-
Repayment of long-term liabilities	(405,337)	(162,166)	(151,840)
Repayment of leasing liabilities	(46,789)	(50,071)	(5,381)
Receipt of long-term liabilities	150,951	267,677	103,647
Short-term bank credit, net	(61,116)	(97,332)	16,510
Acquisition of a Partner's share in a sub-subsiary company	(3,492)	-	-
Receipts for option warrants	-	9,156	-
Exercise of option warrants, issuance of capital/ sale of shares to non-controlling interests	167,967	40,893	(8,135)
Loan for the purchase of shares	-	(1,555)	-
Purchase of treasury shares in the Company and in consolidated companies	(6,035)	(3,430)	(26,479)
Net cash generated (absorbed) by financing activities **)	(179,835)	73,310	(42,928)
Translation differences in respect of cash and cash equivalent balances	(4,733)	(3,416)	1,496
Increase in cash and cash equivalents	145,159	40,959	16,165
Balance of cash and cash equivalents at the beginning of the year	287,450	246,491	230,326
Balance of cash and cash equivalents at the end of the year	432,609	287,450	246,491

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

***) Includes cash in respect of discontinued activities.

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

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

	For the year ended December 31		
	2020	2019	2018
Income and expenses not involving cash flows:			
The Group's share of the profits of companies accounted for at equity, net	(12,690)	(21,005)	(5,181)
Dividends and interest received from companies accounted for at equity	13,626	12,803	15,668
Success fee in respect of increase in the value of housing complexes (Promote)	(28,306)	(23,663)	(20,195)
Adjustments of the fair value and the results of the disposal of income-generating assets, net	1,836	451	6,821
Change in the fair value of a financial asset through profit and loss	-	(130)	(7,484)
Depreciation and amortization	113,194	106,882	54,813
Amortization of customer acquisition expenses	2,941	4,871	6,973
Impairment in the investment in a company accounted for at equity	10,566	-	-
Impairment in value of intangible assets less commitment to sellers, net	-	-	7,911
Gain on the self-purchase of the company's bonds	(77)	-	-
Deferred taxes, net	(34,055)	4,737	(1,278)
Reclassification from the translation differences reserve in connection with joint venture that have been disposed of	-	-	(1,419)
Change in employee benefit liabilities	239	1,391	1,718
Capital gain on the sale of fixed assets and other investments	(620)	(36,219)	(2,988)
Gain from the sale of a subsidiary	(70,922)	-	-
Erosion of long-term receivables and liabilities, net	15,308	11,382	7,512
Decrease (increase) in value of short-term investments	(851)	(2,735)	886
Cost of share-based payments	5,910	4,050	2,268
Income in respect of the cancellation of a liability for an onerous contract	-	(36,620)	-
Changes in asset and liability items:			
Decrease in inventory and inventory of real estate (before acquisition of and investment in land)	18,343	49,332	26,175
Decrease (increase) in trade receivables	(30,911)	(51,512)	31,139
Increase in other accounts receivable	(8,859)	(2,162)	(29,115)
Increase (decrease) in suppliers and providers of services	77,645	103,957	(41,934)
Increase (decrease) in other accounts payable	65,873	(17,470)	(9,948)
	<u>138,190</u>	<u>108,340</u>	<u>42,342</u>

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

	For the year ended December 31		
	2020	2019	2018
Working capital, net (except cash)	1,065	(62,684)	9
Fixed assets and right-of-use assets	(3,782)	(79,068)	(43)
Intangible assets	(6,614)	(131,866)	(4,247)
Goodwill	(22,314)	(176,804)	(4,992)
Other non-current assets	-	(38,598)	-
Deferred taxes	(291)	-	-
Customers' deposits	-	31,710	-
Non-current liabilities	1,390	26,437	1,364
Bonds	-	99,783	-
Liability for put option, conditional consideration and future dividends for non-controlling interests	14,949	56,364	5,281
Non-controlling interests	-	1,739	-
Gain on the removal of previous relationships	232	-	-
Collection of income receivable for cash flows in an interim period	-	158	3,367
Balance of deferred consideration	-	33,964	-
	<u>(15,365)</u>	<u>(238,865)</u>	<u>739</u>

