

ELECTRA REAL ESTATE LTD.

**UNAUDITED CONDENSED INTERIM
CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2005

(CONVENIENCE TRANSLATION INTO U.S. DOLLARS)

ELECTRA REAL ESTATE LTD.

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ELECTRA REAL ESTATE LTD.

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

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

A. The Company and its Business Environment

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

As of the date of the financial statements the Group holds, in Israel and abroad, 49 yielding assets and nine assets under construction, as follows:

<u>Country</u>	<u>Yielding assets</u>	<u>Nature of asset</u>
Israel	13	Office buildings plus seven assets under construction
Britain	13	Office buildings
Canada	10	Office buildings – 9; logistic center - 1
USA	4	Office buildings – 3; residential building - 1
Germany	7	Office buildings
Europe	2	Logistic centers in France and Hungary; two assets Under construction in Hungary and Poland

Total area and average occupancy rates of yielding assets (including Company's share in assets of affiliates) – 430,000 sq. m. and 96%, respectively.

Activity in Israel

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

Foreign activity

Britain

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

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

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

Canada

At the balance-sheet date, through its foreign subsidiaries, the company holds rights in eight commercial buildings in Canada that are held at various rates ranging from 70% to 100% and yielding annual rental fees amounting to C\$28.5m, net after management and maintenance fees – C\$15.7m. In addition, the company holds two building at an ownership rate of 49% and accounted for by the equity method. In April 2005 a proportionately consolidated subsidiary refinanced a loan totaling C\$36m for a period of three years, at a variable annual interest rate of 4.55% as of the balance- sheet date.

USA

Through foreign-owned corporations, the Company held – on the balance-sheet date – rights in two buildings in the US, which yielded annual rental fees of \$16.43m (net of management and maintenance fees - \$9.35m). The Company also holds rights in two other buildings through affiliates

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

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

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

In June 2005 a foreign subsidiary concluded a transaction for purchasing 45% of the shares of a foreign company holding the rights in a yielding property in Cleveland, Ohio, at a total cost (before related expenses amounting to \$3m) of \$141m for the entire asset. The property constitutes an office tower of 118,000 sq. m. plus 760 indoor parking spaces. The building is leased to various tenants for different periods, with an occupancy rate of 87%. The gross annual rental fees amount to \$22.7m (after deducting management and maintenance expenses - \$12.7m). A US financial institution financed the transaction (100%) with a non-recourse loan of \$115m, secured by a first mortgage and the rental receipts. The assets is accounted for by the equity method, with the financial statements of its holding company prepared in conformity with international accounting standards, including Standard 40, based on which real estate is presented at fair value.

Germany

In March 2005 the company concluded a transaction for purchasing (a cumulative) 40% of holdings in foreign companies which own seven yielding properties in Germany, at a (100%) cost of €273m, plus related expenses totaling €9m.

The yielding properties, which are located in Berlin, Hamburg, Düsseldorf, Cologne, Karlsruhe, Monster and Landshot, cover 143,661 sq. m. and are leased (in full) to Deutsch Telecom for a period expiring December 31, 2019. The lease provides for an annual increase of 1.5% in rental fees until 2010 and 1.2% from 2011 to 2019.

The gross (100%) annual rental fees for all the above properties amounts to €19,688 thousand of which management and maintenance fees are to be deducted in an amount not exceeding 2% of rental

fees. The beginning rental fees, net, amount to €19,294 thousand. The average annual rental fees, net, amount to €21,257 thousand.

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

The Company's statement of operations, which is prepared in conformity with international accounting standards – including Standard 40 – is accounted for by the equity method.

As for the purchase of an additional asset in Germany - see below "events subsequent the reported period".

Hungary and France

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

B. Financial Position

Total balance-sheet assets on June 30, 2005 amounted to \$477.7m (December 31, 2004 – \$429.7m).

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

Current assets

Current assets on June 30, 2005 totaled \$25.1m as compared with \$13.6m on December 31, 2004. This increase has resulted from higher balances of cash and short-term deposits.

Long-term investments

Long-term investments on June 30, 2005 amounted to \$64.8m (December 31, 2004 – \$18.7m). The increase in the first half of 2005 stemmed mainly from an investment in an affiliate which owns a yielding asset in Germany and an investment in affiliates in the US, as noted above.

