

ELCO LIMITED

Annual Report
Convenience Translation into US Dollars

2021

ELCO LIMITED
CONSOLIDATED FINANCIAL INFORMATION
AS OF DECEMBER 31, 2021

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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, 2021 and 2020 and for each of the three years in the period ended on December 31, 2021 ("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 1.4% and 2.4% of the total consolidated assets as of December 31, 2021 and 2020, respectively, and whose revenues constitute approximately 1.2%, 0.6% and 0.8% of the total consolidated revenue for the years ended December 31, 2021, 2020 and 2019, respectively. Furthermore, we did not audit the financial information of certain companies accounted for at equity, the investment in which amounted to approximately 180,073 thousand dollars and 22,621 thousand dollars as of December 31, 2021 and 2020, respectively, and the Company's share of their profits (loss) amounted to approximately 15,070 thousand dollars, (968) thousand dollars and 2,823 thousand dollars for the years ended December 31, 2021, 2020 and 2019, 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, 2021 as described in Note 3 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 22, 2022.

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 22, 2022

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 2021	December 31 2020
Current assets		
Cash and cash equivalents	358,914	447,214
Short-term investments	108,229	83,809
Trade receivables	673,751	561,745
Other receivables	626,495	500,487
Inventory, inventory of real estate and rights in real estate	587,535	331,940
Assets held for sale	87,658	22,088
	<u>2,442,582</u>	<u>1,947,283</u>
Non-current assets		
Long-term receivables	38,746	26,142
Receivables for concession arrangement for the provision of services	32,312	20,106
Investments in entities accounted for at equity	691,311	357,123
Long-term inventory of real estate	123,711	15,929
Income-generating assets	86,720	112,518
Fixed Assets	407,310	240,512
Usage right assets	702,746	225,236
Goodwill and other intangible assets	1,436,992	650,894
Intangible asset for a concession project	130,508	135,854
Deferred taxes	29,778	18,916
	<u>3,680,134</u>	<u>1,803,230</u>
	<u>6,122,716</u>	<u>3,750,513</u>

March 22, 2022

Date of the approval of the financial statements

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

	December 31 2021	December 31 2020
Current Liabilities		
Credit from banks and others	435,034	100,994
Bonds - current maturities	64,971	70,126
Current maturities of leasing liabilities	97,257	45,193
Suppliers and providers of services	1,065,264	746,463
Other payables	769,268	641,558
	<u>2,431,794</u>	<u>1,604,334</u>
Non-Current Liabilities		
Liabilities to banks and others	702,709	291,496
Bonds	581,225	457,868
Leasing liabilities	668,025	180,947
Other liabilities	188,935	166,249
Employee benefit liabilities, net	29,649	19,824
Deferred taxes	116,052	56,637
	<u>2,286,595</u>	<u>1,173,021</u>
Equity		
Equity attributable to shareholders in the company	662,735	513,126
Non-controlling interests	741,592	460,032
	<u>1,404,327</u>	<u>973,158</u>
Total equity	<u><u>6,122,716</u></u>	<u><u>3,750,513</u></u>

E. Vessely
Chief Financial Officer

M. 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 2021	For the year ended December 31 2020	For the year ended December 31 2019
Continuing operations			
Revenues, net	4,764,234	3,526,695	3,081,023
Adjustment of the fair value, success fee and the results of the disposal of income-generating assets, net	14,137	(1,898)	(324)
Group's share of the profits of entities accounted for at equity, net	73,577	13,327	22,065
Other income	9,700	4,438	40,297
Total	4,861,648	3,542,562	3,143,061
Cost of producing revenues	(3,896,189)	(3,019,208)	(2,686,225)
Selling and marketing expenses	(356,231)	(178,835)	(145,881)
Administrative and general expenses	(154,767)	(117,016)	(105,562)
Other expenses	(17,259)	(16,408)	(7,759)
Financial income	18,320	10,944	15,848
Financing expenses	(78,516)	(57,724)	(53,627)
Total	(4,484,642)	(3,378,247)	(2,983,206)
Income before taxes on income	377,006	164,315	159,855
Taxes on income	(68,239)	(42,413)	(41,629)
Income from continuing operations	308,767	121,902	118,226
Income from discontinued operations, net	-	64,714	48,800
Net income	308,767	186,616	167,026
Attributable to:			
Shareholders in the company	175,117	91,333	83,273
Non-controlling interests	133,650	95,283	83,753
	308,767	186,616	167,026
Earnings per share (in u.s. Dollars) - attributable to the Equity holders of the Company:			
Basic - Earnings			
From continuing operations	6.40	2.09	2.13
From discontinued operations	-	1.25	0.91
	6.40	3.34	3.04
Fully diluted - Earnings			
From continuing operations	6.31	1.96	2.09
From discontinued operations	-	1.24	0.91
	6.31	3.20	3.00

