

**ELECTRA REAL ESTATE LIMITED**

**Annual Report**  
**Convenience Translation into US Dollars**

**June 30, 2017**

**(Unaudited)**

**AUDITORS' REPORT TO THE SHAREHOLDERS OF  
ELECTRA REAL ESTATE LIMITED**

**Introduction**

We have reviewed the accompanying financial information of **Electra Real Estate Ltd.** and its subsidiaries (hereinafter - the Group), which includes the condensed consolidated balance sheet as of June 30, 2017, the condensed consolidated statements of profit or loss, of comprehensive income, of changes in equity and of cash flows, for the periods of six months and of three months ended on that date. The Company's board of directors and management are responsible for the preparation and presentation of financial information for this interim period, in accordance with International Accounting Standard IAS 34, "Interim Financial Reporting" and they are also responsible for the preparation of financial information for the interim period in accordance with Part D' of the Securities Regulations (Periodic and Immediate Reports) 1970. Our responsibility is to express a conclusion on this interim financial information based on our review.

We did not review the condensed financial information for the interim period of certain consolidated companies, whose assets constitute approximately 73% of the total consolidated assets as of June 30, 2017, and whose revenues constitute approximately 84% and approximately 80% of the total consolidated revenues for the periods of six months and of three months ended on that date, respectively. Furthermore, we did not review the condensed financial information for the interim period of companies that are accounted for at equity, the investment in which amounted to approximately US\$ 131.6 million as of June 30, 2017 and the Group's share of their losses amounted to approximately US\$ 3.1 million and approximately US\$ 1.9 million in the periods of six months and of three months ended on that date, respectively. The condensed financial information of those companies for the interim period was reviewed by other auditors, whose review reports have been furnished to us, and our conclusion, insofar as it relates to amounts included for those companies, is based on the review reports of the other auditors.

**The scope of the review**

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

**Conclusion**

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

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

**Convenience translation of the financial statements**

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

**Brightman, Almagor , Zohar & Co.**  
**Certified Public Accountants**  
**Member of Deloitte Touche Tohmatsu Limited**

**Tel-Aviv, August 9, 2017**

**Electra Real Estate Ltd.**  
**Consolidated Statements of Financial Position**  
**Convenience Translation into US Dollars (In thousands)**

	<u>June 30</u>		<u>December 31</u>
	<u>2017</u>	<u>2016</u>	<u>2016</u>
	Unaudited		Audited
<b>Assets</b>			
<b><u>Current assets</u></b>			
Cash and cash equivalents	2,982	38,675	11,834
Short-term deposits	13,320	552	1,733
Financial assets at fair value through profit or loss	-	22	572
Trade receivables	5,283	2,292	5,175
Current tax assets	5,151	1,079	639
Other receivables and loans	34,900	11,828	11,865
Inventory of land and offices for sale and residential apartments	11,187	29,473	19,195
Non-current assets and construction rights held for sale	330	-	47,859
Investments in companies accounted for at equity that are held for sale	9,443	2,487	8,930
<b>Total current assets</b>	<u>82,596</u>	<u>86,408</u>	<u>107,802</u>
<b><u>Non-current assets</u></b>			
Investment in companies accounted for at equity	153,148	151,018	168,087
Long-term loans and other receivables	14,386	8,695	8,756
Fixed assets	673	701	661
Investments in financial asset at fair value through other comprehensive income	4,261	-	4,687
Investment in a financial asset at fair value through profit or loss	9,231	2,631	2,628
Income-generating assets, construction rights and assets under development	69,138	113,476	66,342
<b>Total non-current assets</b>	<u>250,837</u>	<u>276,521</u>	<u>251,161</u>
<b>Total assets</b>	<u><u>333,433</u></u>	<u><u>362,929</u></u>	<u><u>358,963</u></u>

**The accompanying notes are an integral part of the consolidated financial statements.**

**Electra Real Estate Ltd.**  
**Consolidated Statements of Financial Position**  
**Convenience Translation into US Dollars (In thousands)**

