

ELECTRA REAL ESTATE LTD.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS OF JUNE 30, 2009

(CONVENIENCE TRANSLATION INTO U.S. DOLLARS)

(UNAUDITED)

ELECTRA REAL ESTATE LTD.
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF JUNE 30, 2009
(UNAUDITED)

Contents

	Page
Directors' report	1b-1n
<u>Independent auditor review report</u>	2
<u>Interim condensed consolidated financial statements (unaudited)</u>	
Condensed consolidated Balance sheets	3-4
Condensed consolidated statements of operations	5
Condensed consolidated statements of comprehensive income (loss)	6
Condensed consolidated statements of changes in equity	7-11
Condensed consolidated statements of cash flows	12-14
Notes to condensed consolidated financial statements	15-29

ELECTRA REAL ESTATE LTD.

REPORT OF THE BOARD OF DIRECTORS FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2009

The Board of Directors of Electra Real Estate Ltd. is pleased to submit herewith the financial statements of the Company and its subsidiaries (hereinafter - "the Company") for the period of six months ended June 30, 2009. (hereinafter - "Report period")

This report should be read in context with the Company's annual financial statements (including its Report of the Board of Directors as of December 31, 2008).

The Company's activities are conducted through the Company and its subsidiaries. See also the Report on the Business Description of the Company as of December 31, 2008.

A. The Company and its Business Environment

The Company and its investees (hereinafter - "the Group") are engaged in the real estate industry in Israel and overseas, mainly in yielding commercial real estate, as well as in initiated residential real estate, directly and through companies it owns.

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, 106 assets including 96 yielding assets and 10 assets in various stages of development and construction as well as 9.9% in 58 hotels across Britain, as follows:

<u>Country</u>	<u>Yielding assets</u>	<u>Nature of asset</u>
Israel	11	6 Yielding assets and 5 assets under construction
Britain	4	Yielding assets
	58	Hotels (Company's share- 9.9%)
Canada	16	Yielding assets
USA	10	9 Yielding assets and 1 asset that is being earmarked for conversion and sale as condo units
Germany	46	Yielding assets
Switzerland	4	Yielding assets
Holland	8	Yielding assets
Belgium	1	Yielding asset
Luxemburg	1	Yielding asset
India	5	Assets under development

The Company's in the aggregate area of the rental properties (including the Company's share in the assets of affiliates) is 1,140,000 sq. mtrs., with another 465,000 sq. mtrs. of parking space.

The average occupancy rate of all the rental properties as for the date of the report is approximately 95%.

Economic environment changes

During 2008 and the first quarter of 2009 major changes occurred in the financial markets, which has been reflected, inter alia, in the collapse of international financial entities, in the nationalization of banks around the world, in an incisive fluctuations in securities value in the stock exchanges all over the world and in a severe credit crisis. Following this crisis significant steps were taken in USA and other countries in the world to moderate the crisis and to improve the markets state, inter alia, through lowering the interest rate trying to energize the economy and the credit market. Alongside this crisis, other events have occurred in the Israeli market, which have an impact on the activities of companies in Israel, among other things, significant fluctuations in the exchange rates of major currencies against the Israeli shekel and an increase in inflation rates in the domestic market.

In the second quarter of year 2009 it looked like the climax of the global financial crisis has past but there is no certainty of the consequences from the realistic crisis that still exists in Israel and around the world.

However, whereas the events that have recently taken place in the capital markets and financial markets in Israel and worldwide do not come within the definition of a specific one-time event, but rather as recurring events with wide repercussions, the Company does not have the ability, at this point, to assess how the financial crisis that has hit the world economy would, and how it would impact the operating results and the business opportunities available to the Company for the purchase and sale of real estate assets and of credit achievement costs or credit sources availability.

During the report period the global economic crisis did not have a significant impact on the Company's results from its operating activities.

The aforementioned events caused and still causing to a significant reduction in the number of real estate transactions in Israel and around the world, inter alia, due to worsen in terms for credit recruitment, due to rate leverage reduction and depravation in market terms.

The Company estimate that, if, and as long as, the global crisis deepens and the implications on the domestic market increase, the company's cash flows, financial position and financial stability will enable the Company to withstand the implications of the crisis and finance its activity and meet its liabilities.

In these circumstances, according to the Company's assessment, the Company's assessment is prospective information, for which there is no certainty that it will materialize. The Company's assessment is based on Company's past experience, its familiarity with the markets in which it operates and the credit provision policy of financial institutions and the analysis of general information, available to it as of the date of preparation of this report, including public journal, surveys and studies, whose accuracy and completeness has not been independently examined by the Company. The materialization of the Company's assessment, as aforesaid, is not certain, since it is not subject to external influences which cannot be estimated in advance and that are not under its control, including the risk factors characterizing the Company's activity, the worsening of the economic crisis, changes in the currency exchange rate, the tightening of conditions for raising external sources of finance, a deterioration in the trade and economic conditions for the realization of business opportunities for the purchase and sale of real estate properties, etc. The Company will continue to monitor the financial crisis in world markets in the Company's area of operations.

For the implications of the economic situation and events in the capital markets on the Company's financial position, its operating results, the Company's sources of finance and liquidity, as of the date of this report, see below.

A map outlining the Company geographic areas of activity is set forth below:

- | |
|----------------|
| 1- Canada |
| 2- USA |
| 3- Britain |
| 4- Benelux |
| 5- Germany |
| 6- Switzerland |
| 7- Israel |
| 8- India |



Activity in Israel

The Company holds five office buildings and one office floor in different locations in Israel held at various rates ranging from 33% to 100%. The assets are leased to various tenants for different periods expiring till 2022. In addition, the Company holds five assets under different stages of development and construction.

Transactions during the period:

- May 2009 - The company sold an office floor in Haifa.
- June 2009 - In continuation of the document of principles that was signed on February 22, 2009 and which was updated on May 18, 2009, between Electra Real Estate and Amot Investments Ltd.(hereinafter – Amot), Electra Real Estate has sold its entire rights in proportionately consolidated companies to Amot, as described below:
 - (1) 49% of the shares in the company Zival Investments Ltd..
 - (2) 50% of the shares in the company Roni Do Investments Ltd.

The cash flows (pre-tax) as the result of the disposal of the rights, as aforesaid, amount to approximately \$ 16 million. Electra Real Estate did not record a significant gain as the result of this sale since most of the gain was recorded in the previous period within the framework of the adjustment of the fair value of the assets that were sold.

Foreign activity

Electech Real Estate B.V (Hereinafter: "Electech")

Electech, a Dutch foreign company, wholly owned by the company, coordinates, supervises and manages most of the Company's activity outside Israel. Electech's activity is conducted through foreign companies and partnerships. (For additional details on the shareholding structure of the Company, see paragraph 1.11 in the Report of the Business Description of the Company as of December 31, 2008).

As of June 30, 2009, Electech operates in the United States, Germany, Holland, Switzerland, Belgium, Luxembourg and India.

Britain

As of the balance-sheet date the Company hold at percentages ranging from 75% to 100%, through investees abroad, four commercial buildings in Britain, leased for periods expiring between 2014 and 2020. The company also holds through foreign investees 9.9% of 16 hotels throughout Britain, managed by Hilton and 9.9% of 42 hotels throughout Britain managed by Marriott.

The management agreements are periods of 30 years, ending 2035 and 2037, respectively.

Canada

At the balance-sheet date, through its foreign subsidiaries, the company holds rights in 16 commercial buildings in Canada including one logistic center, at various rates ranging from 55% to 100% in lease contracts for periods which ends between 2009 and 2022.

Transactions during the period:

In May 2009, a foreign corporation of the company which holds a real estate asset in a rate of 91%, came to an agreement with a foreign financial institution abroad which places at the time of the asset's acquisition (In 2004) a loan for financing the asset, for the extension of the settlement date from July 2009 to January 2010. The total sum of the loan (100%) as of the reporting date is approximately 21.4 million Canadian Dollars (approximately \$ 18.6 million). The corporation is working for paying this loan in a way of refinancing.

USA

As of the balance sheet date, Electech holds a wholly owned foreign subsidiary, Electech Real Estate Inc. (hereinafter: "Electech Inc"), foreign corporations (LLC) which own the rights to 10 office buildings in the United States, one of which are held at a rate of 60% in lease contracts for periods which ends between 2009 and 2022 and 9 assets at rates ranging between 40% - 49% through companies that accounted by the equity method (Including one asset that is being earmarked for conversion and sale as condo units).

In addition, the company holds 20% of the Harbor Group International LLC ("HGI") in the USA which is engaged in the purchase, improvement, management and sale of rental property, mainly in the United States.

Transactions during the period:

- March 2009 – Electech Inc came to an agreement with HGI shareholders in which she will decreased in her holding percentage in HGI from 25% to 20%, in exchange to decreasing HGI shareholders' compensation amounted to \$ 4.875 million which supposed to be paid in July 2009. In addition, it was set, that Electech Inc has the option for a period of five years starting September 1, 2009, to raise its holding percentage in HGI to 25% in exchange to the payment which was decreased in the amount of \$ 4.875 million.
- March 2009 – Electech Inc sold 11% of her rights in a partnership which holds an office building in Chicago, USA. After the sale the company's holding percentage in this partnership is 49%. Starting from the company's balance sheet as of March 31, 2009, the rights in the partnership is classified as an investments in investee companies compared with previous periods in which the asset was proportionally consolidated. The profit derived to the company in the report period from the rights' sale as aforesaid is non-material.

Europe (Germany, Holland, Switzerland, Belgium and Luxembourg)

At the balance-sheet date, through its foreign subsidiaries Electech holds rights in 60 buildings in Germany, Holland, Switzerland, Belgium and Luxembourg of which, 52 buildings at a shareholding rate of between 50% and 100% in rental contracts ending in the years 2009-2033. An additional 8 properties held through affiliates at rate of 42.5%- 45%.

Transactions during the period:

- January 2009 – Electech acquired 45% of companies which hold 2 shopping centers in Hornbach, Holland and one shopping center in Luxembourg (in addition to four shopping centers which she is already owns) in accordance to a framework agreement signed in 2006. For additional details see paragraphs 4 (C) in the Review report of the Company as of June 30, 2009.

- February 2009 – Electech acquired through a subsidiary a part of a loan granted to a jointly-controlled company (70%) of Electech from a foreign financial institute to buy assets in Germany and in Holland in May 2007. The book value of the repaid loan (100%) is € 7 million (approximately \$ 10 million) against actual payment of (100%) € 4.2 million (approximately \$ 6 million). Regarding this acquisition the company included in the report period a profit before tax from the loan early repayment amounted to € 2 million (approximately \$ 2.8 million) in the "financial income" section in the statement of operation.
- June 2009 - In June 2009 Elechtech sold its rights (50%) in a company which holds an asset in Geneva Switzerland. The net cash flows generated from the sale of such rights amounted to 5.3 million Sfr (approximately \$ 4.9 million). The aggregate profit from the increase in value of the asset until the sale (since the date of inception) was recognized in previous periods. During the reporting period the company has recorded a loss amounting to \$ 1.4 million attributed mainly to selling costs and fair value adjustment in order to reflect the selling price of the asset.

