

ELCO LIMITED

Annual Report
Convenience Translation into US Dollars

2016

ELCO LIMITED

CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2016

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Auditors' Report to the Shareholders of Elco Ltd.

Regarding the Audit of Components of Internal Control over Financial Reporting

Pursuant to Section 9b(c) to the Israeli Securities Regulations (Periodic and Immediate Reports), 1970

We have audited the components of the internal control over financial reporting of Elco Ltd. and its subsidiaries (hereinafter, collectively- the Company) as of December 31, 2016. These control components were determined as explained in the following paragraph. The Company's Board of Directors and management are responsible for maintaining effective internal control over financial reporting and for their assessment of the effectiveness of the components of the internal control over financial reporting included in the accompanying periodic report for said date. Our responsibility is to express an opinion on the Company's components of internal control over financial reporting based on our audits.

We did not audit the components of the internal control over financial reporting of a subsidiary company that has been consolidated, the assets and revenues of which that have been included in the consolidation constitute approximately 17% and approximately 2% respectively of the relevant amounts in the consolidated financial statements as of December 31, 2016 and for the year ended on that date. The effectiveness of the components of the internal control over financial reporting of that company were audited by other auditors whose reports have been furnished to us and our opinion, is so far as it related to the effectiveness of the components of the internal control over financial reporting of that company is based on the reports of the other auditors.

The components of internal control over financial reporting that have been audited were determined in conformity with Auditing standard 104 of the Institute of Certified Public Accountants in Israel, "Audit of Components of Internal Control over Financial Reporting" and the amendments thereto, ("Auditing Standard 104"). These components consist of: (1) entity level controls, including financial reporting preparation and close process controls and information technology general controls, (2) controls over the recording of income from works under construction contracts, (3) controls over the inventory of real estate and income-generating real estate, (4) controls over income from rentals and management fees from income-generating real estate, (5) controls over loans to finance income-generating real estate and (6) controls over inventory and the purchase of inventory (hereinafter, collectively- the audited control components).

We conducted our audit in accordance with Auditing Standard 104. That standard requires that we plan and perform the audit to identify the audited control components and obtain reasonable assurance about whether these control components have been effectively maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, identifying the audited control components, assessing the risk that a material weakness exists regarding the audited control components and testing and evaluating the design and operating effectiveness of the audited control components based on the assessed risk. Our audit of these control components also included performing such other procedures as we considered necessary in the circumstances. Our audit only addressed the audited control components, as opposed to internal control over all the material processes in connection with financial reporting and therefore, our opinion addresses solely the audited control components. Moreover, our audit did not address any reciprocal effects between the audited control components and unaudited ones and accordingly, our opinion does not take into account any such possible effects. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion within the context described above.

Because of its inherent limitations, internal control over financial reporting as a whole and specifically the components therein, may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in circumstances, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, based on our audit and the reports of other auditors, the Company has effectively maintained, in all material aspects, the audited control components as of December 31, 2016.

We have also audited the Company's consolidated financial statements as of December 31, 2016 and 2015 and for each of the three years in the period ended December 31, 2016, in accordance with generally accepted auditing standards in Israel and our report, dated March 29, 2017, included an unqualified opinion on those financial statements, based on our audit and the reports of the other auditors.

AUDITORS' REPORT TO THE SHAREHOLDERS OF ELCO LIMITED

We have audited the accompanying consolidated statements of financial position of Elco Ltd. (hereinafter- the Company) as of December 31, 2016 and 2015 and the consolidated statements of profit or loss, of comprehensive income, of changes in equity and of cash flows for each of the three years in the period ended on December 31, 2016. These financial statements are the responsibility of the Company's Board of Directors and management. Our responsibility is to express an opinion on these financial statements based on our audits.

We did not audit the financial statements of certain subsidiaries, whose assets constitute approximately 18% and approximately 19% of the total consolidated assets as of December 31, 2016 and 2015, respectively, and whose revenues constitute approximately 6%, approximately 5% and approximately 4% of the total consolidated revenues for the years ended December 31, 2016, 2015 and 2014, respectively. Furthermore, we did not audit the financial statements of certain companies accounted for at equity, the investments in which amounted to approximately US\$ 71,337 thousand and approximately US\$ 67,609 thousand as of December 31, 2016 and 2015, respectively and the Company's shares of their profits amounted to approximately US\$ 2,829 thousand, approximately US\$ 2,328 thousand and approximately US\$ 2,276 thousand for the years ended December 31, 2016, 2015 and 2014, respectively. The financial statements of 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 statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. 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 statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinion.

