

**ELECTRA REAL ESTATE LIMITED**

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

**2015**

**Auditors' Report to the Shareholders of Electra Real Estate Ltd.**

**Regarding the Audit of Components of Internal Control over Financial Reporting**

**Pursuant to Section 9b(c) to the Israeli Securities Regulations (Periodic and Immediate Reports), 1970**

We have audited the components of the internal control over financial reporting of **Electra Real Estate Ltd. and its subsidiary companies** (hereinafter, collectively- "the Company") as of December 31, 2015. These control components were determined as explained in the following paragraph. The Company's Board of Directors and management are responsible for maintaining effective internal control over financial reporting and for their assessment of the effectiveness of the components of the internal control over financial reporting included in the accompanying periodic report for said date. Our responsibility is to express an opinion on the Company's components of internal control over financial reporting based on our audits.

The components of internal control over financial reporting that have been audited were determined in conformity with Auditing Standard 104 of the Institute of Certified Public Accountants in Israel, "Audit of Components of Internal Control over Financial Reporting" and the amendments thereto, (hereinafter - "Auditing Standard 104"). These components consist of: (1) entity level controls, including controls over the process of the preparation and the closure of the financial reporting and general controls over the information systems, (2) controls over the income-generating real estate process; (3) controls over income from rentals and management fees from income-generating real estate and from the sale of office space and residential apartments, (4) controls over the management of the credit used to finance income-generating real estate (hereinafter, collectively- "the audited control components").

We conducted our audit in accordance with Auditing Standard 104. That standard requires that we plan and perform the audit to identify the audited control components and obtain reasonable assurance about whether these control components have been effectively maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, identifying the audited control components, assessing the risk that a material weakness exists regarding the audited control components and testing and evaluating the design and operating effectiveness of the audited control components based on the assessed risk. Our audit of these control components also included performing such other procedures as we considered necessary in the circumstances. Our audit only addressed the audited control components, as opposed to internal control over all the material processes in connection with financial reporting and therefore, our opinion addresses solely the audited control components. Moreover, our audit did not address any reciprocal effects between the audited control components and unaudited ones and accordingly, our opinion does not take into account any such possible effects. We believe that our audit provide a reasonable basis for our opinion within the context described above.

Because of its inherent limitations, internal control over financial reporting as a whole and specifically the components therein, may not prevent or detect misstatements. Furthermore, projections regarding future periods, on the basis of any current evaluation of effectiveness whatsoever, are subject to the risk that controls may become inappropriate as a result of changes in circumstances, or in the event that the degree of compliance with the policies or procedures were to deteriorate.

In our opinion, based on our audit, the Company has effectively maintained, in all material aspects, the audited control components as of December 31, 2015.

We have also audited the Company's consolidated financial statements as of December 31, 2015 and 2014 and for each of the three years in the period ended December 31, 2015, in accordance with generally accepted auditing standards in Israel and our report, dated March 27, 2016, included an unqualified opinion on those financial statements, based on our audit and the reports of the other auditors.

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

We have audited the accompanying consolidated statements of financial position of **Electra Real Estate Ltd.** (hereinafter - "the Company") as of December 31, 2015 and 2014 and the consolidated statements of profit or loss, of comprehensive income, of changes in equity and of cash flows for each of the three years in the period ended on December 31, 2015. These financial statements are the responsibility of the Company's Board of Directors and management. Our responsibility is to express an opinion on these financial statements based on our audits.

