

ELCO LIMITED

Consolidated Financial information

As of December 31, 2023

(Convenience Translation into US Dollars)

This is an English translation of parts of the information included in the full Hebrew report of the company, that was published on March 27, 2024 (reference No. 2024-01-027640) at the ISA reporting website (magna.isa.gov.il) (hereafter: "the Hebrew Version"). The English version is Voluntary and only for convenience purposes. This is not an official translation and has no binding force. The translation in any case cannot perfectly reflect the Hebrew Version. In the event of any discrepancy between the Hebrew Version and this translation, the Hebrew Version shall prevail.

ELCO LIMITED
CONSOLIDATED FINANCIAL INFORMATION
AS OF DECEMBER 31, 2023

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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, 2023 and 2022 and for each of the three years in the period ended on December 31, 2023 ("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 0.95% and 1.43% of the total consolidated assets as of December 31, 2023 and 2022, respectively, and whose revenues constitute approximately 0.26%, 1.33% and 1.2% of the total consolidated revenue for the years ended December 31, 2023, 2022 and 2021, respectively. Furthermore, we did not audit the financial information of certain companies accounted for at equity, the investment in which amounted to approximately 112,987 thousand dollars and 146,167 thousand dollars as of December 31, 2023 and 2022, respectively, and the Company's share of their profits (loss) amounted to approximately (33,941) thousand dollars, 39,632 thousand dollars and 12,922 thousand dollars for the years ended December 31, 2023, 2022 and 2021, 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, 2023 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, 2024.

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, 2023:

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, as a limited partner (LP) in activity in the field of single family residences for rental (SFR), as a shareholder in the general partner of the investment funds (GP) and as the managing partner of the SFR activity (GP). The subsidiary company's holdings in funds that invest in multifamily housing complexes and the SFR activity 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 and the SFR activity (GP), which, subject to the achievement of a target internal yield rate (IRR) in the abovementioned activities 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 and the SFR field of activity.

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 and in the SFR activity 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 consolidated companies and the investment in a company accounted for at equity

The balance of the goodwill stands at an amount of US\$ 990 million, constituting approximately 15% of the generality of the Group's assets. In addition, the investment in the affiliated Company in Discount Investments amounts to approximately US\$ 113 million, (hereinafter: the "Affiliated company" and DIC"). 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 were signs of impairment in value exist. In addition, International Accounting Standard 28 and the provisions of International Accounting Standard 36 Impairment of assets are implemented in relation to the affiliated company. Pursuant to the Standards, if signs of impairment in value exist, the Company performs an appraisal in order to test the recoverable amount of the investment in the affiliate. The testing in relation to goodwill in respect of affiliated companies 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. 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; (3) the use of economic models for testing scenarios for issues that are relevant to the usage. 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 testing of the recoverable amount of the investment in the affiliate is based on the determination of the value of the affiliated company's investment in its investee companies and the use of various assumptions for the purpose of determining the value, as aforesaid.

The audit of the testing for impairment in the value of goodwill and impairment in value in respect of the investment in an affiliated company 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, 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 and impairment in value of an investment in a company treated at equity

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 and for the investment in the affiliate, including: checking various economic data, which were included in the appraisal, the testing of the cash flow forecasts, 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, the receipt of an indicative calculation from an independent, external appraiser in relation to the need for testing for impairment in value in respect of the investment in the affiliate, including checking the completeness of the data. 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, where necessary. Furthermore, we have tested the disclosures that are included in the financial statements.

We examined the effectiveness of the Group's internal control in connection with the appraisal of the goodwill and of the investment in the affiliate 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, 2024

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 2023	December 31 2022
Current assets		
Cash and cash equivalents	317,147	365,383
Short-term investments	92,163	112,169
Trade receivables	693,322	636,176
Other receivables	685,430	662,131
Inventory, inventory of land, buildings and apartments for sale	787,335	599,799
Assets held for sale	129,673	117,003
	<u>2,705,070</u>	<u>2,492,661</u>
Non-current assets		
Long-term receivables	124,525	57,592
Receivables for concession arrangement for the provision of services	59,146	37,146
Investments in entities accounted for at equity	900,049	942,098
Long-term inventory of land	215,636	273,700
Investments property and investments property under construction	126,272	118,220
Fixed Assets	556,513	413,880
Right-of-use assets	643,282	637,336
Goodwill and other intangible assets	1,246,427	1,298,596
Deferred taxes	34,396	29,358
	<u>3,906,246</u>	<u>3,807,926</u>
	<u>6,611,316</u>	<u>6,300,587</u>