India

As of the balance sheet date, Electech, through foreign subsidiaries, holds 5 plots of land with share holding percentages ranging from 40.8% to 44.1%. The plots are private and are located in the cities of Hyderabad, Maisur and Chennai in India. The plots are intended for the construction of housing, commercial and office projects.

Regarding the Company's investments in yielding assets in India, there was no significant changes from the described in paragraphs 8.4 in the Report of the Business Description of the Company as of December 31, 2008.

B. Financial Position

Total assets as of the balance sheet date amounted to \$2,476 million, compared with \$2,461 million at the end of 2008. Most of the increase in the volume of assets and liabilities (as set forth below in the various balance sheet items) of the Company at the balance sheet date is attributable to a change in exchange rates of the currencies in the markets in which it operates.

Details on the change in exchange rates in relation to the shekel between 31/12/2008-30/06/2009

Currency	Rate Change (in %):
US Dollar	+ 3.1%
Euro	+ 4.5%
Pound Sterling	+ 17.3%
Swiss Franc	+ 1.8%
Canadian Dollar	+ 9.2%

Current assets

Total current assets as of the balance sheet date amounted to US\$ 116.3 million, compared with US\$ 100.3 million as of the end of 2008.

Most of the increase in current assets is primarily attributable to an increase in cash balances and in other accounts receivables which occurred as a realization of assets during the report period. This increase was partly compensated by investment payments made by the company to acquire three yielding assets, loan acquisition in Europe, execution payment regarding asset under construction in Israel and from prepaid expenses paid during the report period for all 2009.

Non current assets

Non current assets as of the balance sheet date amounted to US\$ 308.1 million as compared with US\$ 253.1 million on December 31, 2008.

The increase in non-current assets is primarily attributable to increase in investments in affiliates regarding acquisition of three shopping centers in Europe (as aforementioned) and from an asset in the USA which during the report period 11% of his rights were sold and it is presented as investment in Investee companies compared to previous years in which the asset was proportionally consolidated (see transactions in the USA chapter aforementioned).

Yielding assets

Total yielding assets as of the balance sheet date amounted to US\$ 2,051. million as compared with US\$ 2,107 million on December 31, 2008.

The decrease in the company's yielding assets is primarily attributable to the sell of 3 assets in Israel, one asset in Switzerland and from selling the rights of a partnership which holds an asset in the U.S which as a result of this sell was consolidation exit and now classified as investment in investee companies. The decrease was partly compensated by the strengthening of the exchange rates relating the Shekel in the report period as aforementioned.

The Company's share in the yielding assets (respectively to its holding portion in each company) of its affiliates as of the balance sheet date totals US\$ 476 million.

Current liabilities

Total current liabilities as of the balance sheet date amounted to US\$ 282.3 million as compared with US\$ 230.6 million on December 31, 2008. The increase is primarily attributable to the allocation of a loan which, in previous periods, was included in long-term liabilities, to current liabilities and from short-term loans the company took. For additional details on the company's assumptions of repayment its current liabilities see paragraph "Forecast cash flows for financing the repayment of the Company's liabilities" below.

Non current liabilities

Non current liabilities (including long-term loans obtained to finance the acquisition of yielding assets) on the balance-sheet date amounted to US\$ 1,863 million as compared with US\$ 1,923 million on December 31, 2008. The decrease in the liabilities is mainly attributed to classification of loan-term loans to current liabilities, from the repayment of liabilities in respect of assets which were sold in the report period and from the repayment of liabilities in respect of an asset which was consolidation exit.

As of the balance sheet date the bank loans, which amounted to US\$ 1,489 million, constituted non-recourse loans secured by a first-tier lien on the asset and the receipts in respect thereof (Electra Real Estate LTD).

The Company's share in the bank loans (respectively to its holding portion in each company) of its affiliates as of the balance sheet date totals US\$ 355 million. These are non-recourse loans.

Shareholders' equity

The Company's shareholders' equity at the balance sheet date was US\$ 330 million compared with US\$ 307 million at the end of 2008. The increase is primarily attributable to capital reserves from translation differences arising from foreign operations and other reserves totalling US\$ 18.5 million (mainly as a result of the strengthening of the currencies in relation to the shekel in countries in which the Company operates, as noted above) and from the profit for the period amounting \$ 4.1 million.

For a further summary, see the statement of changes in shareholders' equity in the financial statements.

C. Results of operations

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

	2009		2008		
	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2
Revenues from rental fees, management fees, and other	45,395	47,709	48,397	49,058	50,211
Adjustment of fair value and results of disposal of yielding properties and others, net	(3,583)	(1,265)	(33,668)	(4,020)	(552)
Company's share in earnings (losses) of affiliates, net	(636)	(440)	(9,078)	53	1,192
Total revenues	41,176	46,004	5,651	45,091	50,850
Operating expenses and maintenance fees	14,039	14,974	15,016	14,852	14,819
General and administrative expenses	1,679	2,249	414	2,855	2,108
Financing expenses, net	25,434	23,619	23,406	21,378	31,908
Financing income in respect of revaluation of index-linked options	(27)	(6)	(382)	(440)	(926)
Total costs and expenses	41,124	40,837	38,454	38,646	47,910
Pre-tax income (loss)	51	5,168	(32,803)	6,446	2,941
Tax Expenses (Benefit)	(151)	1,321	2,068	3,108	(642)
Net income (loss)	202	3,847	(34,871)	3,338	3,583
Attributed to:					
The parent company's shareholders	218	3,752	(34,758)	3,391	3,589
Minority interests	(16)	95	(113)	(53)	(6)
Net income (loss)	202	3,847	(34,871)	3,338	3,583

Revenues

Total revenues of the Company in the first six months of 2009 (hereinafter, "the reporting period") amounted to \$ 87 million, compared with \$ 105 million in the corresponding period last year.

The company's revenues from rent, management fees and others in the reporting period amounted to \$ 93 million, compared with \$ 102 million in the corresponding period last year. Most of the decrease attributed to an asset in Britain which was sold in the last quarter of 2008, from two assets in Israel which were sold in the second quarter of 2009 and from an asset in the U.S in which his revenues in this reporting period were included under earnings from affiliates and in the corresponding period last year they were included under revenues from rental fees and other.

Financing expenses, net

In the reporting period, financing expenses (including revaluation of index-linked options) totaled \$ 49 million, compared with \$ 57.6 million in the corresponding period last year. The decrease in those expenses is mainly attributed to an asset in Britain which was sold in the last quarter of 2008. In addition the Israeli CPI (known CPI) decreased in 1.1% during the period compared with an increase of 2.8% in the corresponding period last year which impacted the index-linked liabilities in Israel, and in some of the loans (changed interest) the interest rate in the report period was lower compared to the corresponding period last year. The financing expenses in the report period include \$ 36.5 million for long-term loans taken from overseas financial institutions to finance yielding assets overseas. These loans are secured by a fixed lien on the buildings. The Company did not guarantee, nor did it furnish additional collateral for these loans.

Net income

The net income of the Company in the reporting period amounted to \$ 4 million, compared with net income of \$ 13 million in the corresponding period last year.

Cash flows

Cash flows used in operating activities

During the reporting period operating activities provided the Company with cash flows totaling US\$ 7.9 million, as compared with US\$ 12 million in the corresponding period last year.

The decrease is mainly attributed to payments of exchange rate differences on a USD linked loan (appreciated against the shekel during the period), from the sale of 11% of the rights in a company which holds an asset in the US that is classified as an equity investment compared to it being classified as a jointly controlled investment in the comparative period and from the sale of rights in three properties in Israel that their cash flows was included until their sale (beginning of the second quarter) in comparison to previous periods for which the cash flows from them was presented for the whole period.

Cash flows from investing activities and financing activities

During the period, the Company did not make any material investments in real estate, and accordingly, the amounts of cash flows used in investing activities and which were provided by financing activities are not material.

The company's cash flow from disposal of yielding assets is in amount of \$ 18.4 million.

Forecast cash flows for financing the repayment of the Company's liabilities

The Group has a surplus current liabilities over the current assets as of the balance sheet date totaling \$ 166 million. The Company has prepared for the repayment of its current liabilities in the following manner:

A. Liabilities to foreign financial institutions

- In the period ended June 30, 2010, the Company is expected to repay long-term debts to foreign financial institutions totaling \$ 71 million. The fair value of the assets, which, for the purpose of the financing, these loans were taken into account, correct as of the date of the report, is \$ 116 million. The Company believes that these loans will be repaid by way of refinancing. As of the balance sheet date these loans classified as current liabilities.
- The company is at its final stages of negotiations for the sale of an asset in Canada. According to the terms of the agreement the full amount of the underlying bank loan amounting to 18.8 CAD (approximately \$ 16.4 million) is designated for repayment. The loan is classified under current liabilities as of the balance sheet date.

B. Liabilities to financial institutions in Israel

- During the report period the Company concluded an agreement with a financial institution in Israel relating to the extension of the repayment date of debts totaling \$ 58.7 million due to January 2010. As of the balance sheet date these amounts classified as current liabilities.
- Subsequent to the balance sheet date the company has reached an agreement with a financial institution in Israel according to which the repayment date of a loan amounting to \$ 25 Million was extended from June 2010 to Jan 2011. As of the reporting date the loan is classified as a short term loan. This loan was classified in previous periods as non-current liability. In the company's balance sheet as of September 30, 2009 this loan will be classified as non-current liability.
- The Group have short-time credit lines amounted to \$ 16 million secured by a fixed lien on a yielding asset in Israel.
- Regarding some of the loans, The company operates to repay them from self-sources and regarding some other loans, the company operates to extend their repayment date.

C. Unexploited credit line

- As of the balance sheet date, the company has long-term credit lines that not yet used totaling \$ 26 million, and short-term credit lines totaling \$ 11 million.

D. Sale of assets and investments

- During the reporting period the company has sold its rights in various assets in Israel and abroad. The net cash flow generated to the company amounted to \$ 18.4 Million.
- During the reporting period a foreign subsidiary company sold its rights (50%) in a company which holds an asset in Geneve Switzerland. The net cash flows generated from the sale of such rights amounted to 5.3 million Sfr (approximately \$ 4.9 million).
- The Company intends to sell a number of properties in 2009 and 2010, both abroad and in Israel, the sale proceeds of which, net of the loans which were taken for their purchase, will lead to an increase in the Company's cash balance and will improve the Company's working capital.

E. Current cash flow

- The Company has allocated loans regarding Non-recourse loans received to finance asset abroad amounted to \$ 16 million, which due to repayment from the current cash flow of hose assets.

