

ELECTRA REAL ESTATE LTD.

**UNAUDITED CONDENSED INTERIM
CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2005

(CONVENIENCE TRANSLATION INTO U.S. DOLLARS)

ELECTRA REAL ESTATE LTD.

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ELECTRA REAL ESTATE LTD.

REPORT OF THE BOARD OF DIRECTORS AT SEPTEMBER 30, 2005 AND FOR THE NINE-MONTH PERIOD THEN ENDED

The Board of Directors of Electra Real Estate Ltd. is pleased to submit herewith the financial statements of the Company and its subsidiaries ("the Company") at September 30, 2005 and for the nine-month period then ended (henceforth - "the period").

A. The Company and its Business Environment

The Company and its investees ("the Group") operate mainly in the yielding commercial real estate in Israel and abroad, directly or through investees. Within the framework of its activity, the Group focuses on the acquisition, leasing, set up, improvement and sale of yielding commercial real estate.

As of the date of the financial statements the Group holds, in Israel and abroad, 50 yielding assets and eight assets under construction, as follows:

<u>Country</u>	<u>Yielding assets</u>	<u>Nature of asset</u>
Israel	13	Office buildings plus seven assets under construction
Britain	13	Office buildings
Canada	10	Office buildings – 9; logistic center - 1
USA	4	Office buildings – 3; residential building - 1
Germany	8	Office buildings
Europe	2	Logistic centers in France and Hungary and a asset Under construction in Poland

Total area and average occupancy rates of yielding assets (including Company's share in assets of affiliates) – 437,000 sq. m. and 96%, respectively.

Activity in Israel

The Company holds five office buildings and eight office floors in different locations in Israel. The assets are leased to various tenants for different periods expiring between 2005 and 2019. In addition, the Company holds seven assets under construction.

Foreign activity

Britain

On the balance-sheet date the Company held, through investees abroad, 12 commercial buildings in Britain, leased for periods expiring between 2010 and 2025, held at different percentages ranging between 75% and 100%. The annual rental fees from these properties amount to £5.1m (Company's share), with the Company obliged to pay annual leasing fees of £0.38m in respect thereof. An additional building is held by the Company as a minority shareholder (49%) and accounted for by the equity method. It is leased to two tenants for periods expiring in 2015 and 2028.

In May 2005 a proportionately consolidated subsidiary refinanced a loan totaling £6.7m (Company's share) for a period of 14.5 years, at a fixed annual interest rate of 5.57%.

In March 2005 the company, concluded a transaction to sale its entire holding (75%) in a company owning property in Brighton, Britain. The proceeds from the sale (100%) amounted to £16.33m, with the Company's share therein (75%) totaling £12.24m. The Company earned a pre-tax gain of £1.43m (\$2.6m) from the transaction, net of all associated costs.

Canada

At the balance-sheet date, through its foreign subsidiaries, the company holds rights in eight commercial buildings in Canada that are held at various rates ranging from 70% to 100% and yielding annual rental fees amounting to C\$28.5m, net after management and maintenance fees – C\$15.7m. In addition, the company holds two buildings at an ownership rate of 49% and accounted for by the equity method. In April 2005 a proportionately consolidated subsidiary refinanced a loan totaling C\$36m for a period of three years, at a variable annual interest rate of 5% as of the balance-sheet date.

USA

Through foreign-owned corporations, the Company held – on the balance-sheet date – controlling rights of 72% and 63% in two buildings in the US, which yielded annual rental fees of \$16.43m (net of management and maintenance fees - \$9.35m). The Company also holds rights in two other buildings through affiliates which accounted for by the equity method, with the financial statements of its holding company.

In April 2005 a foreign, affiliates company, concluded the purchase of 60% of rights in a property located in Manhattan, on the corner of First Avenue and 90th Street, New York. The 24-storey building, whose construction was completed in 2000, consists of 128 residential units of various sizes as well as commercial and parking space at a total area of 12,200 sq. m., costing \$63m. Present occupancy rate stands at 96%, with gross annual rental fees amounting to \$4.7m (net of management and maintenance fees - \$3.2m).

The building is currently used for rental purposes and there is an intention to convert it into a condominium and sell the residential units as well as the commercial and parking space in a process expected to last 24 months at an additional cost of \$6.3m.

A US financial institution provided a loan (100%) of \$54m, designated to finance the entire transaction. The loan is secured by a non-recourse first mortgage on the property as well as its rental fees. The asset is recorded as a building under construction, with the related income and expenses capitalized therein.

In June 2005 a foreign subsidiary concluded a transaction for purchasing 45% of the shares of a foreign company holding the rights in a yielding property in Cleveland, Ohio, at a total cost (before related expenses amounting to \$3m) of \$141m for the entire asset. The property constitutes an office tower of 118,000 sq. m. plus 760 indoor parking spaces. The building is leased to various tenants for different periods, with an occupancy rate of 87%. The gross annual rental fees amount to \$22.7m (after deducting management and maintenance expenses - \$12.7m). A US financial institution financed the transaction (100%) with a non-recourse loan of \$115m, secured by a first mortgage and the rental receipts. The assets is accounted for by the equity method, with the financial statements of its holding company.

Germany

In March 2005 the company concluded a transaction for purchasing (a cumulative) 40% of holdings in foreign companies which own seven yielding properties in Germany, at a (100%) cost of €273m, plus related expenses totaling €9m. The yielding properties, which are located in Berlin, Hamburg, Düsseldorf, Cologne, Karlsruhe, Monster and Landshot, cover 143,661 sq. m. and are leased (in full) to Deutsch Telecom for a period expiring December 31, 2019. The lease provides for an annual increase of 1.5% in rental fees until 2010 and 1.2% from 2011 to 2019. The gross (100%) annual rental fees for all the above properties amounts to €19,688 thousand of which management and maintenance fees are to be deducted in an amount not exceeding 2% of rental fees. The beginning rental fees, net, amount to €19,294 thousand. The average annual rental fees, net, amount to €21,257 thousand.