	<u>June 30</u>		<u>December 31</u>
	<u>2017</u>	<u>2016</u>	<u>2016</u>
	Unaudited		Audited
<b>Liabilities and Equity</b>			
<b><u>Current Liabilities</u></b>			
Short-term credit (including current maturities of loans and bonds)	50,329	23,493	37,685
Current tax liabilities	1,039	3,295	11,442
Suppliers and providers of services	803	603	467
Other payables	7,442	11,196	12,075
Advances from customers – purchasers of apartments and offices	-	932	-
Loans from joint ventures	-	4,490	-
Liabilities in respect of non-current assets held for sale	-	-	24,140
<b>Total current liabilities</b>	<u>59,613</u>	<u>44,009</u>	<u>85,809</u>
<b><u>Non-current Liabilities</u></b>			
Bonds	80,664	101,503	81,804
Loans from shareholders in investee companies	2,822	3,262	3,037
Other long-term liabilities	6,536	665	4,001
Long-term loans to finance investments in income-generating assets, assets in the development stages and capital investments	61,447	96,989	45,977
Deferred taxes	7,526	11,442	4,243
<b>Total non-current liabilities</b>	<u>158,995</u>	<u>213,861</u>	<u>139,062</u>
<b><u>Equity</u></b>			
Regular share capital of par value US\$ 0.00003	2	1	2
Share premium	205,511	176,785	205,511
Capital reserves	(155,576)	(138,703)	(143,108)
Retained earnings	57,537	65,073	63,562
Equity attributed to the shareholders	107,474	103,156	125,967
Non-controlling interests	7,351	1,903	8,125
<b>Total equity</b>	<u>114,825</u>	<u>105,059</u>	<u>134,092</u>
<b>Total liabilities and equity</b>	<u>333,433</u>	<u>362,929</u>	<u>358,963</u>

The accompanying notes are an integral part of the consolidated financial statements.

<u>August 9, 2017</u>			
Date of approval of the financial statements	E. Vessely Chief Financial Officer	G. Rushinek General Manager	A. Israeli Chairman of the Board of Directors

**Electra Real Estate Ltd.**  
**Consolidated Statements of Profit or Loss**  
**Convenience Translation into US Dollars (In thousands)**

	<u>Six months ended</u>		<u>Three months ended</u>		<u>Year ended</u>
	<u>June 30</u>		<u>June 30</u>		<u>December 31</u>
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2016</u>
	<u>Unaudited</u>				<u>Audited</u>
Revenues from rental and management fees and from the sale of apartments, offices and others	12,212	4,218	7,116	736	25,739
Cost of revenues	12,116	3,959	7,240	1,729	20,334
<b>Gross income (loss)</b>	<u>96</u>	<u>259</u>	<u>(124)</u>	<u>(993)</u>	<u>5,405</u>
Adjustments of fair value and the results of the disposal of income-generating assets, net	(563)	504	(7)	504	1,736
The Company's share of the results of companies accounted for at equity, net	(97)	6,058	(445)	3,164	10,086
Administrative and general expenses	(2,013)	(2,262)	(971)	(957)	(4,588)
Selling and marketing expenses and others	(523)	-	(418)	-	(1,883)
	<u>(3,196)</u>	<u>4,300</u>	<u>(1,841)</u>	<u>2,711</u>	<u>5,351</u>
<b>Operating income (loss)</b>	<u>(3,100)</u>	<u>4,559</u>	<u>(1,965)</u>	<u>1,718</u>	<u>10,756</u>
Financing expenses	(3,257)	(3,177)	(2,088)	(2,045)	(6,945)
Change in the fair value of a financial asset through profit and loss	6,910	-	6,910	-	-
Financing income	469	503	(31)	80	983
<b>Financing expenses, net</b>	<u>4,122</u>	<u>(2,674)</u>	<u>4,791</u>	<u>(1,965)</u>	<u>(5,962)</u>
<b>Income (loss) before taxes on income</b>	<u>1,022</u>	<u>1,885</u>	<u>2,826</u>	<u>(247)</u>	<u>4,794</u>
Taxes on income	(3,567)	422	(3,356)	672	(1,320)
<b>Income (loss) for the period from continuing operations</b>	<u>(2,545)</u>	<u>2,307</u>	<u>(530)</u>	<u>425</u>	<u>3,474</u>
<b>Loss for the period from discontinued operation</b>	<u>(3,183)</u>	<u>(98)</u>	<u>(2,713)</u>	<u>(85)</u>	<u>(1,468)</u>
<b>Net income (loss) for the period</b>	<u>(5,728)</u>	<u>2,209</u>	<u>(3,243)</u>	<u>340</u>	<u>2,006</u>
Attributable to:					
Shareholders of the parent company	(6,025)	2,429	(3,649)	517	918
Non-controlling interests	297	(220)	406	(177)	1,088
<b>Net income (loss) for the period</b>	<u>(5,728)</u>	<u>2,209</u>	<u>(3,243)</u>	<u>340</u>	<u>2,006</u>
<b>Net earnings (loss) per share attributable to the shareholders in the parent company (*)</b>					
Basic and fully diluted net earnings (loss) from continuing operations – in US\$	(0.06)	0.07	(0.03)	0.02	0.05
Basic and fully diluted loss from discontinued operation – in US\$	(0.05)	(0.01)	(0.04)	(0.01)	(0.03)
Basic and fully diluted net earnings (loss) – in US\$	<u>(0.11)</u>	<u>0.06</u>	<u>(0.07)</u>	<u>0.01</u>	<u>0.02</u>
<b>Weighted average number of shares used in the calculation of the net earnings (loss) per share: (1)</b>					
Basic and fully diluted– in thousands	<u>56,410</u>	<u>40,413</u>	<u>56,410</u>	<u>40,413</u>	<u>46,374</u>