F. Bonds

- As of the balance sheet date, the Company has a liability to bondholders in an aggregate total of \$ 110 million.
- Out of the abovementioned liabilities to bondholders, a total of \$ 15.8 million is for repayment in August 2009, a total of \$ 1.5 million is for repayment in October 2009 and a total of \$ 19 million is for repayment during 2010. The rest a total of \$ 74 million is for repayment till April 2019.

G. General

- The company has liabilities to foreign financial institutions whose total balance at the balance sheet date is \$ 1,489 million. These are non-recourse. The maturity of the principal related to these loans fall between the years 2009-2035. From this amount, approximately \$ 71 million is due to mature in the first quarter of 2010 as detailed above.

In noting the range of possible sources at the Company's disposal, the Board of Directors of the Company believes that, as of the approval date of the financial statements, the Company has adequate financial resources for repaying the current liabilities.

Even so, as of the date of this report, the Board of Directors assesses that the Company has adequate financial sources to repay its current liabilities, this assessment and the Company's assessment, as mentioned in paragraph 1(B) in the financial statements as of June 30, 2009, in relation to the forecasted cash flows, for the refinancing of loans, for the sale of the assets and the current cash flow for the second quarter of 2009 is prospective information, which is based on the Company's assumptions and various assessments that it has made, and on the basis of the data at its disposal as of the date of this report. However, this information may not materialize or may turn out differently from that expected, since the Company is subject to external influences that cannot be estimated in advance and is not under its control, including the risk factors characterizing the Company's activity, the worsening of the econ crisis, changes in currency exchange rates, the tightening of the conditions for raising external sources of finance and a deterioration in the trade and economic conditions for the realization of business opportunities which needed for the purchase and sale of real estate assets, etc.

D. Events during the report period

1. The change in the holdings structure arrangement

1.1. Further to the announcement of the company's controlling shareholder, Electra Ltd (hereinafter: "Electra") on February 13, 2007 with regard to the examination of the process of structural change of the company through a split and merger, the Audit Committee and the Board of Directors of the Company approved On September 24, 2008, a change in the holding structure in the Company, whereby the "side" of the activity of the Company and a rental property belonging to the parent company, Electra, will be transferred, such that if the process is completed, the Company will be converted from a consolidated subsidiary of Electra to its fellow subsidiary, below ("split and merger arrangement"). On September 28, 2008, a request was submitted in the courts for the approval of the arrangement pursuant to Sections 350 and 351 of the Corporate Law, 1999, (hereinafter - "the request"). On October 6, 2008, a decision of the court was handed down in the case of the request for the arrangement (Bankruptcy case 2557/08), whereby approval was given to the convening of the meetings, the calling of which within the framework of the request was requested. On December 30 2008, after the approval of the Audit Committee and the Board of Directors of the Company, a request was submitted in the courts to change the set date, split date and balance sheet set date from September 30 2008 to December 31 2008. On January 1 2009 the court approved this request.

1.2. Following the receipt of the approval of the Securities Authority in respect of the arrangement for the split and the merger, after the receipt of a per-ruling from the tax authorities and after the receipt of the Audit Committee and the Board of Directors of the company for the calling of meetings of a type of shareholders in the company, of the bond holders of the company (Series A and B), invitations to the said meetings were published. On August 26, 2009, meetings of the type of security of the company were called.

1.3. On August 10, 2009, an application was filed in the Tel-Aviv District Court for the updating of the change in the outline of the transaction, in a manner that accords with the outline that was within the framework of the summoning of the meetings for each type of security. On August 11, 2009, the court approved the request.

1.4. On August 26, 2009, meetings of the type of security of the company were called. The arrangement for the split and merger was approved by the meeting of the shareholders without the presence of the controlling shareholder, a meeting of the general shareholders, a meeting of the bond holders of the company (Series A) without the presence of the controlling shareholder, a meeting of the general bond holders (Series A), , a meeting of the bond holders of the company (Series B) without the presence of the controlling shareholder, a meeting of the general bond holders (Series B).

The meetings of bond holders (Series A and B) were called at the said times, however because a legal quorum was not present, the timing of the meeting were deferred until September 2, 2009.

1.5. For further information, see paragraphs 6(2) and 6(3) in the financial statements as of June 30, 2009.

2. On June 21, 2009 S&P credit rating agency downgraded the Company's Bond Rate to "iIA" placing the Company's Bond on the Credit Watch List.

E. Events after the balance period

In the period between the balance sheet date (June 30, 2009) and the publication date of the financial statements for the second quarter (August 30, 2009), there were changes in exchange rates in relation to the shekel, including currencies in countries in which the Company operates.

Details on the aforesaid changes are as follows: (between June 30, 2009 and August 30, 2009)

Currency	Rate's Change (in %):
US Dollar	-2.5%
Euro	- 1.0%
Pound Sterling	-4.4%
Swiss Franc	-0.6%
Canadian Dollar	+3.3%

Since a significant part of the Company's revenues are in foreign currency, the Company estimates that the changes in the exchange rates, correct as of the publication date of this report, may have an impact on the Company's results and balance sheet (including the Company's shareholders' equity) at a weighted rate of approximately -1%. However, the effect of exchange rates on the operating results for the next quarter in according to the exchange rates that actually occur throughout the entire quarter and at its end (September 30, 2009).

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

Company's policy and method for managing business risk

The Company uses the following means for reducing its business risks:

In each country where it invests in yielding assets it obtains loans in the same currency which is used for investment purposes. The interest rate on long-term loans is ordinarily fixed. Cash balances are deposited in reputable banks and used to acquire marketable securities.

With regard to Company's investments in marketable securities – see paragraph 16 in the Report of the Business Description of the Company as of December 31, 2008. Company management reports from time to time to the Board of Directors on the market risks and the Company's exposure to them. The means taken to reduce the risks are presented to the Board of Directors for its approval.

Officers responsible for managing market risks

The management of market risks by the Company is conducted by the Company's Chief Executive Officer, the Chief Financial Officer and the Business Development Manager. For details regarding risk factors to which the Company is exposed, see paragraph 29 in the Report of the Business Description of the Company as of December 31, 2008.

G. Accounting estimates

See Report of the Board of Directors as of December 31, 2008.

H. Report regarding control in the Company and process of approving the financial statements

The Board of Directors is responsible for the overall control in the Company. The Board of Directors appoints 6 members. The minimum number of directors with accounting and financial expertise is 1. Of the members of the Board of Directors, two directors who have accounting and financial expertise serve. A draft of the financial statements and the report of the Board of Directors are sent for the review of the directors a few days before the meeting of the Board of Directors. The directors are invited to refer at any time to the Company's Chief Executive Officer and Chief Financial Officer on any question or any clarification required, prior to the meeting. The meeting is attended by the Chief Executive Officer, the Chief Financial Officer, the Business Development Manager and the external auditor. In the course of the Board of Directors meeting, the Company's financial results are reviewed, comparisons between the reported periods and corresponding periods are presented, and changes that have taken place as a result of implementing new standard are described by the Chief Executive Officer, Chief Financial Officer and external auditor. In the course of the discussion, questions are posed to the external auditor relating to principal accounting issues arising from the financial statements and he is asked to present to the Board of Directors fundamental issues that arise during the audit work. The submission of questions regarding the financial statements and the answers provided is given as much time as is necessary. At the end of discussions and after it has been clarified that the financial statements reflect fairly the Company's financial and results of operations, a vote is taken to approve the financial statements.

The Board of Directors expresses its thanks to the Company management and employees for their contribution.

Shlomo Sherf
CEO

Michael Salkind
Director (*)

August 30, 2009

- (*) As a result of the absence of the Chairman of the Board of Directors, who is overseas at present, on August 30, 2009 the Company's Board of Directors empowered Mr. Michael Salkind, a director in the Company to sign on the Company's Report of the Board of Director as of June 30, 2009 in the place of the Chairman of the Board of Directors.

**INDEPENDENT AUDITORS' REVIEW REPORT
TO THE SHAREHOLDERS OF
ELECTRA REAL ESTATE LTD.**

At your request, we have reviewed the condensed interim consolidated balance sheet of **Electra Real Estate Ltd.** and its subsidiaries (hereinafter - "the Group") as of June 30, 2009, and the related condensed interim consolidated statements of operations, comprehensive income (loss) statement, changes in shareholders' equity and cash flows for the periods of six months and of three months ended on that date (in the Hebrew language, not included herein) and have issued our accountants review report thereon dated August 30, 2009.

The aforementioned financial statements (not presented separately herein) were prepared in the Hebrew language in NIS (see also Note 1), in accordance with International Financial Reporting Standards (IFRS).

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 approximately 84% of the total consolidated assets as of June 30, 2009 and whose revenues constitute approximately 87% and approximately 92% of the total consolidated revenues, for the periods of six months and three months ended on that date, respectively. We did not review the financial statements of affiliated companies, in which the Company's investment as of June 30, 2009 amounted to \$108 millions and the Company's share in their results amounted to \$2,807 and \$1,786 thousand for the periods of six months and three months ended on that date, respectively. The financial statements of those companies were reviewed by other auditors.

As described in Note 1, the accompanying English-language condensed interim consolidated financial statements in US dollars represent a translation of the above-mentioned 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 June 30, 2009. Comparative figures for the periods of six months and three months ended June 30, 2008 and for the year ended December 31, 2008 represent a translation of the original NIS values of the respective period, using the representative dollar exchange rate in effect on June 30, 2009. 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 Zohar & Co.
Certified Public Accountants

Tel-Aviv, August 30, 2009

**ELECTRA REAL ESTATE LTD.
CONSOLIDATED BALANCE SHEETS
CONVENIENCE TRANSLATION INTO U.S. DOLLARS**

	<u>June 30,</u>		<u>December 31,</u>
	<u>2009</u>	<u>2008</u>	<u>2008</u>
	<u>In thousands</u>		<u>In thousands</u>
	<u>(Unaudited)</u>		<u>(Audited)</u>
ASSETS			
<u>Current assets</u>			
Cash and cash equivalents	86,940	125,684	72,385
Short-term deposits	5,647	12,218	13,546
Marketable securities	1,582	3,114	2,878
Trade accounts receivable	3,713	7,467	4,522
Current tax assets	1,135	1,700	898
Receivables and other current assets	17,349	9,279	6,152
	<u>116,366</u>	<u>159,462</u>	<u>100,380</u>
<u>Non current assets</u>			
Investments in affiliates	199,799	158,280	166,976
Loans and long-term receivables	36,567	45,212	22,501
Fixed assets	202	490	274
Inventory of land	26,390	20,874	24,238
Other financial investment	43,804	67,067	37,338
Deferred income taxes	1,407	1,110	1,835
	<u>308,168</u>	<u>293,033</u>	<u>253,162</u>
<u>Yielding assets in -</u>			
Europe	1,399,269	1,342,049	1,361,809
North America	465,511	536,209	523,549
Israel	144,510	179,999	186,459
Britain	41,863	185,804	35,684
	<u>2,051,153</u>	<u>2,244,061</u>	<u>2,107,501</u>
Total Assets	<u><u>2,475,687</u></u>	<u><u>2,696,555</u></u>	<u><u>2,461,042</u></u>

