

ELCO LIMITED

Interim Consolidated Financial Information

As of June 30, 2021

Convenience Translation into U.S. Dollars

(Unaudited)

ELCO LIMITED

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To: Elco LTD.

Re: Convenience Translation of Interim Financial Information

Per your request, we have reviewed the accompanying interim consolidated financial information of Elco Ltd. ("the Company") as of June 30, 2021 and for the periods of six months and of 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 1.52% of the total consolidated assets as of June 30, 2021 and whose revenues constitute approximately 1.24% and approximately 0.79% of the total consolidated revenue for periods of the six months and three months ended on June 30, 2021, respectively. Furthermore, we did not review the interim financial information of certain companies accounted for at equity, the investment in which amounted to approximately 149,295 thousand dollars as of June 30, 2021, and the Company's share of their losses amounted to approximately 605 thousand dollars and approximately 459 thousand dollars for the periods of six months and three months ended on June 30, 2021, respectively. The interim financial information for those companies were reviewed by other auditors, whose reports have been furnished to us, and our conclusion, insofar as it relates to amounts included for those companies, is based on the reports of the other auditors.

We conducted our review in accordance with Review Standard (Israel) 2410 of the Institute of Certified Public Accountants in Israel, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in Israel and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

The accompanying Interim Financial Information in US Dollars are a convenience translation of the interim consolidated financial statements as prepared in New Israeli Shekels as the rate of exchange of the Shekel into US Dollars prevailing on June 30, 2021, as described in note 4 of the Interim Financial Information.

Based on our review and the reports of the other auditors, we concluded an unqualified conclusion on the Company's consolidated interim financial statements in our report dated August 30, 2021.

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

Based on our review and the reports of other auditors, nothing has come to our attention that causes us to believe that the accompanying Interim Financial Information is not present fairly, in all material respects, the information contained in it.

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

	June 30		December 31
	2021	2020	2020
	Unaudited		Audited
Current assets			
Cash and cash equivalents	287,671	325,783	426,637
Short-term investments	71,834	81,439	79,952
Trade receivables	622,653	524,026	535,898
Other accounts receivables	592,127	560,809	477,459
Inventory, inventory of real estate and rights in real estate	445,118	325,817	316,666
Assets held for sale	73,272	161	21,072
	<u>2,092,675</u>	<u>1,818,035</u>	<u>1,857,684</u>
Non-current assets			
Long-term receivables	25,516	26,575	24,939
Receivables for concession arrangement for the provision of services	26,637	20,738	19,181
Investment in entities accounted for at equity	505,430	359,890	340,691
Long-term inventory of real estate	13,929	19,331	15,196
Income generating assets	123,252	107,341	107,340
Fixed assets	336,838	247,744	229,446
Right-of-use assets	681,824	204,570	214,873
Goodwill and other intangible assets	1,349,511	904,124	620,945
Intangible asset for a concession project	127,181	107,844	129,603
Deferred taxes	19,384	22,686	18,045
	<u>3,209,502</u>	<u>2,020,843</u>	<u>1,720,259</u>
	<u>5,302,177</u>	<u>3,838,878</u>	<u>3,577,943</u>

ELCO LIMITED

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

	<u>June 30</u>		<u>December 31</u>
	<u>2021</u>	<u>2020</u>	<u>2020</u>
	Unaudited		Audited
Current Liabilities			
Credit from banking institutions and others	261,353	189,621	96,347
Bonds - current maturities	55,952	171,230	66,899
Current maturities of leasing liabilities	90,736	43,144	43,113
Suppliers and providers of services	929,666	636,391	712,117
Other payables	713,225	546,103	612,039
	<u>2,050,932</u>	<u>1,586,489</u>	<u>1,530,515</u>
Long-Term Liabilities			
Credit from banking institutions and others	630,116	325,972	278,084
Bonds	462,925	356,341	436,800
Leasing liabilities	642,075	176,619	172,621
Other liabilities	186,683	375,185	158,600
Employee benefit liabilities, net	25,895	18,426	18,912
Deferred taxes	79,441	87,593	54,031
	<u>2,027,135</u>	<u>1,340,136</u>	<u>1,119,048</u>
Equity			
Equity attributable to equity holders of the Company	553,361	475,763 *)	489,516
Non-controlling interests	670,749	436,490 *)	438,864
Total equity	<u>1,224,110</u>	<u>912,253</u>	<u>928,380</u>
	<u>5,302,177</u>	<u>3,838,878</u>	<u>3,577,943</u>

*) Reclassified.