A German financial institution provided a loan of €255m for financing the transaction. The loan is secured by a non-recourse first-tier lien on the assets and proceeds from the properties.

The Company's financial statements are accounted for by the equity method.

In September 2005 the Company concluded the acquisition of 75% of the rights in a yielding property in western Germany, at a total cost of €25.5m, including related expenses. The five-story, 25,000-sq.-m. office and distribution building which also contains 200 stores is located in Nuremberg. The entire building is leased to the WOHL fashion network as an office building until December 2022 with no option for exit. Total net annual revenues amounts to €1.97m, linked to the German CPI at 60%.

A financial institution in Germany provided a loan of €21.8m secured by a first-tier non-recourse lien on the property and its receipts.

Hungary and France

Through a foreign subsidiaries the Company held – on the balance sheet date – 42.5% of the ownership rights in two logistic centers in Europe (France and Hungary), with its share in the annual rental fees amounting to €1.0m, linked to the CPI in those countries.

B. Financial Position

Total balance-sheet assets on September 30, 2005 amounted to \$551.8 (December 31, 2004 – \$427.5m).

The net increase stems mainly from investments in yielding assets, assets under construction, an investment in affiliates in Germany and the US and the realization of an investment in an investee in Britain.

Current assets

Current assets on September 30, 2005 totaled \$71.5m as compared with \$13.5m on December 31, 2004. This increase has resulted from higher balances of cash and short-term deposits amount to \$54.4m derived from the issuance of the company in Tel Aviv stock exchange.

Long-term investments

Long-term investments on September 30, 2005 amounted to \$69.1m (December 31, 2004 – \$18.7m). The increase in the reported period stemmed mainly from an investment in affiliates which owns a yielding assets in Germany and in the US.

Yielding assets

Total yielding assets on September 30, 2005 amounted to \$405.6m as compared with \$390.2m on December 31, 2004. This increase stemmed mainly from investment in yielding asset in Germany on the one hand and realization of a yielding asset in Britain, on the other hand.

Current liabilities

Total current liabilities on September 30, 2005 amounted to \$63.7m (December 31, 2004 – \$54.4m), with this increase mainly reflecting short-term loans obtained for asset acquisition.

On September 30, 2005 the Company had a working-capital surplus of \$7.7m as compared with working-capital deficiency which amounted to \$40.9m on December 31, 2004. The improvement in the working-capital is stemmed mainly from a increase in the balance of cash (see above).

Long-term liabilities

Long-term liabilities (including long-term loans obtained to finance the acquisition of yielding assets) on the balance-sheet date amounted to \$376m as compared with \$294.5m on December 31, 2004. This increase mostly stems from non-recourse loans obtained for investment in yielding assets in North America and in Germany. On September 30, 2005 the bank loans, which amounted to \$245m, constituted non-recourse loans secured by a first-tier lien on the asset and the receipts in respect thereof (Non Recourse).

Shareholders' equity

Shareholders' equity amounted on September 30, 2005 to \$113.1m as compared with \$77.3m at the end of 2004. The shareholders' equity increased in the reported period in \$28.1m mainly following the Company's issuance in August 2005 of shares and options to the public (\$28m), in addition to net income for the period (\$11.5m). On the other hand, it has declined by \$4m due to the implementation of the Israeli Securities Authority decision to capitalize the management fees paid to the parent company and allocate the liability created in respect thereof against a capital reserve from transactions with a controlling party within the framework of shareholders' equity.

C. Results of operations

Statement-of-Operations Summary, by Quarters (in thousands US dollars):

	Quarter				
	7-9/05	4-6/05	1-3/05	10-12/04	7-9/04
Revenues	12,686	11,820	14,427	10,847	9,024
Operating expenses	6,318	5,686	5,898	5,138	3,926
Operating income before net financing	6,368	6,134	8,528	5,709	5,098
Financing expenses, net	4,835	4,164	4,303	4,757	3,242
Pre-tax income	1,533	1,970	4,225	952	1,856
Income taxes	(176)	379	815	81	416
Income after taxes on income	1,709	1,591	3,410	871	1,440
Company's share in earnings of investees, net	1,528	2,444	882	419	321
Minority interest in income, net	(102)	4	(15)	(28)	(62)
Net income	3,135	4,039	4,277	1,262	1,699

Revenues

Third-quarter revenues totaled \$12.68m as compared with \$9.1m in the corresponding period in 2004. Revenues during the first nine months of 2005 totaled \$38.9m against \$30.5 in the corresponding period last year. Total revenues for the entire 2004 amounted to \$41.3m.

The Company's share in its affiliates' rental income during the third quarter amounts to \$7.2m (same period last year – \$1.4m), with this share in the reported period amounting to \$13.3m (same period last year – \$3.5m).

Operating income before financing

Operating income in the third quarter of 2005 amounted to \$6.4m as compared with \$5.1m in the same quarter last year. Operating income before financing in the first nine months of 2005 amounted to \$21m as compared with \$17.9m in the same period last year.

Operating income before financing for the entire 2004 amounted to \$23.6m.

Financing expenses

Company's total financing expenses in the third quarter of 2005 amounted to \$4.8m compared with \$3.2m in the same quarter last year. During the reported period financing expenses totaled \$ 13.3m as compared with \$10.8m in the corresponding period last year.

During the entire year of 2004 they amounted to \$15.6m.

The financing expenses during the reported period include \$9.4m in respect of long-term loans obtained from financial institutions abroad for financing the acquisition of yielding assets abroad. These loans are secured by a fixed lien registered on the buildings. The Company provided neither additional guarantees nor collateral in respect thereof.

Income taxes

Following the recent amendment (No.147) of the Income Tax Ordinance, according to which the Israeli corporate income-tax rates would be reduced starting in 2006, the Company's tax expense in the third quarter of 2005 declined by \$0.3m.