The attached financial statements in US Dollars are a convenience translation of the statements as prepared in New Israeli Shekels at the rate of exchange of the Shekel into US Dollars prevailing on December 31, 2016 (see Note 2 to the financial statements).

In our opinion, based on our audit and on the reports of the other auditors, the abovementioned financial statements present fairly, in all material respects, the financial position of the Company and its consolidated companies as of December 31, 2016 and 2015, and the results of their operations, changes in equity and cash flows for each of the three years in the period ended December 31, 2016, and this in accordance with International Financial Reporting Standards (IFRS) and the provisions in accordance with the Securities Regulations (Annual Financial Statements) - 2010.

We have also audited components of internal control over financial reporting of the Company as of December 31, 2016, in accordance with Auditing Standard 104 of the Institute of Certified Public Accountants in Israel "Audit of Components of Internal Control over Financial Reporting" and our report, dated March 29, 2017, included an unqualified opinion on the effective maintenance of those components.

KOST FORER GABBAY & KASIERER
Certified Public Accountants

March 29, 2017

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

	December 31	
	2016	2015
Current assets		
Cash and cash equivalents	258,900	200,110
Short-term investments	50,307	32,491
Trade receivables	309,986	283,877
Other receivables	256,083	244,238
Inventory, inventory of real estate and residential apartments	227,858	241,266
Assets held for sale	51,635	250,709
	<u>1,154,769</u>	<u>1,252,691</u>
Non-current assets		
Long-term receivables	23,098	20,733
Receivables for concession arrangement for the provision of services	25,888	28,409
Investments in entities accounted for at equity	317,160	297,734
Long-term inventory of real estate	15,224	16,240
Income-generating assets	93,012	124,481
Fixed Assets	86,731	77,274
Goodwill and other intangible assets	201,675	183,754
Deferred taxes	978	5,166
	<u>763,766</u>	<u>753,791</u>
	<u><u>1,918,535</u></u>	<u><u>2,006,482</u></u>

The accompanying notes are an integral part of the consolidated financial statements.

March 29, 2017
Date of the approval of the financial statements

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

	December 31	
	2016	2015
Current Liabilities		
Credit from banks and others	67,778	92,028
Bonds - current maturities	61,316	116,311
Suppliers and providers of services	396,782	377,841
Other payables	351,978	291,738
Liabilities in respect of assets held for sale	<u>21,949</u>	<u>32,696</u>
	<u>899,803</u>	<u>910,614</u>
Non-Current Liabilities		
Liabilities to banks and financial institutions	59,711	180,751
Bonds	333,756	409,520
Other liabilities	73,672	58,584
Employee benefit liabilities, net	14,367	14,028
Deferred taxes	<u>37,686</u>	<u>42,424</u>
	<u>519,192</u>	<u>705,307</u>
Equity		
Equity attributable to shareholders in the company	275,738	187,164
Non-controlling interests	<u>223,802</u>	<u>203,397</u>
Total equity	<u>499,540</u>	<u>390,561</u>
	<u><u>1,918,535</u></u>	<u><u>2,006,482</u></u>

The accompanying notes are an integral part of the consolidated financial statements.

E. Vessely
Chief Financial Officer

D. Salkind
Joint Managing Director

M. Friedman
Chairman of the Board of
Directors

ELCO LIMITED**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS****CONVENIENCE TRANSLATION INTO US DOLLARS** (in thousands)