March 27, 2024

Date of the approval of the financial statements

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

	December 31 2023	December 31 2022
Current Liabilities		
Credit from banks and others	629,532	561,523
Bonds - current maturities	128,080	94,777
Current maturities of leasing liabilities	111,969	95,310
Suppliers and providers of services	1,082,701	1,005,146
Other payables	810,764	739,304
Liabilities attributed to assets held for sale	123,697	119,152
	<u>2,886,743</u>	<u>2,615,212</u>
Non-Current Liabilities		
Liabilities to banks and others	753,212	629,902
Bonds	652,504	589,553
Leasing liabilities	606,459	604,680
Other liabilities	160,288	165,515
Employee benefit liabilities, net	22,853	24,182
Deferred taxes	154,669	169,456
	<u>2,349,985</u>	<u>2,183,288</u>
Equity		
Equity attributable to shareholders in the company	619,864	711,615
Non-controlling interests	754,724	790,472
	<u>1,374,588</u>	<u>1,502,087</u>
Total equity	<u>6,611,316</u>	<u>6,300,587</u>

E. Vessely
Chief Financial Officer

D. 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 2023	For the year ended December 31 2022 *)	For the year ended December 31 2021 *)
Continuing operations			
Revenues, net	5,156,507	5,135,238	4,081,055
Adjustment of the fair value of investment property and investment property under construction	(1,959)	9,069	12,122
Group's share of the profits of entities accounted for at equity, net	9,293	76,898	63,089
Other income	18,154	50,269	8,318
Total	5,181,995	5,271,474	4,164,584
Cost of producing revenues	(4,404,880)	(4,156,794) **)	(3,337,796) **)
Selling and marketing expenses	(492,551)	(440,987) **)	(302,894) **)
Administrative and general expenses	(169,507)	(156,620)	(132,326)
Other expenses	(82,068)	(88,927)	(14,427)
Financial income	24,371	22,467	15,709
Financing expenses	(159,076)	(96,662)	(67,237)
Total	(5,283,711)	(4,917,523)	(3,838,971)
Income (loss) before taxes on income	(101,716)	353,951	325,613
Taxes on income	(14,053)	(111,035)	(59,020)
Income (loss) from continuing operations	(115,769)	242,916	266,593
Loss from discontinued operations, net	(25,124)	(3,556)	(1,838)
Net income (loss)	(140,893)	239,360	264,755
Attributable to:			
Shareholders in the company	(79,609)	118,428	150,156
Non-controlling interests	(61,284)	120,932	114,599
	(140,893)	239,360	264,755
Earnings (loss) per share (in U.S. Dollars) - attributable to the Equity holders of the Company:			
Basic - Earnings (loss)			
From continuing operations	(2.45)	4.36	5.55
From discontinued operations	(0.49)	(0.02)	(0.06)
	(2.94)	4.34	5.49
Fully diluted - Earnings (loss)			
From continuing operations	(2.47)	4.00	5.46
From discontinued operations	(0.49)	(0.02)	(0.05)
	(2.96)	3.98	5.41

*) Reclassified for discontinued operations.