Net income

Net income in the third quarter of 2005 amounted to \$3.1m as compared with \$1.7m in the same quarter last year, an increase of 85%. Net income during the first nine months of 2005 amounted to \$11.4m as compared with \$6.8m in the same period last year, an increase of 69%. In the entire 2004 the net income amounted to \$8m.

Foreign, indirectly owned, affiliates which prepares their financial statements in accordance with international accounting standards, including Standard No. 40 based on which yielding real estate is presented at fair value, reported in their statements of operations a gain derived from valuation of yielding property. The fair value determined based on an independent appraiser's valuation based on the fair value of the yielding property. The Company's share in the abovementioned increase in asset value, which amounts to \$565 thousand, is included in the item titled "Company's share in earnings of affiliates" in the first quarter of 2005, with an additional amount of \$1.9m included in the second quarter of 2005.

Liquidity and financing resources

During the reported period operating activities provided the Company with cash flows totaling \$8.4m, as compared with \$11m last year. Cash flows from operating activities during the entire 2004 amounted to \$12.6m, with the decline stemming from the following reasons:

- A. An increase in the share of income from affiliates which do not contribute cash flows from operating activities. During the period under review, the income from affiliates amounted to \$4.8m as compared with \$652 thousand in the corresponding period last year.
- B. During the same period last year most customers abroad advanced the payment of the quarterly rental fees before their accounting recognition date. The decrease in the advances payments in the reported period caused declined in flow of \$1.3m, net.

D. FFO (Funds from Operations)

“FFO” is a non-accounting index accepted in the US, Canada and Europe for providing additional information concerning operating results of yielding real estate companies and which enable a fair basis for comparing results among these companies. The FFO, as defined, expresses net income, computed in conformity with generally accepted accounting principles (GAAP), net of gains (losses) derived from the sale of assets, plus depreciation and amortization pertaining to the real estate.

The Company, which publishes the FFO results in a similar fashion to the publication of the position paper published by NAREIT (the US REIT association), believes that subject – and in addition - to its traditional financial statements, the FFO fairly reflect its results of operations while enabling a basis for comparison with other real estate companies.

It should be noted that the FFO:

- does not present cash flows from operating activities based on GAAP;
- reflects neither cash earmarked for financing all the group’s cash-flow requirements nor ability to carry out cash distributions;
- is not deemed as an alternative net income for assessing the Group’s results of operations;
- is not an audited figure.

The following FFO computations pertain to the reported periods:

	Nine-month period ended September 30,		Three-month period ended September 30,		Year ended December 31,
	2005	2004	2005	2004	2004
	In thousands \$				In thousands \$
Net profit	<u>11,450</u>	<u>6,757</u>	<u>3,135</u>	<u>1,699</u>	<u>8,018</u>
Adjustments:					
Net gain from sales of assets and investments	(2,274)	(2,702)	-	-	(2,702)
Depreciation and amortization	5,099	4,162	1,655	1,219	5,667
Capital gain from a subsidiary's share allotment	-	(365)	-	-	(365)
Adjustments in respect of minority interest in subsidiaries	(316)	(397)	(105)	(131)	(442)
Adjustments in respect of the Company's equity in affiliates' earnings (*)	(1,938)	524	152	226	740
Adjustments in respect of prior years (Regulation 59d).	<u>(54)</u>	<u>(137)</u>	<u>-</u>	<u>-</u>	<u>(192)</u>
Total adjustments	<u>517</u>	<u>1,085</u>	<u>1,703</u>	<u>1,314</u>	<u>2,706</u>
F.F.O	<u>11,967</u>	<u>7,842</u>	<u>4,838</u>	<u>3,013</u>	<u>10,724</u>

(*) Stemming mainly from adjustments in respect of depreciation and amortization as well as asset revaluation.

General

1. On August 2005 the Company published a prospectus and issued shares, debentures, options for debentures and options for shares. The proceeds in respect of the issuance, net of related expenses amounting to \$3.5m, totaled \$77.2m.
2. In August 2005 the Company's board of directors Approved agreements signed between Electra Ltd. and the company for arranging issues outlined below.
 - a. Loan repayment schedules provided by Electra Ltd. to the company totaled \$75.7m.
 - b. Payment for management services, wage reimbursement and others to Electra Ltd.
 - c. Submission of electro-mechanical projects, finishing work and property-management services for assets wholly controlled by the company in Israel. This agreement is contingent upon the approval of the company's General Meeting.
 - d. A payment equaling 6.5% of the earnings of the company to Electra Ltd. within the framework of the comprehensive arrangement at the Elco Group for the payment of management fees based on the pre-tax income.

3. In August 2005 the board of directors approved a program to allot 600,000 options to three executives. The options will grant the executives a right to buy shares at a discount and may be exercised in three annual equal batches at the end of a two-year period following allotment.
4. Proportionately consolidated subsidiary holding an asset under construction in Hungary has realized its holding in that asset at a pre-tax gain of \$239 thousand, an amount that included in the third-quarter revenues.
5. Subsequent to the issuance the Company repaid its parent company (Electra Ltd.) part of the outstanding loans in compliance with the terms of the prospectus, as follows: \$35.5m at around the issuance date, \$4.9m (from the exercise of options into debentures) by the financial statements date and \$21.7m subsequently.

F. Events after the reported period

In October 2005 the Company concluded a transaction for the sale of all of its holdings (75%) in a company holding an asset in Jersey Island, Britain. The total proceeds reflect a selling price (100%) of £21.2m (\$37.8m), with the Company's share therein (75%) amounting to £15.9m (\$28.4m). In respect of this sale, the Company expects a pre-tax income of £1.95m (\$3.5m), net of all related expenses. Net cash flow derived from this sale amounted to £3.82m (\$6.8m), net of mortgage repayment and all related expenses.

G. Exposure to market risks, business risks and methods used in managing them

(Guidelines of the Israeli Securities Authority - Section 36a of the Securities Law, 1968)

See directors' report as of December 31, 2004.

