

**ELCO LIMITED**

**Interim Consolidated Financial Statements**

**As of March 31, 2017**

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

**(Unaudited)**

# **ELCO LIMITED**

## Contents

<u>Review of Interim Statements</u>	3
 <u>Financial Statements as of March 31, 2017 (Unaudited)</u>	
Consolidated Statements of Financial Position	4 – 5
Consolidated Statements of Profit or Loss	6
Consolidated Statements of Comprehensive Income	7
Consolidated statements of Changes in Equity	8 – 10
Consolidated Statements of Cash Flows	11 – 14
Notes to the Consolidated Financial Statements	15

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

### **Introduction**

We have reviewed the accompanying financial information of Elco Holdings Ltd. and its subsidiaries (hereinafter - the Group), which includes the condensed consolidated balance sheet as of March 31, 2017, the condensed consolidated statements of profit or loss, of comprehensive income, of changes in equity and of cash flows, for the period of three months ended on that date. The Company's board of directors and management are responsible for the preparation and presentation of financial information for this interim period, in accordance with International Accounting Standard IAS 34, "Interim Financial Reporting" and they are also responsible for the preparation of financial information for the interim period in accordance with Part D' of the Securities Regulations (Periodic and Immediate Reports) 1970. Our responsibility is to express a conclusion on this interim financial information based on our review.

We did not review the condensed financial information for the interim period of certain consolidated companies, whose assets constitute approximately 15% of the total consolidated assets as of March 31, 2017, and whose revenues constitute approximately 7% of the total consolidated revenues for the period of three months ended on that date. Furthermore, we did not review the condensed financial information for the interim period of companies that are accounted for at equity, the investment in which amounted to approximately US\$ 90,818 thousand as of March 31, 2017 and the Group's share of their profits amounted to approximately US\$ 2,718 thousand in the period of three months ended on that date. The condensed financial information of those companies for the interim period was reviewed by other auditors, whose review reports have been furnished to us, and our conclusion, insofar as it relates to amounts included for those companies, is based on the review reports of the other auditors.

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

We conducted our review in accordance with Review Standard 1 of the Institute of Certified Public Accountants in Israel, "The review of financial information for interim periods performed by the independent auditor of an Entity". A review of financial information for interim periods consists of making inquiries, primarily of the persons who are responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially reduced in scope from an audit conducted in accordance with generally accepted auditing standards in Israel and consequently it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

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

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

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

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

Yours sincerely

KOST FORER GABBAY & KASIRER

Tel-Aviv, May 25, 2017

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

	<b>March 31</b>		<b>December 31</b>
	<b>2017</b>	<b>2016</b>	<b>2016</b>
	Unaudited		Audited
<b>Current assets</b>			
Cash and cash equivalents	143,542	329,204	274,083
Short-term investments	190,438	33,981	53,257
Trade receivables	324,374	316,257	328,165
Other accounts receivables	323,855	267,081	271,101
Inventory, inventory of real estate and residential apartments	277,148	271,184	241,221
Assets held for sale	66,473	2,930	54,663
	<u>1,325,830</u>	<u>1,220,637</u>	<u>1,222,490</u>
<b>Non-current assets</b>			
Long-term receivables	31,178	19,087	24,452
Receivables for concession arrangement for the provision of services	26,774	28,916	27,406
Investment in entities accounted for at equity	331,239	307,257	335,127
Long-term inventory of real estate	17,945	17,349	16,116
Income generating assets	98,454	135,733	98,467
Fixed assets	85,921	88,322	91,818
Goodwill and other intangible assets	281,851	213,306	213,503
Deferred tax assets	1,428	4,539	1,036
	<u>874,790</u>	<u>814,509</u>	<u>807,925</u>
	<u>2,200,620</u>	<u>2,035,146</u>	<u>2,030,415</u>