We did not audit the financial statements of certain consolidated subsidiaries, whose assets constitute approximately 73% and approximately 61% of the total consolidated assets as of December 31, 2015 and 2014, respectively, and whose revenues constitute approximately 94%, approximately 57% and approximately 32% of the total consolidated revenues for the years ended December 31, 2015, 2014 and 2013, respectively. Furthermore, we did not audit the financial statements of certain affiliated companies and entities under joint control, which are accounted for at equity, the investments in which amounted to approximately US\$ 81 million and approximately US\$ 121 million as of December 31, 2015 and 2014, respectively and the Company's shares of whose results amounted to approximately US\$ 3 million, approximately US\$ (11) million and approximately US\$ (24) million for the years ended December 31, 2015, 2014 and 2013, respectively. The financial statements of those companies were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to amounts included for those companies, is based on the reports of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards in Israel, including those prescribed by the Auditors' Regulations (Auditor's Mode of Performance), 1973. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the company's Board of Directors and management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinion.

The attached financial statements in US Dollars are a convenience translation of the statements as prepared in New Israeli Shekels at the rate of exchange of the Shekel into US Dollars prevailing on December 31, 2015 (see Note 1C to the financial statements).

In our opinion, based on our audit and on the reports of the other auditors, the abovementioned financial statements present fairly, in all material respects, the financial position of the Company and its consolidated companies as of December 31, 2015 and 2014, and the results of their operations, changes in equity and cash flows for each of the three years in the period ended December 31, 2015, and this in accordance with International Financial Reporting Standards (IFRS) and the provisions in accordance with the Securities Regulations (Annual Financial Statements) - 2010.

We have also audited components of internal control over financial reporting of the Company as of December 31, 2015, in accordance with Auditing Standard 104 of the Institute of Certified Public Accountants in Israel "Audit of Components of Internal Control over Financial Reporting" and the amendments thereto, and our report, dated March 27, 2016, included an unqualified opinion on the effective maintenance of those components.

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

**Tel-Aviv, March 27, 2016**

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

	<b>As of December 31</b>	
	<b>2015</b>	<b>2014</b>
<b>Assets</b>		
<b><u>Current assets</u></b>		
Cash and cash equivalents	32,469	46,508
Short-term deposits	2,344	5,627
Investment in a financial asset at fair value through profit or loss	669	-
Trade receivables	3,353	2,291
Current tax assets	1,290	4,808
Other receivables	8,616	12,571
Inventory of land and offices for sale and residential apartments	28,462	77,424
Non-current assets held for sale	29,975	103,168
Investments in companies accounted for at equity that are held for sale	7,019	7,693
<b>Total current assets</b>	<b>114,197</b>	<b>260,090</b>
<b><u>Non-current assets</u></b>		
Investment in companies accounted for at equity	116,524	161,947
Long-term loans and other receivables	5,832	10,547
Fixed assets	663	416
Investments in rights in hotels	-	544
Income-generating assets and assets under development	95,600	134,164
<b>Total non-current assets</b>	<b>218,619</b>	<b>307,618</b>
<b>Total assets</b>	<b>332,816</b>	<b>567,708</b>

**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)**

	<b>As of December 31</b>	
	<b>2015</b>	<b>2014</b>
<b>Liabilities and Equity</b>		
<b><u>Current Liabilities</u></b>		
Short-term credit (including current maturities of loans and bonds)	40,883	94,531
Current tax liabilities	1,455	1,450
Suppliers and providers of services	4,085	2,001
Other payables	11,584	15,810
Advances from customers – purchasers of apartments and offices	1,198	24,609
Loans from joint ventures	4,232	5,578
Liabilities in respect of non-current assets held for sale	3,479	86,303
<b>Total current liabilities</b>	<b>66,916</b>	<b>230,282</b>
<b><u>Non-current Liabilities</u></b>		
Bonds	56,533	96,098
Loans from shareholders in investee companies	2,654	4,670
Other long-term liabilities	-	362
Long-term loans to finance investments in income-generating assets, assets in the development stages and capital investments	103,529	109,150
Deferred taxes	11,531	12,916
<b>Total non-current liabilities</b>	<b>174,247</b>	<b>223,196</b>
<b><u>Equity</u></b>		
Regular share capital of par value US\$ 0.00003	1	1
Share premium	158,391	158,391
Capital reserves	(123,398)	(109,736)
Retained earnings	56,126	64,680
Equity attributed to the shareholders	91,120	113,336
Non-controlling interests	533	894
<b>Total equity</b>	<b>91,653</b>	<b>114,230</b>
<b>Total liabilities and equity</b>	<b>332,816</b>	<b>567,708</b>