H. Balance sheet linkage basis report

See appendix enclosed herewith.

I. Directors possessing accounting and financial skills

The number of directors possessing accounting and financial expertise has been determined as one. The following directors are considered to possess accounting and financial expertise:

- Prof. Israel Zeng

A management professor at Tel Aviv University's management faculty since 1975. He has published articles in the areas of economics and operations research for the past 30 years and is currently serving as the academic director of the Kellogg Recanati's Executive MBA program. In addition, Prof. Zeng has held various other senior positions in the University while serving as a director in public companies.

- Prof. Ben Ami Zukerman:

A management professor at The College for Management. Previously served as lecturer at Tel Aviv University's MBA school and the Hebrew University's law school in the areas of finance and the capital market and has written many publications on related matters.

Served as: chairman of the board of Mivtachim Pension Plan, CEO of Hevrat ha'ovdim, in charge of the capital market, insurance and savings at the Ministry of Finance, member of the Security Authority, director of the Tel Aviv Stock Exchange as well as chairman and board member in several public companies.

J. Disclosure concerning the Company's Internal Auditor

The Company's Internal Auditor, Mr. Hille Lavi, holds this position since November 15, 2005. Holds an MBA in auditing and possesses several years' experience in this field. He also functions as the internal auditor of Elco Holdings Ltd. and its subsidiaries.

The scope of the internal audit work is derived from the internal-audit program, which is drawn from the multi-year program, intended coverage of operating segments, risk centers, management's exposure, savings and efficiency, cycle of coverage and follow-up procedures aimed at rectifying noted deficiencies.

K. Disclosure concerning consent for peer review

(Guidelines of the Israeli Securities Authority - Section 36a of the Securities Law, 1968)

On July 28, 2005 the Israeli Securities Authority published a guideline requiring disclosure concerning consent to carry out a "peer review" designed to serve as a control procedure over the work of the independent auditors. The Company does not object to such control procedures and is willing to cooperate in this matter; nevertheless, such consent entails serious legal issues in material topics, including that pertaining to confidentiality of information provided by a company to its independent auditors, averting conflict of interest and responsibility to the company in the event of failure by the peers to adhere to confidentiality. No satisfactory solutions to these issues have been found by the publication date of these financial statements and, consequently, the board of directors permitted management to postpone its decision concerning that consent.

On behalf of the Board of Directors:

Shlomo Sherf
CEO

Gershon Salkind
Chairman of the Board of Directors

November 15, 2005

ELECTRA REAL ESTATE LTD.

APPENDIX
TO THE REPORT OF THE BOARD OF DIRECTORS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2005

Balance sheet linkage basis - September 30, 2005
(Table 1)

	Linked to Foreign currency(*)	CPI- linked	Unlinked	Balance	Balance- sheet total
	(in thousand US dollars)				
Cash and cash equivalents	17,513	-	32,752	-	50,265
Short-term deposits	2,695	-	182	-	2,877
Marketable securities	-	-	9,915	-	9,915
Trade accounts receivable	1,499	-	430	-	1,929
Receivables and other current assets	2,689	305	230	3,295	6,519
Investments in investees	25,875	-	652	33,911	60,438
Long-term receivables	7,256	-	-	-	7,256
Deferred income taxes	-	-	-	1,393	1,393
Fixed assets, net	-	-	-	268	268
Yielding assets, net	-	-	-	405,632	405,632
Other assets, net	-	-	-	5,294	5,294
Total assets	57,527	305	44,161	449,793	551,786
Short-term bank borrowings to finance yielding assets	48,542	-	3,685	-	52,227
Trade accounts payable	1,319	-	371	-	1,690
Payables and other current liabilities	7,706	89	2,042	-	9,837
Long-term loans to finance yielding assets in-					
Israel	-	-	-	-	-
Britain	85,735	-	-	-	85,735
North America	147,981	-	-	-	147,981
Europe	28,751	-	-	-	28,751
Capital notes	-	-	11	-	11
Debentures	-	54,301	-	-	54,301
Liability from capitalization of management fees to a controlling party	-	-	-	5,626	5,626
Loan from Electra Group companies	23,969	21,622	-	-	45,591
Loans from minority shareholders in subsidiaries	3,408	-	-	-	3,408
Deferred income taxes	-	-	-	2,140	2,140
Minority interest	-	-	-	1,407	1,407
Total liabilities	347,411	76,012	6,109	9,173	438,705
Net balance sheet amount	(289,884)	(75,707)	38,052	440,620	113,081
Classification of balances linked to the functional currencies of autonomous units	278,548	-	-	-	278,548
Total exposure of assets (liabilities)	(11,336)	(75,707)	38,052	440,620	391,629

ELECTRA REAL ESTATE LTD.

APPENDIX
TO THE REPORT OF THE BOARD OF DIRECTORS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2005

(*) **Composition**
(table 2)

	US Dollar	Pound sterling	Euro	Canadian dollar	Other	Total Linked to foreign currency
	(in thousand US dollars)					
Cash and cash equivalents	1,368	2,776	1,918	11,450	-	17,512
Short-term deposits	692	490	-	1,513	-	2,695
Trade accounts receivable	592	-	189	718	-	1,499
Receivables and other current assets	-	1,302	99	1,206	81	2,688
Investments in investees	9,383	-	12,087	4,406	-	25,876
Long-term receivables	1,606	2,188	883	2,580	-	7,257
Fixed assets, net	-	-	-	-	-	-
Yielding assets, net	-	-	-	-	-	-
Other assets and net deferred charges, net	-	-	-	-	-	-
Total assets	13,641	6,756	15,176	21,873	81	57,527
Short-term bank borrowings to finance yielding assets	21,860	2,241	10,355	5,534	8,552	48,542
Trade accounts payable	130	-	20	1,165	3	1,318
Payables and other current liabilities	430	4,022	1,543	1,487	224	7,706
Long-term loans to finance yielding assets in-						
Israel	-	-	-	-	-	-
Britain	-	85,735	-	-	-	85,735
North America	38,447	-	-	109,534	-	147,981
Europe	1,100	-	27,651	-	-	28,751
Capital notes	-	-	-	-	-	-
Debentures	-	-	-	-	-	-
Liability from capitalization of management fees to a controlling party	-	-	-	-	-	-
Loan from Electra Group companies	-	-	3,511	20,458	-	23,969
Loans from minority shareholders in subsidiaries	-	251	-	3,158	-	3,409
Deferred income taxes	-	-	-	-	-	-
Minority interest	-	-	-	-	-	-
Total liabilities	61,968	92,249	43,080	141,336	8,779	347,411
Net balance sheet amount	(48,326)	(85,493)	(27,904)	(119,463)	(8,698)	(289,884)
Classification of balances linked to the functional currencies of autonomous units	45,542	85,493	27,904	119,463	146	278,548
Total exposure of assets (liabilities)	(2,784)	-	-	-	(8,552)	(11,336)