<u>August 30, 2021</u>			
Date of approval of financial statements	<u>E. Vessely</u> Chief Financial Officer	<u>M. Salkind</u> Joint General Manager	<u>M. Fridman</u> Chairman of the Board of Directors

ELCO LIMITED

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

	Six months ended June 30		Three months ended June 30		Year ended December 31
	2021	2020	2021	2020	2020
	Unaudited		Unaudited		Audited
Revenues, net	1,933,085	1,579,942	1,043,621	781,662	3,364,424
Adjustment of the fair value and the results of the disposal of income-generating assets, net	15,819	(870)	15,863	(870)	(1,811)
Group's share of the profits of companies accounted for at equity, net	13,201	8,603	8,609	4,786	12,713
Other income	5,866	2,233	4,102	359	4,234
Total	1,967,971	1,589,908	1,072,195	785,937	3,379,560
Cost of producing revenues	(1,615,440)	(1,354,705)	(863,937)	(667,428)	(2,880,288)
Selling and marketing expenses	(110,340)	(76,934)	(64,214)	(37,720)	(170,606)
Administrative and general expenses	(66,262)	(53,901)	(36,796)	(25,893)	(111,632)
Other expenses	(8,908)	(3,202)	(7,401)	(1,452)	(15,653)
Financing income	6,268	8,401	3,191	2,205	10,441
Financing expenses	(28,879)	(29,010)	(16,980)	(13,273)	(55,068)
Total	(1,823,561)	(1,509,351)	(986,137)	(743,561)	(3,222,806)
Income before taxes on income	144,410	80,557	86,058	42,376	156,754
Taxes on income	(27,704)	(23,178)	(20,748)	(11,721)	(40,461)
Income from continuing operations	116,706	57,379	65,310	30,655	116,293
Operating income from discontinued operations, net	-	7,217	-	3,077	61,736
Net income	116,706	64,596	65,310	33,732	178,029
Attributable to:					
Equity holders in the Company	60,932	33,602	31,471	16,515	87,130
Non-controlling interest	55,774	30,994	33,839	17,217	90,899
	116,706	64,596	65,310	33,732	178,029
Earnings per share - attributable to the Equity holders of the Company:					
Basic - Earnings					
From continuing operations	2.23	1.11	1.15	0.56	1.99
From discontinued operations	-	0.12	-	0.04	1.19
	2.23	1.23	1.15	0.60	3.18
Fully diluted - Earnings					
From continuing operations	2.18	1.01	1.12	0.54	1.87
From discontinued operations	-	0.12	-	0.04	1.18
	2.18	1.13	1.12	0.58	3.05

ELCO LIMITED

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

	Six months ended		Three months ended		Year ended
	June 30		June 30		December 31
	2021	2020	2021	2020	2020
	Unaudited		Unaudited		Audited
Net income	116,706	64,596	65,310	33,732	178,029
Other comprehensive income (loss) (after tax effects):					
<u>Amounts that will never be reclassified to profit or loss:</u>					
Gain from the re-measurement of defined benefit plans, net	-	366	-	-	665
<u>Amounts that will be classified or reclassified to the profit or loss, when specific conditions are met:</u>					
Adjustments deriving from the translation of the financial statements of foreign operations, net	2,594	(11,031)	(5,326)	(8,660)	(41,950)
Realization of reserve on translation differences on foreign operations	278	-	(1,813)	-	-
Gain on hedging transactions, net	1,324	4,661	580	(722)	922
	<u>4,196</u>	<u>(6,370)</u>	<u>(6,559)</u>	<u>(9,382)</u>	<u>(41,028)</u>
Total other comprehensive income (loss)	4,196	(6,004)	(6,559)	(9,382)	(40,363)
Total comprehensive income	120,902	58,592	58,751	24,350	137,666
Comprehensive income attributable to:					
Equity holders in the company	60,920	30,476	25,323	9,789	64,348
Non-controlling interests	59,982	28,116	33,428	14,561	73,318
	<u>120,902</u>	<u>58,592</u>	<u>58,751</u>	<u>24,350</u>	<u>137,666</u>

