

**ELCO LIMITED**

**Consolidated Financial information**

**As of December 31, 2022**

**(Convenience Translation into US Dollars)**

**ELCO LIMITED**  
**CONSOLIDATED FINANCIAL INFORMATION**  
**AS OF DECEMBER 31, 2022**

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**To: Elco LTD.**

**Re: Convenience Translation of Financial Information**

Per your request, we have audited the accompanying consolidated financial information of Elco Ltd. ("the Company") as of December 31, 2022 and 2021 and for each of the three years in the period ended on December 31, 2022 ("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 1.43% and 1.4% of the total consolidated assets as of December 31, 2022 and 2021, respectively, and whose revenues constitute approximately 1.33%, 1.2% and 0.6% of the total consolidated revenue for the years ended December 31, 2022, 2021 and 2020, respectively. Furthermore, we did not audit the financial information of certain companies accounted for at equity, the investment in which amounted to approximately 150,653 thousand dollars and 159,144 thousand dollars as of December 31, 2022 and 2021, respectively, and the Company's share of their profits (loss) amounted to approximately 40,848 thousand dollars, 13,318 thousand dollars and (855) thousand dollars for the years ended December 31, 2022, 2021 and 2020, 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, 2022 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 27, 2023.

## **Key audit matters**

Key audit matters are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the board of directors and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. We addressed these matters in performing our audit and in formulating our opinion on the consolidated financial statements as a whole. The communication of key audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the key audit matters below, providing separate opinions on the key audit matters or on the accounts or disclosures to which they relate.

The following are the key audit matters in the Company's consolidated financial statements for the year ended December 31, 2022:

### **Determination of the fair value of investment property in investments that are accounted for at equity and the implementation of the hypothetical liquidation at book value (HLBV) method**

The subsidiary company, Electra Real Estate Ltd., operating through its investee companies, directly and indirectly, serves as a limited partner (LP) in funds that invest in multifamily housing complexes in the United States and as a shareholder in the general partner of the investment funds (GP). The subsidiary company's holdings in funds that invest in multifamily housing complexes in the United States are accounted for at equity in its financial statements. The subsidiary company, operating through its investee companies, is a shareholder in the partner that manages the funds (GP), which, subject to the achievement of a target internal yield rate (IRR) in the various funds for the generality of the investors, entitles it to success (promote) fees at rates that vary between the various funds for the housing complexes in the United States.

Within the framework of the implementation of the equity method, the subsidiary company has adopted the hypothetical liquidation at book value (HLBV) method for the purpose of determining the subsidiary company's share of the profits that are allocated from the affiliated companies. Pursuant to the HLBV approach, the subsidiary company's share of the success (promote) fees from the funds that invest in multifamily housing complexes is calculated on the assumption that the investee company will realize its assets immediately in accordance with their carrying value in the accounting records at that time, based on their carrying values and taking other liabilities and investments that have been made, net, into account. The subsidiary company is entitled to success fees, which are distributed out of the investee company's profits, as the general partner (GP), where the overall profit from the disposal of the asset pursuant to the HLBV approach exceeds the yield rate for the limited partners (LP). Since the affiliated companies measure their investment property at fair value, so as part of the implementation of the HLBV method, the subsidiary company's share of the profits of the investee companies is affected by the fair value of the income-generating real estate properties.

### **Audit procedures that we have performed, which are connected to the determination of the fair value of investment property in investments that are accounted for at equity and the implementation of the HLBV method**

(1) The examination and analysis of evaluation in relation to the investment property assets in the housing complexes funds, which were prepared by external appraiser on a sample basis, taking qualitative and quantitative considerations into account in relation to the sample that was identified; (2) the examination of the assumptions that served as the basis for the evaluations, including examination of the NOI on the various investment property assets, the examination of the discount rate that has been used in the appraisal work, comparative transactions, which have been taken into account in the basis of the evaluation and the methodology that has been implemented in the evaluation; (3) the review of the appraisals of the investment property, on a sample basis, by an expert department operating on our behalf, with an emphasis on the testing of the discount rates for the investment property assets; (4) referring questionnaires to the appraisers and receiving responses and clarifications, where necessary; (5) examination and reconciliation opposite the subsidiary company's documentation covering the mechanisms for the calculation of the success (promote) fees on the various real estate assets on a sample basis; (6) checking the arithmetical calculation and the various components that are included in the calculation of the success (promote) fees; and (7) the testing of the fairness of the recording and the format of the disclosure in the Company's consolidated financial statements.