**March 27, 2016**

**Date of approval of the financial statements**

**E. Vessely  
Chief Financial Officer**

**G. Rushinek  
General Manager**

**A. Israeli  
Chairman of the Board of Directors**

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

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

	<b>For the year ended December 31</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
Revenues from rental and management fees and from the sale of apartments and offices	25,695	48,423	91,202
Cost of revenues	25,529	31,783	55,820
<b>Gross income</b>	<b>166</b>	<b>16,640</b>	<b>35,382</b>
Adjustments of fair value and the results of the disposal of income-generating assets, net	(765)	(15,529)	(1,866)
The Company's share of the results of companies accounted for at equity, net	4,333	(12,253)	(24,804)
Administrative and general expenses	(4,673)	(4,870)	(4,950)
Profits on the disposal of companies accounted for at equity	-	3,477	-
	<b>(1,105)</b>	<b>(29,175)</b>	<b>(31,620)</b>
<b>Operating income (loss)</b>	<b>(939)</b>	<b>(12,535)</b>	<b>3,762</b>
Financing expenses	(8,070)	(24,373)	(33,107)
Change in the fair value of a financial asset through profit or loss	-	(2,833)	(1,713)
Financing income	1,156	1,090	2,169
<b>Financing expenses, net</b>	<b>(6,914)</b>	<b>(26,116)</b>	<b>(32,651)</b>
<b>Loss before taxes on income</b>	<b>(7,853)</b>	<b>(38,651)</b>	<b>(28,889)</b>
Taxes on income	(1,564)	(201)	1,072
<b>Loss for the year</b>	<b>(9,417)</b>	<b>(38,852)</b>	<b>(27,817)</b>
Attributable to:			
Shareholders of the parent company	(9,193)	(37,146)	(27,377)
Non-controlling interests	(224)	(1,706)	(440)
<b>Loss for the year</b>	<b>(9,417)</b>	<b>(38,852)</b>	<b>(27,817)</b>
<b>Loss per share attributable to the shareholders in the parent company</b>			
Basic and fully diluted loss – in US\$	(0.26)	(1.04)	(1.02)

**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>For the year ended December 31</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
<b>Loss for the year</b>	<u>(9,417)</u>	<u>(38,852)</u>	<u>(27,817)</u>
<b>Other comprehensive loss</b>			
<b>Amounts that will not be reclassified to profit or loss in the future:</b>			
Gain (loss) on the re-measurement of investments in rights in hotels	(543)	29	(1,037)
<b>Amounts that will be classified to the profit or loss in the future:</b>			
Realization of a capital reserve on translation differences on the disposal of a joint venture	-	(3,477)	-
Realization of a capital reserve in respect of the hedging of cash flows	-	-	1,371
Exchange differences on the translation of foreign operations	<u>(13,349)</u>	<u>10,321</u>	<u>(22,666)</u>
<b>Total other comprehensive income (loss) for the year</b>	<u>(13,892)</u>	<u>6,873</u>	<u>(22,332)</u>
<b>Total comprehensive loss for the year</b>	<u><u>(23,309)</u></u>	<u><u>(31,979)</u></u>	<u><u>(50,149)</u></u>
<b>Comprehensive loss for the year attributable to:</b>			
Shareholders in the parent company	(22,948)	(30,323)	(49,302)
Non-controlling interests	<u>(361)</u>	<u>(1,656)</u>	<u>(847)</u>
	<u><u>(23,309)</u></u>	<u><u>(31,979)</u></u>	<u><u>(50,149)</u></u>