The Board of Directors
Electra Real Estate Ltd.
Rishon Le'Zion

Re: Special review report on the unaudited condensed interim consolidated financial statements of Electra Real Estate Ltd. for the Nine and three month periods ended at September 30, 2005

At your request, we have reviewed the condensed interim consolidated balance sheet of Electra Real Estate Ltd. ("the Company") and its subsidiaries at September 30, 2005, and the related condensed interim consolidated statements of operations, changes in shareholders' equity and cash flows for the nine and three month periods then ended (in the Hebrew language, not included herein) and have issued our accountants review report thereon dated November 15, 2005.

The aforementioned financial statements (not presented separately herein) were prepared in the Hebrew language in reported NIS (see also Note 1), in accordance with pronouncements issued by the Israeli Accounting Standards Board.

As noted in our aforementioned review report, we were furnished review reports of other accountants concerning the review of interim financial statements of consolidated subsidiaries whose assets constitute 70% of the total consolidated balance at September 30, 2005 and revenues 86% and 86% of the consolidated total revenues for the nine and three month periods then ended. We did not review the financial statements of investee companies, in which the Company's investment as of September 30, 2005 amounted to \$60,438 thousand and the Company's share in their results amounted to \$4,855 and \$1,528 thousand for the nine and three month periods then ended. The financial statements of those companies were reviewed by other accountants.

As described in Note 1, the accompanying English-language condensed interim consolidated financial statements in US dollars represent a translation of the above-mentioned reported NIS financial statements into US dollars in condensed form solely for the convenience of the reader ("convenience translation"), using the representative dollar exchange rate in effect on September 30, 2005. Comparative figures for the nine and three month periods ended September 30, 2004 and for the year ended December 31, 2004 represent a translation of the original reported NIS values of the respective period, using the representative dollar exchange rate in effect on September 30, 2005. These condensed interim financial statements do not include all the disclosures necessary for presentation of the financial statements in conformity with generally accepted accounting principles.

In our opinion, the convenience translation in condensed form referred to above has been made in accordance with the basis described in Note 1.

Brightman Almagor & Co.
Certified Public Accountants

Tel-Aviv, November 15, 2005

ELECTRA REAL ESTATE LTD.

**CONSOLIDATED BALANCE SHEETS
CONVENIENCE TRANSLATION INTO U.S. DOLLARS
REPORTED AMOUNTS**

	September 30,		December 31,
	2005	2004	2004
	In thousands		In thousands
	(unaudited)		
ASSETS			
Current assets			
Cash and cash equivalents	50,265	4,346	5,645
Short-term deposits	2,877	2,779	2,661
Marketable securities	9,915	-	-
Trade accounts receivable	1,929	209	303
Receivables and other current assets	6,519	6,330	4,878
	<u>71,505</u>	<u>13,664</u>	<u>13,487</u>
Long term receivables and investments			
Long-term receivables	7,256	13,843	4,330
Investments in affiliates	60,438	1,185	14,277
Deferred income taxes	1,393	117	80
	<u>69,087</u>	<u>15,145</u>	<u>18,687</u>
Yielding assets, net in -			
Israel	111,614	106,070	107,860
Britain	95,224	111,902	114,297
North America	165,825	102,098	153,230
Europe	32,969	13,634	14,795
	<u>405,632</u>	<u>333,704</u>	<u>390,182</u>
Fixed assets, net	<u>268</u>	<u>278</u>	<u>274</u>
Other assets, net	<u>5,294</u>	<u>1,813</u>	<u>4,842</u>
	<u><u>551,786</u></u>	<u><u>364,604</u></u>	<u><u>427,472</u></u>

The accompanying notes are an integral part of the condensed financial statements

ELECTRA REAL ESTATE LTD.

**CONSOLIDATED BALANCE SHEETS
CONVENIENCE TRANSLATION INTO U.S. DOLLARS
REPORTED AMOUNTS**

	<u>September 30,</u>		<u>December 31,</u>
	<u>2005</u>	<u>2004</u>	<u>2004</u>
	<u>In thousands</u>		<u>In thousands</u>
	<u>(unaudited)</u>		
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Loans to finance yielding properties (including current maturities of long-term loans)	52,227	36,251	43,728
Trade accounts payable	1,690	722	1,493
Payables and other current liabilities	9,837	11,012	9,179
	<u>63,754</u>	<u>47,985</u>	<u>54,400</u>
Long- term loans for financing yielding assets in -			
Britain	85,735	84,565	91,688
North America	147,981	78,131	122,362
Europe	28,751	9,499	9,893
	<u>262,467</u>	<u>172,195</u>	<u>223,943</u>
Long-term liabilities			
Capital notes	11	11	11
Debentures	54,301	-	-
Liability from capitalization of management fees to a controlling party	5,626	-	-
Loan from Electra Group companies	45,591	62,759	65,902
Loans from minority shareholders in subsidiaries	3,408	2,630	2,787
Deferred income taxes	2,140	1,924	1,821
	<u>111,077</u>	<u>67,324</u>	<u>70,521</u>
Minority interest	<u>1,407</u>	<u>1,771</u>	<u>1,346</u>
Shareholders' equity	<u>113,081</u>	<u>75,329</u>	<u>77,262</u>
	<u>551,786</u>	<u>364,604</u>	<u>427,472</u>

Approval date of the financial statements

Rishon Le'Zion, November 15, 2005

Zvi Duskin
CFO

Shlomo Sherf
CEO

Gershon Salkind
Chairman of the
Board of Directors

The accompanying notes are an integral part of the financial statements

ELECTRA REAL ESTATE LTD.