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

May 25, 2017  
Date of approval of financial statements

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

	<b>March 31</b>		<b>December 31</b>
	<b>2017</b>	<b>2016</b>	<b>2016</b>
	Unaudited		Audited
<b>Current Liabilities</b>			
Credit from banking institutions and others	163,159	71,123	71,753
Bonds - current maturities	64,879	67,551	64,912
Suppliers and providers of services	394,281	411,151	420,051
Other payables	396,899	304,644	372,621
Liabilities in respect of assets held for sale	32,728	21,701	23,236
	<u>1,051,946</u>	<u>876,170</u>	<u>952,573</u>
<b>Long-Term Liabilities</b>			
Liabilities to banks and financial institutions	62,201	110,474	63,212
Bonds	353,134	437,685	353,330
Other liabilities	114,579	67,851	77,992
Employee benefit liabilities	14,978	15,001	15,210
Deferred taxes	46,660	45,184	39,896
	<u>591,552</u>	<u>676,195</u>	<u>549,640</u>
<b>Equity</b>			
Equity attributable to equity holders of the Company	310,953	270,244	291,572
Non-controlling interests	246,169	212,537	236,630
Total equity	<u>557,122</u>	<u>482,781</u>	<u>528,202</u>
	<u>2,200,620</u>	<u>2,035,146</u>	<u>2,030,415</u>

---

E. Vessely  
Chief Financial Officer

---

D. Salkind  
Joint General Manager

---

M. Fridman  
Chairman of the Board of  
Directors

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

	<b>Three months ended</b>		<b>Year ended</b>
	<b>March 31</b>		<b>December 31</b>
	<b>2017</b>	<b>2016</b>	<b>2016</b>
	Unaudited		Audited
Revenues, net	545,323	483,683	2,082,114
Adjustment of the fair value and the results of the disposal of income-generating assets, net	(1,127)	-	7,205
Group's share of the profits of companies accounted for at equity, net	1,588	8,349	20,275
Other income	2,825	81,609	106,323
<b>Total</b>	<b>548,609</b>	<b>573,641</b>	<b>2,215,917</b>
Cost of producing revenues	(478,558)	(426,471)	(1,810,858)
Selling and marketing expenses	(30,587)	(28,487)	(126,692)
Administrative and general expenses	(17,955)	(19,566)	(73,902)
Other expenses	(821)	(12)	(4,473)
Financing income	5,628	1,808	13,417
Financing expenses	(11,187)	(8,978)	(44,517)
<b>Total</b>	<b>(533,480)</b>	<b>(481,706)</b>	<b>(2,047,025)</b>
<b>Income before taxes on income</b>	<b>15,129</b>	<b>91,935</b>	<b>168,892</b>
Taxes on income	(5,563)	(5,816)	(27,388)
Income from continuing operations	9,566	86,119	141,504
Operating income from discontinued operations	19,618	349	819
<b>Net income</b>	<b>29,184</b>	<b>86,468</b>	<b>142,323</b>
Attributable to:			
Equity holders in the Company	13,836	77,603	107,556
Non-controlling interest	15,348	8,865	34,767
	<b>29,184</b>	<b>86,468</b>	<b>142,323</b>
<b>Earnings per share - attributable to the Equity holders of the Company:</b>			
Basic - Earnings			
From continuing operations	0.11	2.80	3.87
From discontinued operations	0.39	0.01	0.03
	<b>0.50</b>	<b>2.81</b>	<b>3.90</b>
Fully diluted - Earnings			
From continuing operations	0.08	2.80	3.84
From discontinued operations	0.39	0.01	0.03
	<b>0.47</b>	<b>2.81</b>	<b>3.87</b>