Yielding assets

Total yielding assets on June 30, 2005 amounted to \$382.4m as compared with \$392.2m on December 31, 2004. This decline mainly reflects the realization of holdings in a yielding asset in Britain at an amount of \$18.8m on the one hand and an investment in assets under construction in Israel, on the other hand.

Current liabilities

Total current liabilities on June 30, 2005 amounted to \$67m (December 31, 2004 – \$54.7m), with this increase mainly reflecting short-term loans obtained for asset acquisition. On June 30, 2005 the Company had a working-capital deficiency of \$42m yet improvement is expected, following the issuance of August 2005 (see below).

Long-term liabilities

Long-term liabilities (including long-term loans obtained to finance the acquisition of yielding assets) on the balance-sheet date amounted to \$323.1m as compared with \$296m on December 31, 2004. This increase mostly stems from non-recourse loans obtained for investment in yielding assets in North America. On June 30, 2005 the bank loans, which amounted to \$214m, constituted non-recourse loans secured by a first-tier lien on the asset and the receipts in respect thereof, with the Company having no right for rebates.

Shareholders' equity

Shareholders' equity amounted on June 30, 2005 to \$86.3m as compared with \$77.7m at the end of 2004, with this increase mainly reflecting the period's net income.

C. Results of operations

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

	Quarter				
	4-6/05	1-3/05	10-12/04	7-9/04	4-6/04
Revenues	11,971	14,502	10,904	9,072	12,839
Operating expenses	5,716	5,929	5,165	3,947	4,795
Operating income before net financing	6,166	8,573	5,739	5,125	8,043
Financing expenses, net	4,186	4,311	4,782	3,260	4,324
Operating income after net financing	1,980	4,247	957	1,866	3,719
Other income, net	-	-	-	-	367
Pre-tax income	1,980	4,247	957	1,866	4,086
Income taxes	381	819	82	418	70
Income after taxes on income	1,599	3,428	875	1,448	4,016
Company's share in earnings of investees, net	2,457	887	422	323	189
Minority interest in income, net	4	(16)	(28)	(63)	(672)
Net income	4,060	4,300	1,268	1,708	3532

Revenues

Second-quarter revenues totaled \$11.97m as compared with \$12.8m in the corresponding period in 2004 (which included a gain of \$3.3m from the sale of a yielding asset).

Revenues during the first half of 2005 totaled \$26.5m against \$21.6m in the corresponding period last year. Total revenues for the entire 2004 amounted to \$41.6m.

The Company's share in its affiliates' rental income during the second quarter amounts to \$4.3m (same period last year – \$1m), with this share in the reported period amounting to \$5.8m (same period last year – \$2m).

Operating income before financing

Operating income in the second quarter of 2005 amounted to \$6.2m as compared with \$8m in the same quarter last year. Operating income before financing in the first half of 2005 amounted to \$14.7m as compared with \$12.9m in the same period last year.

Operating income before financing for the entire 2004 amounted to \$23.8m.

Financing expenses

Company's total financing expenses in the second quarter of 2005 amounted to \$4.2m compared with \$4.3m in the same quarter last year. During the reported period financing expenses totaled \$8.5m as compared with \$7.6m in the corresponding period last year.

During the entire year of 2004 they amounted to \$15.7m.

The financing expenses during the reported period include \$6.3m in respect of long-term loans obtained from financial institutions abroad for financing the acquisition of office rental buildings abroad. These loans are secured by a fixed lien registered on the buildings. The Company provided neither additional guarantees nor collateral in respect thereof.

Net income

Net income in the second quarter of 2005 amounted to \$4m as compared with \$3.5m in the same quarter last year. Net income during the first half of 2005 amounted to \$8.4m as compared with \$5.1m in the same period last year. In the entire 2004 the net income amounted to \$8m.

Foreign, indirectly owned, affiliates which prepares their financial statements in accordance with international accounting standards, including Standard No. 40 based on which yielding real estate is presented at fair value, reported in their statements of operations a gain derived from valuation of yielding property. The fair value determined based on an independent appraiser's valuation based on the fair value of the yielding property. The Company's share in the abovementioned increase in asset value, which amounts to \$568 thousand, is included in the item titled

“Company’s share in earnings of affiliates” in the first quarter of 2005, with an additional amount of \$2m included in the second quarter of 2005.