The accompanying notes are an integral part of the financial statements

**ELECTRA REAL ESTATE LTD.
CONSOLIDATED BALANCE SHEETS
CONVENIENCE TRANSLATION INTO U.S. DOLLARS**

	June 30,		December 31,
	2009	2008	2008
	In thousands (Unaudited)		In thousands (Audited)
LIABILITIES AND EQUITY			
<u>Current liabilities</u>			
Bank borrowings (including loans and bonds current maturities)	219,129	145,348	166,875
Current tax liabilities	3,819	6,178	3,836
Trade accounts payable	3,162	2,409	2,963
Payables and other current liabilities	56,261	67,497	57,003
	<u>282,370</u>	<u>221,432</u>	<u>230,677</u>
<u>Non current liabilities</u>			
Debentures	91,180	122,057	91,897
Long-term loans to finance development projects	-	15,409	16,005
Liabilities in respect of index-linked options	-	854	33
Loans from Electra Group companies	22,031	20,761	19,927
Loans from shareholders in subsidiaries	2,920	2,483	2,577
Employee benefit liability	805	703	698
Other long-term liabilities	34,857	28,552	29,475
Deferred income taxes	77,542	72,065	77,073
	<u>229,334</u>	<u>262,884</u>	<u>237,684</u>
Loans for financing investments and yielding assets and other financial investments:			
Europe	1,218,579	1,197,222	1,192,571
North America	323,667	421,885	406,598
Israel	46,797	40,583	45,258
Britain	44,874	184,867	40,961
	<u>1,633,916</u>	<u>1,844,556</u>	<u>1,685,388</u>
<u>Equity</u>			
Ordinary Share Capital 0.0001 NIS Net Value	1	1	1
Share premium	130,934	130,934	130,934
Capital reserves	(39,525)	(35,171)	(58,014)
Retained earnings	233,089	265,513	229,119
Equity attributable to the Company's shareholders	324,499	361,277	302,040
Minority interests	5,567	6,408	5,252
Total equity	<u>330,066</u>	<u>367,685</u>	<u>307,292</u>
Total Liabilities and Equity	<u>2,475,687</u>	<u>2,696,556</u>	<u>2,461,041</u>

August 30, 2009

Approval date of the financial statements	Zvi Duskin	Shlomo Sherf	Michael Salkind
	CFO	CEO	Director (*)

(*) As a result of the absence of the Chairman of the Board of Directors, who is overseas at present, on August 30, 2009 the Company's Board of Directors empowered Mr. Daniel Salkind, a director in the Company to sign on the Company's financial statements as of June 30, 2009 in the place of the Chairman of the Board of Directors.

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

**ELECTRA REAL ESTATE LTD.
CONSOLIDATED STATEMENTS OF OPERATIONS
CONVENIENCE TRANSLATION INTO U.S. DOLLARS**

	<u>Six months ended</u> <u>June 31,</u>		<u>Three months</u> <u>ended June 31,</u>		<u>Year ended</u> <u>December 31,</u>
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2008</u>
	<u>In thousands</u> <u>(Unaudited)</u>		<u>In thousands</u> <u>(Unaudited)</u>		<u>In thousands</u> <u>(Audited)</u>
Revenues					
Rental fees, management fees and others	93,104	102,120	45,395	50,211	199,574
Adjustment of fair value, results of disposal of yielding properties and others, net	(4,848)	1,053	(3,583)	(552)	(36,635)
Company's share in results of affiliates, net	(1,076)	2,289	(636)	1,192	(6,736)
Total revenues	<u>87,180</u>	<u>105,461</u>	<u>41,176</u>	<u>50,851</u>	<u>156,204</u>
Costs and Expenses					
Operating expenses and maintenance fees	29,013	30,077	14,039	14,819	59,945
General and administrative expenses	3,928	4,334	1,679	2,109	7,603
Financing expenses	52,359	62,425	25,597	33,146	121,223
Financing income	(3,307)	(2,295)	(164)	(1,237)	(16,309)
Revaluation of liabilities in respect of index-linked options	(33)	(2,347)	(27)	(926)	(3,169)
Total costs and expenses	<u>81,961</u>	<u>92,195</u>	<u>41,124</u>	<u>47,910</u>	<u>169,294</u>
Pre-tax income (loss)	5,219	13,268	51	2,941	(13,090)
Tax Expenses(Tax Benefit)	1,170	437	(151)	(642)	5,613
Net income (loss) for the period	<u>4,049</u>	<u>12,831</u>	<u>202</u>	<u>3,583</u>	<u>(18,703)</u>
Attributable to:					
The Company's shareholders	3,970	12,767	218	3,589	(18,601)
Minority interest	79	64	(16)	(6)	(102)
Net income (loss) for the period	<u>4,049</u>	<u>12,831</u>	<u>202</u>	<u>3,583</u>	<u>(18,703)</u>
Earnings (Loss) per share (in dollars) attributed to the Mother Company's shareholders:					
Basic	<u>0.15</u>	<u>0.48</u>	<u>0.01</u>	<u>0.14</u>	<u>(0.71)</u>
Diluted	<u>0.15</u>	<u>0.48</u>	<u>0.01</u>	<u>0.14</u>	<u>(0.71)</u>
Weighted average number of ordinary shares used in the calculation of earnings (loss) per share (in thousands):					
Basic	<u>26,265</u>	<u>26,265</u>	<u>26,265</u>	<u>26,265</u>	<u>26,265</u>
Diluted	<u>26,265</u>	<u>26,442</u>	<u>26,265</u>	<u>26,395</u>	<u>26,265</u>

The accompanying notes are an integral part of the financial statements

ELECTRA REAL ESTATE LTD.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
CONVENIENCE TRANSLATION INTO U.S. DOLLARS

	Six months ended June 31,		Three months ended June 31,		Year ended December 31,
	2009	2008	2009	2008	2008
	(Unaudited)		In thousands (Unaudited)		(Audited)
Net income (loss) for the period	4,049	12,831	202	3,583	(18,703)
Other comprehensive income (loss)					
Profit (loss) due to remeasuring of available for sale assets, net tax	4,405	(15,482)	2,280	(5,116)	(41,786)
Loss due to cash flow hedges, net tax	(500)	(1,370)	15	(118)	(1,334)
Adjustments on the translation of financial statements of overseas activities	14,758	(37,820)	(3,267)	(19,440)	(35,492)
Other inclusive income (loss), net tax	<u>18,663</u>	<u>(54,672)</u>	<u>(972)</u>	<u>(24,674)</u>	<u>(78,612)</u>
Total other inclusive income (loss) for the period	<u>22,712</u>	<u>(41,841)</u>	<u>(770)</u>	<u>(21,091)</u>	<u>(97,315)</u>
Total other inclusive income (loss) for the period attributed to:					
The Company's shareholders	22,396	(41,384)	(803)	(20,941)	(95,701)
Minority interest	316	(457)	33	(150)	(1,614)
	<u>22,712</u>	<u>(41,841)</u>	<u>(770)</u>	<u>(21,091)</u>	<u>(97,315)</u>

The accompanying notes are an integral part of the financial statements

**ELECTRA REAL ESTATE LTD.
STATEMENT OF CHANGES IN EQUITY
CONVENIENCE TRANSLATION INTO U.S. DOLLARS**

Six months ended June 30, 2009 (Unaudited)

	Share Capital	Share premium	Capital reserve from revaluation of available for sale assets	Capital reserve from Share based Payments	Capital reserve from cash flow hedges	Capital reserve from foreign currency translation adjustment	Retained earnings	Total shareholders equity	Minority Interests	Total equity
	(In thousands)									
Balance - January 1, 2009	1	130,934	(25,355)	1,359	(825)	(33,192)	229,119	302,041	5,252	307,293
Net income for the period							3,970	3,970	79	4,049
Profit due to revaluation of available for sale assets, net tax			4,405					4,405		4,405
Loss due to cash flow hedges, net tax					(500)			(500)		(500)
Adjustments on the translation of financial statements of overseas activities						14,522		14,522	236	14,758
Total profit (loss) for the period	-	-	4,405	-	(500)	14,522	3,970	22,397	315	22,712
Share-based payment				61				61		61
Total transactions with the company's share holders during their duty	-	-	-	61	-	-	-	61	-	61
Total Equity – June 30, 2009	1	130,934	(20,950)	1,420	(1,325)	(18,670)	233,089	324,499	5,567	330,066

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

**ELECTRA REAL ESTATE LTD.
STATEMENT OF CHANGES IN EQUITY
CONVENIENCE TRANSLATION INTO U.S. DOLLARS**

Six months ended June 30, 2008 (Unaudited)

	Share Capital	Share premium	Capital reserve from revaluation of available for sale assets	Capital reserve from Share based Payments	Capital reserve from cash flow hedges	Capital reserve from foreign currency translation adjustment	Retained earnings	Total shareholders equity	Minority Interests	Total equity
	(In thousands)									
Balance - January 1, 2008	1	130,934	16,431	1,140	509	788	252,746	402,549	6,865	409,414
Net income for the period							12,767	12,767	64	12,831
Loss due to revaluation of available for sale assets, net tax			(15,482)					(15,482)		(15,482)
Loss due to cash flow hedges, net tax					(1,369)			(1,369)		(1,369)
Adjustments on the translation of financial statements of overseas activities						(37,298)		(37,298)	(521)	(37,819)
Total profit (loss) for the period	-	-	(15,482)	-	(1,369)	(37,298)	12,767	(41,382)	(457)	(41,839)
Share-based payment				110				110		110
Total transactions with the company's share holders during their duty	-	-	-	110	-	-	-	110	-	110
Total Equity – June 30, 2008	1	130,934	949	1,250	(860)	(36,510)	265,513	361,277	6,408	367,685

The accompanying notes are an integral part of the financial statements

**ELECTRA REAL ESTATE LTD.
STATEMENT OF CHANGES IN EQUITY
CONVENIENCE TRANSLATION INTO U.S. DOLLARS**

Three months ended June 30, 2009 (Unaudited)										
Share Capital	Share premium	Capital reserve from revaluation of available for sale assets	Capital reserve from Share based Payments	Capital reserve from cash flow hedges	Capital reserve from foreign currency translation adjustment	Retained earnings	Total shareholders equity	Minority Interests	Total equity	
(In thousands)										
Balance - April 1, 2009	1	130,934	(23,230)	1,390	(1,339)	(15,355)	232,871	325,272	5,535	330,806
Net income for the period						218	218	(16)	202	
Profit due to revaluation of available for sale assets, net tax			2,280				2,280		2,280	
Loss due to cash flow hedges, net tax				14			14		14	
Adjustments on the translation of financial statements of overseas activities					(3,315)		(3,315)	48	(3,267)	
Total profit (loss) for the period	-	-	2,280	-	14	218	(803)	32	(771)	
Share-based payment				30			30		30	
Total transactions with the company's share holders during their duty	-	-	-	30	-	-	30	-	30	
Total Equity – June 30, 2009	1	130,934	(20,950)	1,420	(1,325)	(18,670)	233,089	324,499	5,567	330,066