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

	For the year ended December 31 2021	For the year ended December 31 2020	For the year ended December 31 2019
Net income	<u>308,767</u>	<u>186,616</u>	<u>167,026</u>
Other comprehensive income (loss) (after tax effects):			
Amounts that will not be reclassified to profit or loss in subsequent periods:			
Gain (loss) from the re-measurement of defined benefit plans, net	<u>597</u>	<u>696</u>	<u>(1,065)</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	(30,941)	(43,973)	(28,613)
Realization of reserve on translation differences on foreign operations	547	-	-
Gain (loss) on hedging transactions, net	<u>1,157</u>	<u>967</u>	<u>(1,956)</u>
	<u>(29,237)</u>	<u>(43,006)</u>	<u>(30,569)</u>
Total other comprehensive loss	<u>(28,640)</u>	<u>(42,310)</u>	<u>(31,634)</u>
Total comprehensive income	<u>280,127</u>	<u>144,306</u>	<u>135,392</u>
Comprehensive income attributable to:			
Shareholders in the company	155,690	67,452	64,006
Non-controlling interests	<u>124,437</u>	<u>76,854</u>	<u>71,386</u>
	<u>280,127</u>	<u>144,306</u>	<u>135,392</u>

ELCO LIMITED

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

	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 attributable to equity holders in the company	Non-controlling interests	Total equity
Balance as of January 1, 2021	36,655	19,473	(68,114)	703,644	325	(61,918)	3,152	(657)	(129,727)	10,293	513,126	460,032	973,158
Net income	-	-	-	175,117	-	-	-	-	-	-	175,117	133,650	308,767
Total other comprehensive loss	-	-	-	-	-	-	556	397	(20,380)	-	(19,427)	(9,213)	(28,640)
Total comprehensive income (loss)	-	-	-	175,117	-	-	556	397	(20,380)	-	155,690	124,437	280,127
Cost of share-based payment	-	-	-	-	-	-	-	-	-	642	642	3,500	4,142
Dividend to shareholders in the company	-	-	-	(19,293)	-	-	-	-	-	-	(19,293)	-	(19,293)
Dividend to non-controlling interests	-	-	-	(3,159)	-	-	-	-	-	-	(3,159)	(43,123)	(46,282)
Acquisition of treasury shares in the company and in subsidiary companies	-	-	(6,850)	(2,681)	-	-	-	-	-	-	(9,531)	(2,880)	(12,411)
Exercise of option warrants	-	547	-	-	-	-	-	-	-	(541)	6	-	6
Non-controlling interests in initially consolidated companies	-	-	-	-	-	-	-	-	-	-	-	186,567	186,567
Issuance of a capital note by subsidiary companies	-	-	-	-	-	-	-	-	-	-	-	321	321
Issuance of capital /purchase and sale of shares in consolidated companies	-	-	-	16,989	-	3,192	22	55	4,996	-	25,254	12,738	37,992
As of December 31, 2021	36,655	20,020	(74,964)	870,617	325	(58,726)	3,730	(205)	(145,111)	10,394	662,735	741,592	1,404,327