Liquidity and financing resources

During the reported period operating activities provided the Company with cash flows totaling \$5.1m, as compared with \$8.7m last year. Cash flows from operating activities during the entire 2004 amounted to \$12.7m, with the decline stemming from the following reasons:

- A. An increase in the share of income from affiliates which do not contribute cash flows from operating activities. During the period under review, the income from affiliates amounted to \$3m as compared with \$328 thousand in the corresponding period last year.
- B. During the same period last year most customers abroad advanced the payment of the quarterly rental fees before their accounting recognition date, with the increase amounting to \$2.4m in the reported period those payments declined in relation to 2004.

D. FFO (Funds from Operations)

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

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

It should be noted that the FFO:

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

The following FFO computations pertain to the reported periods:

	Six-month period ended June 30,		Three-month period ended June 30,		Year ended December 31,
	2005	2004	2005	2004	2004
	In thousands				In thousands
Net profit	8,359	5,084	4,060	3,532	8,061
Adjustments:					
Net gain from the sale of assets and investments	(2,286)	(2,716)	(11)	(2,716)	(2,716)
Depreciation and amortization	3,460	2,960	1,803	1,729	5,696
Capital gain from a subsidiary's share allotment	-	(367)	-	(367)	(367)
Adjustments in respect of minority interest in subsidiaries	(212)	(268)	(107)	(144)	(444)
Adjustments in respect of the Company's equity in affiliates' earnings (*)	(2,101)	300	(1,751)	150	744
Adjustments in respect of prior years (Regulation 59d).	(55)	(138)	(109)	71	(193)
Total adjustments	(1,193)	(230)	(176)	(1,277)	2,720
F.F.O	7,166	4,854	3,884	2,255	10,780

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

Events during and subsequent the reported period

1. On August 2005 the Company published a prospectus and issued shares, debentures, options for debentures and options for shares. The proceeds in respect of the issuance, net of related expenses amounting to \$3.5m, totaled \$77.6m.
2. In August 2005 the Company's board of directors Approved agreements signed between Electra Ltd. and the company for arranging issues outlined below.
 - a. Loan repayment schedules provided by Electra Ltd. to the company totaled \$76.1m.
 - b. Payment for management services, wage reimbursement and others to Electra Ltd.
 - c. Submission of electro-mechanical projects, finishing work and property-management services for assets wholly controlled by the company in Israel. This agreement is contingent upon the approval of the company's General Meeting.

- d. A payment equaling 6.5% of the earnings of the company to Electra Ltd. within the framework of the comprehensive arrangement at the Elco Group for the payment of management fees derived from the pre-tax income.
3. In August 2005 the board of directors approved a program to allot 600,000 options to three executives. The options will grant the executives a right to buy shares at a discount and may be exercised in three annual equal batches at the end of a two-year period following allotment.
4. In August 2005 the company signed an agreement for acquiring an office building in Germany a partnership in which it has a 75% share. The transaction is estimated at €25.5m. The transaction had not yet been concluded by the publication date of this report.
5. Proportionately consolidated subsidiaries holding an asset under construction in Hungary has realized its holding in that asset at a pre-tax gain of \$240 thousand, an amount that will be included in the third-quarter financial statements.

Balance sheet linkage basis report

See appendix enclosed herewith.

Disclosure concerning consent for peer review

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

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

On behalf of the Board of Directors:

Shlomo Sherf
CEO and Director

G. Salkind
Chairman of the Board of Directors

August 29, 2005

ELECTRA REAL ESTATE LTD.