The accompanying notes are an integral part of the financial statements

**ELECTRA REAL ESTATE LTD.
STATEMENT OF CHANGES IN EQUITY
CONVENIENCE TRANSLATION INTO U.S. DOLLARS**

Three months ended June 30, 2008 (Unaudited)

	<u>Share Capital</u>	<u>Share premium</u>	<u>Capital reserve from revaluation of available for sale assets</u>	<u>Capital reserve from Share based Payments</u>	<u>Capital reserve from cash flow hedges</u>	<u>Capital reserve from foreign currency translation adjustment</u>	<u>Retained earnings</u>	<u>Total shareholders equity</u>	<u>Minority Interests</u>	<u>Total equity</u>
(In thousands)										
Balance - April 1, 2008	1	130,934	6,065	1,195	(742)	(17,215)	261,924	382,162	6,559	388,721
Net income for the period							3,589	3,589	(6)	3,583
Profit due to revaluation of available for sale assets, net tax			(5,116)					(5,116)		(5,116)
Loss due to cash flow hedges, net tax					(118)			(118)		(118)
Adjustments on the translation of financial statements of overseas activities						(19,295)		(19,295)	(145)	(19,440)
Total profit (loss) for the period	-	-	(5,116)	-	(118)	(19,295)	3,589	(20,940)	(151)	(21,091)
Share-based payment				55				55		55
Total transactions with the company's share holders during their duty	-	-	-	55	-	-	-	55	-	55
Total Equity – June 30, 2008	1	130,934	949	1,250	(860)	(36,510)	265,513	361,277	6,408	367,685

The accompanying notes are an integral part of the financial statements

**ELECTRA REAL ESTATE LTD.
STATEMENT OF CHANGES IN EQUITY
CONVENIENCE TRANSLATION INTO U.S. DOLLARS**

Year ended December 31, 2008 (Audited)

	Share Capital	Share premium	Capital reserve from revaluation of available for sale assets	Capital reserve from Share based Payments	Capital reserve from cash flow hedges	Capital reserve from foreign currency translation adjustment	Retained earnings	Total shareholders equity	Minority Interests	Total equity
	(In thousands)									
Balance - January 1, 2008	1	130,934	16,431	1,140	509	788	252,746	402,549	6,865	409,414
Loss for the period							(18,601)	(18,601)	(102)	(18,703)
Loss due to revaluation of available for sale assets, net tax			(41,786)					(41,786)		(41,786)
Loss due to cash flow hedges, net tax					(1,334)			(1,334)		(1,334)
Adjustments on the translation of financial statements of overseas activities						(33,981)		(33,981)	(1,511)	(35,492)
Total profit (loss) for the period	-	-	(41,786)	-	(1,334)	(33,981)	(18,601)	(95,702)	(1,613)	(97,315)
Dividend paid to minority							(5,026)	(5,026)		- 5,026
Share-based payment				219				219		219
Total transactions with the company's share holders during their duty	-	-	-	219	-	-	(5,026)	(4,807)	-	(4,807)
								-		-
Total Equity –December 31 2008	1	130,934	(25,355)	1,359	(825)	(33,193)	229,119	302,040	5,252	307,292

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**

	Six months ended June 31,		Three months ended June 31,		Year ended December 31,
	2009	2008	2009	2008	2008
	In thousands				
	(Unaudited)		(Unaudited)		(Audited)
Cash Flow - Operating Activities:					
Net income (loss) for the period	4,049	12,831	202	3,583	(18,703)
Adjustments required to present cash flows from operating activities (Appendix A)	3,871	(793)	4,138	2,324	42,292
Net cash - operating activities	7,920	12,038	4,340	5,907	23,589
Cash Flows - Investing Activities:					
Proceeds from the sale (invest) of marketable securities, net	1,335	(171)	594	-	(15)
Collection (Giving) of Long-term loans	(4,596)	(7,518)	(169)	(6,888)	14
Collection (Giving) of Long-term debts including from affiliates	18,404	-	18,404	-	-
Consolidation exit of investees that were proportionately consolidated (Appendix B)	(1,809)	-	(361)	-	(2,077)
Realization of short-term deposits	2,578	1,143	(44)	5,464	6
Change in long-term deposit, net	-	(11,318)	-	(11,318)	(2,635)
Investments in shares of affiliates and other	(6,776)	(1,385)	2	(1,385)	(10,880)
Initial consolidation of an affiliate (Appendix C)	-	(2,774)	-	-	(2,774)
Acquisition and construction of yielding assets	(13,947)	(11,882)	(2,637)	(6,413)	(54,434)
Acquisition of fixed assets and other assets	-	(134)	-	-	(142)
Proceeds from disposition of yielding properties	383	48,890	383	47,656	48,890
Net cash used in investing activities	(4,428)	14,851	16,172	26,791	(24,047)
Cash Flows - Financing Activities:					
Dividend paid	-	-	-	-	(5,026)
Receipt of long-term loans	13,794	31,379	7,495	6,719	78,928
Repayment of long-term loans	(14,084)	(54,976)	(5,688)	(28,599)	(62,782)
Repayment of loans and capital notes from the Electra Group companies, net	-	(4,230)	-	-	(4,230)
Receipt (Repayment) of loans and capital notes from minority shareholders in consolidated subsidiaries, net	-	-	-	-	(176)
Repayment of bonds	-	-	-	-	(15,582)
Prepayment of bonds and long-term liabilities	(8,575)	-	-	-	(22,350)
Short-term bank borrowings, net	17,888	11,070	568	1,895	(10,746)
Net cash - financing activities	9,023	(16,757)	2,375	(19,985)	(41,964)
Increase (Decrease) in cash and cash equivalents	12,515	10,132	22,887	12,713	(42,422)
Cash and cash equivalents at beginning of period	72,385	120,271	64,528	115,828	120,271
Translation differences relating to cash balances in foreign currency	2,040	(4,719)	(475)	(2,858)	(5,464)
Cash and cash equivalents at end of period	86,940	125,684	86,940	125,684	72,385

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**

	Six months ended June 31,		Three months ended June 31,		Year ended December 31,
	2009	2008	2009	2008	2008
			In thousands		
	(Unaudited)		(Unaudited)		(Audited)

Appendix A - Adjustments required to present cash flows from operating activities:

Expenses (income) not involving cash flows:

Company's share in results of affiliates, net	1,076	(2,289)	636	(1,192)	3,732
Gain from prepayment of bonds and long-term liabilities	(2,646)	-	-	-	(14,283)
Depreciation and amortization	80	71	63	54	296
Adjustment of fair value and results of disposal of yielding properties, net	4,848	(1,053)	3,583	552	36,635
Loss (Gain) from marketable securities	(151)	53	(151)	(29)	133
Recording of expenses in connection with share based payments	61	110	30	55	219
Revaluation of liabilities in respect of index-linked options	(32)	(2,347)	(27)	(926)	(3,168)
Changes in assets and liabilities:					
Trade accounts receivables	645	(231)	1,532	(326)	567
Trade accounts payables	(4,309)	(1,631)	(229)	1,523	1,408
Receivables and other current assets	190	(434)	(1,892)	292	196
Payables and other current liabilities	1,985	5,622	(1,736)	766	2,882
Deferred income taxes, net	219	(2,672)	(211)	(2,177)	2,955
Change in value of long-term receivables and liabilities, net (including interest charged to the parent company)	1,905	4,008	2,540	3,732	10,720
	3,871	(793)	4,138	2,324	42,292

Appendix B - Consolidation exit of investees that were proportionately consolidated

Net working capital (excluding cash)	(51,775)	-	(4,539)	-	238
Long-term receivables	(1,700)	-	(71)	-	5,946
Yielding assets, net	175,528	-	17,261	-	100,061
Long-term liabilities	(100,163)	-	(11,230)	-	(111,155)
Investment in affiliates	(21,753)	-	-	-	-
Gain (Loss) from investments realization	(1,947)	-	(1,783)	-	2,834
	(1,810)	-	(362)	-	(2,076)

Appendix C - Initial consolidation of an affiliate

Net working capital (excluding cash)	-	9,800	-	-	9,800
Fixed assets and other assets	-	-	-	-	-
Long-term receivables	-	(1,130)	-	-	(1,130)
Yielding assets, net	-	(14,966)	-	-	(14,966)
Investment in affiliates	-	2,583	-	-	2,583
Long-term liabilities	-	937	-	-	937
	-	(2,776)	-	-	(2,776)

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**

	Six months ended June 31,		Three months ended June 31,		Year ended December 31,
	2009	2008	2009	2008	2008
	In thousands				
	(Unaudited)		(Unaudited)		(Audited)
<u>Appendix D – Additional cash flow information</u>					
Cash paid during the period:					
Interest	52,949	58,281	26,658	26,394	114,966
Income taxes	641	184	331	79	751
Cash received during the period:					
Interest	520	1,284	449	503	2,215
Income taxes	-	-	-	-	43
<u>Appendix E – Non-cash transactions</u>					
Purchase of yielding property on credit	-	1,514	-	1,514	1,670

The accompanying notes are an integral part of the financial statements

ELECTRA REAL ESTATE LTD.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1 - General

A. Electra Real Estate Ltd. (hereinafter – "the Company") was founded on May 15, 1972, In August 2005, the Company became a public company whose securities are traded on the Tel Aviv Stock Exchange. The Company is engaged (both directly and through investee companies) in the purchase, leasing, and sale of rental properties in Israel and abroad and in the initiation and establishment of projects in the field of real estate in Israel and abroad. The company held by Electra Ltd (former: Electra Israel Ltd, hereinafter – "The parent company", "Electra") and the final company that holds the company is Elco Holdings Ltd. Additional information of the group's segmental activities is presented in note 3.