**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, 2015									
	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, 2015</b>	<b>1</b>	<b>158,391</b>	<b>(52,954)</b>	<b>-</b>	<b>(54,219)</b>	<b>(2,563)</b>	<b>64,680</b>	<b>113,336</b>	<b>894</b>	<b>114,230</b>
Changes following the initial implementation of IFRS 15	-	-	-	-	-	-	639	639	-	639
<b>Balance as of January 1, 2015 following the initial implementation of IFRS 15</b>	<b>1</b>	<b>158,391</b>	<b>(52,954)</b>	<b>-</b>	<b>(54,219)</b>	<b>(2,563)</b>	<b>65,319</b>	<b>113,975</b>	<b>894</b>	<b>114,869</b>
Loss for the year	-	-	-	-	-	-	(9,193)	(9,193)	(224)	(9,417)
Loss on the re-measurement of investments in rights in hotels and exchange differences in respect thereof	-	-	(543)	-	-	-	-	(543)	-	(543)
Exchange differences on the translation of foreign operations	-	-	-	-	(13,212)	-	-	(13,212)	(137)	(13,349)
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>-</b>	<b>(543)</b>	<b>-</b>	<b>(13,212)</b>	<b>-</b>	<b>(9,193)</b>	<b>(22,948)</b>	<b>(361)</b>	<b>(23,309)</b>
Cost of share-based payment	-	-	-	93	-	-	-	93	-	93
<b>Total equity as of December 31, 2015</b>	<b>1</b>	<b>158,391</b>	<b>(53,497)</b>	<b>93</b>	<b>(67,431)</b>	<b>(2,563)</b>	<b>56,126</b>	<b>91,120</b>	<b>533</b>	<b>91,653</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, 2014								
	Share capital	Share premium	Capital reserve on the revaluation of investments in rights in hotels	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, 2014</b>	<b>1</b>	<b>158,391</b>	<b>(52,983)</b>	<b>(61,013)</b>	<b>(2,563)</b>	<b>101,826</b>	<b>143,659</b>	<b>5,025</b>	<b>148,684</b>
Loss for the year	-	-	-	-	-	(37,146)	(37,146)	(1,706)	(38,852)
Realization of a capital reserve on translation differences on the disposal of a joint venture	-	-	-	(3,477)	-	-	(3,477)	-	(3,477)
Gain on the re-measurement of investments in rights in hotels and exchange differences in respect thereof	-	-	29	-	-	-	29	-	29
Exchange differences on the translation of foreign operations	-	-	-	10,271	-	-	10,271	50	10,321
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>-</b>	<b>29</b>	<b>6,794</b>	<b>-</b>	<b>(37,146)</b>	<b>(30,323)</b>	<b>(1,656)</b>	<b>(31,979)</b>
Dividend paid by a consolidated company to non-controlling interests	-	-	-	-	-	-	-	(454)	(454)
De-recognition of non-controlling interests as a result of the disposal of a subsidiary company	-	-	-	-	-	-	-	(2,021)	(2,021)
<b>Total equity as of December 31, 2014</b>	<b>1</b>	<b>158,391</b>	<b>(52,954)</b>	<b>(54,219)</b>	<b>(2,563)</b>	<b>64,680</b>	<b>113,336</b>	<b>894</b>	<b>114,230</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, 2013