APPENDIX
TO THE REPORT OF THE BOARD OF DIRECTORS
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2005

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

	Linked to Foreign currency(*)	CPI-linked	Unlinked	Balance	Balance- sheet total
	(in thousand US dollars)				
Cash and cash equivalents	6,412	-	135	-	6,547
Short-term deposits	11,678	-	311	-	11,989
Trade accounts receivable	786	-	330	-	1,116
Receivables and other current assets	2,234	358	179	2,714	5,485
Investments in investees	27,065	-	643	30,970	58,678
Long-term receivables	6,123	-	-	-	6,123
Fixed assets, net	-	-	-	275	275
Yielding assets, net	-	-	-	382,445	382,445
Other assets, net	-	-	-	5,072	5,072
Total assets	54,298	358	1,598	421,476	477,730
Short-term bank borrowings to finance yielding assets	48,659	-	8,374	-	57,033
Trade accounts payable	1,413	-	233	-	1,646
Payables and other current liabilities	6,917	83	1,338	-	8,338
Long-term loans to finance yielding assets in-					
Israel	-	-	-	-	-
Britain	87,707	-	-	-	87,707
North America	142,415	-	-	-	142,415
Hungary France and Poland	9,251	-	-	-	9,251
Capital notes	-	-	11	-	11
Loan from Electra Group companies	22,704	55,632	-	-	78,336
Loans from minority shareholders in subsidiaries	2,995	-	-	-	2,995
Deferred income taxes	-	-	-	2,390	2,390
Minority interest	-	-	-	1,334	1,334
Total liabilities	322,061	55,715	9,956	3,724	391,456
Net balance sheet amount	(267,763)	(55,357)	(8,358)	417,752	86,274
Classification of balances linked to the functional currencies of autonomous units	256,207	-	-	-	256,207
Total exposure of assets (liabilities)	(11,556)	(55,357)	(8,358)	417,752	342,481

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

	US Dollar	Pound sterling	Euro	Canadian dollar	Other	Total Linked to foreign currency
	(in thousand US dollars)					
Cash and cash equivalents	990	2,912	1,429	961	120	6,412
Short-term deposits	586	414	-	10,678	-	11,678
Trade accounts receivable	338	-	23	425	-	786
Receivables and other current assets	-	647	33	1,471	83	2,234
Investments in investees	9,519	-	13,372	4,174	-	27,065
Long-term receivables	1,633	2,133	-	2,357	-	6,123
Fixed assets, net	-	-	-	-	-	-
Yielding assets, net	-	-	-	-	-	-
Other assets and net deferred charges, net	-	-	-	-	-	-
Total assets	13,066	6,106	14,857	20,065	203	54,298
Short-term bank borrowings to finance yielding assets	21,795	2,239	10,323	5,628	8,674	48,659
Trade accounts payable	160	-	23	1,059	170	1,413
Payables and other current liabilities	191	3,604	1,309	1,814	-	6,917
Long-term loans to finance yielding assets in-						
Israel						
Britain	-	87,708	-	-	-	87,707
North America	38,477	-	-	103,937	-	142,415
Hungary, France and Poland	1,100	-	8,151	-	-	9,251
Capital notes	-	-	-	-	-	-
Loan from Electra Group companies			3,512	19,192		22,704
Loans from minority shareholders in subsidiaries	-	55	-	2,940	-	2,995
Deferred income taxes						
Minority interest						
Total liabilities	61,723	93,606	23,318	134,570	8,844	322,061
Net balance sheet amount	(48,657)	(87,500)	(8,461)	(114,504)	(8,641)	(267,763)
Classification of balances linked to the functional currencies of autonomous units	45,874	87,500	8,364	114,504	(33)	256,763
Total exposure of assets (liabilities)	(2,783)	-	(97)	-	(8,674)	(11,556)

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

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

At your request, we have reviewed the condensed interim consolidated balance sheet of Electra Real Estate Ltd. ("the Company") and its subsidiaries at June 30, 2005, and the related condensed interim consolidated statements of operations, changes in shareholders' equity and cash flows for the six and three month periods then ended (in the Hebrew language, not included herein) and have issued our accountants review report thereon dated August 29, 2005.

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

As noted in our aforementioned review report, we were furnished review reports of other accountants concerning the review of interim financial statements of consolidated subsidiaries whose assets constitute 75% of the total consolidated balance at June 30, 2005 and revenues 87% and 85% of the consolidated total revenues for the six and three month periods then ended. We did not review the financial statements of investee companies, in which the Company's investment as of June 30, 2005 amounted to \$58,678 thousand and the Company's share in their results amounted to \$3,344 and \$2,457 thousand for the six and three month periods then ended. The financial statements of those companies were reviewed by other accountants.

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

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

Brightman Almagor & Co.
Certified Public Accountants

Tel-Aviv, August 29, 2005

ELECTRA REAL ESTATE LTD.