	For the year ended December 31		
	2016	2015	2014
Continuing operations			
Revenues, net	2,112,295	1,922,154	1,711,909
Adjustment of the fair value and the results of the disposal of income-generating assets, net	6,806	(1,431)	(13,464)
Group's share of the profits of entities accounted for at equity, net	19,750	19,116	4,416
Other income	100,408	2,630	3,190
Total	2,239,259	1,942,469	1,706,051
Cost of producing revenues	(1,789,092)	(1,630,055)	(1,431,045)
Selling and marketing expenses	(178,021)	(171,445)	(181,745)
Administrative and general expenses	(69,808)	(65,638)	(56,565)
Other expenses	(4,226)	(4,398)	(23,023)
Financial income	12,711	11,502	9,321
Financing expenses	(42,270)	(43,516)	(54,515)
Total	(2,070,706)	(1,903,550)	(1,737,572)
Income (loss) before taxes on income	168,553	38,919	(31,521)
Taxes on income	(28,137)	(10,847)	(6,698)
Income (loss) from continuing operations	140,416	28,072	(38,219)
Operating income (loss) from discontinued operations	(5,379)	12	12,429
Net income (loss)	135,037	28,084	(25,790)
Attributable to:			
Shareholders in the company	101,916	10,514	(22,886)
Non-controlling interests	33,121	17,570	(2,904)
	135,037	28,084	(25,790)
Earnings (loss) per share - attributable to the Equity holders of the Company:			
Basic - Earnings (loss)			
From continuing operations	3.80	0.38	(1.28)
From discontinued operations	(0.11)	(0.01)	0.46
	3.69	0.37	(0.82)
Fully diluted - Earnings (loss)			
From continuing operations	3.78	0.37	(1.29)
From discontinued operations	(0.11)	(0.01)	0.46
	3.67	0.36	(0.83)

The accompanying notes are an integral part of the consolidated financial statements.

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

	For the year ended December 31		
	2016	2015	2014
Net income (loss)	<u>135,037</u>	<u>28,084</u>	<u>(25,790)</u>
Other comprehensive income (loss) (after tax effects):			
Amounts that will be classified or reclassified to profit or loss when specific conditions are met:			
Adjustments deriving from the translation of the financial statements of foreign operations, net	(12,899)	(36,815)	(4,284)
Gain (loss) on hedging transactions, net	<u>(1,085)</u>	<u>(3,309)</u>	<u>3,510</u>
	<u>(13,984)</u>	<u>(40,124)</u>	<u>(774)</u>
Amounts that will not be reclassified to profit or loss in subsequent periods:			
Gain (loss) on financial assets that are measured at fair value through other comprehensive income, net	-	(552)	29
Gain (loss) from the re-measurement of defined benefit plans, net	<u>(47)</u>	<u>(897)</u>	<u>1,183</u>
	<u>(47)</u>	<u>(1,449)</u>	<u>1,212</u>
Total other comprehensive income (loss)	<u>(14,031)</u>	<u>(41,573)</u>	<u>438</u>
Total comprehensive income (loss)	<u><u>121,006</u></u>	<u><u>(13,489)</u></u>	<u><u>(25,352)</u></u>
Comprehensive income (loss) attributable to:			
Shareholders in the company	92,995	(10,976)	(18,348)
Non-controlling interests	<u>28,011</u>	<u>(2,513)</u>	<u>(7,004)</u>
	<u><u>121,006</u></u>	<u><u>(13,489)</u></u>	<u><u>(25,352)</u></u>

The accompanying notes are an integral part of the consolidated financial statements.

ELCO LIMITED

CONSOLIDATED STATEMENTS 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, 2016	29,648	14,347	(48,013)	303,418	125	(47,772)	3,003	(843)	(83,003)	7,427	8,827	187,164	203,397	390,561
Net profit	-	-	-	101,916	-	-	-	-	-	-	-	101,916	33,121	135,037
Other comprehensive income (loss):														
Adjustments deriving from the translation of financial statements	-	-	-	-	-	-	-	-	(8,314)	-	-	(8,314)	(4,585)	(12,899)
Loss on the re-measurement of defined benefit plans	-	-	-	-	-	-	-	(30)	-	-	-	(30)	(17)	(47)
Loss on hedging transactions	-	-	-	-	-	-	(577)	-	-	-	-	(577)	(508)	(1,085)
Total other comprehensive loss	-	-	-	-	-	-	(577)	(30)	(8,314)	-	-	(8,921)	(5,110)	(14,031)
Total comprehensive income (loss)	-	-	-	101,916	-	-	(577)	(30)	(8,314)	-	-	92,995	28,011	121,006
Cost of share-based payment	-	-	-	-	-	-	-	-	-	481	-	481	2,730	3,211
Dividend to shareholders in the company	-	-	-	(5,307)	-	-	-	-	-	-	-	(5,307)	-	(5,307)
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(20,256)	(20,256)
Purchase of non-controlling interests	-	-	-	405	-	-	-	-	-	-	-	405	(3,503)	(3,098)
Issuance of shares to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	13,423	13,423
As of December 31, 2016	29,648	14,347	(48,013)	400,432	125	(47,772)	2,426	(873)	(91,317)	7,908	8,827	275,738	223,802	499,540

The accompanying notes are an integral part of the consolidated financial statements.