**CONSOLIDATED STATEMENTS OF OPERATIONS
CONVENIENCE TRANSLATION INTO U.S. DOLLARS
REPORTED AMOUNTS**

	Nine-month period ended September 30,		Three-month period ended September 30,		Year ended December 31,
	2005	2004	2005	2004	2004
	(unaudited)				
	In thousands				In thousands
Revenues from rental fees (including management fees)	36,094	27,263	12,436	9,024	38,110
Gains from sales of assets and investments	2,839	3,226	250	-	3,226
	38,933	30,489	12,686	9,024	41,336
Operating expenses	17,902	12,552	6,317	3,927	17,690
Operating income	21,031	17,937	6,369	5,097	23,646
Financing expenses, net	13,303	10,822	4,835	3,242	15,579
Other income	-	365	-	-	365
Pre-tax income	7,728	7,480	1,534	1,855	8,432
Income taxes	1,018	504	(176)	415	585
Income after taxes on income	6,710	6,976	1,710	1,440	7,847
Company's share in income of investees, net	4,855	655	1,528	321	1,073
Minority interest in income of subsidiaries, net	(115)	(874)	(103)	(62)	(902)
Net income for the period	11,450	6,757	3,135	1,699	8,018
Earnings per share:					
Basic and fully diluted EPS (in dollars)	0.56	0.52	0.14	0.12	0.55
Basic and fully diluted EPS (per NIS 1 par value) – in thousand dollars	5.56	5.25	1.44	1.16	5.46
Number of shares used in basic EPS computations (in thousands)	20,593	12,882	21,761	14,691	14,691

The accompanying notes are an integral part of the financial statements

ELECTRA REAL ESTATE LTD.

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
CONVENIENCE TRANSLATION INTO U.S. DOLLARS
REPORTED AMOUNTS**

For the nine month period ended September 30, 2005

	Share capital	Addition al paid-in capital	Receipts on account of stock options	Capital reserve arising from transaction with a controlling party	Capital reserve from foreign currency translation adjustment	Retained earnings	To t a l
(Unaudited)							
(in thousands)							
Balance - January 1, 2005	(*)	43,173		-	3,543	30,546	77,262
Issuance of shares (**)	(*)	26,332					26,332
Issuance of stock options (**)			1,621				1,621
Capital reserve from capitalization of management fees to a controlling party				(4,219)			(4,219)
Foreign currency translation adjustment					635		635
Net income for the period						11,450	11,450
Balance - September 30, 2005	(*)	69,505	1,621	(4,219)	4,178	41,996	113,081

For the nine month period ended September 30, 2004

	Share capital	Addition al paid-in capital	Capital reserve arising from transaction with a controlling party	Capital reserve from foreign currency translation adjustment	Retained earnings	To t a l
(Unaudited)						
(in thousands)						
Balance - January 1, 2004	(*)	-	91	2,239	22,663	24,993
Issuance of shares (**)	(*)	43,173				43,173
Foreign currency translation adjustment				633		633
Capital reserve upon CPI - Link differences on loans from a controlling party			(91)		(136)	(227)
Net income for the period					6,757	6,757
Balance - September 30, 2004	(*)	43,173	-	2,872	29,284	75,329

(*) Less than \$1 thousand.

(**) Net of issuance expenses.

The accompanying notes are an integral part of the financial statements

ELECTRA REAL ESTATE LTD.

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
CONVENIENCE TRANSLATION INTO U.S. DOLLARS
REPORTED AMOUNTS**

For the three month period ended September 30, 2005

	Share capital	Additional paid-in capital	Receipts on account of stock options	Capital reserve arising from transaction with a controlling party	Capital reserve from foreign currency translation adjustment	Retained earnings	To t a l
(Unaudited)							
(in thousands)							
Balance - July 1, 2005	(*)	43,173		-	3,789	38,861	85,823
Issuance of shares (**)	(*)	26,332					26,332
Issuance of stock options (**)			1,621				1,621
Capital reserve from capitalization of management fees to a controlling party				(4,219)			(4,219)
Foreign currency translation adjustment					389		389
Net income for the period						3,135	3,135
Balance - September 30, 2005	(*)	69,505	1,621	(4,219)	4,178	41,996	113,081

For the three month period ended September 30, 2004

	Share capital	Additional paid-in capital	Capital reserve arising from transaction with a controlling party	Capital reserve from foreign currency translation adjustment	Retained earnings	To t a l
(Unaudited)						
(in thousands)						
Balance - July 1, 2004	(*)	110	-	2,752	27,399	30,261
Issuance of shares (**)	(*)	43,063				43,063
Foreign currency translation adjustment				120		120
Capital reserve upon CPI - Link differences on loans from a controlling party					186	186
Net income for the period					1,699	1,699
Balance - September 30, 2004	(*)	43,173	-	2,872	29,284	75,329

(*) Less than \$1 thousand.

(**) Net of issuance expenses.

The accompanying notes are an integral part of the financial statements

ELECTRA REAL ESTATE LTD.