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

	June 30,		December 31,
	2 0 0 5	2 0 0 4	2 0 0 4
	In thousands		In thousands
	(unaudited)		
ASSETS			
Current assets			
Cash and cash equivalents	6,547	8,295	5,674
Short-term deposits	11,989	2,712	2,675
Trade accounts receivable	1,115	347	305
Receivables and other current assets	5,485	* 5,968	4,903
	25,136	17,322	13,557
 Long term receivables and investments			
Long-term receivables	6,123	* 1,092	4,353
Investments in affiliates	58,678	13,429	14,352
Deferred income taxes	-	-	81
	64,801	14,521	18,786
 Yielding assets, net in -			
Israel	111,210	106,629	108,426
Britain	97,155	135,886	114,896
North America	159,846	77,498	154,034
Hungary and France	14,235	12,884	14,873
	382,446	332,897	392,229
 Fixed assets, net			
	275	281	276
 Other assets, net			
	5,072	1,645	4,867
	477,730	366,666	429,715

* Reclassified.

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

ELECTRA REAL ESTATE LTD.

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

	June 30,		December 31,
	2005	2004	2004
	In thousands		In thousands
	(unaudited)		
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Loans to finance yielding properties (including current maturities of long-term loans)	57,033	32,077	43,958
Trade accounts payable	1,646	1,963	1,501
Payables and other current liabilities	8,338	* 9,877	9,227
	<u>67,017</u>	<u>43,917</u>	<u>54,686</u>
Long- term loans for financing yielding assets in -			
Britain	87,707	101,858	92,169
North America	142,415	61,428	123,004
Hungary, France and Poland	9,251	9,165	9,945
	<u>239,373</u>	<u>172,451</u>	<u>225,118</u>
Long-term liabilities			
Capital notes	11	6,961	11
Loan from Electra Group companies	78,336	* 104,099	66,248
Loans from minority shareholders in subsidiaries	2,996	2,595	2,801
Deferred income taxes	2,390	1,807	1,831
	<u>83,733</u>	<u>115,462</u>	<u>70,891</u>
Minority interest	<u>1,333</u>	<u>4,416</u>	<u>1,353</u>
Shareholders' equity	<u>86,274</u>	<u>30,420</u>	<u>77,667</u>
	<u>477,730</u>	<u>366,666</u>	<u>429,715</u>

* Reclassified.

Approval date of the financial statements
Rishon Le'Zion, August 29, 2005

Zvi Duskin
CFO

Shlomo Sherf
CEO and Director

Michael Salkind
Director

Gershon Salkind
Chairman of the
Board of Directors

The accompanying notes are an integral part of the financial statements

ELECTRA REAL ESTATE LTD.

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

	Six-month period ended June 30,		Three-month period ended June 30,		Year ended December 31,
	2005	2004	2005	2004	2004
	(unaudited)				
	In thousands				In thousands
Revenues	26,385	21,577	11,882	12,839	41,553
Operating expenses	11,646	8,670	5,716	4,796	17,783
Operating income	14,739	12,907	6,166	8,043	23,770
Financing expenses, net	8,512	7,620	4,186	4,324	15,661
Other income	-	367	-	367	367
Pre-tax income	6,227	5,654	1,980	4,086	8,476
Income taxes	1,200	89	381	70	588
Income after taxes on income	5,027	5,565	1,599	4,016	7,888
Company's share in income of investees, net	3,344	335	2,457	188	1,080
Minority interest in income of subsidiaries, net	(12)	(816)	4	(672)	(907)
Net income for the period	<u>8,359</u>	<u>5,084</u>	<u>4,060</u>	<u>3,532</u>	<u>8,061</u>
Earnings per share:					
Basic and fully diluted EPS	<u>4.18</u>	<u>4.24</u>	<u>2.03</u>	<u>2.95</u>	<u>5.49</u>
Number of shares used in basic EPS computations (in thousands)	<u>20,000</u>	<u>11,992</u>	<u>20,000</u>	<u>11,992</u>	<u>14,691</u>

The accompanying notes are an integral part of the financial statements

ELECTRA REAL ESTATE LTD.