ELCO LIMITED

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

	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 attributable to equity holders in the company	Non-controlling interests	Total equity
Balance as of January 1, 2020	36,655	19,433	(67,031)	601,296	325	(61,918)	2,724	(1,043)	(107,671)	9,429	432,199	369,633	801,832
Net income	-	-	-	91,333	-	-	-	-	-	-	91,333	95,283	186,616
Total other comprehensive loss	-	-	-	-	-	-	539	349	(24,769)	-	(23,881)	(18,429)	(42,310)
Total comprehensive income (loss)	-	-	-	91,333	-	-	539	349	(24,769)	-	67,452	76,854	144,306
Cost of share-based payment	-	-	-	-	-	-	-	-	-	904	904	5,206	6,110
Dividend to shareholders in the company	-	-	-	(18,328)	-	-	-	-	-	-	(18,328)	-	(18,328)
Dividend to non-controlling interests	-	-	-	(4,103)	-	-	-	-	-	-	(4,103)	(98,502)	(102,605)
Acquisition of treasury shares in the company and in subsidiary companies	-	-	(1,083)	(2,679)	-	-	-	-	-	-	(3,762)	(2,477)	(6,239)
Transaction with non-controlling interests	-	-	-	(17,072)	-	-	-	-	-	-	(17,072)	(17,774)	(34,846)
Exercise of option warrants	-	40	-	-	-	-	-	-	-	(40)	-	-	-
Issuance of capital /purchase and sale of shares in consolidated companies	-	-	-	53,197	-	-	(111)	37	2,713	-	55,836	127,092	182,928
As of December 31, 2020	36,655	19,473	(68,114)	703,644	325	(61,918)	3,152	(657)	(129,727)	10,293	513,126	460,032	973,158

ELCO LIMITED

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

	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 attributable to equity holders in the company	Non-controlling interests	Total equity
Balance as of January 1, 2019	36,655	18,968	(65,065)	536,748	522	(62,170)	3,727	(493)	(102,731)	9,180	375,341	312,046	687,387
Changes following the initial implementation of IFRS 16	-	-	-	(295)	-	-	-	-	-	-	(295)	(289)	(584)
Changes following the initial implementation of IAS 28	-	-	-	(22,032)	-	-	-	-	-	-	(22,032)	(12,431)	(34,463)
Reclassification of capital reserve on translation differences deriving from the implementation of the revision to IAS 28	-	-	-	(9,414)	-	-	-	-	9,414	-	-	-	-
Balance as of January 1, 2019 following the initial implementation of IFRS 16 and IAS 28	36,655	18,968	(65,065)	505,007	522	(62,170)	3,727	(493)	(93,317)	9,180	353,014	299,326	652,340
Net income	-	-	-	83,273	-	-	-	-	-	-	83,273	83,753	167,026
Total other comprehensive loss	-	-	-	-	-	-	(1,048)	(568)	(17,651)	-	(19,267)	(12,367)	(31,634)
Total comprehensive income (loss)	-	-	-	83,273	-	-	(1,048)	(568)	(17,651)	-	64,006	71,386	135,392
Cost of share-based payment	-	-	-	-	-	-	-	-	-	712	712	3,474	4,186
Loan for the purchase of shares	-	-	(1,607)	-	-	-	-	-	-	-	(1,607)	-	(1,607)
Dividend to shareholders in the company	-	-	-	(10,611)	-	-	-	-	-	-	(10,611)	-	(10,611)
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(27,050)	(27,050)
Acquisition of treasury shares in the company and in subsidiary companies	-	-	(359)	(1,708)	-	-	-	-	-	-	(2,067)	(1,478)	(3,545)
Issuance of capital /purchase and sale of shares in consolidated companies	-	-	-	25,335	(197)	252	45	18	3,297	-	28,750	14,889	43,639
Initial consolidation of companies	-	-	-	-	-	-	-	-	-	-	-	1,798	1,798
Receipts for option warrants	-	-	-	-	-	-	-	-	-	-	-	7,288	7,288
Exercise of option warrants	-	465	-	-	-	-	-	-	-	(463)	2	-	2
As of December 31, 2019	36,655	19,433	(67,031)	601,296	325	(61,918)	2,724	(1,043)	(107,671)	9,429	432,199	369,633	801,832