### **Recognition of revenues from performance and entrepreneurial projects**

The recognition of revenues from projects and the balance of the revenues receivable and receivables are significant matters in the Company's financial statements, through the subsidiary company Electra Ltd., based on the materiality and on the exercise of judgment by the management that is responsible for corporate governance, which is involved in these matters. The complexity and the exercise of judgment, which are connected to the assessment of the expected costs for the completion of the project and the expected revenues, which are based on management's estimates or on expert opinions and on the rate of completion, which are used by the Company, through the subsidiary company, for the recognition of the revenue.

We have identified this matter as a key audit matter, because of the complexity of the estimates that are used in the calculation.

### **The audit procedures that we have performed, which are connected to the recognition of revenue from entrepreneurial projects**

We obtained understanding and we assessed the central internal controls and the information systems (IT), which were used in order to perform the calculations that are connected to the project. These controls include controls relating to policies and procedures in the determination of the rate of completion, the assessment of the balance of the revenues from the project, which are based on management's estimates or on expert opinions and the assessment of the expected costs to completion for the project including the testing of the existence of a loss-making contract. In addition, we checked the operational effectiveness of these controls.

We performed detailed procedures in significant projects and in projects in which the management's estimates are very significant. These procedures included the examination of the assumptions and the assessments that were used by the management and the verification of the transactions by means of audit evidence, which included contracts, changes in contracts and the features of the work, documents that are connected to exceptions, lawsuits and disputes, legal opinions and agreements with sub-contractors. In addition, we discussed the completion rates of the projects with the project managers and the managements of the performing and entrepreneurial companies. In addition, we examined the fairness of the disclosures in the Group's consolidated financial statements.

## **Testing for impairment in value in relation to goodwill arising on a business combination of a consolidated company**

The balance of the goodwill stands at an amount of US\$ 1,031 million, constituting approximately 16% of the generality of the Group's assets. The Company's management and its consolidated companies test for impairment in the value of the cash-generating units to which the goodwill has been allocated at least once a year, or at a higher frequency where signs of impairment in value exist. The testing requires the various managements to make an estimate of the future cash flows, which are expected to derive from the cash-generating units to which the goodwill has been allocated and to examine whether the carrying value in the accounting records exceeds the recoverable amount of the cash-generating unit. If there is a difference, an impairment loss will be recognized, which is attributed to goodwill, firstly. This assessment is based on significant estimates, which involve uncertainty and on subjective assessments, such as: (1) cash flow forecasts and forecast growth rates, which were based on budgets and forecasts, which have been approved by the management; and (2) the determination of the discount rate that is implemented, which reflects the market risks and the specific risks of the cash-generating units; where a change in these estimates or in these assessments, may have a significant impact on the balance of the goodwill and the intangible assets in the consolidated financial statements.

The audit of the testing for impairment in the value of goodwill requires the exercise of judgment by the auditor as well as knowledge and experience in order to examine the reasonability of the assumptions and the data that have been used by the management in the determination of the recoverable amount of the cash-generating units to which the goodwill has been attributed, and accordingly these estimates have been determined to be a key audit matter.

## **The audit procedures that we have performed, which are connected to testing for impairment in value in relation to goodwill created on business combinations of consolidated companies**

The examination and assessments of the skills and the objective capabilities of the appraisers. Checking of the assumptions, the methods and the information that were used by the appraisers in relation to testing for the need to record impairment in the value of goodwill for the consolidated company, including: checking various economic data, which were included in the appraisal, the testing of the consolidated company's cash flow forecasts, which included appraisals, including the adjustment of those forecasts to the forecasts that were approved by the consolidated company's Board of Directors, we have prepared sensitivity analyses in order to assess the sensitivity to changes in the key assumptions and the impact of changes in those assumptions on possible impairment in value, checking the completeness and the accuracy of the base data used in the model. In the checking, we obtained assistance from economic experts from our office and we performed an analysis of the recoverable amount, as arises from the appraisals by external appraisers opposite the carrying value of the cash-generating units in the consolidated financial statements. We examined the effectiveness of the Group's internal control in connection with the appraisal of the goodwill and the fairness of the disclosure that is provided in the financial statements.