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

For the six month period ended June 30, 2005

	<u>Share capital</u>	<u>Additional paid-in capital</u>	<u>Capital reserve from foreign currency translation adjustment (Unaudited)</u>	<u>Retained earnings</u>	<u>To t a l</u>
	(in thousands)				
Balance - January 1, 2005	(*)	43,399	3,562	30,706	77,667
Foreign currency translation adjustment			248		248
Net income for the period				8,359	8,359
Balance - June 30, 2005	<u>(*)</u>	<u>43,399</u>	<u>3,810</u>	<u>39,065</u>	<u>86,274</u>

For the six month period ended June 30, 2004

	<u>Share capital</u>	<u>Additional paid-in capital</u>	<u>Capital reserve from foreign currency translation adjustment (Unaudited)</u>	<u>Capital reserve arising from acquisition of fixed assets from a controlling party</u>	<u>Retained earnings</u>	<u>To t a l</u>
	(in thousands)					
Balance - January 1, 2004	(*)	-	2,251	91	22,782	25,124
Issuance of shares		111				111
Foreign currency translation adjustment			515			515
Capital reserve upon CPI - Link differences from loans from a controlling party				(91)	(323)	(414)
Net income for the period					5,084	5,084
Balance - June 30, 2004	<u>(*)</u>	<u>111</u>	<u>2,766</u>	<u>-</u>	<u>27,543</u>	<u>30,420</u>

(*) Less than \$1 thousand.

The accompanying notes are an integral part of the financial statements

ELECTRA REAL ESTATE LTD.

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

For the three month period ended June 30, 2005

	<u>Share capital</u>	<u>Additional paid-in capital</u>	<u>Capital reserve from foreign currency translation adjustment (Unaudited)</u>	<u>Retained earnings</u>	<u>To t a l</u>
	(in thousands)				
Balance - April 1, 2005	(*)	43,399	3,237	35,005	81,641
Foreign currency translation adjustment			573		573
Net income for the period				4,060	4,060
Balance - June 30, 2005	(*)	43,399	3,810	39,065	86,274

For the three month period ended June 30, 2004

	<u>Share capital</u>	<u>Additional paid-in capital</u>	<u>Capital reserve from foreign currency translation adjustment (Unaudited)</u>	<u>Capital reserve arising from acquisition of fixed assets from a controlling party</u>	<u>Retained earnings</u>	<u>To t a l</u>
	(in thousands)					
Balance - April 1, 2004	(*)	-	3,276	91	24,334	27,701
Issuance of shares		111				111
Foreign currency translation adjustment			(510)			(510)
Capital reserve upon CPI - Link differences from loans from a controlling party				(91)	(323)	(414)
Net income for the period					3,532	3,532
Balance - June 30, 2004	(*)	111	2,766	-	27,543	30,420

(*) Less than \$1 thousand.

The accompanying notes are an integral part of the financial statements

ELECTRA REAL ESTATE LTD.

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

For the year ended December 31, 2004

	<u>Share capital</u>	<u>Additional paid-in capital</u>	<u>Capital reserve from foreign currency translation adjustment</u>	<u>Capital reserve arising from acquisition of fixed assets from a controlling party</u>	<u>Retained earnings</u>	<u>T o t a l</u>
	(in thousands)					
Balance - January 1, 2004	(*)	-	2,251	91	22,782	25,124
Issuance of shares (**)		43,399				43,399
Foreign currency translation adjustment			1,311			1,311
Capital reserve upon CPI - Link differences from loans from a controlling party				(91)	(137)	(228)
Net income for the period					8,061	8,061
Balance - December 31, 2004	<u>(*)</u>	<u>43,399</u>	<u>3,562</u>	<u>-</u>	<u>30,706</u>	<u>77,667</u>

(*) Less than \$1 thousand.

(**) Net of \$438 thousand paid for stamp tax on stocks issue.

The accompanying notes are an integral part of the financial statements

ELECTRA REAL ESTATE LTD.