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

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

	<b>Three months ended</b>		<b>Year ended</b>
	<b>March 31</b>		<b>December 31</b>
	<b>2017</b>	<b>2016</b>	<b>2016</b>
	Unaudited		Audited
<b>Net income</b>	<u>29,184</u>	<u>86,468</u>	<u>142,323</u>
Other comprehensive income (loss) (after tax effects):			
Amounts that will never be reclassified to profit or loss:			
Loss from the re-measurement of defined benefit plans	<u>-</u>	<u>(4)</u>	<u>(49)</u>
Amounts that will be classified or reclassified to the profit or loss, when specific conditions are met:			
Adjustments deriving from the translation of the financial statements of foreign operations	<u>(8,778)</u>	<u>(6,703)</u>	<u>(13,656)</u>
Gain (loss) on hedging transactions	<u>(1,132)</u>	<u>314</u>	<u>(1,149)</u>
	<u>(9,910)</u>	<u>(6,389)</u>	<u>(14,805)</u>
<b>Total other comprehensive loss</b>	<u>(9,910)</u>	<u>(6,393)</u>	<u>(14,854)</u>
<b>Total comprehensive income (loss)</b>	<u>19,274</u>	<u>80,075</u>	<u>127,469</u>
Comprehensive income (loss) attributable to:			
Equity holders in the company	<u>7,583</u>	<u>71,427</u>	<u>98,112</u>
Non-controlling interests	<u>11,691</u>	<u>8,648</u>	<u>29,357</u>
	<u>19,274</u>	<u>80,075</u>	<u>127,469</u>

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

# ELCO LIMITED

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

	Attributable to equity holders in the company											Non-controlling interests	Total equity	
	Share capital	Share premium	Treasury shares	Retained earnings	Capital reserve on transactions with controlling interests	Capital reserve on financial assets at fair value through other comprehensive income	Capital reserve on hedging transactions	Capital reserve on the re-measurement of defined benefit plans	Adjustments deriving from the translation of financial Statements	Capital reserve on share-based payment	Revaluation reserve			Total
<b>Balance as of January 1, 2017</b>	<b>31,387</b>	<b>15,189</b>	<b>(50,829)</b>	<b>423,579</b>	<b>132</b>	<b>(50,574)</b>	<b>2,569</b>	<b>(924)</b>	<b>(96,672)</b>	<b>8,371</b>	<b>9,344</b>	<b>291,572</b>	<b>236,630</b>	<b>528,202</b>
Net income	-	-	-	13,836	-	-	-	-	-	-	-	13,836	15,348	29,184
Other comprehensive loss:														
Adjustments deriving from the translation of financial statements	-	-	-	-	-	-	-	-	(5,651)	-	-	(5,651)	(3,127)	(8,778)
Loss on hedging transactions	-	-	-	-	-	-	(602)	-	-	-	-	(602)	(530)	(1,132)
Total other comprehensive loss	-	-	-	-	-	-	(602)	-	(5,651)	-	-	(6,253)	(3,657)	(9,910)
<b>Total comprehensive income (loss)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,836</b>	<b>-</b>	<b>-</b>	<b>(602)</b>	<b>-</b>	<b>(5,651)</b>	<b>-</b>	<b>-</b>	<b>7,583</b>	<b>11,691</b>	<b>19,274</b>
Cost of share-based payment	-	-	-	-	-	-	-	-	-	88	-	88	957	1,045
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(12,719)	(12,719)
Sale of shares in a consolidated company to non-controlling interests	-	-	-	11,468	-	-	-	94	131	-	-	11,693	8,436	20,129
Acquisition of non-controlling interests	-	-	-	17	-	-	-	-	-	-	-	17	273	290
Initial consolidation of a company	-	-	-	-	-	-	-	-	-	-	-	-	(224)	(224)
Issuance of shares to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	1,125	1,125
<b>As of March 31, 2017</b>	<b>31,387</b>	<b>15,189</b>	<b>(50,829)</b>	<b>448,900</b>	<b>132</b>	<b>(50,574)</b>	<b>1,967</b>	<b>(830)</b>	<b>(102,192)</b>	<b>8,459</b>	<b>9,344</b>	<b>310,953</b>	<b>246,169</b>	<b>557,122</b>