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 27, 2023

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

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

	<b>December 31 2022</b>	<b>December 31 2021</b>
<b>Current assets</b>		
Cash and cash equivalents	376,596	317,199
Short-term investments	115,611	95,650
Trade receivables	655,701	595,443
Other receivables	682,452	553,680
Inventory, inventory of land, buildings and apartments for sale	618,208	500,593 *)
Assets held for sale	120,594	77,470
	<u>2,569,162</u>	<u>2,140,035</u>
<b>Non-current assets</b>		
Long-term receivables	59,360	34,811 *)
Receivables for concession arrangement for the provision of services	38,286	28,556
Investments in entities accounted for at equity	971,012	610,962
Long-term inventory of land	282,100	109,333
Investments property and investments property under construction	121,848	95,296 *)
Fixed Assets	426,582	359,971
Right-of-use assets	656,896	616,516 *)
Goodwill and other intangible assets	1,338,450	1,270,521 *)
Intangible asset for a concession project	-	115,339
Deferred taxes	30,259	26,317
	<u>3,924,793</u>	<u>3,267,622</u>
	<u>6,493,955</u>	<u>5,407,657</u>

\*) Immaterial adjustment of the comparative figures.

March 27, 2023

Date of the approval of the financial statements

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

	<b>December 31 2022</b>	<b>December 31 2021</b>
<b>Current Liabilities</b>		
Credit from banks and others	578,757	384,472
Bonds - current maturities	97,686	57,420
Current maturities of leasing liabilities	98,235	85,953
Suppliers and providers of services	1,035,994	941,452
Other payables	761,994	677,637 *)
Liabilities attributed to assets held for sale	122,808	-
	<u>2,695,474</u>	<u>2,146,934</u>
<b>Non-Current Liabilities</b>		
Liabilities to banks and others	649,234	621,036
Bonds	607,647	513,672
Leasing liabilities	623,238	590,383
Other liabilities	170,595	166,640 *)
Employee benefit liabilities, net	24,924	26,202
Deferred taxes	174,656	102,564
	<u>2,250,294</u>	<u>2,020,497</u>
<b>Equity</b>		
Equity attributable to shareholders in the company	733,455	585,708
Non-controlling interests	814,732	654,518 *)
Total equity	<u>1,548,187</u>	<u>1,240,226</u>
	<u>6,493,955</u>	<u>5,407,657</u>

\*) Immaterial adjustment of the comparative figures.

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E. Vessely  
Chief Financial Officer

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D. Salkind  
Joint Managing Director

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M. Friedman  
Chairman of the Board of  
Directors



**ELCO LIMITED**

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

	<b>For the year ended December 31 2022</b>	<b>For the year ended December 31 2021</b>	<b>For the year ended December 31 2020</b>
<b>Continuing operations</b>			
Revenues, net	5,314,020	4,210,505	3,116,801
Adjustment of the fair value of investment property and investment property under construction	9,347	12,494	(1,678)
Group's share of the profits of entities accounted for at equity, net	79,258	65,025	11,778
Other income	53,890	8,573	3,922
<b>Total</b>	<b>5,456,515</b>	<b>4,296,597</b>	<b>3,130,823</b>
Cost of producing revenues	(4,300,335)	(3,442,908)	(2,668,297)
Selling and marketing expenses	(463,565)	(315,269)	(158,049)
Administrative and general expenses	(163,371)	(136,779)	(103,416)
Other expenses	(91,982)	(15,254)	(14,501)
Financial income	23,157	16,191	9,672
Financing expenses	(99,954)	(69,390)	(51,015)
<b>Total</b>	<b>(5,096,050)</b>	<b>(3,963,409)</b>	<b>(2,985,606)</b>
<b>Income before taxes on income</b>	<b>360,465</b>	<b>333,188</b>	<b>145,217</b>
Taxes on income	(113,759)	(60,308)	(37,483)
Income from continuing operations	246,706	272,880	107,734
Income from discontinued operations, net	-	-	57,192
<b>Net income</b>	<b>246,706</b>	<b>272,880</b>	<b>164,926</b>
Attributable to:			
Shareholders in the company	122,063	154,764	80,717
Non-controlling interests	124,643	118,116	84,209
	<b>246,706</b>	<b>272,880</b>	<b>164,926</b>
<b>Earnings per share (in u.s. Dollars) - attributable to the Equity holders of the Company:</b>			
Basic - Earnings			
From continuing operations	4.48	5.66	1.85
From discontinued operations	-	-	1.10
	<b>4.48</b>	<b>5.66</b>	<b>2.95</b>
Fully diluted - Earnings			
From continuing operations	4.10	5.58	1.73
From discontinued operations	-	-	1.09
	<b>4.10</b>	<b>5.58</b>	<b>2.82</b>