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

	<u>Six-month period ended June 30,</u>		<u>Three-month period ended June 30,</u>		<u>Year ended December 31,</u>
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2004</u>
	(unaudited)				
	In thousands				In thousands
Cash Flow - Operating Activities:					
Net income	8,359	5,084	4,060	3,532	8,061
Adjustments required to present cash flows from operating activities (Appendix A)	(3,220)	3,581	(1,662)	456	4,616
Net cash provided by operating activities	5,139	8,665	2,398	3,988	12,677
Cash Flows - Investing Activities:					
Proportionately consolidated subsidiaries that were previously fully consolidated (Appendix C)	-	-	-	-	(310)
Long-term loans granted	(872)	(20)	(832)	(10)	(1,150)
Collection of long-term debts (also from investee)	43	-	31	-	156
Proceeds from the sale of an investees that were proportionately consolidated (Appendix B)	5,752	2,745	-	2,745	2,745
Short-term deposits, net	(9,226)	(2,201)	(9,560)	(1,010)	(2,142)
Investment in investee companies including deposit designated to investee	(40,867)	(3,762)	(17,148)	(3,762)	(3,961)
Acquisition and construction of yielding assets	(7,286)	(60,358)	(2,952)	(34,559)	(136,895)
Acquisition of fixed assets and other assets	(720)	(277)	(354)	-	(3,516)
Net cash used in investing activities	(53,176)	(63,873)	(30,815)	(36,596)	(145,073)
Cash Flows - Financing Activities:					
Dividend paid to minority shareholders in a subsidiary	-	(46)	-	(29)	(549)
Shares allocation to minority shareholders in a subsidiary	-	541	-	541	541
Shares allocation	-	111	-	111	43,399
Receipt of long-term loans	28,538	57,908	27,102	32,106	145,503
Repayment of long-term loans	(8,811)	(4,330)	(8,212)	(2,427)	(27,669)
Receipt of loans and capital notes from the parent company, net	9,492	3,237	2,213	2,344	(44,246)
Receipt of loans and capital notes from minority shareholders in a consolidated subsidiaries, net	97	245	20	164	508
Receipt of short-term bank borrowings, net	19,684	1,066	4,153	1,620	15,648
Net cash provided by financing activities	49,000	58,732	25,276	34,430	133,135
Translation differences relating to cash balances in autonomous units	(90)	97	2	(78)	261
Increase (Decrease) in cash and cash equivalents	873	3,621	(3,139)	1,744	1,000
Cash and cash equivalents at beginning of period	5,674	4,674	9,686	6,551	4,674
Cash and cash equivalents at end of period	6,547	8,295	6,547	8,295	5,674

The accompanying notes are an integral part of the financial statements

ELECTRA REAL ESTATE LTD.

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

	<u>Six-month period</u>		<u>Three-month period</u>		<u>Year ended</u>
	<u>ended June 30,</u>	<u>ended June 30,</u>	<u>ended June 30,</u>	<u>ended June 30,</u>	<u>December 31,</u>
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2004</u>
	<u>(unaudited)</u>				
	<u>In thousands</u>				<u>In thousands</u>
Appendix A - Adjustments to reconcile Net income to net cash provided by operating activities:					
Expenses (income) not involving cash flows:					
Company's share in earnings of investees, net	(3,344)	(335)	(2,457)	(188)	(1,080)
Minority interest in earnings of subsidiaries, net	12	816	(4)	672	907
Depreciation and amortization	3,460	2,960	1,803	1,729	5,696
Change in value of long-term receivables and liabilities, net (including the allocation of interest to the parent company)	739	2346	190	1,273	3,541
Deferred income taxes	654	(528)	243	(584)	(414)
Gain from realization of investments that were proportionately consolidated	(2,603)	(3,243)	-	(3,243)	(3,243)
Capital Gain from stock allocation to minority in consolidated company	-	(367)	-	(367)	(367)
Changes in assets and liabilities:					
Trade accounts receivables	(801)	(177)	126	(165)	(135)
Receivables and other current assets	(510)	(730)	734	(114)	(1,924)
Trade accounts payables	98	454	1,025	(722)	(102)
Payables and other current liabilities	(925)	2,385	(3,322)	2,165	1,737
	<u>(3,220)</u>	<u>3,581</u>	<u>(1,662)</u>	<u>456</u>	<u>4,616</u>

The accompanying notes are an integral part of the financial statements

ELECTRA REAL ESTATE LTD.

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

	Six-month period ended June 30,		Three-month period ended June 30,		Year ended December 31,
	2 0 0 5	2 0 0 4	2 0 0 5	2 0 0 4	2 0 0 4
	(unaudited)				
	In thousands				In thousands
 Appendix B - Proceeds from the sale of an investees that were proportionately consolidated					
 Assets and liabilities at acquisition:					
Net working capital (excluding cash)	(14)	(523)	-	(523)	(523)
Other assets	-	89	-	89	89
Yielding assets	18,804	8,785	-	8,785	8,785
Long-term liabilities	(15,641)	(8,849)	-	(8,849)	(8,849)
Profit from investment realization	2,603	3,243	-	3,243	3,243
	5,752	2,745	-	2,745	2,745
 Appendix C - Proportionately consolidated subsidiaries that were previously fully consolidated					
Net working capital (excluding cash)					(456)
Yielding assets					22,442
Long-term liabilities					(19,610)
Minority interest					(2,686)
					(310)

The accompanying notes are an integral part of the financial statements

ELECTRA REAL ESTATE LTD.