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



## ELCO LIMITED

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

	Attributable to equity holders in the company												Non-controlling interests	Total equity
	Share capital	Share premium	Treasury shares	Retained earnings	Capital reserve on transactions with controlling interests	Capital reserve on financial assets at fair value through other comprehensive income	Capital reserve on hedging transactions	Capital reserve on the re-measurement of defined benefit plans	Adjustments deriving from the translation of financial Statements	Capital reserve on share-based payment	Revaluation reserve	Total		
<b>Balance as of January 1, 2016</b>	<b>31,387</b>	<b>15,189</b>	<b>(50,829)</b>	<b>321,212</b>	<b>132</b>	<b>(50,574)</b>	<b>3,180</b>	<b>(892)</b>	<b>(87,871)</b>	<b>7,862</b>	<b>9,344</b>	<b>198,140</b>	<b>215,326</b>	<b>413,466</b>
Net income	-	-	-	77,603	-	-	-	-	-	-	-	77,603	8,865	86,468
Other comprehensive income (loss):														
Adjustments deriving from the translation of financial statements	-	-	-	-	-	-	-	-	(6,341)	-	-	(6,341)	(362)	(6,703)
Loss on the re-measurement of defined benefit plans	-	-	-	-	-	-	-	(2)	-	-	-	(2)	(2)	(4)
Gain on hedging transactions	-	-	-	-	-	-	167	-	-	-	-	167	147	314
Total other comprehensive income (loss)	-	-	-	-	-	-	167	(2)	(6,341)	-	-	(6,176)	(217)	(6,393)
<b>Total comprehensive income (loss)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>77,603</b>	<b>-</b>	<b>-</b>	<b>167</b>	<b>(2)</b>	<b>(6,341)</b>	<b>-</b>	<b>-</b>	<b>71,427</b>	<b>8,648</b>	<b>80,075</b>
Cost of share-based payment	-	-	-	-	-	-	-	-	-	126	-	126	502	628
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(10,170)	(10,170)
Acquisition of non-controlling interests	-	-	-	551	-	-	-	-	-	-	-	551	(2,684)	(2,133)
Issuance of shares to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	915	915
<b>As of March 31, 2016</b>	<b>31,387</b>	<b>15,189</b>	<b>(50,829)</b>	<b>399,366</b>	<b>132</b>	<b>(50,574)</b>	<b>3,347</b>	<b>(894)</b>	<b>(94,212)</b>	<b>7,988</b>	<b>9,344</b>	<b>270,244</b>	<b>212,537</b>	<b>482,781</b>

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

# ELCO LIMITED

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

CONVENIENCE TRANSLATION INTO US DOLLARS (in thousands)

### Attributable to equity holders of the company

	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 translation of financial Statements	Capital reserve on share-based payment	Revaluation reserve	Total	Non-controlling interests	Total equity
<b>Balance as of January 1, 2016</b>	<b>31,387</b>	<b>15,189</b>	<b>(50,829)</b>	<b>321,212</b>	<b>132</b>	<b>(50,574)</b>	<b>3,180</b>	<b>(892)</b>	<b>(87,871)</b>	<b>7,862</b>	<b>9,344</b>	<b>198,140</b>	<b>215,326</b>	<b>413,466</b>
Net profit	-	-	-	107,556	-	-	-	-	-	-	-	107,556	34,767	142,323
Other comprehensive loss:														
Adjustments deriving from the translation of financial statements	-	-	-	-	-	-	-	-	(8,801)	-	-	(8,801)	(4,855)	(13,656)
Loss on the re-measurement of defined benefit plans	-	-	-	-	-	-	-	(32)	-	-	-	(32)	(17)	(49)
Loss on hedging transactions	-	-	-	-	-	-	(611)	-	-	-	-	(611)	(538)	(1,149)
Total other comprehensive loss	-	-	-	-	-	-	(611)	(32)	(8,801)	-	-	(9,444)	(5,410)	(14,854)
<b>Total comprehensive income (loss)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>107,556</b>	<b>-</b>	<b>-</b>	<b>(611)</b>	<b>(32)</b>	<b>(8,801)</b>	<b>-</b>	<b>-</b>	<b>98,112</b>	<b>29,357</b>	<b>127,469</b>
Cost of share-based payment	-	-	-	-	-	-	-	-	-	509	-	509	2,890	3,399
Dividend to shareholders in the company	-	-	-	(5,618)	-	-	-	-	-	-	-	(5,618)	-	(5,618)
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(21,444)	(21,444)
Acquisition of non-controlling interests	-	-	-	429	-	-	-	-	-	-	-	429	(3,709)	(3,280)
Issuance of shares to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	14,210	14,210
<b>As of December 31, 2016</b>	<b>31,387</b>	<b>15,189</b>	<b>(50,829)</b>	<b>423,579</b>	<b>132</b>	<b>(50,574)</b>	<b>2,569</b>	<b>(924)</b>	<b>(96,672)</b>	<b>8,371</b>	<b>9,344</b>	<b>291,572</b>	<b>236,630</b>	<b>528,202</b>