ELCO LIMITED

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

	Attributable to equity holders in the company											Non-controlling interests	Total equity
	Share capital	Share premium	Treasury shares	Retained earnings	Capital reserve on transactions with controlling interests	Capital reserve on financial assets at fair value through other comprehensive income	Capital reserve on hedging transactions	Capital reserve on the re-measurement of defined benefit plans	Adjustments deriving from the translation of financial Statements	Capital reserve on share-based payment	Total		
Balance as of January 1, 2021 (Audited)	34,968	18,577	(64,980)	671,268	310	(59,069)	3,007	(627)	(123,758)	9,820	489,516	438,864	928,380
Net income	-	-	-	60,932	-	-	-	-	-	-	60,932	55,774	116,706
Total other comprehensive income (loss)	-	-	-	-	-	-	636	-	(648)	-	(12)	4,208	4,196
Total comprehensive income (loss)	-	-	-	60,932	-	-	636	-	(648)	-	60,920	59,982	120,902
Cost of share-based payment	-	-	-	-	-	-	-	-	-	340	340	1,809	2,149
Dividend to shareholders in the company	-	-	-	(12,270)	-	-	-	-	-	-	(12,270)	-	(12,270)
Dividend to non-controlling interests	-	-	-	(2,952)	-	-	-	-	-	-	(2,952)	(19,919)	(22,871)
Acquisition of treasury shares in the company and in subsidiary companies	-	-	(6,534)	(1,479)	-	-	-	-	-	-	(8,013)	(1,575)	(9,588)
Exercise of option warrants	-	522	-	-	-	-	-	-	-	(517)	5	-	5
Non-controlling interests in initially consolidated companies	-	-	-	-	-	-	-	-	-	-	-	178,968	178,968
Issuance of capital/purchase and sale of shares in consolidated companies	-	-	-	18,274	-	3,045	24	56	4,416	-	25,815	12,620	38,435
As of June 30, 2021	34,968	19,099	(71,514)	733,773	310	(56,024)	3,667	(571)	(119,990)	9,643	553,361	670,749	1,224,110

ELCO LIMITED

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

	Attributable to equity holders in the company											Non-controlling interests	Total equity
	Share capital	Share premium	Treasury shares	Retained earnings	Capital reserve on transactions with controlling interests	Capital reserve on financial assets at fair value through other comprehensive income	Capital reserve on hedging transactions	Capital reserve on the re-measurement of defined benefit plans	Adjustments deriving from the translation of financial Statements	Capital reserve on share-based payment	Total		
Balance as of January 1, 2020 (Audited)	34,968	18,539	(63,947)	573,629 *	310	(59,069)	2,599	(996)	(102,717)	8,996	412,312	352,625 *	764,937
Net income	-	-	-	33,602	-	-	-	-	-	-	33,602	30,994	64,596
Total other comprehensive income (loss)	-	-	-	-	-	-	2,510	199	(5,835)	-	(3,126)	(2,878)	(6,004)
Total comprehensive income (loss)	-	-	-	33,602	-	-	2,510	199	(5,835)	-	30,476	28,116	58,592
Cost of share-based payment	-	-	-	-	-	-	-	-	-	499	499	1,839	2,338
Dividend to shareholders in the company	-	-	-	(11,350)	-	-	-	-	-	-	(11,350)	-	(11,350)
Dividend to non-controlling interests	-	-	-	(4,231)	-	-	-	-	-	-	(4,231)	(31,596)	(35,827)
Acquisition of treasury shares in the company and in subsidiary companies	-	-	(1,033)	(1,702)	-	-	-	-	-	-	(2,735)	(1,457)	(4,192)
Transaction with non-controlling interests	-	-	-	8	-	-	-	-	-	-	8	863	871
Issuance of capital /purchase and sale of shares in consolidated companies	-	-	-	48,769	-	-	11	(9)	2,013	-	50,784	86,100	136,884
Balance as of June 30, 2020	34,968	18,539	(64,980)	638,725	310	(59,069)	5,120	(806)	(106,539)	9,495	475,763	436,490	912,253