	Share capital	Share premium	Capital reserve on the revaluation of investments in rights in hotels	Capital reserve on the hedging of cash flows	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, 2013</b>	<b>1</b>	<b>132,962</b>	<b>(51,946)</b>	<b>(1,371)</b>	<b>(38,754)</b>	<b>(2,563)</b>	<b>129,203</b>	<b>167,532</b>	<b>6,349</b>	<b>173,881</b>
Loss for the year	-	-	-	-	-	-	(27,377)	(27,377)	(440)	(27,817)
Loss on the re-measurement of investments in rights in hotels and exchange differences in respect thereof	-	-	(1,037)	-	-	-	-	(1,037)	-	(1,037)
Realization of a capital reserve in respect of the hedging of cash flows	-	-	-	1,371	-	-	-	1,371	-	1,371
Exchange differences on the translation of foreign operations	-	-	-	-	(22,259)	-	-	(22,259)	(407)	(22,666)
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>-</b>	<b>(1,037)</b>	<b>1,371</b>	<b>(22,259)</b>	<b>-</b>	<b>(27,377)</b>	<b>(49,302)</b>	<b>(847)</b>	<b>(50,149)</b>
Issuance of shares in the Company (less issuance expenses of US\$ 0.21 million)	-	25,429	-	-	-	-	-	25,429	-	25,429
Dividend paid by a consolidated company to non-controlling interests	-	-	-	-	-	-	-	-	(477)	(477)
<b>Total equity as of December 31, 2013</b>	<b>1</b>	<b>158,391</b>	<b>(52,983)</b>	<b>-</b>	<b>(61,013)</b>	<b>(2,563)</b>	<b>101,826</b>	<b>143,659</b>	<b>5,025</b>	<b>148,684</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)**

	<b>For the year ended December 31</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
<b>Cash flows from operating activities:</b>			
Loss for the year	(9,417)	(38,852)	(27,817)
Adjustments required in order to present the cash flows from operating activities (Appendix A')	22,418	36,045	16,941
<b>Net cash generated (absorbed) by operating activities</b>	<b>13,001</b>	<b>(2,807)</b>	<b>(10,876)</b>
<b>Cash flows from investment activities:</b>			
Consideration on the sale of marketable securities, net	(142)	384	384
Collection of long-term loans	1,128	1,100	633
Consideration from the disposal of entities accounted for at equity	43,500	3,587	33,289
Exit from consolidation (Appendix B)	-	2,646	-
Change in short-term and long-term deposits, net	3,768	1,546	(409)
Changes in investments and loans in investee companies, partnerships and others, net	(2,230)	(5,178)	(3,801)
Income tax received (paid) on the disposal of income-generating assets , net	2,827	(8,573)	-
Investment in and acquisition of income-generating assets and income-generating assets under construction	(10,583)	(7,613)	(18,018)
Consideration from the disposal of (investment in) fixed assets, net	(309)	(146)	33
Consideration from the sale of income-generating assets	18,115	167,552	20,450
<b>Net cash generated by investment activities</b>	<b>56,074</b>	<b>155,305</b>	<b>32,561</b>
<b>Cash flows from financing activities:</b>			
Issuance of bonds (less issuance expenses)	-	53,650	18,892
Issuance of shares (less issuance expenses)	-	-	25,429
Payment of dividend in a consolidated company to minority interests	-	(454)	(477)
Receipt of long-term liabilities	35,058	71,898	22,952
Repayment of long-term liabilities	(50,867)	(164,877)	(62,981)
Receipt (repayment) of loans from companies accounted for at equity and non-controlling interests, net	(1,023)	(3,261)	2,115
Repayment of bonds	(39,495)	(40,327)	(43,076)
The early repayment of bonds	-	-	(714)
Short-term credit from banking entities and others, net	(26,887)	(80,021)	23,916
<b>Net cash absorbed by financing activities</b>	<b>(83,214)</b>	<b>(163,392)</b>	<b>(13,944)</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(14,139)</b>	<b>(10,894)</b>	<b>7,741</b>
<b>Balance of cash and cash equivalents at the beginning of the year</b>	<b>46,508</b>	<b>57,065</b>	<b>50,648</b>
<b>Translation differences in respect of cash balances in foreign currency</b>	<b>100</b>	<b>337</b>	<b>(1,324)</b>
<b>Balance of cash and cash equivalents at the end of the year</b>	<b>32,469</b>	<b>46,508</b>	<b>57,065</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)**

