

**ELCO LIMITED**

**Interim Consolidated Financial Statements**

**As of March 31, 2018**

**Convenience Translation into U.S. Dollars**

**(Unaudited)**

# **ELCO LIMITED**

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## **Auditors' review report to the shareholders of Elco Holdings Ltd.**

### **Introduction**

We have reviewed the accompanying financial information of Elco Holdings Ltd. and its subsidiaries (hereinafter - the Group), which includes the condensed consolidated balance sheet as of March 31, 2018, the condensed consolidated statements of profit or loss, of comprehensive income, of changes in equity and of cash flows, for the period of three months ended on that date. The Company's board of directors and management are responsible for the preparation and presentation of financial information for this interim period, in accordance with International Accounting Standard IAS 34, "Interim Financial Reporting" and they are also responsible for the preparation of financial information for the interim period in accordance with Part D' of the Securities Regulations (Periodic and Immediate Reports) 1970. Our responsibility is to express a conclusion on this interim financial information based on our review.

We did not review the condensed financial information for the interim period of certain consolidated companies, whose assets constitute approximately 9% of the total consolidated assets as of March 31, 2018, and whose revenues constitute approximately 4% of the total consolidated revenues for the period of three months ended on that date. Furthermore, we did not review the condensed financial information for the interim period of companies that are accounted for at equity, the investment in which amounted to approximately US\$ 90,113 thousand as of March 31, 2018 and the Group's share of their profits amounted to approximately US\$ 681 thousand in the period of three months ended on that date. The condensed financial information of those companies for the interim period was reviewed by other auditors, whose review reports have been furnished to us, and our conclusion, insofar as it relates to amounts included for those companies, is based on the review reports of the other auditors.

### **The scope of the review**

We conducted our review in accordance with Review Standard 1 of the Institute of Certified Public Accountants in Israel, "The review of financial information for interim periods performed by the independent auditor of an Entity". A review of financial information for interim periods consists of making inquiries, primarily of the persons who are responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially reduced in scope from an audit conducted in accordance with generally accepted auditing standards in Israel and consequently it 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.

### **Conclusion**

Based on our review and the review reports of other auditors, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard IAS 34.

In addition to what is stated in the previous paragraph, based on our review and on the review reports of the other auditors, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not comply, from all material perspectives, with disclosure provisions in accordance with Part D' of the Securities Regulations (Periodic and Immediate Reports) 1970.

### **Convenience translation of the financial statements**

The interim financial statements in US Dollars were translated from the statements in New Israeli Shekels and have been prepared solely for the convenience of the reader (see Note 2 C).

Yours sincerely

KOST FORER GABBAY & KASIRER

Tel-Aviv, May 23, 2018

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

	<b>March 31</b>		<b>December 31</b>
	<b>2018</b>	<b>2017</b>	<b>2017</b>
	Unaudited		Audited
<b>Current assets</b>			
Cash and cash equivalents	177,305	148,362	210,728
Short-term investments	137,087	196,833	116,248
Trade receivables	381,862	335,267	391,018
Other accounts receivables	318,728	334,730	330,731
Inventory, inventory of real estate and residential apartments	345,036	286,454	288,592
Assets held for sale	23,540	68,706	27,910
	<u>1,383,558</u>	<u>1,370,352</u>	<u>1,365,227</u>
<b>Non-current assets</b>			
Long-term receivables	30,898	32,225	30,739
Receivables for concession arrangement for the provision of services	25,235	27,673	25,906
Investment in entities accounted for at equity	328,737	340,101	312,804
Long-term inventory of real estate	19,545	18,548	18,775
Income generating assets	164,035	101,760	162,488
Fixed assets	145,667	88,806	148,408
Goodwill and other intangible assets	601,638	291,315	589,070
Deferred tax assets	11,417	1,476	9,998
	<u>1,327,172</u>	<u>901,904</u>	<u>1,298,188</u>
	<u>2,710,730</u>	<u>2,272,256</u>	<u>2,663,415</u>

The accompanying notes form an integral part of the Interim Consolidated Financial Statements.