*) 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 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 April 1, 2021	34,968	18,577	(64,980)	704,753	310	(56,024)	3,389	(570)	(113,989)	9,998	536,432	456,790	993,222
Net income	-	-	-	31,471	-	-	-	-	-	-	31,471	33,839	65,310
Total other comprehensive income (loss)	-	-	-	-	-	-	280	-	(6,428)	-	(6,148)	(411)	(6,559)
Total comprehensive income (loss)	-	-	-	31,471	-	-	280	-	(6,428)	-	25,323	33,428	58,751
Cost of share-based payment	-	-	-	-	-	-	-	-	-	162	162	958	1,120
Dividend to non-controlling interests	-	-	-	(416)	-	-	-	-	-	-	(416)	(493)	(909)
Acquisition of treasury shares in the company and in subsidiary companies	-	-	(6,534)	(411)	-	-	-	-	-	-	(6,945)	(442)	(7,387)
Exercise of option warrants	-	522	-	-	-	-	-	-	-	(517)	5	-	5
Non-controlling interests in initially consolidated companies	-	-	-	-	-	-	-	-	-	-	-	178,968	178,968
Issuance of capital/purchase and sale of shares in consolidated companies	-	-	-	(1,624)	-	-	(2)	(1)	427	-	(1,200)	1,540	340
As of June 30, 2021	34,968	19,099	(71,514)	733,773	310	(56,024)	3,667	(571)	(119,990)	9,643	553,361	670,749	1,224,110

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 April 1, 2020	34,968	18,539	(64,980)	595,595 *	310	(59,069)	5,549	(806)	(100,605)	9,262	438,763	369,803 *	808,566
Net income	-	-	-	16,515	-	-	-	-	-	-	16,515	17,217	33,732
Total other comprehensive loss	-	-	-	-	-	-	(429)	-	(6,297)	-	(6,726)	(2,656)	(9,382)
Total comprehensive income (loss)	-	-	-	16,515	-	-	(429)	-	(6,297)	-	9,789	14,561	24,350
Cost of share-based payment	-	-	-	-	-	-	-	-	-	233	233	1,061	1,294
Dividend to non-controlling interests	-	-	-	(254)	-	-	-	-	-	-	(254)	(2,333)	(2,587)
Acquisition of treasury shares in the company	-	-	-	(75)	-	-	-	-	-	-	(75)	(78)	(153)
Issuance of capital /purchase and sale of shares in consolidated companies	-	-	-	26,944	-	-	-	-	363	-	27,307	53,476	80,783
Balance as of June 30, 2020	34,968	18,539	(64,980)	638,725	310	(59,069)	5,120	(806)	(9,495	475,763	436,490	912,253

*) 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		
Balance as of January 1, 2020	34,968	18,539	(63,947)	573,629	310	(59,069)	2,599	(996)	(102,717)	8,996	412,312	352,625	764,937
Net income	-	-	-	87,130	-	-	-	-	-	-	87,130	90,899	178,029
Total other comprehensive income (loss)	-	-	-	-	-	-	514	333	(23,629)	-	(22,782)	(17,581)	(40,363)
Total comprehensive income (loss)	-	-	-	87,130	-	-	514	333	(23,629)	-	64,348	73,318	137,666
Cost of share-based payment	-	-	-	-	-	-	-	-	-	862	862	4,966	5,828
Dividend to shareholders in the company	-	-	-	(17,485)	-	-	-	-	-	-	(17,485)	-	(17,485)
Dividend to non-controlling interests	-	-	-	(3,914)	-	-	-	-	-	-	(3,914)	(93,970)	(97,884)
Acquisition of treasury shares in the company and in subsidiary companies	-	-	(1,033)	(2,555)	-	-	-	-	-	-	(3,588)	(2,363)	(5,951)
Transactions with non-controlling interests	-	-	-	(16,286)	-	-	-	-	-	-	(16,286)	(16,956)	(33,242)
Exercise of option warrants	-	38	-	-	-	-	-	-	-	(38)	-	-	-
Issuance of capital /purchase and sale of shares in consolidated companies	-	-	-	50,749	-	-	(106)	36	2,588	-	53,267	121,244	174,511
As of December 31, 2020	34,968	18,577	(64,980)	671,268	310	(59,069)	3,007	(627)	(123,758)	9,820	489,516	438,864	928,380