ELCO LIMITED

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

CONVENIENCE TRANSLATION INTO US DOLLARS (in thousands)

Attributable to equity holders of 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	Revaluation reserve	Total	Non-controlling interests	Total equity
Balance as of January 1, 2015	29,648	14,347	(48,013)	298,079	125	(47,450)	4,941	(313)	(64,420)	6,697	8,827	202,468	214,349	416,817
Changes following the initial implementation of IFRS 15	-	-	-	963	-	-	-	-	-	-	-	963	785	1,748
Balance as of January 1, 2015 following the initial implementation of IFRS 15	29,648	14,347	(48,013)	299,042	125	(47,450)	4,641	(313)	(64,420)	6,697	8,827	203,431	215,134	418,565
Net profit	-	-	-	10,514	-	-	-	-	-	-	-	10,514	17,570	28,084
Other comprehensive income (loss):														
Adjustments deriving from the translation of financial statements	-	-	-	-	-	-	-	-	(18,700)	-	-	(18,700)	(18,115)	(36,815)
Loss on the re-measurement of defined benefit plans	-	-	-	-	-	-	-	(530)	-	-	-	(530)	(367)	(897)
Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	(322)	-	-	-	-	-	(322)	(230)	(552)
Loss on hedging transactions	-	-	-	-	-	-	(1,938)	-	-	-	-	(1,938)	(1,371)	(3,309)
Total other comprehensive loss	-	-	-	-	-	(322)	(1,938)	(530)	(18,700)	-	-	(21,490)	(20,083)	(41,573)
Total comprehensive income (loss)	-	-	-	10,514	-	(322)	(1,938)	(530)	(18,700)	-	-	(10,976)	(2,513)	(13,489)
Cost of share-based payment	-	-	-	-	-	-	-	-	-	730	-	730	2,201	2,931
Dividend to shareholders in the company	-	-	-	(5,257)	-	-	-	-	-	-	-	(5,257)	-	(5,257)
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(12,333)	(12,333)
Purchase of treasury shares in subsidiary companies	-	-	-	(881)	-	-	-	-	117	-	-	(764)	(33)	(797)
Initially consolidated company	-	-	-	-	-	-	-	-	-	-	-	-	348	348
Issuance of shares to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	593	593
As of December 31, 2015	29,648	14,347	(48,013)	303,418	125	(47,772)	3,003	(843)	(83,003)	7,427	8,827	187,164	203,397	390,561

The accompanying notes are an integral part of the consolidated financial statements.

ELCO LIMITED

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

	Attributable to equity holders of the company												Non-controlling interests	Total equity
	Share capital	Share premium	Treasury shares	Retained earnings	Capital reserve on transactions with controlling interests	Capital reserve on financial assets at fair value through other comprehensive income	Capital reserve on hedging transactions	Capital reserve on the re-measurement of defined benefit plans	Adjustments deriving from the translation of financial Statements	Capital reserve on share-based payment	Revaluation reserve	Total		
Balance as of January 1, 2014	29,648	14,347	(46,713)	327,669	125	(47,467)	2,866	(939)	(66,240)	5,745	8,827	227,868	266,493	494,361
Loss	-	-	-	(22,886)	-	-	-	-	-	-	-	(22,886)	(2,904)	(25,790)
Other comprehensive income (loss):														
Adjustments deriving from the translation of financial statements	-	-	-	-	-	-	-	-	1,820	-	-	1,820	(6,104)	(4,284)
Gain on the re-measurement of defined benefit plans	-	-	-	-	-	-	-	626	-	-	-	626	557	1,183
Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	17	-	-	-	-	-	17	12	29
Gain on hedging transactions	-	-	-	-	-	-	2,075	-	-	-	-	2,075	1,435	3,510
Total other comprehensive income (loss)	-	-	-	-	-	17	2,075	626	1,820	-	-	4,538	(4,100)	438
Total comprehensive income (loss)	-	-	-	(22,886)	-	17	2,075	626	1,820	-	-	(18,348)	(7,004)	(25,352)
Cost of share-based payment	-	-	-	-	-	-	-	-	-	952	-	952	647	1,599
Loan for the purchase of shares	-	-	(1,300)	-	-	-	-	-	-	-	-	(1,300)	-	(1,300)
Dividend to shareholders in the company	-	-	-	(6,502)	-	-	-	-	-	-	-	(6,502)	-	(6,502)
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(41,312)	(41,312)
Purchase of treasury shares in subsidiary companies	-	-	-	(202)	-	-	-	-	-	-	-	(202)	(2,881)	(3,083)
Exit from consolidation of consolidated company	-	-	-	-	-	-	-	-	-	-	-	-	(2,052)	(2,052)
Initially consolidated company	-	-	-	-	-	-	-	-	-	-	-	-	424	424
Issuance of shares to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	34	34
As of December 31, 2014	29,648	14,347	(48,013)	298,079	125	(47,450)	4,941	(313)	(64,420)	6,697	8,827	202,468	214,349	416,817