(\*) Restated.

(1) The weighted average number of shares used in the calculation of the basic and diluted earnings per share has been adjusted retrospectively in respect of the issuance of bonus shares, in all of the reporting periods that are presented.

**The accompanying notes are an integral part of the consolidated financial statements.**

**Electra Real Estate Ltd.**  
**Consolidated Statements of Comprehensive Income**  
**Convenience Translation into US Dollars (in thousands)**

	<b>Six months ended June 30</b>		<b>Three months ended June 30</b>		<b>Year ended December 31</b>
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2016</b>
	<b>Unaudited</b>				<b>Audited</b>
<b>Net income (loss) for the period</b>	(5,728)	2,209	(3,243)	340	2,006
<b>Other comprehensive income (loss)</b>					
Exchange differences on the translation of foreign operations	(12,804)	(690)	(4,379)	2,671	(5,072)
<b>Total other comprehensive loss for the period</b>	(12,804)	(690)	(4,379)	2,671	(5,072)
<b>Total comprehensive income (loss) for the period</b>	(18,532)	1,519	(7,622)	3,011	(3,066)
<b>Total comprehensive income (loss) for the period attributable to:</b>					
Shareholders in the parent company	(18,520)	1,405	(7,321)	3,120	(4,560)
Non-controlling interests	(12)	114	(301)	(109)	1,494
	(18,532)	1,519	(7,622)	3,011	(3,066)

**The accompanying notes are an integral part of the consolidated financial statements.**

**Electra Real Estate Ltd.**  
**Consolidated Statements of Changes in Equity**  
**Convenience Translation into US Dollars (in thousands)**

For the period of six months ended on June 30, 2017 (unaudited)

	Share capital	Share premium	Reserve for capital instruments through other comprehensive income	Capital reserve on share- based payment	Capital reserve on exchange differences on the translation of foreign operations	Shares in the Company that are held by the Company	Retained earnings	Total attributable to shareholders in the parent company	Non- controlling interests	Total
<b>Balance as of January 1, 2017</b>	2	205,511	(59,710)	202	(80,740)	(2,860)	63,562	125,967	8,125	134,092
Loss for the period	-	-	-	-	-	-	(6,025)	(6,025)	297	(5,728)
Exchange differences on the translation of foreign operations	-	-	-	-	(12,495)	-	-	(12,495)	(309)	(12,804)
<b>Total comprehensive income (loss) for the period</b>	-	-	-	-	(12,495)	-	(6,025)	(18,520)	(12)	(18,532)
Cost of share-based payment	-	-	-	27	-	-	-	27	-	27
The minority interests' share of a subsidiary company holding housing complexes in the United States	-	-	-	-	-	-	-	-	1,610	1,610
Payment of dividend in a consolidated company to minority interests	-	-	-	-	-	-	-	-	(2,372)	(2,372)
<b>Total equity as of June 30, 2017</b>	<b>2</b>	<b>205,511</b>	<b>(59,710)</b>	<b>229</b>	<b>(93,235)</b>	<b>(2,860)</b>	<b>57,537</b>	<b>107,474</b>	<b>7,351</b>	<b>114,825</b>