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

	For the year ended December 31		
	2020	2019	2018
Working capital, net (except cash and cash equivalents)	(46,373)	-	-
Fixed assets	31,915	-	-
Right-of-use assets	4,209	-	-
Intangible assets	23,436	-	-
Goodwill	246,560	-	-
Deferred taxes	13,577	-	-
Leasing liabilities	(4,884)	-	-
Other non-current liabilities	(185,811)	-	-
Non-controlling interests	(2,503)	-	-
Gain from sale of a subsidiary	70,922	-	-
	<u>151,048</u>	<u>-</u>	<u>-</u>

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

Appendix D' - Additional information on cash flows

	For the year ended December 31		
	2020	2019	2018
Cash paid during the year for:			
Interest	<u>43,486</u>	<u>43,635</u>	<u>42,742</u>
Income tax	<u>62,163</u>	<u>45,247</u>	<u>27,265</u>
Cash received during the year for:			
Interest	<u>5,432</u>	<u>3,938</u>	<u>8,378</u>
Income tax	<u>3,131</u>	<u>5,024</u>	<u>4,641</u>

Appendix E' - Significant activities not involving cash flows

	For the year ended December 31		
	2020	2019	2018
Acquisition of fixed assets, investment property and intangible assets	<u>16,727</u>	<u>3,418</u>	<u>27,785</u>
Liability for the acquisition of holdings of non-controlling interests in a consolidated company	<u>41,668</u>	<u>-</u>	<u>-</u>
Dividend payable to non-controlling interests	<u>16,276</u>	<u>-</u>	<u>-</u>

Note 1 – General

The accompanying Financial Information, is derived from Hebrew version of the Company's annual consolidated financial statement as at December 31, 2020 and for the year ended on that date and the accompanying notes thereto (hereinafter - The annual consolidated financial statements), and is condensed financial information and it does not include the disclosures that are required under the International Financial Reporting Standards (IFRS).

Note 2 - General description of the Company and its activities

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

As of the date of the financial information, 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 through a fund which raises debt and provides loans and instruments for the supplementation of shareholders' equity for investments in housing complexes and also 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. |

Note 3 - The implications of the spread of the Corona Virus

As from the first quarter of 2020 (and as at the reporting date), as a result of the spread of the Coronavirus, Israel (like most of the countries in the world) has taken various measures in order to reduce the spread of the virus, including imposing restrictions on movement (both local and international) and gathers, the setting of directives for isolation and lockdowns, the closure of businesses, entertainment and leisure venues and similar measures, with these measures reaching a peak in the months of April and October 2020 and in January and February 2021, inter alia, as a response to the level of morbidity among the public and/or the impacts of taking measures on the State's economy. In general, the pandemic and the measures that have been instituted in order to stop its spread have led to a high level of uncertainty in a range of aspects, including economic, health and social, to a slow-down in manufacturing activity and in the transportation of passengers and goods across the globe and to a significant reduction in local economic activity (which was similar to the impact on the global economy).

In tandem with and in order to cope with the economic implications of the crisis, the State has instituted a number of economic measures, which have been intended to incentivize and to support the economy and purchasing power, and accordingly a certain level of recovery has been apparent intermittently in many segments of the economy. Furthermore, as from December 2020, in light of the development of vaccinations against the virus and the purchase of large quantities of vaccinations by the State, the HMOS and hospitals in Israel began to vaccinate the population of the country at a fast pace, and as of the date of this report, a considerable portion of the population has already been vaccinated against the virus. The vaccination of the general population has the potential to bring about a fast rehabilitation of the economy and to end the crisis in the foreseeable future.

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 as a result of the crisis.