The accompanying notes are an integral part of the consolidated financial statements.

ELCO LIMITED

CONSOLIDATED CASH FLOW STATEMENTS

CONVENIENCE TRANSLATION INTO US DOLLARS (in thousands)

	For the year ended December 31		
	2016	2015	2014
Cash flows from operating activities:			
Net income (loss)	135,037	28,084	(25,790)
Adjustments required in order to present the cash flows from operating activities (Appendix A')	(79,473)	31,909	87,882
Net cash generated by operating activities *)	<u>55,564</u>	<u>59,993</u>	<u>62,092</u>
Cash flows from investment activities:			
Acquisition of fixed assets, intangible assets and operations	(29,637)	(24,587)	(25,328)
Acquisition and construction of income generating assets	(6,905)	(10,740)	(7,726)
Newly consolidated subsidiaries and activities (Appendix B')	(10,641)	(6,197)	(2,811)
Exit from consolidation of previously consolidated companies (Appendix C')	-	-	2,685
Investment in shares of affiliated and other companies	(57,516)	(21,404)	(27,218)
(Purchase) sale of short-term investments, net	(24,516)	(5,678)	30,496
Consideration from the disposal of fixed and income-generating assets and investments	407,765	104,241	168,841
Collection of long-term loans and deposits	134	1,342	1,707
Net cash generated by investment activities *)	<u>278,684</u>	<u>36,977</u>	<u>140,646</u>
Cash flows from financing activities:			
Dividend paid to shareholders in the company	(5,307)	(5,257)	(6,502)
Dividend paid to non-controlling interests	(10,053)	(12,333)	(41,312)
Issuance of bonds	94,779	87,179	178,423
Repayment of long-term liabilities	(347,495)	(223,694)	(354,079)
Receipt of long-term liabilities	19,584	75,032	121,841
Short-term bank credit, net	(28,458)	(26,042)	(115,419)
Issuance of shares to non-controlling interests in consolidated companies	13,423	593	34
Purchase of treasury shares in the Company and in consolidated companies	(3,098)	(797)	(4,383)
Net cash absorbed by financing activities *)	<u>(266,625)</u>	<u>(105,319)</u>	<u>(221,397)</u>
Translation differences in respect of cash and cash equivalent balances	<u>(8,833)</u>	<u>(956)</u>	<u>2,634</u>
Increase (decrease) in cash and cash equivalents	58,790	(9,305)	(16,025)
Balance of cash and cash equivalents at the beginning of the year	<u>200,110</u>	<u>209,415</u>	<u>225,440</u>
Balance of cash and cash equivalents at the end of the year	<u>258,900</u>	<u>200,110</u>	<u>209,415</u>

*) Includes cash in respect of discontinued activities.

The accompanying notes are an integral part of the consolidated financial statements.