ELCO LIMITED

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

	Six months ended		Three months ended		Year ended
	June 30		June 30		December 31
	2021	2020	2021	2020	2020
	Unaudited		Unaudited		Audited
Cash flows from operating activities:					
Net income	116,706	64,596	65,310	33,732	178,029
Adjustments required in order to present the cash flows from operating activities (Appendix A')	(128,809)	29,016	8,444	48,614	136,283
Net cash generated by (absorbed) by operating activities (before acquisition of and investment in land)	(12,103)	93,612	73,754	82,346	314,312
Acquisition of and investment in land *)	(71,679)	(14,046)	(3,253)	(12,826)	(33,300)
Net cash generated by (absorbed) by operating activities ***)	(83,782)	79,566	70,501	69,520	281,012
Cash flows from investment activities:					
Acquisition of fixed assets and intangible assets	(70,738)	(48,273)	(47,632)	(17,657)	(102,344)
Capitalization of customer acquisition costs	-	(2,068)	-	(969)	(2,571)
Acquisition and construction of income generating assets	(121)	(465)	(39)	(420)	-
Newly consolidated subsidiaries and activities (Appendix B')	(18,622)	(15,153)	(18,350)	(313)	(15,153)
Proceeds from sale of investments in previously consolidated subsidiary (appendix C')	1,370	-	1,370	-	148,963
Change in investment in and loans to investee companies, net	(187,539)	(42,019)**)	(159,898)	(49,766)	4,586
Consideration from (purchase of) of short-term investments, net	12,307	(8,441)	41,686	(7,661)	(8,404)
Consideration from the disposal of fixed and income-generating assets and investments	19,234	4,238	8,406	496	16,236
Decrease (increase) in long-term loans and deposits	10,750	(1,618)	1,279	618	2,850
Net cash generated (absorbed) by investment activities ***)	(233,359)	(113,799)	(173,178)	(75,672)	44,163
Cash flows from financing activities:					
Dividend paid to shareholders in the company	(12,270)	(11,350)	(12,270)	(11,350)	(17,485)
Dividend to non-controlling interests	(37,899)	(23,078)	(15,138)	(17,160)	(81,529)
Issuance of bonds	54,384	-	24,025	-	122,997
Self-purchase of the company's bonds	-	(299)	-	-	(299)
Repayment of long-term liabilities	(196,025)	(93,767)**)	(91,465)	(64,129)	(399,742)
Repayment of leasing liabilities	(29,835)	(26,076)	(18,323)	(12,880)	(46,143)
Receipt of long-term liabilities	318,182	68,768	286,311	13,676	148,868
Short-term bank credit, net	44,947	33,621	(50,375)	(1,115)	(60,272)
Acquisition of a partner's share in a sub-subsidiary company	-	(2,852)	-	(2,852)	(3,444)
Exercise of option warrants issuance of capital/sale of shares to non-controlling interests	46,405	136,884	393	80,783	165,648
Purchase of treasury shares in the company and in consolidated companies	(9,588)	(4,192)	(7,387)	(153)	(5,951)
Net cash generated (absorbed) by financing activities ***)	178,301	77,659	115,771	(15,180)	(177,352)
Translation differences in respect of cash and cash equivalents balances	(126)	(1,125)	(444)	(1,608)	(4,668)
Increase (decrease) in cash and cash equivalents	(138,966)	42,301	12,650	(22,940)	143,155
Balance of cash and cash equivalents at the beginning of the period	426,637	283,482	275,021	348,723	283,482
Balance of cash and cash equivalents at the end of the period	287,671	325,783	287,671	325,783	426,637

*) The acquisition of and investment in land are presented under inventories of real estate and rights in real estate, including monies that have been deposited in trust for a transaction for the acquisition of real estate that has not yet been completed as of the reporting date and which are presented under other receivables.