The Coronavirus outbreak event and the measures that have been instituted in order to reduce the spread by means of vaccinations and lockdowns is a rolling event and there is a large measure of uncertainty regarding the length of the spread of the virus and regarding the implications deriving from it and the effect on the economic activity both globally and in Israel. As at the date of this report, it is not possible to anticipate when the crisis will end, how long 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.

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

1) Electra

Electra operates in Israel in a number of fields, in the construction and infrastructure projects field, Electra's management examines the various aspects of the implications of the crisis, including the examination of the financial implications, which may derive from the various factors, such as delays in the arrival of goods, implications for the prices 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.

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

1) Electra (Continued)

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 in the reporting period, 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.

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 field has been affected adversely specifically 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 as a result of the crisis and at the same time there have been additional discussions in relation to the additional costs that have been incurred by Electra in the establishment of the project and legal requirements on Electra's part.

The impact of the spread of the Corona virus on Electra's 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 in relation to the operations of the companies that operate in the United States.

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

1) Electra (Continued)

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, in the reporting period the Nigerian economy was hit as a result of the fall in the oil prices, which occurred in 2020, which also impacts on the activity in the region. 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, the main sales offices have returned to operating normally and the sales are being executed as usual. The building site is operating normally. Furthermore, there has been a significant devaluation of approximately 22% in the Ruble against the Shekel.

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.

2) Electra Consumer Products (ECP)

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 removal of some of the restrictions, no significant impact has occurred on its operations and its results.

3) 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 fluctuations in the prices of a barrel of oil have an impacts on Supergas' operations which offset each other, where the decreases in the prices of a barrel of oil, on the one hand, has a negative short-term impact on the natural gas operations, on the other hand have had a positive impact on LPG activity in the intermediate term. Supergas Energy is taking action in order to reduce the impact of the crisis on its operations and as of the date of this report it has not been affected adversely and at this stage it does not expect that it will be affected adversely by the Corona crisis.

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

4) Electra Real Estate

Electra Real Estate operates primarily in the housing rental segment in the United States, and in activity for the recruitment of investors in Israel and globally for its investment funds.

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 in in light of the immediate and routine activities of the management company that is owned by Electra Real Estate, which undertakes 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 (including maintaining available cash flows in the property company). Furthermore, Electra Real Estate's management is examining the developments in the collections of rental fees from customers and the occupancy rates in each asset weekly. According to the data that has been received for January 2021, the average collection rate for the rental fees from the properties stands at approximately 97% and the average occupancy rate stands at approximately 94%.

In Electra Real Estate's management's assessment, as at the reporting date, Electra Real Estate and/or the housing rental investment funds in the United States are not expected to have difficulty in raising banking credit in the wake of the Corona crisis and at this stage, there are no apparent cash flow difficulties that would cause it not to meet its commitments in this period.

Based on the activity that has been undertaken by Electra Real Estate and the evaluations that have been performed as of the end of each of the quarters in 2020, in respect 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 at December 31, 2020.

5) 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. Theater of Dreams Cinema Limited Partnership (formerly: 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, Theater of Dreams' operations have not been renewed as yet.

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, U.S.A. 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 impact of the Corona crisis ends and the restrictions that have been imposed on sites in Israel and in England are removed, it is expected that these sites will be reopened for operating activity.

Note 4 - Convenience translation

The annual Financial information in US Dollars are a translation of the statements as prepared in New Israeli Shekels ("NIS" or "Shekel") at the rate of exchange of the Shekel for the US Dollar prevailing on December 31, 2020 (NIS 3.215 = US\$ 1).

It should be noted that the New Israeli Shekel amounts, on the basis of which the convenience translation figures were prepared, do not necessarily represent the current cost amounts of the various elements within The Annual Consolidate Financial Statement and, also, that it should not be construed from the translation into US Dollar figures that the Israeli currency amounts actually represent, or could be converted into Dollars. This financial information has been prepared for the convenience of the reader. In the event of any discrepancy between the contents of this translation and the annual consolidated financial statements, the annual consolidated financial statements prevail.

175709 / 40 - 8