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

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

	For the year ended December 31		
	2016	2015	2014
Income and expenses not involving cash flows:			
The Group's share of the profits of companies accounted for at equity, net	(19,750)	(4,749)	(30,099)
Dividends and interest received from companies accounted for at equity	9,746	22,723	22,495
Adjustments of the fair value and the results of the disposal of income-generating assets, net	(6,806)	2,077	15,469
Depreciation and amortization	26,574	23,030	28,974
Deferred taxes, net	(22,216)	(12,702)	4,432
Increase in employee benefit liabilities	384	617	771
Capital loss (gain) on the sale of fixed assets and other investments	(97,995)	(1,941)	5,577
Gain as a result of an increase to control and initial consolidation	(1,980)	(808)	-
Revaluation of long-term receivables and liabilities, net	(3,686)	(1,748)	(8,071)
Increase in value of short-term investments	(2,329)	(493)	(104)
Cost of share-based payments	3,211	2,931	1,599
Changes in asset and liability items:			
Decrease in inventory and inventory of real estate	25,142	11,138	12,277
Increase in trade receivables	(25,088)	(11,372)	(6,885)
Increase in other accounts receivable	(16,047)	(30,875)	(42,177)
Increase in suppliers and providers of services	21,047	6,395	42,535
Increase in other accounts payable	30,320	27,686	41,089
	<u>(79,473)</u>	<u>31,909</u>	<u>87,882</u>

The accompanying notes are an integral part of the consolidated financial statements.

(00ELCO LIMITED)**CONSOLIDATED CASH FLOWS STATEMENTS
CONVENIENCE TRANSLATION INTO US DOLLARS (in thousands)****Appendix B' - Investment in newly consolidated subsidiaries and activities**

	For the year ended December 31		
	2016	2015	2014
Working capital, net (except cash)	4,261	(3,555)	(10)
Investment in marketable securities and deposits in trust	-	(582)	-
Fixed assets	(272)	(1,138)	(40)
Investment in entities accounted for at equity	1,940	347	1,387
Intangible assets	(21,378)	(6,734)	(2,943)
Goodwill	(5,511)	(5,634)	(2,178)
Deferred taxes	4,515	2,809	192
Non-current liabilities	276	1,900	357
Payables for conditional consideration	-	2,247	-
Liability for put option for non-controlling interests	3,548	2,987	-
Non-controlling interests	-	348	424
Gain as a result of an increase to control and initial consolidation	1,980	808	-
	<u>(10,641)</u>	<u>(6,197)</u>	<u>(2,811)</u>

Appendix C' - Exit from consolidation of previously consolidated companies

	For the year ended December 31		
	2016	2015	2014
Working capital, net (except cash)	-	-	(607)
Long-terms receivables	-	-	1,538
Income-generating assets	-	-	31,422
Non-current liabilities	-	-	(21,414)
Deferred taxes	-	-	(6,202)
Non-controlling interests	-	-	(2,052)
	<u>-</u>	<u>-</u>	<u>2,685</u>

The accompanying notes are an integral part of the consolidated financial statements

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

Appendix D' - Additional information on cash flows

	For the year ended December 31		
	2016	2015	2014
Cash paid during the year for:			
Interest	<u>36,401</u>	<u>39,830</u>	<u>53,550</u>
Income tax	<u>39,065</u>	<u>9,455</u>	<u>22,453</u>
Cash received during the year for:			
Interest	<u>4,017</u>	<u>2,819</u>	<u>3,113</u>
Income tax	<u>2,454</u>	<u>3,945</u>	<u>3,576</u>

Appendix E' - Significant activities not involving cash flows

	For the year ended December 31		
	2016	2015	2014
Dividend payable to non-controlling interests	<u>10,203</u>	<u>-</u>	<u>-</u>

The accompanying notes are an integral part of the consolidated financial statements

Note 1 - 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 three segments, in accordance with its investee companies, as follow:

- | | |
|----------------------------------|--|
| Electra | - Operates in the field of the production of and provision of services for buildings and infrastructure in Israel and abroad, including the installation and servicing of central air-conditioning systems, elevators, sanitation, infrastructure, electricity and plumbing, construction, the supervision and management of real estate, entrepreneurial real estate, management and maintenance of assets. |
| Electra Consumer Products | - Operates in Israel in the importation and marketing of electrical consumer products, including air-conditioners, cellular telephones, products in the Do-It-Yourself field, inter alia, through the marketing chains that it owns and in the manufacture of air-conditioners and the marketing of domestic air-conditioning systems across the globe. |
| Electra Real Estate | - Operates in the field of the acquisition, management and enhancement of housing complexes for rental in South-Eastern United States and in the field of income-generation and entrepreneurial estate in Israel and abroad. |

Note 2 - Convenience translation

The attached Financial Statements 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 to the US Dollar prevailing on December 31, 2016 (NIS 3.845 = 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 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. These financial statements have 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.