The accompanying notes are an integral part of the consolidated financial statements.

**Electra Real Estate Ltd.**  
**Consolidated Statements of Changes in Equity**  
**Convenience Translation into US Dollars (in thousands)**

For the period of six months ended on June 30, 2016 (unaudited)

	Share capital	Share premium	Capital reserve on the revaluation of investments in rights in hotels	Capital reserve on share- based payment	Capital reserve on exchange differences on the translation of foreign operations	Shares in the Company that are held by the Company	Retained earnings	Total attributable to shareholders in the parent company	Non- controlling interests	Total
<b>Balance as of January 1, 2016</b>	1	176,785	(59,710)	104	(75,262)	(2,860)	62,644	101,702	595	102,297
Net income (loss) for the year	-	-	-	-	-	-	2,429	2,429	(220)	2,209
Exchange differences on the translation of foreign operations	-	-	-	-	(1,024)	-	-	(1,024)	334	(690)
<b>Total comprehensive loss for the year</b>	-	-	-	-	(1,024)	-	2,429	1,405	114	1,519
Cost of share-based payment	-	-	-	49	-	-	-	49	-	49
The minority interests' share of a subsidiary company holding housing complexes in the United States	-	-	-	-	-	-	-	-	1,194	1,194
<b>Total equity as of June 30, 2016</b>	<b>1</b>	<b>176,785</b>	<b>(59,710)</b>	<b>153</b>	<b>(76,286)</b>	<b>(2,860)</b>	<b>65,073</b>	<b>103,156</b>	<b>1,903</b>	<b>105,059</b>

The accompanying notes are an integral part of the consolidated financial statements.



**Electra Real Estate Ltd.**  
**Consolidated Statements of Changes in Equity**  
**Convenience Translation into US Dollars (in thousands)**

For the period of three months ended on June 30, 2017 (unaudited)

	Share capital	Share premium	Reserve for capital instruments through other comprehensive income	Capital reserve on share- based payment	Capital reserve on exchange differences on the translation of foreign operations	Shares in the Company that are held by the Company	Retained earnings	Total attributable to shareholders in the parent company	Non- controlling interests	Total
<b>Balance as of April 1, 2017</b>	2	205,511	(59,710)	215	(89,562)	(2,860)	61,186	114,782	7,211	121,993
Net income (loss) for the period	-	-	-	-	-	-	(3,649)	(3,649)	406	(3,243)
Exchange differences on the translation of foreign operations	-	-	-	-	(3,672)	-	-	(3,672)	(707)	(4,379)
<b>Total comprehensive income (loss) for the period</b>	-	-	-	-	(3,672)	-	(3,649)	(7,321)	(301)	(7,622)
Cost of share-based payment	-	-	-	13	-	-	-	13	-	13
The minority interests' share of a subsidiary company holding housing complexes in the United States	-	-	-	-	-	-	-	-	441	441
<b>Total equity as of June 30, 2017</b>	<b>2</b>	<b>205,511</b>	<b>(59,710)</b>	<b>228</b>	<b>(93,234)</b>	<b>(2,860)</b>	<b>57,537</b>	<b>107,474</b>	<b>7,351</b>	<b>114,825</b>

The accompanying notes are an integral part of the consolidated financial statements.