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

	<b>For the year ended December 31 2022</b>	<b>For the year ended December 31 2021</b>	<b>For the year ended December 31 2020</b>
<b>Net income</b>	<u>246,706</u>	<u>272,880</u>	<u>164,926</u>
Other comprehensive income (loss) (after tax effects):			
Amounts that will not be reclassified to profit or loss in subsequent periods:			
Gain from the re-measurement of defined benefit plans, net	<u>1,505</u>	<u>528</u>	<u>616</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	87,956	(27,345)	(38,862)
Realization of reserve on translation differences on foreign operations	598	483	-
Gain on hedging transactions, net	<u>93</u>	<u>1,023</u>	<u>854</u>
	<u>88,647</u>	<u>(25,839)</u>	<u>(38,008)</u>
<b>Total other comprehensive income (loss)</b>	<u>90,152</u>	<u>(25,311)</u>	<u>(37,392)</u>
Total comprehensive income	<u>336,858</u>	<u>247,569</u>	<u>127,534</u>
Comprehensive income attributable to:			
Shareholders in the company	176,860	137,595	59,612
Non-controlling interests	<u>159,998</u>	<u>109,974</u>	<u>67,922</u>
	<u>336,858</u>	<u>247,569</u>	<u>127,534</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
<b>Balance as of January 1, 2022</b>	<b>32,394</b>	<b>17,694</b>	<b>(66,251)</b>	<b>769,429</b>	<b>287</b>	<b>(51,901)</b>	<b>3,296</b>	<b>(181)</b>	<b>(128,245)</b>	<b>9,186</b>	<b>585,708</b>	<b>654,518</b>	<b>1,240,226</b>
Net income	-	-	-	122,063	-	-	-	-	-	-	122,063	124,643	246,706
Total other comprehensive income	-	-	-	-	-	-	300	741	53,756	-	54,797	35,355	90,152
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>122,063</b>	<b>-</b>	<b>-</b>	<b>300</b>	<b>741</b>	<b>53,756</b>	<b>-</b>	<b>176,860</b>	<b>159,998</b>	<b>336,858</b>
Cost of share-based payment	-	-	-	-	-	-	-	-	-	436	436	4,727	5,163
Dividend to shareholders in the company	-	-	-	(19,892)	-	-	-	-	-	-	(19,892)	-	(19,892)
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(35,028)	(35,028)
Acquisition of treasury shares in the company and in subsidiary companies	-	-	(13,295)	(11,803)	-	-	-	-	-	-	(25,098)	(10,991)	(36,089)
Exercise of option warrants	3	288	-	-	-	-	-	-	-	(288)	3	-	3
Non-controlling interests arising from initially consolidated companies	-	-	-	-	-	-	-	-	-	-	-	28,349	28,349
Issuance of capital /purchase and sale of shares in consolidated companies	-	-	-	15,631	-	(299)	1	(12)	117	-	15,438	13,159	28,597
<b>As of December 31, 2022</b>	<b>32,397</b>	<b>17,982</b>	<b>(79,546)</b>	<b>875,428</b>	<b>287</b>	<b>(52,200)</b>	<b>3,597</b>	<b>548</b>	<b>(74,372)</b>	<b>9,334</b>	<b>733,455</b>	<b>814,732</b>	<b>1,548,187</b>