May 23, 2018  
Date of approval of financial statements

# ELCO LIMITED

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

	<u>March 31</u>		<u>December 31</u>
	<u>2018</u>	<u>2017</u>	<u>2017</u>
	Unaudited		Audited
<b>Current Liabilities</b>			
Credit from banking institutions and others	124,589	168,638	84,413
Bonds - current maturities	70,415	67,058	70,531
Suppliers and providers of services	478,953	407,520	517,879
Other payables	436,666	410,227	404,015
Dividend payable to shareholders in the Company	8,537	-	-
Liabilities in respect of assets held for sale	-	33,827	-
	<u>1,119,160</u>	<u>1,087,270</u>	<u>1,076,838</u>
<b>Long-Term Liabilities</b>			
Liabilities to banks and financial institutions	201,582	64,290	189,999
Bonds	361,282	364,993	361,661
Other liabilities	351,653	118,426	348,203
Employee benefit liabilities	15,802	15,481	16,256
Deferred taxes	57,980	48,227	55,759
	<u>988,299</u>	<u>611,417</u>	<u>971,878</u>
<b>Equity</b>			
Equity attributable to equity holders of the Company	329,412	320,218	334,798
Non-controlling interests	273,859	253,351	279,901
Total equity	<u>603,271</u>	<u>573,569</u>	<u>614,699</u>
	<u>2,710,730</u>	<u>2,272,256</u>	<u>2,663,415</u>

\_\_\_\_\_  
E. Vessely  
Chief Financial Officer

\_\_\_\_\_  
M. Salkind  
Joint General Manager

\_\_\_\_\_  
M. Fridman  
Chairman of the Board of  
Directors

# ELCO LIMITED

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

	Three months ended		Year ended
	March 31		December 31
	2018	2017	2017
	Unaudited		Audited
Revenues, net	646,421	561,661	2,576,478
Adjustment of the fair value and the results of the disposal of income-generating assets, net	(613)	(1,165)	3,551
Group's share of the profits of companies accounted for at equity, net	5,901	3,715	10,670
Other income	653	2,920	9,369
Total	652,362	567,131	2,600,068
Cost of producing revenues	(560,089)	(491,736)	(2,223,397)
Selling and marketing expenses	(38,925)	(31,614)	(154,992)
Administrative and general expenses	(21,660)	(18,460)	(79,156)
Other expenses	(363)	(849)	(8,015)
Financing income	4,149	5,817	16,491
Financing expenses	(14,198)	(11,563)	(52,982)
Total	(631,086)	(548,405)	(2,502,051)
<b>Income before taxes on income</b>	<b>21,276</b>	<b>18,726</b>	<b>98,017</b>
Taxes on income	(6,875)	(5,750)	(25,324)
Income from continuing operations	14,401	12,976	72,693
Operating income from discontinued operations, net	-	19,262	16,142
Reclassification from the translation differences reserve in connection with operation that have been disposed of in Canada	-	-	(15,682)
<b>Net income</b>	<b>14,401</b>	<b>32,238</b>	<b>73,153</b>
Attributable to:			
Equity holders in the Company	4,941	15,404	33,727
Non-controlling interest	9,460	16,834	39,426
	<b>14,401</b>	<b>32,238</b>	<b>73,153</b>
<b>Earnings per share - attributable to the Equity holders of the Company:</b>			
Basic - Earnings			
From continuing operations	0.18	0.18	1.26
From discontinued operations	-	0.38	(0.04)
	<b>0.18</b>	<b>0.56</b>	<b>1.22</b>
Fully diluted - Earnings			
From continuing operations	0.17	0.14	1.18
From discontinued operations	-	0.38	(0.04)
	<b>0.17</b>	<b>0.52</b>	<b>1.14</b>

The accompanying notes form an integral part of the Interim Consolidated Financial Statements.