**Electra Real Estate Ltd.**  
**Consolidated Statements of Changes in Equity**  
**Convenience Translation into US Dollars (in thousands)**

For the period of three months ended on June 30, 2016 (unaudited)

	Share capital	Share premium	Capital reserve on the revaluation of investments in rights in hotels	Capital reserve on share- based payment	Capital reserve on exchange differences on the translation of foreign operations	Shares in the Company that are held by the Company	Retained earnings	Total attributable to shareholders in the parent company	Non- controlling interests	Total
<b>Balance as of April 1, 2016</b>	<b>1</b>	<b>176,785</b>	<b>(59,710)</b>	<b>129</b>	<b>(78,889)</b>	<b>(2,860)</b>	<b>64,556</b>	<b>100,012</b>	<b>1,628</b>	<b>101,640</b>
Net income (loss) for the year	-	-	-	-	-	-	517	517	(177)	340
Exchange differences on the translation of foreign operations	-	-	-	-	2,603	-	-	2,603	68	2,671
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,603</b>	<b>-</b>	<b>517</b>	<b>3,120</b>	<b>(109)</b>	<b>3,011</b>
Cost of share-based payment	-	-	-	24	-	-	-	24	-	24
The minority interests' share of a subsidiary company holding housing complexes in the United States	-	-	-	-	-	-	-	-	384	384
<b>Total equity as of June 30, 2016</b>	<b>1</b>	<b>176,785</b>	<b>(59,710)</b>	<b>153</b>	<b>(76,286)</b>	<b>(2,860)</b>	<b>65,073</b>	<b>103,156</b>	<b>1,903</b>	<b>105,059</b>

The accompanying notes are an integral part of the consolidated financial statements.

**Electra Real Estate Ltd.**  
**Consolidated Statements of Changes in Equity**  
**Convenience Translation into US Dollars (in thousands)**

For the year ended on December 31, 2016 (audited)

	<u>Share capital</u>	<u>Share premium</u>	<u>Reserve for capital instruments through other comprehensive income</u>	<u>Capital reserve on share-based payment</u>	<u>Capital reserve on exchange differences on the translation of foreign operations</u>	<u>Shares in the Company that are held by the Company</u>	<u>Retained earnings</u>	<u>Total attributable to shareholders in the parent company</u>	<u>Non-controlling interests</u>	<u>Total</u>
<b>Balance as of January 1, 2016</b>	1	176,785	(59,710)	104	(75,262)	(2,860)	62,644	101,702	595	102,907
Net income for the year	-	-	-	-	-	-	918	918	1,088	2,006
Exchange differences on the translation of foreign operations	-	-	-	-	(5,478)	-	-	(5,478)	406	(5,072)
<b>Total comprehensive income (loss) for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(5,478)</b>	<b>-</b>	<b>918</b>	<b>(4,560)</b>	<b>1,494</b>	<b>(3,066)</b>
Cost of share-based payment	-	-	-	98	-	-	-	98	-	98
The minority interests' share of a subsidiary company holding housing complexes in the United States	-	-	-	-	-	-	-	-	3,378	3,378
The initial consolidation of a consolidated company	-	-	-	-	-	-	-	-	2,658	2,658
The issuance of shares in the Company (less issuance expenses)	1	28,726	-	-	-	-	-	28,727	-	28,727
<b>Total equity as of December 31, 2016</b>	<b>2</b>	<b>205,511</b>	<b>(59,710)</b>	<b>202</b>	<b>(80,740)</b>	<b>(2,860)</b>	<b>63,562</b>	<b>125,967</b>	<b>8,125</b>	<b>134,092</b>

The accompanying notes are an integral part of the consolidated financial statements.