***) reclassified.

***) includes cash in respect of discontinued operations.

ELCO LIMITED

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

Appendix A' - Adjustments required in order to present the cash flows from operating activities:

	Six months ended		Three months ended		Year ended
	June 30		June 30		December 31
	2021	2020	2021	2020	2020
	Unaudited		Unaudited		Audited
Income and expenses not involving cash flows:					
The Group's share of the profits of companies accounted for at equity, net	(13,201)	(8,431)	(6,518)	(4,704)	(12,515)
Dividends and interest received from companies accounted for at equity	6,740	8,625	4,946	7,533	13,438
Success fee in respect of increase in the value of housing complexes (Promote)	(41,727)	(10,825)	(30,585)	(8,999)	(27,916)
Realization of reserve on translation differences on foreign operations	278	-	(1,813)	-	-
Adjustment of fair value and the results of the disposal of income-generating assets, net	(15,819)	870	(15,863)	870	1,811
Depreciation and amortization	69,480	58,323	41,399	29,090	111,632
Amortization of customer acquisition expenses	-	2,519	-	1,145	2,901
Impairment in the investment in a company accounted for at equity	2,834	-	2,834	-	10,420
Gain on the self-purchase of the company's bonds	-	(77)	-	-	(77)
Deferred taxes, net	3,608	4,668	9,048	3,583	(33,585)
Change in employee benefit liabilities	875	(23)	149	(281)	236
loss (gain) on the sale of fixed assets and other investments	402	(77)	485	110	(612)
Gain from the sale of a subsidiary	(621)	-	(621)	-	(69,943)
Erosion of long-term receivable and liabilities, net	6,137	5,533	6,329	4,527	15,097
Increase in the value of short-term investments	(95)	(739)	(9)	59	(840)
Cost of share-based payment	2,149	2,338	1,120	1,294	5,828
Changes in asset and liability items:					
Decrease(increase) in inventory and inventory of real estate (before acquisition of and investment in land)	(41,379)	(10,912)	(8,836)	(19,252)	18,090
Decrease (increase) in trade receivables	(20,240)	7,991	24,031	40,455	(30,484)
Increase in other accounts receivable	(46,858)	(1,029)	(16,516)	(6,342)	(8,736)
Increase (decrease) in suppliers and providers of services	(32,003)	(42,433)	(20,231)	10,395	76,574
Increase (decrease) in other accounts payable	(9,369)	12,695	19,095	(10,869)	64,964
	<u>(128,809)</u>	<u>29,016</u>	<u>8,444</u>	<u>48,614</u>	<u>136,283</u>

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

Appendix B' - Acquisition of initially consolidated subsidiaries

The subsidiaries' assets and liabilities at date of acquisition:

	Six months ended		Three months ended		Year ended
	June 30		June 30		December 31
	2021	2020	2021	2020	2020
	Unaudited		Unaudited		Audited
Working capital, net (except cash)	424,346	1,050	424,206	396	1,050
Fixed assets	(89,569)	(2,363)	(89,557)	(6)	(2,363)
Right-of-use assets	(458,960)	(1,366)	(458,960)	-	(1,366)
Intangible assets	(143,448)	(6,523)	(142,928)	(336)	(6,523)
Goodwill	(595,579)	(22,006)	(595,579)	(569)	(22,006)
Other non-current assets	(5,786)	-	(5,786)	-	-
Deferred taxes	12,557	(287)	12,437	(287)	(287)
Leasing liabilities	513,401	1,371	513,401	-	1,371
Non-current liabilities	124,206	-	124,206	260	-
Liability for put option, conditional consideration and future dividends for non-controlling interests	21,242	14,742	21,242	-	14,742
Non-controlling interests	178,968	-	178,968	-	-
Gain on the removal of previous relationships	-	229	-	229	229
	<u>(18,622)</u>	<u>(15,153)</u>	<u>(18,350)</u>	<u>(313)</u>	<u>(15,153)</u>

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

The subsidiary's assets and liabilities at date of sale:

	Six months ended		Three months ended		Year ended
	June 30		June 30		December 31
	2021	2020	2021	2020	2020
	Unaudited		Unaudited		Audited
Working capital, net (except cash and cash equivalents)	4,079	-	4,079	-	(45,733)
Long-term receivables	76	-	76	-	-
Fixed assets	427	-	427	-	31,474
Right-of-use assets	-	-	-	-	4,151
Intangible assets	1,114	-	1,114	-	23,112
Goodwill	-	-	-	-	243,156
Deferred taxes	-	-	-	-	13,390
Credit from banking institutions and others	(2,554)	-	(2,554)	-	-
Leasing liabilities	-	-	-	-	(4,816)
Other non-current liabilities	(205)	-	(205)	-	(183,246)
Non-controlling interests	-	-	-	-	(2,468)
Receivables for the realization of an investment in a consolidated company	(2,188)	-	(2,188)	-	-
Gain from sale of a subsidiary	621	-	621	-	69,943
	<u>1,370</u>	<u>-</u>	<u>1,370</u>	<u>-</u>	<u>148,963</u>

ELCO LIMITED

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

Appendix D' - Further information on cash flows

	Six months ended		Three months ended		Year ended
	June 30		June 30		December 31
	2021	2020	2021	2020	2020
	Unaudited		Unaudited		Audited
Cash paid in the period for:					
Interest	<u>45,537</u>	<u>23,380</u>	<u>31,668</u>	<u>12,907</u>	<u>42,886</u>
Taxes on income	<u>24,424</u>	<u>17,038</u>	<u>13,269</u>	<u>7,514</u>	<u>61,305</u>
Cash received for:					
Interest	<u>11,022</u>	<u>1,976</u>	<u>10,449</u>	<u>699</u>	<u>5,357</u>
Taxes on income	<u>5,717</u>	<u>2,082</u>	<u>3,621</u>	<u>285</u>	<u>3,087</u>

Appendix E' – Significant activities not involving cash flows

	Six months ended		Three months ended		Year ended
	June 30		June 30		December 31
	2021	2020	2021	2020	2020
	Unaudited		Unaudited		Audited
Acquisition of fixed assets, investment property and intangible assets	<u>1,709</u>	<u>1,358</u>	<u>137</u>	<u>-</u>	<u>16,496</u>
Liability for the acquisition of holdings of non-controlling interests in a consolidated company	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>41,093</u>

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL INFORMATION**Note 1 - General**

The accompanying Financial Information, is derived from the Hebrew version of the Company's interim consolidated financial statement as of June 30, 2021 and for the periods of six months and of 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, 2020 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 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, the public transport field and the shuttle services field. |
| Electra Consumer Products | - Operates in Israel in the importing, manufacturing, exporting, marketing, sale and distribution of electrical consumer products and in the provision of services for products, in the operation of retail marketing chains for the sale of electrical products, in the operation in the foods retail field 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 | - Operates in the marketing, sale and distribution of LPG and LPG consuming products, in marketing and sale of Natural gas, electricity and thermal energy. |
| Other activities | - Include, inter alia, the theater of dreams operations, DIC and MIP. |

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

As stated in Note 1D to the consolidated annual financial statements, as from the first quarter of 2020, 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).

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 in the reporting period, a considerable portion of the population has already been vaccinated against the virus and as a result there has been a significant decrease in the morbidity figures in the State of Israel, which has led the State of Israel to make the decision to remove most such restrictions. However, after the reporting date, as from July 2021, the State of Israel has decided to reimpose certain restrictions, in light of the outbreak of an additional wave of the virus, inter alia, following the existence of new mutations of the virus in Israel, which are highly infectious.

The Group has not been affected significantly as a result of the crisis and the Company's management does not expect, at this stage, that it will be adversely affected significantly as a result of the crisis, except for the impact on the theater of dreams activity, primarily in the first quarter of 2021, and the reduction of MIP's operations in England, following which it was decided to close the operations in that country.

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. If the crisis were to continue and to deepen and if it were to lead to a significant slow-down in business activity in Israel and across the globe, then this could have a significant impact on the financial results of each of the Group's operating segments, even though at this stage the Company's management is unable to assess and to quantify that impact.

Note 4 - Convenience translation

The Interim Consolidate Financial Information in US Dollars is a translation of the statements as prepared in New Israeli Shekels ("NIS" or "Shekel") at the rate of exchange of the Shekel for the US Dollar prevailing on June 30, 2021 (NIS 3.26 = 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.