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

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

CONVENIENCE TRANSLATION INTO US DOLLARS (in thousands)

	<b>Three months ended March 31</b>		<b>Year ended December 31</b>
	<b>2017</b>	<b>2016</b>	<b>2016</b>
	Unaudited		Audited
<b>Cash flows from operating activities:</b>			
Net income	29,184	86,468	142,323
Adjustments required in order to present the cash flows from operating activities (Appendix A')	(69,464)	(124,880)	(83,500)
<b>Net cash generated (absorbed) by operating activities</b>	<b>(40,280)</b>	<b>(38,412)</b>	<b>58,823</b>
<b>Cash flows from investment activities:</b>			
Acquisition of fixed assets and intangible assets	(12,703)	(11,131)	(31,375)
Acquisition and construction of income generating assets	(2,077)	(929)	(7,310)
Initially consolidated companies and activities (Appendix B)	(23,906)	(2,615)	(11,265)
Investment in shares of affiliated and other companies	(37,562)	(19,199)	(60,889)
Sale of short-term investments, net	(137,329)	(700)	(25,953)
Consideration from the disposal of fixed and income-generating assets and investments	18,792	366,299	431,678
Net consideration from the sole of operation	27,009	-	-
Collection of long-term loans and deposits	4	136	142
<b>Net cash generated (absorbed) by investment activities</b>	<b>(167,772)</b>	<b>331,861</b>	<b>295,028</b>
<b>Cash flows from financing activities:</b>			
Dividend paid to shareholders in the company	-	-	(5,618)
Dividend to non-controlling interests	(10,494)	(1,786)	(10,642)
Issuance of bonds	-	19,626	100,337
Sale of shares in a consolidated company to non-controlling interests	20,129	-	-
Repayment of long-term liabilities	(8,653)	(169,648)	(367,875)
Receipt of long-term liabilities	12,320	680	20,733
Short-term bank credit, net	64,140	(21,285)	(30,128)
Acquisition of non-controlling interests	-	(2,133)	-
Issuance of shares to non-controlling interests in consolidated companies	1,125	135	14,210
Acquisition of treasury shares in the company and in consolidated companies	-	-	(3,279)
<b>Net cash generated (absorbed) by financing activities</b>	<b>78,567</b>	<b>(174,411)</b>	<b>(282,262)</b>
<b>Translation differences in respect of cash and cash equivalents balances</b>	<b>(1,056)</b>	<b>(1,679)</b>	<b>(9,351)</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(130,541)</b>	<b>117,359</b>	<b>62,238</b>
<b>Balance of cash and cash equivalents at the beginning of the period</b>	<b>274,083</b>	<b>211,845</b>	<b>211,845</b>
<b>Balance of cash and cash equivalents at the end of the period</b>	<b>143,542</b>	<b>329,204</b>	<b>274,083</b>

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

**ELCO LIMITED****CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**CONVENIENCE TRANSLATION INTO US DOLLARS** (in thousands)**Appendix A' - Adjustments required in order to present the cash flows from operating activities:**