**Electra Real Estate Ltd.**  
**Consolidated Statements of Cash Flows**  
**Convenience Translation into US Dollars (in thousands)**

	Six months ended		Three months ended		Year ended
	June 30		June 30		December 31
	2017	2016	2017	2016	2016
	Unaudited				Audited
<b>Cash flows from operating activities:</b>					
Net income (loss) for the period	(5,728)	2,209	(3,243)	340	2,006
Adjustments required in order to present the cash flows from operating activities (Appendix A')	4,400	(4,434)	5,443	(2,993)	(1,031)
<b>Net cash generated (absorbed) by operating activities</b>	<u>(1,328)</u>	<u>(2,225)</u>	<u>2,200</u>	<u>(2,653)</u>	<u>975</u>
<b>Cash flows from investment activities:</b>					
Consideration on the sale of marketable securities, net	686	-	470	-	680
Consideration from the disposal of entities accounted for at equity	20,277	4,635	-	-	4,818
Change in short-term and long-term deposits, net	(11,994)	(2,916)	(12,484)	(4,447)	(2,578)
Changes in investments and loans to investee companies and partnerships, net	(48,282)	(20,998)	(24,251)	(9,053)	(31,531)
Initial consolidation of a consolidated company (appendix B)	-	-	-	-	(15,497)
Income tax received (paid) on the disposal of income-generating assets, net	(12,849)	485	(11,573)	(2)	-
Investment in, acquisition and enhancement of income-generating assets and income-generating assets under construction	(3,310)	(3,020)	(1,152)	(2,056)	(7,594)
Consideration from the disposal of (investment in) fixed assets, net	(84)	-	-	-	-
Consideration from the sale of income-generating assets and construction rights	44,875	34,047	(44,545)	-	34,047
<b>Net cash generated (absorbed) by investment activities</b>	<u>(10,681)</u>	<u>12,233</u>	<u>(4,445)</u>	<u>(15,558)</u>	<u>(17,655)</u>
<b>Cash flows from financing activities:</b>					
Issuance of bonds (less issuance expenses)	-	44,245	-	23,855	44,245
Issuance of shares (less issuance expenses)	-	-	-	-	28,727
The minority interests' share of a subsidiary company holding housing complexes in the United States	1,610	1,194	441	1,194	3,378
Payment of dividend in a consolidated company to minority interests	(2,372)	-	-	-	-
Receipt of long-term liabilities	42,431	13,015	29,633	12,309	21,539
Repayment of long-term liabilities	(12,990)	(34,735)	(8,437)	(368)	(52,963)
Repayment of loans from companies accounted for at equity and non-controlling interests, net	(125)	(20)	(42)	(1)	(225)
Repayment of bonds	(1,886)	(27,656)	(1,886)	(1,879)	(47,824)
Short-term credit from banking entities and others, net	(23,263)	(3,883)	(23,263)	-	(3,883)
<b>Net cash generated (absorbed) by financing activities</b>	<u>3,405</u>	<u>(7,890)</u>	<u>(3,554)</u>	<u>35,110</u>	<u>(7,006)</u>
<b>Increase (decrease) in cash and cash equivalents</b>	<u>(8,604)</u>	<u>2,118</u>	<u>(5,799)</u>	<u>16,899</u>	<u>(23,686)</u>
<b>Balance of cash and cash equivalents at the beginning of the period</b>	11,834	36,239	8,526	21,486	36,239
<b>Translation differences in respect of cash balances in foreign currency</b>	<u>(248)</u>	<u>318</u>	<u>255</u>	<u>290</u>	<u>(719)</u>
<b>Balance of cash and cash equivalents at the end of the period</b>	<u>2,982</u>	<u>38,675</u>	<u>2,982</u>	<u>38,675</u>	<u>11,834</u>

The accompanying notes are an integral part of the consolidated financial statements.

**Electra Real Estate Ltd.**  
**Consolidated Statements of Cash Flows**  
**Convenience Translation into US Dollars (in thousands)**