**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
<b>Balance as of January 1, 2021</b>	<b>32,394</b>	<b>17,210</b>	<b>(60,197)</b>	<b>621,862</b>	<b>287</b>	<b>(54,722)</b>	<b>2,786</b>	<b>(581)</b>	<b>(114,649)</b>	<b>9,097</b>	<b>453,487</b>	<b>406,564</b>	<b>860,051</b>
Net income	-	-	-	154,764	-	-	-	-	-	-	154,764	118,116	272,880
Total other comprehensive income (loss)	-	-	-	-	-	-	491	351	(18,011)	-	(17,169)	(8,142)	(25,311)
<b>Total comprehensive income (loss)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>154,764</b>	<b>-</b>	<b>-</b>	<b>491</b>	<b>351</b>	<b>(18,011)</b>	<b>-</b>	<b>137,595</b>	<b>109,974</b>	<b>247,569</b>
Cost of share-based payment	-	-	-	-	-	-	-	-	-	568	568	3,093	3,661
Dividend to shareholders in the company	-	-	-	(17,050)	-	-	-	-	-	-	(17,050)	-	(17,050)
Dividend to non-controlling interests	-	-	-	(2,792)	-	-	-	-	-	-	(2,792)	(38,111)	(40,903)
Acquisition of treasury shares in the company and in subsidiary companies	-	-	(6,054)	(2,370)	-	-	-	-	-	-	(8,424)	(2,545)	(10,969)
Exercise of option warrants	-	484	-	-	-	-	-	-	-	(479)	5	-	5
Non-controlling interests arising from initially consolidated companies	-	-	-	-	-	-	-	-	-	-	-	164,002 *)	164,002
Issuance of a capital note by subsidiary companies	-	-	-	-	-	-	-	-	-	-	-	284	284
Issuance of capital /purchase and sale of shares in consolidated companies	-	-	-	15,015	-	2,821	19	49	4,415	-	22,319	11,257	33,576
<b>As of December 31, 2021</b>	<b>32,394</b>	<b>17,694</b>	<b>(66,251)</b>	<b>769,429</b>	<b>287</b>	<b>(51,901)</b>	<b>3,296</b>	<b>(181)</b>	<b>(128,245)</b>	<b>9,186</b>	<b>585,708</b>	<b>654,518</b>	<b>1,240,226</b>

\*) Immaterial adjustment of the comparative figures.

**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
<b>Balance as of January 1, 2020</b>	<b>32,394</b>	<b>17,174</b>	<b>(59,240)</b>	<b>531,410</b>	<b>287</b>	<b>(54,722)</b>	<b>2,408</b>	<b>(923)</b>	<b>(95,157)</b>	<b>8,334</b>	<b>381,965</b>	<b>326,672</b>	<b>708,637</b>
Net income	-	-	-	80,717	-	-	-	-	-	-	80,717	84,209	164,926
Total other comprehensive income (loss)	-	-	-	-	-	-	476	309	(21,890)	-	(21,105)	(16,287)	(37,392)
<b>Total comprehensive income (loss)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>80,717</b>	<b>-</b>	<b>-</b>	<b>476</b>	<b>309</b>	<b>(21,890)</b>	<b>-</b>	<b>59,612</b>	<b>67,922</b>	<b>127,534</b>
Cost of share-based payment	-	-	-	-	-	-	-	-	-	799	799	4,601	5,400
Dividend to shareholders in the company	-	-	-	(16,198)	-	-	-	-	-	-	(16,198)	-	(16,198)
Dividend to non-controlling interests	-	-	-	(3,626)	-	-	-	-	-	-	(3,626)	(87,054)	(90,680)
Acquisition of treasury shares in the company and in subsidiary companies	-	-	(957)	(2,367)	-	-	-	-	-	-	(3,324)	(2,190)	(5,514)
Transaction with non-controlling interests	-	-	-	(15,087)	-	-	-	-	-	-	(15,087)	(15,708)	(30,795)
Exercise of option warrants	-	36	-	-	-	-	-	-	-	(36)	-	-	-
Issuance of capital /purchase and sale of shares in consolidated companies	-	-	-	47,013	-	-	(98)	33	2,398	-	49,346	112,321	161,667
<b>As of December 31, 2020</b>	<b>32,394</b>	<b>17,210</b>	<b>(60,197)</b>	<b>621,862</b>	<b>287</b>	<b>(54,722)</b>	<b>2,786</b>	<b>(581)</b>	<b>(114,649)</b>	<b>9,097</b>	<b>453,487</b>	<b>406,564</b>	<b>860,051</b>