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

	<b>Three months ended</b>		<b>Year ended</b>
	<b>March 31</b>		<b>December 31</b>
	<b>2018</b>	<b>2017</b>	<b>2017</b>
	Unaudited		Audited
<b>Net income</b>	<u>14,401</u>	<u>32,238</u>	<u>73,153</u>
Other comprehensive income (loss) (after tax effects):			
Amounts that will never be reclassified to profit or loss:			
Loss on financial assets that are measured at fair value through other comprehensive income, net	-	-	(1,847)
Loss from the re-measurement of defined benefit plans	-	-	(510)
	<u>-</u>	<u>-</u>	<u>(2,357)</u>
Amounts that will be classified or reclassified to the profit or loss, when specific conditions are met:			
Adjustments deriving from the translation of the financial statements of foreign operations, net	7,594	(9,074)	(13,744)
Reclassification from the translation differences reserve in connection with operation that have been disposed of in Canada	-	-	15,682
Gain (loss) on hedging transactions	418	(1,170)	695
	<u>8,012</u>	<u>(10,244)</u>	<u>2,633</u>
<b>Total other comprehensive loss</b>	<u>8,012</u>	<u>(10,244)</u>	<u>276</u>
<b>Total comprehensive income</b>	<u>22,413</u>	<u>21,994</u>	<u>73,429</u>
Comprehensive income attributable to:			
Equity holders in the company	9,313	8,941	34,293
Non-controlling interests	13,100	13,053	39,136
	<u>22,413</u>	<u>21,994</u>	<u>73,429</u>

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# ELCO LIMITED

## CONSOLIDATED STATEMENTS 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	Revaluation reserve	Total			
	Unaudited														
<b>Balance as of January 1, 2018</b>	<b>32,441</b>	<b>15,702</b>	<b>(52,536)</b>	<b>469,227</b>	<b>462</b>	<b>(53,396)</b>	<b>3,024</b>	<b>(1,120)</b>	<b>(97,678)</b>	<b>9,014</b>	<b>9,658</b>	<b>334,798</b>	<b>279,901</b>	<b>614,699</b>	
Changes following the initial implementation of IFRS 9	-	-	-	(743)	-	-	-	-	-	-	-	(743)	(667)	(1,410)	
<b>Balance as of January 1, 2018 following the initial implementation of IFRS 9</b>	<b>32,441</b>	<b>15,702</b>	<b>(52,536)</b>	<b>468,484</b>	<b>462</b>	<b>(53,396)</b>	<b>3,024</b>	<b>(1,120)</b>	<b>(97,678)</b>	<b>9,014</b>	<b>9,658</b>	<b>334,055</b>	<b>279,234</b>	<b>613,289</b>	
Net income	-	-	-	4,941	-	-	-	-	-	-	-	4,941	9,460	14,401	
Other comprehensive loss:															
Adjustments deriving from the translation of financial statements	-	-	-	-	-	-	-	-	4,152	-	-	4,152	3,442	7,594	
Gain on hedging transactions	-	-	-	-	-	-	220	-	-	-	-	220	198	418	
Total other comprehensive income	-	-	-	-	-	-	220	-	4,152	-	-	4,372	3,640	8,012	
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,941</b>	<b>-</b>	<b>-</b>	<b>220</b>	<b>-</b>	<b>4,152</b>	<b>-</b>	<b>-</b>	<b>9,313</b>	<b>13,100</b>	<b>22,413</b>	
Cost of share-based payment	-	-	-	-	-	-	-	-	-	49	-	49	769	818	
Dividend to shareholders in the company	-	-	-	(8,537)	-	-	-	-	-	-	-	(8,537)	-	(8,537)	
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(16,771)	(16,771)	
Acquisition of treasury shares in subsidiary companies	-	-	-	(3,851)	-	-	-	-	-	-	-	(3,851)	(3,374)	(7,225)	
Issuance of capital /sale of shares in a consolidated company to non-controlling interests	-	-	-	(1,652)	-	-	-	19	15	-	-	(1,618)	901	(717)	
Exercise of option warrants	-	1	-	-	-	-	-	-	-	-	-	1	-	1	
<b>As of March 31, 2018</b>	<b>32,441</b>	<b>15,703</b>	<b>(52,536)</b>	<b>459,385</b>	<b>462</b>	<b>(53,396)</b>	<b>3,244</b>	<b>(1,101)</b>	<b>(93,511)</b>	<b>9,063</b>	<b>9,658</b>	<b>329,412</b>	<b>273,859</b>	<b>603,271</b>	