***) Reclassified.

ELCO LIMITED

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

	For the year ended December 31 2023	For the year ended December 31 2022	For the year ended December 31 2021
Net income (loss)	(140,893)	239,360	264,755
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	338	1,460	512
Revaluation of a fixed asset that has been reclassified to investment property	3,533	-	-
	<u>3,871</u>	<u>1,460</u>	<u>512</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	11,420	85,337	(26,531)
Realization of reserve on translation differences on foreign operations	-	581	469
Gain on hedging transactions, net	1,056	90	992
	<u>12,476</u>	<u>86,008</u>	<u>(25,070)</u>
Total other comprehensive income (loss)	<u>16,347</u>	<u>87,468</u>	<u>(24,558)</u>
Total comprehensive income	<u>(124,546)</u>	<u>326,828</u>	<u>240,197</u>
Comprehensive income attributable to:			
Shareholders in the company	(66,882)	171,594	133,498
Non-controlling interests	(57,664)	155,234	106,699
	<u>(124,546)</u>	<u>326,828</u>	<u>240,197</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	Revaluation reserve	Total attributable to equity holders in the company	Non-controlling interests	Total equity
Balance as of January 1, 2023	31,433	17,446	(77,177)	849,360	278	(50,645)	3,490	531	(72,157)	9,056	-	711,615	790,472	1,502,087
Loss	-	-	-	(79,609)	-	-	-	-	-	-	-	(79,609)	(61,284)	(140,893)
Total other comprehensive income	-	-	-	-	-	-	310	177	8,707	-	3,533	12,727	3,620	16,347
Total comprehensive income (loss)	-	-	-	(79,609)	-	-	310	177	8,707	-	3,533	(66,882)	(57,664)	(124,546)
Cost of share-based payment	-	-	-	-	-	-	-	-	-	335	-	335	8,668	9,003
Dividend to shareholders in the company	-	-	-	(19,300)	-	-	-	-	-	-	-	(19,300)	-	(19,300)
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(27,831)	(27,831)
Acquisition of treasury shares in the company and in subsidiary companies	-	-	(4,005)	(4,965)	-	-	-	-	-	-	-	(8,970)	(5,473)	(14,443)
Exercise of option warrants	1	172	-	-	-	-	-	-	-	(172)	-	1	-	1
Non-controlling interests arising from initially consolidated companies	-	-	-	-	-	-	-	-	-	-	-	-	855	855
Exit of a consolidated partnership from consolidation	-	-	-	-	-	-	-	-	-	-	-	-	758	758
Issuance of capital /purchase and sale of shares in consolidated companies	-	-	-	5,583	-	1,118	1	21	(125)	-	(3,533)	3,065	44,939	48,004
As of December 31, 2023	31,434	17,618	(81,182)	751,069	278	(49,527)	3,801	729	(63,575)	9,219	-	619,864	754,724	1,374,588

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, 2022	31,430	17,167	(64,278)	746,518	278	(50,355)	3,198	(176)	(124,427)	8,912	568,267	635,029	1,203,296
Net income	-	-	-	118,428	-	-	-	-	-	-	118,428	120,932	239,360
Total other comprehensive income	-	-	-	-	-	-	291	719	52,156	-	53,166	34,302	87,468
Total comprehensive income	-	-	-	118,428	-	-	291	719	52,156	-	171,594	155,234	326,828
Cost of share-based payment	-	-	-	-	-	-	-	-	-	423	423	4,586	5,009
Dividend to shareholders in the company	-	-	-	(19,300)	-	-	-	-	-	-	(19,300)	-	(19,300)
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(33,984)	(33,984)
Acquisition of treasury shares in the company and in subsidiary companies	-	-	(12,899)	(11,451)	-	-	-	-	-	-	(24,350)	(10,664)	(35,014)
Exercise of option warrants	3	279	-	-	-	-	-	-	-	(279)	3	-	3
Non-controlling interests arising from initially consolidated companies	-	-	-	-	-	-	-	-	-	-	-	27,504	27,504
Issuance of capital /purchase and sale of shares in consolidated companies	-	-	-	15,165	-	(290)	1	(12)	114	-	14,978	12,767	27,745
As of December 31, 2022	31,433	17,446	(77,177)	849,360	278	(50,645)	3,490	531	(72,157)	9,056	711,615	790,472	1,502,087

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	31,430	16,698	(58,405)	603,345	278	(53,092)	2,703	(563)	(111,236)	8,826	439,984	394,458	834,442
Net income	-	-	-	150,156	-	-	-	-	-	-	150,156	114,599	264,755
Total other comprehensive income (loss)	-	-	-	-	-	-	477	340	(17,475)	-	(16,658)	(7,900)	(24,558)
Total comprehensive income (loss)	-	-	-	150,156	-	-	477	340	(17,475)	-	133,498	106,699	240,197
Cost of share-based payment	-	-	-	-	-	-	-	-	-	550	550	3,001	3,551
Dividend to shareholders in the company	-	-	-	(16,543)	-	-	-	-	-	-	(16,543)	-	(16,543)
Dividend to non-controlling interests	-	-	-	(2,709)	-	-	-	-	-	-	(2,709)	(36,976)	(39,685)
Acquisition of treasury shares in the company and in subsidiary companies	-	-	(5,873)	(2,299)	-	-	-	-	-	-	(8,172)	(2,470)	(10,642)
Exercise of option warrants	-	469	-	-	-	-	-	-	-	(464)	5	-	5
Non-controlling interests arising from initially consolidated companies	-	-	-	-	-	-	-	-	-	-	-	159,119	159,119
Issuance of a capital note by subsidiary companies	-	-	-	-	-	-	-	-	-	-	-	276	276
Issuance of capital /purchase and sale of shares in consolidated companies	-	-	-	14,568	-	2,737	18	47	4,284	-	21,654	10,922	32,576
As of December 31, 2021	31,430	17,167	(64,278)	746,518	278	(50,355)	3,198	(176)	(124,427)	8,912	568,267	635,029	1,203,296