	<u>Six months ended</u>		<u>Three months ended</u>		<u>Year ended</u>
	<u>June 30</u>		<u>June 30</u>		<u>December 31</u>
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2016</u>
	<u>Unaudited</u>				<u>Audited</u>
<b>Appendix A' – Adjustments to present the cash flows from operating activities</b>					
<b>Expenses (income) not involving cash flows:</b>					
The Company's share of the results of affiliated companies, net	97	(6,058)	445	(3,164)	(10,086)
Success fee in respect of an increase in the value of assets (promote)	(3,914)	-	(2,650)	-	(6,816)
Change in the fair value of a financial asset through profit and loss	(6,910)	-	(6,910)	-	-
Dividends and interest received from companies accounted for at equity and others	6,953	5,408	6,405	645	6,991
Adjustments of fair value of loans to companies accounted for at equity	-	-	-	-	215
Depreciation and amortization	73	39	53	20	80
Adjustments of fair value and the disposal of income-generating assets, net	920	(504)	41	(543)	(277)
Gain (loss) from marketable securities	(114)	725	(470)	(21)	(505)
Cost of share-based payment	27	49	13	24	98
Change in deferred taxes, net	4,093	(297)	3,687	(96)	1,193
<b>Changes in asset and liability items:</b>					
Change in inventory of real estate for sale, residential apartments and long-term inventory of real estate, less advances, net	7,609	2,981	5,308	1,160	11,474
Change in trade receivables	(218)	1,535	(1,297)	1,138	(1,422)
Change in other receivables	(154)	(1,426)	369	(769)	1,685
Change in suppliers and providers of services	(616)	(4,222)	124	(207)	(4,869)
Change in other payables	(3,479)	(1,401)	897	(1,016)	2,826
Revaluation of long-term payables and receivables, net	33	(1,263)	(572)	(164)	(1,618)
	<u>4,400</u>	<u>(4,434)</u>	<u>5,443</u>	<u>(2,993)</u>	<u>(1,031)</u>

**The accompanying notes are an integral part of the consolidated financial statements.**

**Electra Real Estate Ltd.**  
**Consolidated Statements of Cash Flows**  
**Convenience Translation into US Dollars (in thousands)**

	<u>Six months ended</u>		<u>Three months ended</u>		<u>Year ended</u>
	<u>June 30</u>		<u>June 30</u>		<u>December 31</u>
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2016</u>
	<u>Unaudited</u>				<u>Audited</u>
<b>Appendix B' – Initial consolidation of a consolidated company</b>					
Investment in companies accounted for at equity	-	-	-	-	(19,516)
Deferred taxes	-	-	-	-	1,360
Non-controlling interests	-	-	-	-	2,659
	-	-	-	-	(15,497)
<b>Appendix C' – Additional details</b>					
<b>Cash paid in the year for:</b>					
Interest	<u>5,178</u>	<u>5,628</u>	<u>3,198</u>	<u>3,341</u>	<u>9,784</u>
Taxes paid on income	<u>11,539</u>	<u>-</u>	<u>10,263</u>	<u>-</u>	<u>-</u>
<b>Cash received in the period for:</b>					
Interest	<u>1</u>	<u>10</u>	<u>-</u>	<u>1</u>	<u>10</u>
Taxes on income	<u>-</u>	<u>485</u>	<u>-</u>	<u>-</u>	<u>499</u>
<b>Appendix D' – Non-cash activity</b>					
Investment in income-generating real estate	<u>951</u>	<u>1,994</u>	<u>155</u>	<u>814</u>	<u>776</u>

**The accompanying notes are an integral part of the consolidated financial statements.**

**Electra Real Estate Ltd.**  
**Notes to the Consolidated Financial Statements**  
**Convenience Translation into US Dollars (in thousands)**

**Note 1 - General**

Electra Real Estate Ltd. (hereinafter – "The Company") is a public company whose securities are listed for trading on the Tel-Aviv Stock Exchange, which is engaged (both directly and also through investee companies) in the acquisition, rental and disposal of income-generating assets in Israel and abroad and in the initiation and construction of projects in the real estate field in Israel and abroad.

**Note 2 - Significant Accounting Policies**

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

The Interim Consolidated Financial Statements have been prepared in accordance with IAS 34 "Financial Reporting for Interim Periods".

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

B. The Interim Consolidated Financial Statements have been prepared in accordance with the disclosure requirements in accordance with section D of the Securities Regulations (Periodic and Immediate Reports) - 1970.

C. Convenience translation

The attached Financial Statements in US Dollars are a translation of the statements as prepared in New Israeli Shekels ("NIS" or "Shekel") at the rate of exchange of the Shekel to the US Dollar prevailing on June 30, 2017 (NIS 3.496 = US\$ 1).

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

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