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

	<b>For the year ended December 31 2022</b>	<b>For the year ended December 31 2021</b>	<b>For the year ended December 31 2020</b>
<b>Cash flows from operating activities:</b>			
Net income	246,706	272,880	164,926
Adjustments required in order to present the cash flows from operating activities (Appendix A')	92,632	(99,141)	126,252
<b>Net cash generated by operating activities (before acquisition of land)</b>	<b>339,338</b>	<b>173,739</b>	<b>291,178</b>
Acquisition of land **)	(245,349)	(202,291) *)	(30,849)
<b>Net cash generated(absorbed) by operating activities</b>	<b>93,989</b>	<b>(28,552)</b>	<b>260,329</b>
<b>Cash flows from investment activities:</b>			
Acquisition of fixed assets and intangible assets	(160,676)	(132,366)	(94,811)
Capitalization of customer acquisition costs	-	-	(2,382)
Investment in investment property	(9,972)	(13,187) *)	-
Acquisition of initially consolidated companies and activities (Appendix B')	(28,533)	(38,354)	(14,038)
Proceeds from sale of investment in previously consolidated company (Appendix C')	-	1,269	138,000
Change in investment in, loans to investee companies and others, net	(230,232)	(296,986)	4,248
Consideration from (purchase of) short-term investments, net	(31,645)	(15,906)	(7,785)
Consideration from the disposal of fixed assets, investment property and investments	193,831	132,980	15,041
Decrease (increase) in long term receivables, net	(1,429)	(1,270)	2,640
<b>Net cash generated (absorbed) by investment activities</b>	<b>(268,656)</b>	<b>(363,820)</b>	<b>40,913</b>
<b>Cash absorbed by discontinued activities last years</b>	<b>(24,865)</b>	<b>-</b>	<b>-</b>
<b>Cash flows from financing activities:</b>			
Dividend paid to shareholders in the company	(19,892)	(17,050)	(16,198)
Dividend paid to non-controlling interests	(34,208)	(54,825)	(75,528)
Issuance of bonds	193,873	164,994	113,944
Self-purchase of the Company's bonds	-	-	(277)
Repayment of long-term liabilities	(360,835)	(471,791)	(370,321)
Repayment of leasing liabilities	(94,292)	(69,532)	(42,746)
Receipt of long-term liabilities	394,065	571,095	137,911
Short-term bank credit and others, net	203,987	164,004	(55,836)
Acquisition of a Partner's share in a sub-subsidiary company	-	-	(3,191)
Exercise of option warrants, issuance of capital/ sale of shares to non-controlling interests	7,436	43,660	153,456
Purchase of treasury shares in the Company and in consolidated companies	(36,089)	(10,969)	(5,514)
<b>Net cash generated (absorbed) by financing activities</b>	<b>254,045</b>	<b>319,586</b>	<b>(164,300)</b>
<b>Translation differences in respect of cash and cash equivalent balances</b>	<b>4,884</b>	<b>(5,251)</b>	<b>(4,324)</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>59,397</b>	<b>(78,037)</b>	<b>132,618</b>
<b>Balance of cash and cash equivalents at the beginning of the year</b>	<b>317,199</b>	<b>395,236</b>	<b>262,618</b>
<b>Balance of cash and cash equivalents at the end of the year</b>	<b>376,596</b>	<b>317,199</b>	<b>395,236</b>

\*) Reclassified.

\*\*) The acquisition of land are presented in the information of financial position under inventory of land.

**CONSOLIDATED CASH FLOWS INFORMATION**  
**CONVENIENCE TRANSLATION INTO US DOLLARS (in thousands)**
**Appendix A' – Adjustments to present the cash flows from operating activities**

	<b>For the year ended December 31 2022</b>	<b>For the year ended December 31 2021</b>	<b>For the year ended December 31 2020</b>
<b>Income and expenses not involving cash flows:</b>			
The Group's share of the profits of companies accounted for at equity, net	(79,258)	(65,025)	(11,778)
Dividends, success fee and interest received from companies accounted for at equity	87,484	13,647	12,633
Success fee in respect of increase in the value of housing complexes (Promote)	(196,250)	(130,851)	(25,861)
Realization of reserve on translation differences on foreign operations	598	483	-
Adjustments of the fair value of investment property, net	(9,347)	(12,494)	1,678
Depreciation and amortization	220,319	168,619	103,415
Amortization of customer acquisition expenses	-	-	2,687
Impairment in the investment in a company accounted for at equity	63,760	3,966	9,653
Gain on the self-purchase of the company's bonds	-	-	(71)
Deferred taxes, net	62,589	18,137	(31,113)
Change in employee benefit liabilities	(1,148)	2,038	219
Capital loss (gain) on the sale of fixed assets and other investments	(38,528)	2,033	(567)
Gain from the sale of a subsidiary	-	(575)	(64,795)
Erosion of long-term receivables and liabilities, net	15,712	1,095	13,985
Increase in value of short-term investments	(304)	(4,075)	(778)
Cost of share-based payments	5,163	3,661	5,400
<b>Changes in asset and liability items:</b>			
Decrease (increase) in inventory and inventory of land (before acquisition of land)	32,574	(41,568)	16,759
Increase in trade receivables	(35,268)	(23,340)	(28,240)
Increase in other accounts receivable	(109,434)	(84,114)	(8,094)
Increase in suppliers and providers of services	47,909	26,021	70,938
Increase in other accounts payable	26,061	23,201	60,182
	<b>92,632</b>	<b>(99,141)</b>	<b>126,252</b>