NOTES TO THE FINANCIAL STATEMENTS
(Unaudited)

NOTE 1 - FINANCIAL STATEMENTS IN US DOLLARS

These interim financial statements are presented in US dollars, derived from convenient translation of the financial statements prepared in reported NIS, in accordance with pronouncements issued by the Israeli Accounting Standard Board, into US dollars by using the conversion rate prevailing on June 30, 2005 (\$1.00= NIS 4.574).

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

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

	<u>June 30,</u>		<u>December 31,</u>
	<u>2005</u>	<u>2004</u>	<u>2004</u>
CPI (in points)	181.64	181.09	180.74
<u>In NIS:</u>			
US dollar	4.574	4.497	4.308
Pound sterling	8.1966	8.1472	8.3075
Hungarian forint	0.0222	0.0216	0.0239
Polish zlot	1.367	1.20	1.4406
Canadian dollar	3.7110	3.3444	3.5787
Euro	5.5270	5.4657	5.8768
Swiss franc	3.5663	3.5851	3.8063
Japanese yen	0.0413	0.0413	0.0420

ELECTRA REAL ESTATE LTD.

NOTES TO THE FINANCIAL STATEMENTS

(Unaudited)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

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

	Six-month period ended June 30		Three-month period ended June 30		Year ended December 31,
	2005	2004	2005	2004	2004
CPI	0.50	1.40	1.10	1.71	1.21
US dollar	6.17	2.69	4.88	(0.68)	(1.62)
Pound sterling	(1.33)	3.79	(0.11)	(1.90)	5.83
Hungarian forint	(7.15)	3.85	(2.68)	(2.64)	14.53
Polish zlot	(5.11)	2.48	(1.21)	2.83	23.06
Canadian dollar	3.70	(1.85)	3.20	(3.47)	5.02
Euro	(5.95)	(1.22)	(2.15)	(1.26)	6.21
Swiss franc	(6.31)	0.90	(2.19)	1.00	7.16
Japanese yen	(1.66)	0.81	1.30	(1.67)	2.56

ELECTRA REAL ESTATE LTD.

NOTES TO THE FINANCIAL STATEMENTS
(Unaudited)

NOTE 3 - GEOGRAPHICAL SEGMENTS

Consolidated data, by operating segments:

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

	<u>Israel</u>	<u>Europe</u>	<u>North America</u>	<u>Total</u>
	(in thousand US dollars)			
	Reported Amounts			
Six month period ended June 30, 2005:				
Segment revenues	<u>3,668</u>	<u>8,116</u>	<u>14,601</u>	<u>26,385</u>
Segment profit	<u>894</u>	<u>3,575</u>	<u>1,758</u>	<u>6,227</u>
Six month period ended June 30, 2004				
Segment revenues	<u>3,624</u>	<u>10,235</u>	<u>7,718</u>	<u>21,577</u>
Segment profit	<u>(209)</u>	<u>5,607</u>	<u>256</u>	<u>5,654</u>
Three month period ended June 30, 2005:				
Segment revenues	<u>1,812</u>	<u>2,523</u>	<u>7,547</u>	<u>11,882</u>
Segment profit	<u>477</u>	<u>310</u>	<u>1,193</u>	<u>1,980</u>
Three month period ended June 30, 2004				
Segment revenues	<u>1,799</u>	<u>7,124</u>	<u>3,916</u>	<u>12,839</u>
Segment profit	<u>(638)</u>	<u>4,713</u>	<u>11</u>	<u>4,086</u>
Year ended December 31, 2004 (Audited)				
Segment revenues	<u>7,316</u>	<u>16,058</u>	<u>18,179</u>	<u>41,553</u>
Segment profit	<u>676</u>	<u>6,093</u>	<u>1,707</u>	<u>8,476</u>