	<b>Three months ended</b>		<b>Year ended</b>
	<b>March 31</b>		<b>December 31</b>
	<b>2017</b>	<b>2016</b>	<b>2016</b>
	Unaudited		Audited
<b>Income and expenses not involving cash flows:</b>			
The Group's share of the profits of companies accounted for at equity, net	(1,588)	(8,349)	(20,275)
Dividends and interest received from companies accounted for at equity	731	12,066	10,318
Adjustment of fair value and the results of the disposal of income-generating assets, net	1,127	37	(7,205)
Depreciation and amortization	7,589	5,765	28,133
Deferred taxes, net	1,885	2,328	(23,519)
Increase (decrease) in employee benefit liabilities	(491)	88	407
Capital gain on the sale of fixed assets and other investments	(2,776)	(79,033)	(103,742)
Gain on the disposal of discontinued operation	(20,071)	-	-
Gain as a result of increase to control and initial consolidation	-	(1,884)	(2,096)
Revaluation of long-term receivable and liabilities, net	583	(319)	(3,902)
Increase (decrease) in the value of short-term investments	(335)	657	(2,465)
Cost of share-based payment	1,045	628	3,399
<b>Changes in asset and liability items:</b>			
decrease (Increase) in inventory and inventory of real estate	(23,403)	(11,351)	26,616
decrease (Increase) in trade receivables	12,110	(8,351)	(26,560)
Increase in other accounts receivable	(37,890)	(10,928)	(16,988)
Increase (decrease) in suppliers and providers of services	(4,434)	4,520	22,281
Increase (decrease) in other accounts payable	(3,546)	(30,754)	32,098
	<u>(69,464)</u>	<u>(124,880)</u>	<u>(83,500)</u>

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

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

	<b>Three months ended</b>		<b>Year ended</b>
	<b>March 31</b>		<b>December 31</b>
	<b>2017</b>	<b>2016</b>	<b>2016</b>
	Unaudited		Audited
Working capital, net (except cash and cash equivalents)	16,793	442	4,510
Fixed assets	(711)	(205)	(288)
Other non-current assets	(814)	-	-
Investment in entities accounted for at equity	-	2,054	2,054
Intangible assets	(40,180)	(8,310)	(22,632)
Goodwill	(39,159)	(4,401)	(5,834)
Deferred taxes	6,884	2,077	4,780
Non-current liabilities	30,721	88	293
Non-controlling interests	(224)	-	-
Conditional liability	2,784	-	-
Liability for put option	-	3,756	3,756
Gain as a result of an increase to control	-	1,884	2,096
	<u>(23,906)</u>	<u>(2,615)</u>	<u>(11,265)</u>

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

**ELCO LIMITED****CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**CONVENIENCE TRANSLATION INTO US DOLLARS (in thousands)****Appendix C' - Further information on cash flows**

	<b>Three months ended</b>		<b>Year ended</b>
	<b>March 31</b>		<b>December 31</b>
	<b>2017</b>	<b>2016</b>	<b>2016</b>
	Unaudited		Audited
Cash paid in the period for:			
Interest	5,925	5,535	38,536
Taxes on income	9,907	2,094	41,356
Cash received for:			
Interest	1,160	825	4,253
Taxes on income	46	1,373	2,597

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

	<b>Three months ended</b>		<b>Year ended</b>
	<b>March 31</b>		<b>December 31</b>
	<b>2017</b>	<b>2016</b>	<b>2016</b>
	Unaudited		Audited
Dividend payable	10,055	8,384	10,802

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

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**Note 1 - General**

These financial statements have been prepared in a condensed format as at March 31, 2016 and for the period of three months ended on that date (hereinafter - interim consolidated financial statements).

The interim financial statements should be read together with the Company's annual financial statements as of December 31, 2016 and the year ended on that date and the accompanying notes thereto (hereinafter – the annual consolidated financial statements).

**Note 2 - Significant Accounting Policies**

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

The Interim Consolidated Financial Statements have been prepared in accordance with IAS 34 "Financial Reporting for Interim Periods", and also in accordance with the disclosure requirements in accordance with section D of the Securities Regulations (Periodic and Immediate Reports) - 1970.

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

C. Convenience translation

The attached Financial Statements in US Dollars are a translation of the statements as prepared in New Israeli Shekels ("NIS" or "Shekel") at the rate of exchange of the Shekel to the US Dollar prevailing on March 31, 2017 (NIS 3.632 = US\$ 1).

It should be noted that the New Israeli Shekel amounts, on the basis of which the convenience translation figures were prepared, do not necessarily represent the current cost amounts of the various elements within the financial statements and, also, that it should not be construed from the translation into US Dollar figures that the Israeli currency amounts actually represent, or could be converted into Dollars. These financial statements have been prepared for the convenience of the reader. In the event of any discrepancy between the contents of this translation and the Hebrew original, the Hebrew original prevails.