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

	<b>For the year ended December 31 2022</b>	<b>For the year ended December 31 2021 *)</b>	<b>For the year ended December 31 2020</b>
Working capital, net (except cash)	11,648	425,089	973
Fixed assets	(1,835)	(103,674)	(2,189)
Right-of-use assets	(3,123)	(425,684)	(1,266)
Intangible assets	(25,732)	(154,816)	(6,043)
Goodwill	(64,892)	(566,970)	(20,386)
Other non-current assets	(46)	(5,603)	-
Deferred taxes	4,236	18,216	(266)
Leasing liabilities	2,937	480,106	1,270
Loans from banks and other non-current liabilities	12,751	114,812	-
Liability for put option, conditional consideration and future dividends for non-controlling interests	7,174	16,168	13,657
Non-controlling interests	28,349	164,002	-
Gain on the removal of previous relationships	-	-	212
	<u>(28,533)</u>	<u>(38,354)</u>	<u>(14,038)</u>

\*) Immaterial adjustment of the comparative figures.

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

	<b>For the year ended December 31 2022</b>	<b>For the year ended December 31 2021</b>	<b>For the year ended December 31 2020</b>
Working capital, net (except cash and cash equivalents)	-	3,779	(42,367)
Long-term receivables	-	70	-
Fixed assets	-	396	29,158
Right-of-use assets	-	-	3,846
Intangible assets	-	1,032	21,411
Goodwill	-	-	225,260
Deferred taxes	-	-	12,405
Credit from banking institutions and others	-	(2,366)	-
Leasing liabilities	-	-	(4,462)
Other non-current liabilities	-	(190)	(169,759)
Non-controlling interests	-	-	(2,287)
Receivables for the realization of an investment of an investment in consolidated company	-	(2,027)	-
Gain from sale of a subsidiary	-	575	64,795
	<u>-</u>	<u>1,269</u>	<u>138,000</u>



**ELCO LIMITED****CONSOLIDATED CASH FLOWS INFORMATION  
CONVENIENCE TRANSLATION INTO US DOLLARS (in thousands)****Appendix D' - Additional information on cash flows**

	<b>For the year ended December 31 2022</b>	<b>For the year ended December 31 2021</b>	<b>For the year ended December 31 2020</b>
Cash paid during the year for:			
Interest	91,774	77,423	39,729
Income tax	107,860	46,717	56,793
Cash received during the year for:			
Interest	14,394	12,201	4,962
Income tax	9,519	7,895	2,860

**Appendix E' - Significant activities not involving cash flows**

	<b>For the year ended December 31 2022</b>	<b>For the year ended December 31 2021</b>	<b>For the year ended December 31 2020</b>
Acquisition of fixed assets, investment property and other assets	18,771	5,618	15,282
Increase of right-of-use asset against a leasing liability	107,714	42,147	13,422
Liability for the acquisition of holdings of non-controlling interests in a consolidated company	-	-	38,068

**Note 1 – General**

The accompanying Financial Information is derived from Hebrew version of the Company's annual consolidated financial statement as at December 31, 2022 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:

- |                                  |   |  |
|----------------------------------|---|--|
| <b>Electra</b>                   | - | 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 transportation field and the shuttle services field. |
| <b>Electra Consumer Products</b> | - | 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 food retail field and in the field of investment property.   |
| <b>Electra Real Estate</b>       | - | 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 in a REIT fund for investment in hotels in the U.S.A and in fund that invests in office space in Great Britain.   |
| <b>Electra Power</b>             | - | Operates in the marketing, sale and distribution of LPG and LPG consuming products, in marketing and sale of Natural gas, electricity and thermal energy.  |
| <b>Others</b>                    | - | Relates primarily to the operations of DIC and Dream Group.  |

**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, 2022 (NIS 3.519 = 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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