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# ELCO LIMITED

## CONSOLIDATED STATEMENTS 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	Revaluation reserve	Total		
	Unaudited													
<b>Balance as of January 1, 2017</b>	<b>32,441</b>	<b>15,699</b>	<b>(52,536)</b>	<b>435,523</b>	<b>137</b>	<b>(52,272)</b>	<b>2,655</b>	<b>(955)</b>	<b>(99,918)</b>	<b>8,652</b>	<b>9,658</b>	<b>299,084</b>	<b>242,521</b>	<b>541,605</b>
Net income	-	-	-	15,404	-	-	-	-	-	-	-	15,404	16,834	32,238
Other comprehensive loss:														
Adjustments deriving from the translation of financial statements	-	-	-	-	-	-	-	-	(5,841)	-	-	(5,841)	(3,233)	(9,074)
Loss on hedging transactions	-	-	-	-	-	-	(622)	-	-	-	-	(622)	(548)	(1,170)
Total other comprehensive loss	-	-	-	-	-	-	(622)	-	(5,841)	-	-	(6,463)	(3,781)	(10,244)
<b>Total comprehensive income (loss)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15,404</b>	<b>-</b>	<b>-</b>	<b>(622)</b>	<b>-</b>	<b>(5,841)</b>	<b>-</b>	<b>-</b>	<b>8,941</b>	<b>13,053</b>	<b>21,994</b>
Cost of share-based payment	-	-	-	-	-	-	-	-	-	90	-	90	990	1,080
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(13,146)	(13,146)
Sale of shares in a consolidated company to non-controlling interests	-	-	-	11,853	-	-	-	97	136	-	-	12,086	8,719	20,805
Acquisition of non-controlling interests	-	-	-	17	-	-	-	-	-	-	-	17	282	299
Initial consolidation of a company	-	-	-	-	-	-	-	-	-	-	-	-	(231)	(231)
Issuance of shares to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	1,163	1,163
<b>As of March 31, 2017</b>	<b>32,441</b>	<b>15,699</b>	<b>(52,536)</b>	<b>462,797</b>	<b>137</b>	<b>(52,272)</b>	<b>2,033</b>	<b>(858)</b>	<b>(105,623)</b>	<b>8,742</b>	<b>9,658</b>	<b>320,218</b>	<b>253,351</b>	<b>573,569</b>

The accompanying notes constitute an integral part of the Interim 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			
	Audited														
<b>Balance as of January 1, 2017</b>	<b>32,441</b>	<b>15,699</b>	<b>(52,536)</b>	<b>435,523</b>	<b>137</b>	<b>(52,272)</b>	<b>2,655</b>	<b>(955)</b>	<b>(99,918)</b>	<b>8,652</b>	<b>9,658</b>	<b>299,084</b>	<b>242,521</b>	<b>541,605</b>	
Net profit	-	-	-	33,727	-	-	-	-	-	-	-	33,727	39,426	73,153	
Other comprehensive income (loss):															
Adjustments deriving from the translation of financial statements	-	-	-	-	-	-	-	-	(6,986)	-	-	(6,986)	(6,758)	(13,744)	
Reclassification from the translation differences reserve in connection with operations that have been disposed of in Canada	-	-	-	-	-	-	-	-	8,589	-	-	8,589	7,093	15,682	
Loss on the re-measurement of defined benefit plans	-	-	-	-	-	-	-	(274)	-	-	-	(274)	(236)	(510)	
Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	(1,124)	-	-	-	-	-	(1,124)	(723)	(1,847)	
Gain on hedging transactions	-	-	-	-	-	-	361	-	-	-	-	361	334	695	
Total other comprehensive loss	-	-	-	-	-	(1,124)	361	(274)	1,603	-	-	566	(290)	276	
<b>Total comprehensive income (loss)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>33,727</b>	<b>-</b>	<b>(1,124)</b>	<b>361</b>	<b>(274)</b>	<b>1,603</b>	<b>-</b>	<b>-</b>	<b>34,293</b>	<b>39,136</b>	<b>73,429</b>	
Cost of share-based payment	-	-	-	-	-	-	-	-	-	362	-	362	4,678	5,040	
Dividend to shareholders in the company	-	-	-	(7,114)	-	-	-	-	-	-	-	(7,114)	-	(7,114)	
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(22,786)	(22,786)	
Issuance of capital /sale of shares in a consolidated company to non-controlling interests	-	-	-	8,896	-	-	8	109	637	-	-	9,650	11,155	20,805	
Initial consolidation of companies	-	-	-	-	-	-	-	-	-	-	-	-	4,344	4,344	
Acquisition of non-controlling interests	-	-	-	21	-	-	-	-	-	-	-	21	839	860	
Acquisition of treasury shares in subsidiary companies	-	-	-	(1,826)	-	-	-	-	-	-	-	(1,826)	(1,500)	(3,326)	
Exercise of option warrants	-	3	-	-	-	-	-	-	-	-	-	3	84	87	
Transaction with controlling interests	-	-	-	-	325	-	-	-	-	-	-	325	266	591	
Issuance of shares to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	1,164	1,164	
<b>As of December 31, 2017</b>	<b>32,441</b>	<b>15,702</b>	<b>(52,536)</b>	<b>469,227</b>	<b>462</b>	<b>(53,396)</b>	<b>3,024</b>	<b>(1,120)</b>	<b>(97,678)</b>	<b>9,014</b>	<b>9,658</b>	<b>334,798</b>	<b>279,901</b>	<b>614,699</b>	