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
CONVENIENCE TRANSLATION INTO U.S. DOLLARS
REPORTED AMOUNTS**

For the year ended December 31, 2004						
Share capital	Additional paid-in capital	Capital reserve arising from transaction with a controlling party	Capital reserve from foreign currency translation adjustment	Retained earnings	T o t a l	
(in thousands)						
Balance - January 1, 2004	(*)	-	91	2,239	22,663	24,993
Issuance of shares (**)	(*)	43,173				43,173
Foreign currency translation adjustment				1,304		1,304
Capital reserve upon CPI - Link differences on loans from a controlling party			(91)		(135)	(226)
Net income for the period					8,018	8,018
Balance - December 31, 2004	(*)	43,173	-	3,543	30,546	77,262

(*) Less than \$1 thousand.

(**) Net of \$436 thousand paid for stamp tax on stocks issue.

The accompanying notes are an integral part of the financial statements

ELECTRA REAL ESTATE LTD.

**CONSOLIDATED STATEMENTS OF CASH FLOWS
CONVENIENCE TRANSLATION INTO U.S. DOLLARS
REPORTED AMOUNTS**

	Nine-month period ended September 30,		Three-month period ended September 30,		Year ended December 31,
	2005	2004	2005	2004	2004
	(unaudited)				
	In thousands				In thousands
Cash Flow - Operating Activities:					
Net income	11,450	6,757	3,135	1,699	8,018
Adjustments required to present cash flows from operating activities (Appendix A)	(3,025)	4,454	179	892	4,592
Net cash provided by operating activities	8,425	11,211	3,314	2,591	12,610
Cash Flows - Investing Activities:					
Proportionately consolidated subsidiaries that were previously fully consolidated (Appendix C)	-	(308)	-	(308)	(308)
Investments in marketable securities	(9,846)	-	(9,846)	-	-
Long-term loans granted	(1,803)	(356)	(936)	(336)	(1,144)
Collection of long-term debts (also from investee)	88	11	45	11	156
Proceeds from the sale of an investees that were proportionately consolidated (Appendix B)	9,627	2,730	3,905	-	2,730
Short-term deposits, net	(53)	(2,270)	9,125	(81)	(2,131)
Investment in investee companies	(40,915)	(3,882)	(261)	(139)	(3,940)
Acquisition and construction of yielding assets	(31,167)	(83,001)	(23,918)	(22,958)	(136,181)
Acquisition of fixed assets and other assets	(1,097)	(344)	(382)	(69)	(3,498)
Net cash used in investing activities	(75,166)	(87,420)	(22,268)	(23,880)	(144,316)
Cash Flows - Financing Activities:					
Issuance of debentures, net of related expenses	54,205	-	54,205	-	-
Issuance of stock options, net of related expenses	1,621	-	1,621	-	-
Dividend paid to minority shareholders in a subsidiary	-	(46)	-	-	(546)
Shares allocation to minority shareholders in a subsidiary	-	538	-	-	538
Issuance of shares, net of related expenses	26,332	43,173	26,332	43,062	43,172
Receipt of long-term loans	48,750	73,948	20,361	16,344	144,743
Repayment of long-term loans	(9,223)	(5,335)	(458)	(1,028)	(27,524)
Repayment of loans and capital notes from the parent company, net	(25,528)	(45,334)	(34,972)	(48,554)	(44,015)
Receipt of loans and capital notes from minority shareholders in a consolidated subsidiaries, net	358	1,270	262	1,026	506
Receipt of short-term bank borrowings, net	14,908	7,592	(4,673)	6,531	15,566
Net cash provided by financing activities	111,423	75,806	62,678	17,381	132,440
Translation differences relating to cash balances in autonomous units	(62)	99	27	3	261
Increase (Decrease) in cash and cash equivalents	44,620	(304)	43,751	(3,905)	995
Cash and cash equivalents at beginning of period	5,645	4,650	6,514	8,251	4,650
Cash and cash equivalents at end of period	50,265	4,346	50,265	4,346	5,645

The accompanying notes are an integral part of the financial statements

ELECTRA REAL ESTATE LTD.

**CONSOLIDATED STATEMENTS OF CASH FLOWS
CONVENIENCE TRANSLATION INTO U.S. DOLLARS
REPORTED AMOUNTS**

	Nine-month period ended September 30,		Three-month period ended September 30,		Year ended December 31,
	2005	2004	2005	2004	2004
	(unaudited)				
	In thousands				In thousands
Appendix A - Adjustments to reconcile Net income to net cash provided by operating activities:					
Expenses (income) not involving cash flows:					
Company's share in earnings of investees, net	(4,855)	(654)	(1,528)	(321)	(1,074)
Minority interest in earnings of subsidiaries, net	115	874	103	62	902
Depreciation and amortization	5,098	4,163	1,656	1,220	5,666
Change in value of long-term receivables and liabilities, net (including the allocation of interest to the parent company)	1,643	2,927	908	593	3,522
Deferred income taxes	414	(338)	(236)	187	(411)
Gain from realization of investments that were proportionately consolidated	(2,839)	(3,226)	(250)	-	(3,226)
Capital Gain from stock allocation to minority in consolidated company	-	(365)	-	-	(365)
Gain from marketable securities	(69)	-	(69)	-	-
Changes in assets and liabilities:					
Trade accounts receivables	(1,613)	(40)	(816)	136	(134)
Receivables and other current assets	(1,388)	(1,085)	(881)	(358)	(1,914)
Trade accounts payables	67	(851)	(30)	(1,304)	(101)
Payables and other current liabilities	402	3,049	1,322	677	1,727
	(3,025)	4,454	179	892	4,592

The accompanying notes are an integral part of the financial statements

ELECTRA REAL ESTATE LTD.