B. Surplus current liabilities over the current assets

As of the balance sheet date, the Company had a Surplus current liabilities over the current assets amounting to \$ 166 million. A description of the main measures being taken by the Company in order to repay the deficit in working capital is as follows:

a. Liabilities to foreign financial institutions

- In the period ended June 30, 2010, the Company is expected to repay long-term debts to foreign financial institutions totaling \$ 71 million. The fair value of the assets, which, for the purpose of the financing, these loans were taken into account, correct as of the date of the report, is \$ 116 million. The Company believes that these loans will be repaid by way of refinancing.
- The company conducts negotiation to sell a real estate asset in Canada which the lone due to it amounts to \$18.8 (Canadian \$).

b. Liabilities to financial institutions in Israel

- After the balance sheet date, the company reached an agreement with a financial institution according to extend of the period of the lone which is amounted to \$25 million from June 2010 to January 2011 . The loan is recognized in the current liabilities section.
- The Group have short-time credit lines amounted to \$ 16 million secured by a fixed lien on a yielding asset in Israel.
- Regarding some of the loans, The company operates to repay them from self-sources and regarding some other loans, the company operates to extend their repayment date.
- During the report period the Company concluded an agreement with a financial institution in Israel relating to the extension of the repayment date of debts totaling \$ 58.7 million due to January 2010. As of the balance sheet date these amounts classified as current liabilities.

c. Unexploited credit line

As of the balance sheet date, the company has long-term credit lines that not yet used totaling \$ 26 million, and short-term credit lines that not yet used totaling \$ 11 million.

**ELECTRA REAL ESTATE LTD.
NOTES TO THE CONDESED CONSOLIDATED FINANCIAL STATEMENTS**

Note 1 - General (Cont.)

B. Extra current liabilities over the current assets (Cont.)

d. Sale of assets and investments

- As of the balance sheet date the company has sold some of its assets' rights in Israel and abroad. The company's cash flow from this sales (gross before the tax), after deduction of loans and the debts due to the, is \$18.4 million.
- As of the balance sheet date the company's foreign subsidiary had sold its assets' rights in Swiss. The income cash flow after the balance sheet date (before tax) regarding to the sale of the rights and after repaying their loans and the sale's expenses is 5.3 million F.S. (approximately \$ 4.9 million).
- The Company intends to sell a number of properties, both abroad and in Israel, the sale proceeds of which, net of the loans which were taken for their purchase, will lead to an increase in the Company's cash balance and will improve the Company's working capital.

e. Current cash flow

- The Company has allocated loans regarding Non-recourse loans received to finance asset abroad amounted to \$ 16 million, which due to repayment from the current cash flow of those assets.

Noting the range of potential sources at its disposal, Company management believes that, as of the approval date of the financial statements, it has sufficient financial resources for repaying its liabilities.

- C.** These condensed financial statements should be reviewed in conjunction with the Company's annual statements as of December 31, 2008 and for the year then ended and the notes related thereto.
- D.** These financial statements are presented in US dollars, derived from convenient translation of the financial statements prepared in NIS, into US dollars by using the conversion rate prevailing on June 30 ,2009 (\$1.00= NIS 3.919).

The accompanying English-language condensed interim consolidated financial statements in US dollars represent a translation of the above-mentioned 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 June 30 ,2009. Comparative figures for the six and three months periods ended June 30, 2008 and for the year ended December 31, 2008 represent a translation of the original NIS values of the respective period, using the representative dollar exchange rate in effect on June 30 ,2009. 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 CONDESED CONSOLIDATED FINANCIAL STATEMENTS

Note 2 - Reporting principles and accounting policies

A. Basis for the financial statements editing

The interim condensed consolidated financial statements ("interim financial statements") of the Company have been prepared in conformity with International Accounting Standard No. 34 "interim financial reporting" (hereinafter-"IAS 34").

In conducting these interim financial statements, the Group implemented accounting policy, reporting standards and measurement methods identical to those implemented in conduction of her financial statements as of December 31, 2008, and for the year then ended, excluding the changes in the accounting policy derived from the implementation of new financial reporting standards, amendments to reporting standards and clarification published which forced in the financial statements date as detailed in paragraph c below.

- B.** The interim consolidated financial statements of the Company have been prepared in conformity with the Securities Regulations (Periodic and Immediate Reports), 1970.

Statement regarding the implementation of International Financial Reporting Standards

The consolidated financial statements of the Company have been prepared in conformity with International Financial Reporting Standards and their interpretations published by IASB. The principal accounting policies have been applied in these statements on a basis consistent with those applied in comparison years presented in these statements.

C. New financial reporting standards and clarifications that have been issued:

(1) New effective standards and clarifications which are being applied in these financial statements:

- **Amendment IFRS 2 – Share based payments - terms for vesting and cancellations**

The amendment defines which terms for vesting should be included when stating the share based payment fair value in the grant date. Further explain the accounting treatment relating instruments with no vesting terms and cancellations.

The standard is to be implemented retrospectively in respect of the financial statements for periods commencing on January 1, 2009.

This amendment will not have any material effect on the company's financial reports.

- **Amendment IAS 32 – Financial Instruments: Presentation, and IAS 1, Presentation of Financial Statements**

The amendment to IAS 32 alters the definition of financial liability, financial asset and capital instrument, and provides that certain financial instruments that are realizable in the hands of the holder, should be classifies as capital instruments.

The provisions of the amendment will apply in respect of annual reporting periods commencing January 1, 2009.

This amendment will not have any material effect on the company's financial reports.

**ELECTRA REAL ESTATE LTD.
NOTES TO THE CONDESED CONSOLIDATED FINANCIAL STATEMENTS**

Note 2 - Reporting principles and accounting policies (Cont.)

C. New financial reporting standards and clarifications that have been issued: (Cont.)

(1) New effective standards and clarifications which are being applied in these financial statements: (Cont.)

- **IFRIC 15 - Agreements for the Construction of Real Estate**

The Interpretation provides the accounting treatment in accompanying incomes and expenses of entities which independently or through sub-contractor establishing real estate and supplying goods or services which is included in establishing real estate agreement.

The Interpretation establishes rules for distinguishing between agreements for the construction of real estate under the scope of IAS 11 and similar agreements under the scope of IAS 18. Accordingly, revenue will be recognized by reference to the stage of completion. Incomes from agreements, which according to the interpretation constitutes supplying goods agreements will be recognized in the risk and benefit transfer date to the buyer, and incomes from supplying services agreements will be recognized according to the completion date of the transaction in the balance sheet date. The Interpretation applies to annual financial statements for periods beginning on or after January 1, 2009 and will be adopted retrospectively. Earlier application is permitted.

This Interpretation will not have any material effect on the company's financial reports.

- **IFRIC 16, Hedges of a Net Investment in a Foreign Operation:**

The Interpretation provides the hedged risk nature and the hedged item amount during the net investment hedge in foreign activities. The Interpretation also prescribes that the hedging instrument may be held by any entity within the Group and the amount level that will be classified from the equity to the statement of operations while realizing the foreign activity, which regarding her the net investment in foreign companies hedge accounting was implemented.

The Interpretation applies to annual financial statements for periods beginning on or after January 1, 2009.

This Interpretation will not have any material effect on the company's financial reports.

**ELECTRA REAL ESTATE LTD.
NOTES TO THE CONDESED CONSOLIDATED FINANCIAL STATEMENTS**

Note 2 - Reporting principles and accounting policies (Cont.)

C. New financial reporting standards and clarifications that have been issued: (Cont.)

(1) New effective standards and clarifications which are being applied in these financial statements: (Cont.)

- **IAS 1 (Amended), Presentation of Financial Statements**

The standard stipulates the presentation required in the financial statements, and itemizes a general framework for the structure of the financial statements and the minimal contents which must be included in the context of the report. Changes have been made to the existing presentation format of the financial statements, and the presentation and disclosure requirements for the financial statements have been broadened, including the presentation of an additional report in the framework of the financial statements called "statement of comprehensive income (loss)" and the addition of balance sheet to the beginning of the earliest period presented in the financial statements and in cases of change in accounting policy in the way of retrospective application, restatements cases and reclassification cases. The amendment applies to annual financial statements for periods beginning on or after January 1, 2009 and will be adopted retrospectively. According to this standard, the Group present comprehensive income (loss) statements report, which details the components of the other comprehensive income (loss) separately from the components presented in the statement of operations report and statement of changes in equity report presenting balances regarding transactions with shareholders, while in their duty as shareholders. The initial adoptions of this standard has no effect on the company's financial reports.

- **IFRS 8, Operating segments**

The standard, which replaces IAS 14, details how an entity must report on data according to segments. Among other things, the standard prescribes that the segmental reporting of a company is based upon the data which is used by the management of a company for purposes of assessing the performance of the segments, and for purposes of making decisions on the manner of allotment of resources to the various operating segments.

The standard will apply for annual reporting periods beginning on January 1, 2009, with retroactive adjustment of comparative figures for previous reporting periods. The initial adoptions of this standard has no effect on the company's financial reports. Regarding the Group's operating segments report according to IFRS 8, see note 3.

- **Amendment to IAS 28, Investments in affiliates**

The amendment provides that a decline in the value of an investment in an affiliate should be dealt with as a decline in value of a single asset, and that the amount of the decline in value may be cancelled in subsequent periods. The amendment will apply in respect of annual periods commencing January 1, 2009,. This amendment will not have any effect on the company's financial reports.

- **Amendment to IAS 40, Investment property**

The amendment provides that investment property under construction should be dealt with in accordance with the provisions of IAS 40. Prior to the amendment, the aforesaid investment property was dealt with pursuant to IAS 16 "Fixed assets". The amendment will apply in respect of annual periods commencing January 1, 2009. Implementation will be by prospective application. This amendment will not have any effect on the company's financial reports.

**ELECTRA REAL ESTATE LTD.
NOTES TO THE CONDESED CONSOLIDATED FINANCIAL STATEMENTS**

Note 2 - Reporting principles and accounting policies (Cont.)

C. New financial reporting standards and clarifications that have been issued: (Cont.)

(2) Standards and clarifications issued by IASB and IFRIC, respectively, that have been published but have not yet become effective

A. IFRIC 17 - Distributions of non-cash assets to owners

The interpretation sets the accounting treatment of non-cash asset distribution to owners. The interpretation set, inter alia, the initial recognition date of liability to distribute non-cash assets to the entity's owners, and the measurement method of the liability amount up to its payoff.

Moreover, the interpretation repairs IFRS 5 instructions "Non-current assets held for sale and discontinued activities". Non-current asset (or realization group) which the entity obligated to distribute it to the shareholders as non-cash assets, will be classified subject to this interpretation, as held for distribution to owners.

The Interpretation applies to annual financial statements for periods beginning on or after January 1, 2009. Early adoptions is possible.

At this stage, the group's management can not estimate the effect of this interpretation on the company's financial reports.

B. Amendment to IFRS 5, Non-current assets held for sale and discontinued activities

The amendment provides that when a parent company is obliged to implement a plan for the sale of the controlling rights of a subsidiary, the assets and liabilities therein should be classified as held for sale, even when it intends to retain rights that do not give it control.

The amendment will be in effect in respect of reporting periods commencing January 1, 2010. The amendment allows for early application. An entity that is interested on applying the standards in prior periods is obliged to implement the provisions of IAS 27 (amended). Implementation will be by prospective application.