The accompanying notes constitute an integral part of the Interim Consolidated Financial Statements.

**ELCO LIMITED****CONSOLIDATED STATEMENTS OF CASH FLOWS**

CONVENIENCE TRANSLATION INTO US DOLLARS (in thousands)

	<b>Three months ended</b>		<b>Year ended</b>
	<b>March 31</b>		<b>December 31</b>
	<b>2018</b>	<b>2017</b>	<b>2017</b>
	Unaudited		Audited
<b>Cash flows from operating activities:</b>			
Net income	14,401	32,238	73,153
Adjustments required in order to present the cash flows from operating activities (Appendix A')	(51,754)	(73,870)	51,159
<b>Net cash generated (absorbed) by operating activities</b>	(37,353)	(41,632)	124,312
<b>Cash flows from investment activities:</b>			
Acquisition of fixed assets and intangible assets	(8,014)	(13,130)	(47,558)
Capitalization of customer acquisition costs	(1,199)	-	(4,298)
Acquisition and construction of income generating assets	(425)	(2,146)	(36,120)
Initially consolidated companies and activities (Appendix B)	1,444	(24,709)	(104,151)
Investment in shares of affiliated and other companies	(11,297)	(38,823)	(50,797)
Purchase of short-term investments, net	(20,726)	(141,941)	(46,955)
Consideration from the disposal of fixed and income-generating assets and investments	1,432	19,423	82,404
Net consideration from the sale of operation	6,758	27,916	28,863
Decrease (increase) in long-term loans and deposits	(386)	4	(1,563)
<b>Net cash absorbed by investment activities</b>	(32,413)	(173,406)	(180,175)
<b>Cash flows from financing activities:</b>			
Dividend paid to shareholders in the company	-	-	(7,114)
Dividend to non-controlling interests	(2,488)	(10,847)	(29,645)
Issuance of bonds	-	-	66,583
Sale of shares in a consolidated company to non-controlling interests	-	20,805	20,805
Repayment of long-term liabilities	(7,020)	(8,944)	(163,602)
Receipt of long-term liabilities	17,947	12,734	137,260
Short-term bank credit, net	33,561	66,294	(38,050)
Exercise of option warrants and issuance of shares to non-controlling interests	(89)	1,163	1,251
Acquisition of treasury shares in the company and in consolidated companies	(7,225)	-	(3,326)
<b>Net cash generated (absorbed) by financing activities</b>	34,686	81,205	(15,838)
<b>Translation differences in respect of cash and cash equivalents balances</b>	1,657	(1,092)	(858)
<b>Decrease in cash and cash equivalents</b>	(33,423)	(134,925)	(72,559)
<b>Balance of cash and cash equivalents at the beginning of the period</b>	210,728	283,287	283,287
<b>Balance of cash and cash equivalents at the end of the period</b>	177,305	148,362	210,728

The accompanying notes form an integral part of the Interim Consolidated Financial Statements.