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

	For the year ended December 31 2023	For the year ended December 31 2022	For the year ended December 31 2021
Cash flows from operating activities:			
Net income (loss)	(140,893)	239,360	264,755
Adjustments required in order to present the cash flows from operating activities (Appendix A')	322,036	89,874	(96,189)
Net cash generated by operating activities (before acquisition of land)	181,143	329,234	168,566
Acquisition of land *)	(60,525)	(238,043)	(196,268)
Net cash generated(absorbed) by operating activities	120,618	91,191	(27,702)
Cash flows from investment activities:			
Acquisition of fixed assets and intangible assets	(275,541)	(155,891)	(128,425)
Investment in investment property	(2,216)	(9,675)	(12,794)
Acquisition of initially consolidated companies and activities (Appendix B')	-	(27,684)	(37,212)
Proceeds from sale of investment in previously consolidated company (Appendix C')	(197)	-	1,232
Change in investment in, loans to investee companies and others, net	(79,340)	(223,377)	(288,143)
Consideration from (purchase of) short-term investments, net	14,596	(30,703)	(15,433)
Consideration from the disposal of fixed assets, investment property and investments	20,691	188,059	129,020
Increase in long term receivables, net	(19,870)	(1,386)	(1,232)
Net cash absorbed by investment activities	(341,877)	(260,657)	(352,987)
Cash absorbed by discontinued activities last years	-	(24,125)	-
Cash flows from financing activities:			
Dividend paid to shareholders in the company	(19,300)	(19,300)	(16,543)
Dividend paid to non-controlling interests	(29,170)	(33,189)	(53,192)
Issuance of bonds	202,717	188,100	160,082
Repayment of long-term liabilities	(241,847)	(350,091)	(457,743)
Repayment of leasing liabilities	(102,218)	(91,484)	(67,462)
Receipt of long-term liabilities	287,108	382,332	554,090
Short-term bank credit and others, net	21,652	197,913	159,120
Exercise of option warrants, issuance of capital/ sale of shares to non-controlling interests	67,764	7,214	42,360
Purchase of treasury shares in the Company and in consolidated companies	(14,443)	(35,014)	(10,642)
Net cash absorbed by financing activities	172,263	246,481	310,070
Translation differences in respect of cash and cash equivalent balances	760	4,739	(5,095)
Increase (decrease) in cash and cash equivalents	(48,236)	57,629	(75,714)
Balance of cash and cash equivalents at the beginning of the year	365,383	307,754	383,468
Balance of cash and cash equivalents at the end of the year	317,147	365,383	307,754