**APPENDICES TO CONSOLIDATED STATEMENTS OF CASH FLOWS
CONVENIENCE TRANSLATION INTO U.S. DOLLARS
REPORTED AMOUNTS**

Nine-month period ended SEPTEMBER 30,		Three-month period ended SEPTEMBER 30,		Year ended December 31,
2005	2004	2005	2004	2004
(unaudited)				
In thousands				In thousands

**Appendix B - Proceeds from the sale of
an investees that were proportionately
consolidated**

Assets and liabilities at acquisition:

Net working capital (excluding cash)	(14)	(520)	-	-	(520)
Other assets	-	88	-	-	88
Yielding assets	22,362	8,739	3,655	-	8,739
Long-term liabilities	(15,560)	(8,803)	-	-	(8,803)
Profit from investment realization	2,839	3,226	250	-	3,226
	<u>9,627</u>	<u>2,730</u>	<u>3,905</u>	<u>-</u>	<u>2,730</u>

**Appendix C - Proportionately
consolidated subsidiaries that were
previously fully consolidated**

Net working capital (excluding cash)	-	(454)	-	(454)	(454)
Yielding assets	-	22,325	-	22,325	22,325
Long-term liabilities	-	(19,507)	-	(19,507)	(19,507)
Minority interest	-	(2,672)	-	(2,672)	(2,672)
	<u>-</u>	<u>(308)</u>	<u>-</u>	<u>(308)</u>	<u>(308)</u>

The accompanying notes are an integral part of the financial statements

ELECTRA REAL ESTATE LTD.

NOTES TO THE FINANCIAL STATEMENTS
(Unaudited)

NOTE 1 - FINANCIAL STATEMENTS IN US DOLLARS

These interim financial statements are presented in US dollars, derived from convenient translation of the financial statements prepared in reported NIS, in accordance with pronouncements issued by the Israeli Accounting Standard Board, into US dollars by using the conversion rate prevailing on September 30, 2005 (\$1.00= NIS 4.598).

The accompanying English-language condensed interim consolidated financial statements in US dollars represent a translation of the above-mentioned reported NIS financial statements into US dollars in condensed form solely for the convenience of the reader ("convenience translation"), using the representative dollar exchange rate in effect on September 30, 2005. Comparative figures for the nine and three month periods ended September 30, 2004 and for the year ended December 31, 2004 represent a translation of the original reported NIS values of the respective period, using the representative dollar exchange rate in effect on September 30, 2005. These condensed interim financial statements do not include all the disclosures necessary for presentation of the financial statements in conformity with generally accepted accounting principles.

ELECTRA REAL ESTATE LTD.

NOTES TO THE FINANCIAL STATEMENTS
(Unaudited)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

- A.** These interim financial statements prepared at September 30, 2005 and for the nine and three month periods then ended, should be read in conjunction with the Company's audited 2004 annual financial statements, and the financial statements as at March 31, 2005 that were included in the prospectus published on August 2005.
- B.** The interim financial statements are prepared in conformity with accounting principles generally accepted for interim financial statements, as established in Standard 14 of the Israeli Accounting Standards Board.
- C.** The accounting policies in these interim financial statements were prepared consistently to the audited financial statements as in A above described.
- D.** Increase (decrease) in the CPI and the exchange rate:

	September 30,		December 31,
	2005	2004	2004
CPI (in points)	184.15	180.74	180.74
<u>In NIS:</u>			
US dollar	4.5980	4.4820	4.308
Pound sterling	8.0858	8.1113	8.3075
Hungarian forint	0.0221	0.0223	0.0239
Polish zlot	1.4102	1.2601	1.4406
Canadian dollar	3.9377	3.5264	3.5787
Euro	5.5275	5.5247	5.8768
Swiss franc	3.5532	3.5587	3.8063
Japanese yen	0.0406	0.0403	0.0420

Change in exchange rate during the period then ended (in %):

	Nine-month period ended September 30		Three-month period ended September 30		Year ended December 31,
	2005	2004	2005	2004	2004
CPI	1.89	1.21	1.38	(0.19)	1.21
US dollar	6.73	2.35	0.52	(0.33)	(1.62)
Pound sterling	(2.67)	3.33	(1.35)	(0.44)	5.83
Hungarian forint	(7.53)	(6.69)	(0.45)	3.24	14.53
Polish zlot	(2.11)	(12.53)	3.16	5.01	23.06
Canadian dollar	10.03	3.49	6.11	5.44	5.02
Euro	(5.94)	(0.15)	0.01	1.08	6.21
Swiss franc	(6.65)	0.19	(0.37)	(0.74)	7.16
Japanese yen	(3.33)	(1.71)	(1.69)	(2.42)	2.56

ELECTRA REAL ESTATE LTD.

NOTES TO THE FINANCIAL STATEMENTS
(Unaudited)

NOTE 3 - GEOGRAPHICAL SEGMENTS

Consolidated data, by operating segments:

Due to the nature of the Company's business activities, the segment's results are net of allocated financing expenses and include gains from sale of assets.

	<u>Israel</u>	<u>Europe</u>	<u>North America</u>	<u>Total</u>
	(in thousand US dollars)			
	Reported Amounts			
Nine month period ended September 30, 2005:				
Segment revenues	<u>5,529</u>	<u>10,997</u>	<u>22,407</u>	<u>38,933</u>
Segment profit	<u>497</u>	<u>4,316</u>	<u>2,915</u>	<u>7,728</u>
Nine month period ended September 30, 2004:				
Segment revenues	<u>5,429</u>	<u>13,017</u>	<u>12,043</u>	<u>30,489</u>
Segment profit	<u>433</u>	<u>6,165</u>	<u>882</u>	<u>7,480</u>
Three month period ended September 30, 2005:				
Segment revenues	<u>1,880</u>	<u>2,923</u>	<u>7,883</u>	<u>12,686</u>
Segment profit	<u>(393)</u>	<u>759</u>	<u>1,168</u>	<u>1,534</u>
Three month period ended September 30, 2004:				
Segment revenues	<u>1,824</u>	<u>2,835</u>	<u>4,365</u>	<u>9,024</u>
Segment profit	<u>640</u>	<u>588</u>	<u>627</u>	<u>1,855</u>
Year ended December 31, 2004 (Audited):				
Segment revenues	<u>7,278</u>	<u>15,974</u>	<u>18,084</u>	<u>41,336</u>
Segment profit	<u>672</u>	<u>6,062</u>	<u>1,698</u>	<u>8,432</u>