# ELCO LIMITED

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

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

	Three months ended		Year ended
	March 31		December 31
	2018	2017	2017
	Unaudited		Audited
<b>Income and expenses not involving cash flows:</b>			
The Group's share of the profits of companies accounted for at equity, net	(5,901)	(3,715)	(10,670)
Dividends and interest received from companies accounted for at equity	1,377	755	27,218
Success fee in respect of increase in the value of housing complexes (Promote)	(1,248)	(1,258)	(6,878)
Adjustment of fair value and the results of the disposal of income-generating assets, net	613	1,165	3,679
Reclassification from reserve on translation differences on the realization of a transaction and the disposal of operations	(1,298)	-	15,682
Change in the fair value of a financial asset through profit and loss	-	-	(6,874)
Depreciation and amortization	13,705	7,844	54,432
Deferred taxes, net	234	1,948	1,400
Change in employee benefit liabilities	(571)	(507)	(2,141)
Capital gain on the sale of fixed assets and other investments	(628)	(2,870)	(6,511)
Gain on the disposal of discontinued operation	-	(20,745)	(20,745)
Revaluation of long-term receivable and liabilities, net	1,565	602	7,353
Increase (decrease) in the value of short-term investments	221	(346)	(3,334)
Cost of share-based payment	818	1,080	5,040
<b>Changes in asset and liability items:</b>			
Increase in inventory and inventory of real estate	(51,730)	(24,189)	(8,720)
Decrease (increase) in trade receivables	12,801	12,517	(15,121)
Decrease (increase) in other accounts receivable	7,298	(39,162)	(17,134)
Increase (decrease) in suppliers and providers of services	(42,283)	(4,582)	70,052
Increase (decrease) in other accounts payable	13,273	(2,407)	(35,569)
	<u>(51,754)</u>	<u>(73,870)</u>	<u>51,159</u>

The accompanying notes form an integral part of the Interim Consolidated Financial Statements.

# ELCO LIMITED

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

### Appendix B' - Investment in initially consolidated companies and activities

	Three months ended		Year ended
	March 31		December 31
	2018	2017	2017
	Unaudited		Audited
Working capital, net (except cash)	9	17,357	43,080
Restricted cash	-	-	(11,639)
Fixed assets	(40)	(735)	(57,278)
Non-current assets	-	(842)	(809)
Intangible assets	(3,640)	(41,529)	(88,772)
Goodwill	(4,174)	(40,473)	(309,661)
Deferred taxes	988	7,115	2,234
Loans from banks and others	-	-	67,729
Non-current liabilities	203	534	207,057
Non-controlling interests	-	(231)	4,344
Payables for conditional consideration	768	7,032	7,032
Collection of income receivable for cash flows in an interim period	3,081	-	-
Liability for put option and future dividends for non-controlling interests	4,249	27,063	32,532
	<u>1,444</u>	<u>(24,709)</u>	<u>(104,151)</u>

The accompanying notes form an integral part of the Interim Consolidated Financial Statements.

# ELCO LIMITED

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

### Appendix C' - Further information on cash flows

	Three months ended		Year ended
	March 31		December 31
	2018	2017	2017
	Unaudited		Audited
Cash paid in the period for:			
Interest	7,095	6,124	45,679
Taxes on income	11,569	10,240	34,481
Cash received for:			
Interest	1,101	1,199	5,524
Taxes on income	118	48	843

### Appendix D' – Significant activities not involving cash flows

	Three months ended		Year ended
	March 31		December 31
	2018	2017	2017
	Unaudited		Audited
Acquisition of fixed assets, investment property and intangible assets	29,170	3,096	27,662
Liabilities to owners of land	893	34,068	33,782
Dividend payable to non-controlling interests and to shareholders in the company	25,122	10,392	2,301

The accompanying notes form an integral part of the Interim Consolidated Financial Statements.

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**Note 1 - General**

These financial statements have been prepared in a condensed format as at March 31, 2018 and for the period of three months ended on that date (hereinafter - interim consolidated financial statements).

The interim financial statements should be read together with the Company's annual financial statements as of December 31, 2017 and the year ended on that date and the accompanying notes thereto (hereinafter – the annual consolidated financial statements).

**Note 2 - Significant Accounting Policies**

A. The format for the preparation of the interim consolidated financial statements

The Interim Consolidated Financial Statements have been prepared in accordance with 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.

B. The accounting policies that have been implemented in the preparation of the interim consolidated financial statements are consistent with those that were implemented in the preparation of the annual consolidated financial statements.

C. 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 March 31, 2018 (NIS 3.514 = 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.