At this stage, the group's management can not estimate the effect of this amendment on the company's financial reports.

ELECTRA REAL ESTATE LTD.
NOTES TO THE CONDESED CONSOLIDATED FINANCIAL STATEMENTS

Note 2 - Reporting principles and accounting policies (Cont.)

C. New financial reporting standards and clarifications that have been issued: (Cont.)

(2) Standards and clarifications issued by IASB and IFRIC, respectively, that have been published but have not yet become effective (Cont.)

C. IAS 27 (Amended), Consolidated and Separate Financial Statements

The standard prescribes the rules for the accounting treatment of consolidated and separate financial statements. Among other things, the standard stipulates that transactions with minority shareholders, in the context of which the company holds control of the subsidiary before and after the transaction, will be treated as capital transactions. In the context of transactions, subsequent to which the company loses control in the subsidiary, the remaining investment is to be measured as of the date that control is lost, at fair value, with the difference as compared to book value to be recorded to the statement of operations. The minority interest in the losses of a subsidiary, which exceed its share in shareholders' equity, will be allocated to it in every case, while ignoring its obligations and ability to make additional investments in the subsidiary.

The provisions of the standard apply to annual financial reporting periods which start on January 1, 2010 and thereafter. Earlier adoption is permitted, on the condition that it will be done simultaneously with early adoption of IFRS 3 (amended). The standard will be implemented retrospectively, excluding a number of exceptions, as to which the provisions of the standard will be implemented prospectively.

At this stage, the group's management can not estimate the effect of this standard on the company's financial reports.

D. IFRS 3 (Amended), Business combinations

The new standard sets the accounting treatment rules regarding , inter alia the standard sets measuring rules of conditional proceeds from business combinations, which will be measured as derivative financial instrument. Transactions costs, linked directly to the business combination will be attributed to the statement of operations at the date it occurred. Minority rights will be measured on the business combination date to the extent of their share in the assets' fair value, including goodwill, liabilities and contingent liabilities of the purchased entity, or to the extent of their share in the net assets' fair value as mentioned, excluding their share in the goodwill.

In business transactions, in which control is obtained after several acquisitions (purchase by steps), the assets , liabilities and contingent liabilities of the entity will be measured at fair value in the date which the control had been obtained, while attributing the difference between the book value of the investment to its fair value at the business combination date to the statement of operations.

The standard apply to business combinations start on January 1, 2010 and thereafter. Earlier adoption is permitted, on the condition that it will be done simultaneously with early adoption of IAS 27 (amended).

At this stage, the group's management can not estimate the effect of this standard on the company's financial reports.

**ELECTRA REAL ESTATE LTD.
NOTES TO THE CONDESED CONSOLIDATED FINANCIAL STATEMENTS**

Note 2 - Reporting principles and accounting policies (Cont.)

C. New financial reporting standards and clarifications that have been issued: (Cont.)

(2) Standards and clarifications issued by IASB and IFRIC, respectively, that have been published but have not yet become effective (Cont.)

E. IFRS 7 Amendment, Financial instruments: Recognition

The amendment broadens the recognitions required relating liquidity risk and fair value measurement, while setting three stage hierarchy for presenting fair value measurements.

The amendment apply to annual financial reporting periods which start on January 1, 2009 and thereafter. The amendment will be implemented retrospectively. Earlier adoption is permitted.

This company evaluating the amendment effect on the company's financial reports.

F. IFRIC 9 Amendment, Reassessment of Embedded Derivatives and IAS 39, Financial instruments: Measurement Disclosures

The amendment clarify that while reclassifying a financial asset outside of "Fair value through the statement of operations" group, the need to separate its embedded derivatives will be examined.

The amendment apply to annual financial reporting periods which start on June 30, 2009 and thereafter. The amendment will be implemented retrospectively. Earlier adoption is permitted.

The group's management estimates that this amendment will not have any effect on the company's financial reports.

G. IFRS 8 amendment, operating segments

The amendment sets that a recognition of reportable segment asset measurement will be presented only if this information is presented repeatedly to the head operational decision maker.

The amendment apply to annual financial reporting periods which start on January 1, 2010 and thereafter. Earlier adoption is permitted.

The group's management estimates that this amendment will not have any effect on the company's financial reports.

ELECTRA REAL ESTATE LTD.
NOTES TO THE CONDESED CONSOLIDATED FINANCIAL STATEMENTS

Note 2 - Reporting principles and accounting policies (Cont.)

D. Exchange rates and linkage

- (1) Assets and liabilities in, or linked to, foreign currency are presented at the representative rates of exchange published by the Bank of Israel as of the balance sheet date.
- (2) Assets and liabilities linked to the CPI are presented according to the known CPI in the balance sheet date (the CPI of the one month prior to the balance sheet date) or according to the actual CPI on behalf of the last month of the reporting period (the CPI of the month of the reporting period), and according to the employment terms.
- (3) Following are details on the exchange rates and CPI:

	June 30,		December 31,		
	2009	2008	2008		
Actual CPI (1993 basis)	202.66	195.62	198.42		
Known CPI (1993 basis)	200.89	195.44	198.61		
In NIS:					
US Dollar	3.92	3.35	3.80		
Pound Sterling	6.51	6.67	5.55		
Canadian Dollar	3.40	3.32	3.11		
Euro	5.53	5.28	5.30		
Swiss Franc	3.63	3.29	3.56		
	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2009	2008	2009	2008	2008

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

Actual CPI	2.14	2.34	2.27	2.24	3.80
Known CPI	1.15	2.85	1.89	2.44	4.51
US Dollar	3.08	(12.76)	(6.42)	(5.63)	(1.14)
Pound Sterling	17.32	(13.49)	8.62	(5.52)	(28.04)
Canadian dollar	9.24	(15.31)	1.77	(4.60)	(20.60)
Euro	4.48	(6.71)	(0.77)	(6.05)	(6.41)
Swiss Franc	1.75	(3.80)	(1.35)	(7.84)	4.23

**ELECTRA REAL ESTATE LTD.
NOTES TO THE CONDESED CONSOLIDATED FINANCIAL STATEMENTS**

Note 3 - Geographical segments

A. IFRS 8 "Operating segments"

The Group implementing IFRS 8 "operating segments" (hereinafter- "IFRS 8") as of January 1, 2009. The standard prescribes that the segmental reporting of a company is based upon the data which is used by the management of a company for purposes of assessing the performance of the segments, and for purposes of making decisions on the manner of allotment of resources to the various operating segments. The company's management evaluated the precepts of IFRS 8 and came to a conclusion that there is no effect on the reportable segments report, the statement of operation and the reported financial statement of the group's segments.

B. The Group's reportable segments are

The Group recognizes reportable segment on the geographical organizational basis.

Segment A – produce its incomes in Israel.

Segment B – produce its incomes in Europe (Germany, Britain, Switzerland, Holland and Belgium)

Segment C – produce its incomes in North America (USA and Canada)

Because of the company's nature of business, the segments results are after financial expenses and including gains from assets realizations, and the segment liabilities includes identified financial liabilities to specific assets.

	<u>Israel</u>	<u>Europe</u>	<u>North America</u>	<u>Adjustments (6)</u>	<u>Total</u>
	<u>US\$ in thousands</u>				
For the period of 6 months ended June 30, 2009 (Unaudited):					
Segment revenues from external clients (1)	4,805	46,335	36,040	-	87,180
Segment results from external clients	(1,786)	9,414	(1,307)	(1,102)	5,219
Including Adjustment of fair value, results of disposal of yielding properties and others, net (1)	(118)	(3,736)	(994)	-	(4,848)
For the period of 6 months ended June 30, 2008 (Unaudited):					
Segment revenues from external clients (2)	6,242	58,637	40,582	-	105,461
Segment results from external clients	1,256	10,061	2,325	(375)	13,267
Including Adjustment of fair value, results of disposal of yielding properties and others, net (2)	(742)	4,569	(2,774)	-	1,053

**ELECTRA REAL ESTATE LTD.
NOTES TO THE CONDESED CONSOLIDATED FINANCIAL STATEMENTS**

Note 3 - Geographical segments (Cont.)

	<u>Israel</u>	<u>Europe</u>	<u>America</u>	<u>Adjustments (6)</u>	<u>Total</u>
	<u>US\$ in thousands</u>				
For the period of 3 months ended June 30,					
Segment revenues from external clients (3)	<u>508</u>	<u>23,900</u>	<u>16,768</u>	<u>-</u>	<u>41,176</u>
Segment results from external clients	<u>(2,035)</u>	<u>3,607</u>	<u>(981)</u>	<u>(540)</u>	<u>51</u>
Including Adjustment of fair value, results of disposal of yielding properties and others, net (3)	<u>(1,615)</u>	<u>(1,567)</u>	<u>(401)</u>	<u>-</u>	<u>(3,583)</u>
For the period of 3 months ended June 30, 2008 (Unaudited):					
Segment revenues from external clients (4)	<u>3,290</u>	<u>27,621</u>	<u>19,940</u>	<u>-</u>	<u>50,851</u>
Segment results from external clients	<u>(1,389)</u>	<u>3,088</u>	<u>1,433</u>	<u>(191)</u>	<u>2,941</u>
Including Adjustment of fair value, results of disposal of yielding properties and others, net (4)	<u>(91)</u>	<u>(141)</u>	<u>(320)</u>	<u>-</u>	<u>(552)</u>
Year ended December 31, 2008:					
Segment revenues from external clients (5)	<u>8,521</u>	<u>85,095</u>	<u>62,588</u>	<u>-</u>	<u>156,204</u>
Segment results from external clients	<u>(894)</u>	<u>3,039</u>	<u>(13,001)</u>	<u>(2,234)</u>	<u>(13,090)</u>
Including Adjustment of fair value, results of disposal of yielding properties and others, net (5)	<u>(5,175)</u>	<u>(16,610)</u>	<u>(14,850)</u>	<u>-</u>	<u>(36,635)</u>

(6) Representing mainly investment in india

ELECTRA REAL ESTATE LTD.
NOTES TO THE CONDESED CONSOLIDATED FINANCIAL STATEMENTS

Note 4 - Significant events during the report period

- A.** On March 2009, Electech Inc sold 11% of her rights in an office building in Chicago, USA. After the sale the company's holding percentage in this asset is 49%. Started from that date, the asset is classified as an investment in affiliate and the results from the asset classified as a part of the affiliated company's results. The profit derived to the company in the report period from the rights' sale as aforesaid is non-material,.
- B.** On March 2009, Electech Inc came to an agreement with HGI shareholders in which she will decreased in her holding percentage in HGI from 25% to 20%, in exchange to decreasing HGI shareholders' compensation amounted to \$ 4.875 million which supposed to be paid in July 2009. Further agreed that the company has an option, during the next five years beginning January 1, 2009, to raise the holding percentage in HGI back to 25% against a compensations amounted to \$ 4.875 million.
- C.** In accordance to a framework agreement signed by Electech, a foreign subsidiary of the company, in 2006 to acquire shopping centers leased to Hornbach chain and additional to four shopping centers which she is already owned, On January 2009, Electech acquired 45% of two shopping centers Hornbach, in Holland and one shopping center in Luxembourg.