ELCO LIMITED

CONSOLIDATED CASH FLOW INFORMATION

CONVENIENCE TRANSLATION INTO US DOLLARS (in thousands)

	For the year ended December 31 2021	For the year ended December 31 2020	For the year ended December 31 2019
Cash flows from operating activities:			
Net income	308,767	186,616	167,026
Adjustments required in order to present the cash flows from operating activities (Appendix A')	(112,179)	142,856	111,997
Net cash generated by operating activities (before acquisition of and investment in land)	196,588	329,472	279,023
Acquisition of and investment in land *)	(243,117)	(34,907)	(6,296)
Net cash generated by operating activities **)	(46,529)	294,565	272,727
Cash flows from investment activities:			
Acquisition of fixed assets, intangible assets and capitalized leasing fee	(149,774)	(107,280)	(119,735)
Capitalization of customer acquisition costs	-	(2,695)	(4,895)
Acquisition and construction of income generating assets	(699)	-	(34)
Acquisition of initially consolidated subsidiaries and activities (Appendix B')	(43,398)	(15,884)	(246,930)
Proceeds from sale of investment in previously consolidated subsidiary (Appendix C')	1,436	156,148	-
Change in investment in and loans to investee companies, net	(336,043)	4,807	(48,047)
Consideration from (purchase of) short-term investments, net	(17,998)	(8,809)	12,547
Consideration from the disposal of fixed and income-generating assets and investments	150,468	17,019	107,257
Net consideration from the sale of operation	-	-	535
Decrease (increase) in long term receivables, net	(1,437)	2,987	(3,337)
Net cash generated (absorbed) by investment activities **)	(397,445)	46,293	(302,639)
Cash flows from financing activities:			
Dividend paid to shareholders in the company	(19,293)	(18,328)	(10,611)
Dividend paid to non-controlling interests	(62,035)	(85,461)	(27,050)
Issuance of bonds	186,693	128,929	110,166
Self-purchase of the Company's bonds	-	(314)	-
Repayment of long-term liabilities	(533,837)	(419,022)	(167,641)
Repayment of leasing liabilities	(78,676)	(48,368)	(51,761)
Receipt of long-term liabilities	646,201	156,048	276,714
Short-term bank credit, net	185,572	(63,179)	(100,618)
Acquisition of a Partner's share in a sub-subsidiary company	-	(3,610)	-
Receipts for option warrants	-	-	9,465
Exercise of option warrants, issuance of capital/ sale of shares to non-controlling interests	49,402	173,638	42,273
Loan for the purchase of shares	-	-	(1,607)
Purchase of treasury shares in the Company and in consolidated companies	(12,411)	(6,239)	(3,545)
Net cash generated (absorbed) by financing activities **)	361,616	(185,906)	75,785
Translation differences in respect of cash and cash equivalent balances	(5,942)	(4,893)	(3,531)
Increase (decrease) in cash and cash equivalents	(88,300)	150,059	42,342
Balance of cash and cash equivalents at the beginning of the year	447,214	297,155	254,813
Balance of cash and cash equivalents at the end of the year	358,914	447,214	297,155

*) 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 2021	For the year ended December 31 2020	For the year ended December 31 2019
Income and expenses not involving cash flows:			
The Group's share of the profits of companies accounted for at equity, net	(73,577)	(13,327)	(22,065)
Dividends and interest received from companies accounted for at equity	15,442	14,294	13,587
Success fee in respect of increase in the value of housing complexes (Promote)	(148,059)	(29,262)	(24,462)
Realization of reserve on translation differences on foreign operations	547	-	-
Adjustments of the fair value and the results of the disposal of income-generating assets, net	(14,137)	1,898	466
Change in the fair value of a financial asset through profit and loss	-	-	(134)
Depreciation and amortization	190,794	117,016	110,491
Amortization of customer acquisition expenses	-	3,040	5,036
Impairment in the investment in a company accounted for at equity	4,488	10,923	-
Gain on the self-purchase of the company's bonds	-	(80)	-
Deferred taxes, net	20,522	(35,205)	4,896
Change in employee benefit liabilities	2,306	247	1,438
Capital loss (gain) on the sale of fixed assets and other investments	2,300	(641)	(37,442)
Gain from the sale of a subsidiary	(651)	(73,316)	-
Erosion of long-term receivables and liabilities, net	1,239	15,825	11,766
Increase in value of short-term investments	(4,610)	(880)	(2,827)
Cost of share-based payments	4,142	6,110	4,186
Income in respect of the cancellation of a liability for an onerous contract	-	-	(37,857)
Changes in asset and liability items:			
Decrease (increase) in inventory and inventory of real estate (before acquisition of and investment in land)	(47,035)	18,962	50,998
Increase in trade receivables	(26,410)	(31,954)	(53,251)
Increase in other accounts receivable	(95,176)	(9,158)	(2,235)
Increase in suppliers and providers of services	29,444	80,267	107,466
Increase (decrease) in other accounts payable	26,252	68,097	(18,060)
	<u>(112,179)</u>	<u>142,856</u>	<u>111,997</u>