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

ELCO LIMITED

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 2023	For the year ended December 31 2022	For the year ended December 31 2021
Income and expenses not involving cash flows:			
The Group's share of the profits of companies accounted for at equity, net	(9,293)	(76,898)	(63,089)
Dividends, success fee and interest received from companies accounted for at equity	11,317	84,879	13,241
Success fee (Promote)	70,393	(190,407)	(126,954)
Realization of reserve on translation differences on foreign operations	-	581	469
Adjustments of the fair value of investment property, net	1,959	(9,069)	(12,122)
Depreciation and amortization	244,635	213,759	163,562
Impairment in the intangible assets and goodwill	39,078	-	36
Impairment in the investment in a company accounted for at equity	36,512	61,861	3,848
Deferred taxes, net	(22,125)	60,725	17,597
Change in employee benefit liabilities	(1,140)	(1,114)	1,977
Capital loss (gain) on the sale of fixed assets and other investments	(9,966)	(37,380)	1,972
Gain on the disposal of previously consolidated companies	(1,196)	-	(558)
Gain on decrease in the holding rate in a company accounted for at equity	(3,535)	-	-
Erosion of long-term receivables and liabilities, net	(13,702)	15,244	1,062
Increase in value of short-term investments	(835)	(295)	(3,953)
Cost of share-based payments	9,003	5,009	3,551
Changes in asset and liability items:			
Decrease (increase) in inventory and inventory of land (before acquisition of land)	(53,547)	31,604	(40,330)
Increase in trade receivables	(55,551)	(34,218)	(22,646)
Increase in other accounts receivable	(32,325)	(106,175)	(81,609)
Increase in suppliers and providers of services	70,111	46,482	25,247
Increase in other accounts payable	42,243	25,286	22,510
	322,036	89,874	(96,189)

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

	For the year ended December 31 2023	For the year ended December 31 2022	For the year ended December 31 2021
Working capital, net (except cash)	12,295	11,301	412,432
Fixed assets	(1,662)	(1,780)	(100,587)
Right-of-use assets	4,257	(3,029)	(413,009)
Intangible assets	-	(24,966)	(150,206)
Goodwill	(17,256)	(62,960)	(550,088)
Other non-current assets	-	(44)	(5,436)
Deferred taxes	-	4,110	17,674
Leasing liabilities	-	2,849	465,809
Loans from banks and other non-current liabilities	1,511	12,371	111,393
Liability for put option, conditional consideration and future dividends for non-controlling interests	-	6,960	15,687
Non-controlling interests	855	27,504	159,119
	<u>-</u>	<u>(27,684)</u>	<u>(37,212)</u>

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

	For the year ended December 31 2023	For the year ended December 31 2022	For the year ended December 31 2021
Working capital, net (except cash and cash equivalents)	569	-	3,666
Long-term receivables	-	-	69
Fixed assets	122	-	384
Investment in company accounted for at equity	(3,690)	-	-
Intangible assets	-	-	1,001
Goodwill	2,723	-	-
Credit from banking institutions and others	-	-	(2,295)
Other non-current liabilities	(1,875)	-	(184)
Non-controlling interests	758	-	-
Receivables for the realization of an investment of an investment in consolidated company	-	-	(1,967)
Gain on the disposal of previously consolidated companies	1,196	-	558
	<u>(197)</u>	<u>-</u>	<u>1,232</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 2023	For the year ended December 31 2022	For the year ended December 31 2021
Cash paid during the year for:			
Interest	143,963	89,041	75,118
Income tax	44,983	104,649	45,326
Cash received during the year for:			
Interest	21,270	13,965	11,838
Income tax	10,692	9,235	7,659

Appendix E' - Significant activities not involving cash flows

	For the year ended December 31 2023	For the year ended December 31 2022	For the year ended December 31 2021
Acquisition of fixed assets and other assets	11,384	18,212	5,451
Increase of right-of-use asset against a leasing liability	76,184	104,507	40,893
Liability for the acquisition of holdings of non-controlling interests in a consolidated company	32,729	-	-
Deferred consideration for a business combination	14,937	-	-

Note 1 – General

The accompanying Financial Information is derived from Hebrew version of the Company's annual consolidated financial statement as at December 31, 2023 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, the public transportation field and the shuttle services field. |
| Electra Consumer Products - | | Operates in Israel in the importing, manufacturing, exporting, marketing, sale and distribution of electrical consumer products and in the provision of services for products, in the operation of retail marketing chains for the sale of electrical products, in the operation in the food retail field and in the field of investment property. |
| Electra Real Estate | - | Operates in the field of the purchase, management and enhancement of housing complexes for rental in the South Eastern United States, which are held directly by a subsidiary company and by funds that invest in housing complexes in the United States, and through a fund which raises debt and provides loans and instruments for the supplementation of shareholders' equity for investments in housing complexes and in a REIT fund for investment in hotels in the U.S.A and in fund that invests in office space in Great Britain. |
| Electra Power | - | Operates in the marketing, sale and distribution of LPG and LPG consuming products, in marketing and sale of Natural gas, electricity and thermal energy. |
| Others | - | 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, 2023 (NIS 3.627 = 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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