	<b>For the year ended December 31</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
<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	(4,333)	12,253	24,804
Gains on the disposal of companies accounted for at equity	-	(3,477)	-
Exchange differences	-	1,226	774
Change in the fair value of a financial asset through profit and loss	-	2,833	1,713
Dividends and interest received from companies accounted for at equity	1,102	9,082	6,548
Adjustments of fair value of loans to companies accounted for at equity	-	(1)	1,002
Gain on the early repayment of bonds	-	-	(7)
Depreciation and amortization	62	39	42
Adjustments of fair value and the disposal of income-generating assets, net	765	15,529	1,866
Gain on marketable securities	(527)	(2)	(13)
Cost of share-based payment	93	-	-
Change in deferred taxes, net	201	(275)	(1,158)
<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	25,611	3,475	(19,781)
Change in trade receivables	(1,265)	(19)	(316)
Change in other receivables	3,045	(323)	(1,997)
Change in suppliers and providers of services	1,197	(549)	315
Change in other payables	(1,323)	(5,951)	(1,539)
Revaluation of long-term payables and receivables, net	(2,210)	2,205	4,688
	<u>22,418</u>	<u>36,045</u>	<u>16,941</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)**

	<b>For the year ended December 31</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
<b>Appendix B' – Exit from consolidation of companies that were previously consolidated</b>			
Working capital, net (except cash)	-	(598)	-
Long-terms receivables	-	1,515	-
Income-generating assets	-	30,963	-
Long-term liabilities	-	(21,101)	-
Loss on the loss of control in a consolidated company	-	-	-
Investment in financial asset at fair value through profit and loss	-	-	-
Deferred taxes	-	(6,112)	-
Non-controlling interests	-	(2,021)	-
	<u>-</u>	<u>2,646</u>	<u>-</u>
<b>Appendix C' – Additional details</b>			
<b>Cash paid in the year for:</b>			
Interest	<u>12,019</u>	<u>23,019</u>	<u>26,430</u>
Current taxes paid on income	<u>-</u>	<u>9,605</u>	<u>47</u>
<b>Cash received in the period for:</b>			
Interest	<u>55</u>	<u>83</u>	<u>134</u>
Taxes on income	<u>2,827</u>	<u>1,301</u>	<u>-</u>
<b>Appendix D' – Non-cash activity</b>			
Investment in income-generating real estate	<u>1,245</u>	<u>437</u>	<u>1,424</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**

- A. 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.

On January 3, 2016, the Company's Board of Directors approved the updating of the Company's strategy, in accordance with which, as from the year 2016 the Company will focus on income-generating realty operations, including the entry into the housing complexes operations in the United States

The company is a subsidiary company of Elco Ltd. (hereinafter - "The parent company").

**B. Definitions**

- "The Group" - The Company and its investee companies. Investee companies included companies that are defined as follows:
- "Investee companies" - Consolidated companies, entities under joint control and affiliated companies.
- "Consolidated companies" - Companies in which the Company has control (as defined in IFRS 10), directly or indirectly, and whose financial statements are fully consolidated with those of the Company.
- "Joint ventures" - Entities that are held by a number of bodies between which there exist contractual agreements for the exercise of joint control over the economic activities of those entities.
- "Affiliated companies" - Companies, including entities under joint control, in which the Group has a significant influence, and the Group's investment in which directly or indirectly is recorded in the company's consolidated financial statements at equity.
- "Electech" - Electech Real Estate BV – a foreign, Dutch company that is wholly owned by the company, which controls the Company's principal operations outside of Israel. Within this framework, Electech executes most of the Group's investments overseas through foreign subsidiary companies and it also manages and supervises those subsidiary companies.
- "Electech Inc." - Electech Real Estate Inc – an American company that is wholly owned by Electech
- "Interested parties" - As defined in the Securities Law – 1968 and the regulations promulgated thereunder.
- "Controlling interests" - As defined in the Securities Regulations (Annual financial statements) - 2010.
- "Related parties" - As defined in IAS 24.

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

**Note 1 General** (Continued)

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 December 31, 2015 (NIS 3.902 = 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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