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

	For the year ended December 31 2021	For the year ended December 31 2020	For the year ended December 31 2019
Working capital, net (except cash)	483,507	1,101	(64,800)
Fixed assets	(117,309)	(2,477)	(77,816)
Right-of-use assets	(486,818)	(1,432)	(3,922)
Intangible assets	(175,365)	(6,838)	(136,318)
Goodwill	(640,727)	(23,067)	(182,773)
Other non-current assets	(5,696)	-	(39,902)
Deferred taxes	20,611	(301)	-
Customers' deposits	-	-	32,781
Leasing liabilities	543,245	1,437	3,922
Loans from banks and other non-current liabilities	130,292	-	23,407
Bonds	-	-	103,151
Liability for put option, conditional consideration and future dividends for non-controlling interests	18,295	15,453	58,267
Non-controlling interests	186,567	-	1,798
Gain on the removal of previous relationships	-	240	-
Collection of income receivable for cash flows in an interim period	-	-	164
Balance of deferred consideration	-	-	35,111
	<u>(43,398)</u>	<u>(15,884)</u>	<u>(246,930)</u>

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

	For the year ended December 31 2021	For the year ended December 31 2020	For the year ended December 31 2019
Working capital, net (except cash and cash equivalents)	4,276	(47,939)	-
Long-term receivables	80	-	-
Fixed assets	448	32,992	-
Right-of-use assets	-	4,351	-
Intangible assets	1,167	24,227	-
Goodwill	-	254,884	-
Deferred taxes	-	14,036	-
Credit from banking institutions and others	(2,677)	-	-
Leasing liabilities	-	(5,048)	-
Other non-current liabilities	(215)	(192,084)	-
Non-controlling interests	-	(2,587)	-
Receivables for the realization of an investment of an investment in consolidated company	(2,294)	-	-
Gain from sale of a subsidiary	651	73,316	-
	<u>1,436</u>	<u>156,148</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 2021	For the year ended December 31 2020	For the year ended December 31 2019
Cash paid during the year for:			
Interest	87,605	44,954	45,108
Income tax	52,861	64,261	46,774
Cash received during the year for:			
Interest	13,806	5,615	4,071
Income tax	8,933	3,236	5,194

Appendix E' - Significant activities not involving cash flows

	For the year ended December 31 2021	For the year ended December 31 2020	For the year ended December 31 2019
Acquisition of fixed assets, investment property and intangible assets	16,165	17,291	3,534
Liability for the acquisition of holdings of non-controlling interests in a consolidated company	-	43,075	-
Dividend payable to non-controlling interests	-	16,825	-

Note 1 – General

The accompanying Financial Information is derived from Hebrew version of the Company's annual consolidated financial statement as at December 31, 2021 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 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 and the provision of transportation services. |
| 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, food retail 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 investment fund investing in the hostel sector in the United States. |
| Supergaz Energy | - Operates in the marketing, sale and distribution of LPG and LPG consuming products, in marketing and sale of Natural gas, in the production and sale of electricity and thermo energy. |
| Others | - Relates primarily to the operations of IDC, Dream Group and MIP. |

Note 3 - 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, 2021 (NIS 3.110 = 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.

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