The purchase price of all three assets (100%), before expenses amounting to € 62.2 million (approximately \$ 80 million), and relating expenses amounting to € 5.2 million (approximately \$ 6.7 million). The three shopping centers consists of 39,400 sq. mtrs. Leased area, are 100% occupied to Hornbach company which is one of the leading companies in the shopping center for DIY field. The rent period of each and everyone of the properties is 15 years, till January 2024. The renter has an option to extend the rent period.

The net annual rent fee (100%) from the three assets is € 4.63 million (approximately \$ 6 million). The rent fee has a mechanism to rent fee rise according to the customer price index. All current management and maintenance expenses regarding the assets are being paid by the renter.

A financial institution has extended five years loan to finance the transaction (100%) € 47.6 million (approximately \$ 61.3 million) with fixed interest, whose rate is 4.46%. The loan is secured by a first-priority fixed lien on the asset and receipts, without the right of recourse for the Company. In addition another financial institution has extended five years loan amounted to € 6.75 million (approximately \$ 8.7 million) with fixed interest, whose rate is 7%. The loan is secured by a second-priority fixed lien on the asset and receipts, without the right of recourse for the Company.

- D.** On February 2009, Electech acquired through a subsidiary a part of a loan granted to a jointly-controlled company (70%) of Electech from a foreign financial institute to buy assets in Germany and Holland in May 2007. The book value of the repaid loan (100%) is € 7 million (approximately \$ 10 million) against actual payment of € 4.2 million (approximately \$ 6 million) Regarding this acquisition the company included in the report period a profit before tax from the loan early repayment amounted to € 2 million (approximately \$ 2.8 million) in the "financial income" section in the statement of operation.

ELECTRA REAL ESTATE LTD.
NOTES TO THE CONDESED CONSOLIDATED FINANCIAL STATEMENTS

Note 4 - Significant events during the report period (Cont.)

E. According to a principles agreement sign on February 22, 2009, and it's update on May 18 ,2009 between the company and Amot Investments Ltd. (hereinafter – Amot), in which the company will sale to Amot its full rights the jointly-controlled companies as detailed below:

1. 49% from Ziviel Investments Ltd. Shares (hereinafter – Ziviel).
2. 50% from Roni do Investments Ltd. Shares.

After the report period the company came to an agreements with Amot regarding the rights sale as mentioned above.

The agreement had completed on June 22, 2009. The cash flow (gross before tax) regarding the sale of the two assets and after repaying their loans is \$ 16 million. The company didn't recognize a significant profit from this sale since most of the profit recognized in previous periods under the fair value adjustment of the sold assets.

F. On June 2009, the company's foreign subsidiary, Electech Real Estate B.V (hereinafter – the subsidiary) had sold it's rights (50%) in a company which hold the asset in Geneva, Swiss. The cash flow (before tax) regarding to the sale of the rights and after repaying their loans and the sale's expenses is 5.3 million F.S. (approximately \$ 4.9 million). The profit from the increase of fair value assets recognized in previous periods . At the balance sheet period, the company had credited to the sale's price, the sale's expenses and the loss from revaluation of the fair value to the sale's price which is totaling \$1.4 million (after tax).

Note 5 – Post balance sheet date events

On July 23 ,2009 the Knesset passed the Economic Efficiency Low (Amendments of legislation for the implementation of the economic plan for the years 2009 and 2010) -2009, which determined, an additional gradual reduction of the tax rate for companies to 18% in the tax year 2016 and thereafter. In accordance with the said amendments, the tax rates for companies in the 2010 tax year and thereafter, are as follows: in the 2010 tax year – 25%, in the 2011 tax year – 24%, in the 2012 tax year – 23%, in the 2013 tax year – 22%, in the tax year 2014 – 21%, in the tax year 2015 – 20%, and in the 2016 tax year and thereafter – the tax rate for companies will be 18%.the influence of the said amendments on the deferred tax balances will have an expression on the third quarter of 2009 financial reports. The company does not predict a material influence on her financial operation outcome as of the said amendments.

ELECTRA REAL ESTATE LTD.
NOTES TO THE CONDESED CONSOLIDATED FINANCIAL STATEMENTS

Note 6 – Post balance sheet date events

1) Split of the parent company holdings in the company and distributing her holdings as dividend in kind

On September 24, 2008 the Audit Committee and Board of Directors of Electra Ltd (hereinafter - "the parent company") approved an overall process for a change in the holdings structure in the parent company, by means of split and merger, within the framework of which the activities of the company and the parent company income generating real estate asset will be "moved aside" such that at the end of the process the company will turn from being the subsidiary of the parent company to being its sister company (hereinafter – "the split and merger arrangement"). On September 28, 2008 an application was presented in the court for the approval of the arrangement in accordance with sections 350 and 351 of the Companies Law – 1999 (hereinafter – "the application"). On October 6, 2008, a decision was given by the court on the application for the arrangement (Case 2557/08), according to which the calling of the general meeting, whose calling was requested within the framework of the application, was approved. On December 30, 2008, following the receipt of the approvals of the audit committee and the board of directors of the company, an application was filed in the Tel-Aviv-Jaffa District Court by the company for a change in the determining date, the timing of the split and the timing of the determining balance sheet from September 30, 2008 to December 31, 2008. On January 1, 2009 the court approved this application. Following the receipt of the approval of the Securities Authority in respect of the arrangement for the split and the merger, after the receipt of a per-ruling from the tax authorities and after the receipt of the Audit Committee and the Board of Directors of the company for the calling of meetings of a type of shareholders in the company, of the bond holders of the company (Series A and B), invitations to the said meetings were published. On August 26, 2009, meetings of the type of security of the company were called. The arrangement for the split and merger was approved by the meeting of the shareholders without the presence of the controlling shareholder, a meeting of the general shareholders, a meeting of the bond holders of the company (Series A) without the presence of the controlling shareholder, a meeting of the general bond holders (Series A), , a meeting of the bond holders of the company (Series B) without the presence of the controlling shareholder, a meeting of the general bond holders (Series B). The meetings of bond holders (Series A and B) were called at the said times, however because a legal quorum was not present, the timing of the meeting were deferred until September 2, 2009. On August 10, 2009, an application was filed in the Tel-Aviv District Court for the updating of the change in the outline of the transaction, in a manner that accords with the outline that was within the framework of the summoning of the meetings for each type of security. On August 11, 2009, the court approved the request.

2) The change in the holdings structure arrangement

As part of the structural change the parent company will divide as dividend in kind, her acquisitions in the company, along with the generating real estate asset (including the taken obligations for the as stated asset up to its fair value) (hereinafter together – generating real estate asset), to a new company, which was established for the structural change, and in the first phase, its structural holdings is the same as the parent company. In the second phase (which will be carried out immediately and close to the timing of the split) the new company will merge into the company, in a manner that the company will absorb the assets and liabilities of the new company, by the way of eliminating the new company, without dissolution of the company. With the completion of the merger, the company will remain public, and held directly by Elco Holdings Ltd, by her shareholders pre the change in the holdings structure and by the parent company shareholders.

Within the framework of the split and merger arrangement it was decided as stated, that the parent company will distribute in a manner of dividend in kind, a generating real estate and obligations because of this asset up until its fair value, in addition the parent company will place a loan to the company, and change the terms of an existing loan, to be detailed:

ELECTRA REAL ESTATE LTD.
NOTES TO THE CONDESED CONSOLIDATED FINANCIAL STATEMENTS

Note 6 – Post balance sheet date events

2) The change in the holdings structure arrangement (cont.)

- a) Distribution as dividend in kind of the generating real estate (in accordance with its book value in the parent company financial reports, in the timing of the completion, as of June 30, 2009 sum of approximately 90 million NIS), and loans (current and non-current, including balance of interest to pay due to the given loans) which are directly attributed to the hereby asset in identical amount. In addition, in the framework of the structural change arrangement, it was decided that for the payment of the short term loans (including the interest to pay), that will be transferred to the company (as of June 30, 2009 sum of approximately 15.6 NIS), the parent company will give the company a long-term loan which will be paid in September 30, 2013 plus an interest which will reflect the capital cost price together with 2%, even though the company will have the right to make an early payment of the entire sum of the loan, or part of it, without any obligation and/or penalty, in a written notice which will be given 30 days in advance to the parent company. The capital cost price is a specific credit price which was taken by the parent company from a financial institution for giving the mentioned loan (which is variable cost).
- b) In the year 2005 the parent company gave the company loan in the amount of 25 million Canadian dollars, for payment in three different timing, as of September 2010 until September 2012, the loan bares interest of Canadian dollars (three months) together with space of 1.1%. At the timing of the given plan, it was agreed upon that the parent company would have the right to demand the premature payment of the loan, along with the existence of certain terms (such as the change in the holdings structure which takes place in the framework of the split and merger arrangement). According to the parties intention, with the occurrence of the split and merger arrangement, the parties has agreed that the terms of the loan that the parent company gave the company will be changed in the manner that the parent company would not demand immediate payment of the loan (which becomes possible according to the original loan terms), and in addition the loan would bare an interest in the amount of the parent's company capital cost price together with space of 2%. The payment dates of the loan in respect of the original given loan would not be changed. The company would have the right to make a premature payment of the entire loan or part of it, without any obligation and/or penalty, in a written notice which will be given 30 days in advance to the parent company.

3) Tax aspects concerning the change in the holdings structure arrangement

On December 31, 2008 the company turn to the Israeli Tax Authority in an application to approve that the change in the holdings structure arrangement will be carried out with tax exemption according to Section E of the Income Tax Ordinance, subject to withstanding to the determined terms .According to the Israeli Tax Authority decision (hereinafter – "the decision") as of August 23, 2009 the change in the holdings structure arrangement will be carried out with tax exemption and the stated date for tax requirements in order to make the change in holdings is December 31, 2008. According to the decision and subject to the instructions of Section E2 of the Tax Ordinance in the framework of the change in holdings, certain limitations will be imposed among others according to Section E2 instructions including the ability of the company and the parent company to deduct tax losses lengthwise of five year period effective as of 2009 and restrictions concerning the sell of the company's shares by the controlling shareholders for two years and subject to the tax relief in the Income Tax Ordinance. As part of the change in holdings the parent company's tax losses will be divided in the split date (December 31, 2008) between the company and the parent company according to the ration of equity of the companies.

Note 7 – The attachment of the financial statements of Investee Company

The financial statements of the company PBEL Real Estate Limited has not Been attached to the company's financial statements in accordance with Regulation 44C(1) of the Securities Regulation (Periodic and Immediate Reports) – 1970.