

ELECTRA REAL ESTATE LTD.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS OF MARCH 31, 2010

(UNAUDITED)

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ELECTRA REAL ESTATE LTD.

REPORT OF THE BOARD OF DIRECTORS FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2010

The Board of Directors of Electra Real Estate Ltd. is pleased to submit the financial statements of the Company and its subsidiaries (hereafter - "the Company") for the period of three months ended March 31, 2010 (hereafter - "the reporting period")

This report should be read in context with the Company's annual financial statements (including the Report of the Board of Directors as of December 31, 2009).

The Company's activities are conducted through the Company and its subsidiaries. See also the Report of the Description of the Entity's Business as of December 31, 2009.

A. Description of the Company and its business environment

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

Within the framework of its principal operations, the Group focuses on the acquisition, leasing, construction, enhancement and sale of yielding commercial real estate. As of the date of the financial statements the Group holds, in Israel and abroad, 104 properties including 94 yielding assets and 10 properties in various stages of development and construction as well as 9.9% in 58 hotels across Britain. The following is detail of the properties:

❖ Israel	11	6 yielding assets and 5 assets under construction
❖ Britain	3 58	yielding assets Hotels (Company's share- 9.9%)
❖ Canada	15	yielding assets
❖ USA	10	9 yielding assets and 1 asset being earmarked for conversion and sale as condo units
❖ Germany	46	yielding assets
❖ Switzerland	4	yielding assets
❖ Holland	8	yielding assets
❖ Belgium	1	yielding assets
❖ Luxemburg	1	yielding assets
❖ India	5	Assets under development

The Company's share in the aggregate area of the yielding assets (including the Company's share in the properties of affiliates) is 1,095,000 sq. meters, with another 460,000 sq. meters of parking space.

The average occupancy rate of all the rental properties as for the date of the report is approximately 93.5%.

Changes in economic environment

During 2009, stability was indicated in the real sector and in the financial markets and it seems that the peak of the world financial crisis, which began in 2008, has passed. However, there are still risks which could affect the situation in the markets, so that at this stage, the Company is unable to estimate the ramifications of the real crisis which is still present in the world and in Israel, how and to what extent it will develop, and in what manner and to what extent it will influence its operating results, the business opportunities available to the Company for the acquisition and sale of real estate properties and the costs of obtaining credit or the availability of sources of credit.

See the Report of the Description of the Entity's Business as of December 31, 2009 for an extended picture of the economic environment and the effect of external factors on the activities of the Group as well as a specific review of the markets in which the Company operates.

During the reporting period, the world financial crisis did not materially affect the gross profit of the Company from existing properties, derived from rental fees, management fees and others, less the cost of the revenues. Nevertheless, the events described above caused and are still causing a substantial contraction in the number of the real estate transactions in Israel and the world, among other things, due to the continued toughening of the conditions for the raising of credit, the continuation of the reduction in the rates of leverage and the worsening in market conditions.

On the basis of current conditions, the Company estimates that its cash flows, the status of its properties and its financial strength will allow it to contend with the ramifications of the crisis, to finance its activities and to meet its obligations.

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

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

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

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



Activity in Israel

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

General

- On September 14, 2009, a structural change was made to the Elco Group, in the course of which the structure of holdings in the Company was changed by means of split and merger. The Company was changed from a subsidiary of Electra Ltd. to its sister company and a subsidiary of Elco Holdings Ltd. The structural change was made after obtaining all of the necessary approvals, including the approval of the Tel Aviv District Court for executing the structural change arrangement as well as obtaining authorizations of the various authorities. See Note 7 to the financial statements of the Company as of March 31, 2010 for further details regarding the structural change and the relevant tax aspects.

Foreign activity

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

Electech, a Dutch foreign company, wholly owned by the company, coordinates, supervises and manages most of the Company's activity outside Israel. Electech's activity is conducted through foreign companies and partnerships. (For additional details on the shareholding structure of the Company, see paragraph 1.12 in the Report of the Description of the Entity's Business as of December 31, 2009).

As of March 31, 2010, Electech coordinates and manages the operations in the following countries: the United States, Germany, Holland, Switzerland, Belgium, Canada, Luxembourg and India.

Britain

As of the date of the statement of financial position, the Company holds 3 commercial buildings in Britain, through 100% owned affiliates abroad, under lease contracts terminating between the years 2014 and 2016. The Company also holds 9.9% of 16 hotels throughout Britain through foreign companies, managed by the Hilton chain and 9.9% of 42 hotels throughout Britain managed by the Marriott chain. The agreements ending 2035 and 2037, respectively. No change took place in the debt structure of the foreign companies which own the hotels managed by the Hilton and Marriott chains, as aforesaid, from what was described in the Report of the Description of the Entity's Business as of December 31, 2009

Transactions during the reporting period:

In March 2010, a foreign subsidiary of the Company which holds 75% of property in the City of London in Britain, completed a transaction for the sale of its holdings in the property (following a binding contract for the sale of the holdings in the property dated February 2010). The property sold serves as an office building and was leased in its entirety to the London Police with an aggregate area (100%) of approximately 2,400 sq. meters. The sale price of the property was approximately £ 17.125 million (approximately USD 27 million). The Company did not record a gain from the disposal of the property in excess of the net gain recorded in its financial statements for previous periods in the context of the item of fair value adjustments. The total gross cash flows (100%) before taxes on income resulting from the sale of the property, after repayment of the bank loan and transaction costs, was approximately £4.8 million (approximately USD 7.6 million), and the subsidiary's share was approximately £ 3.6 million (approximately USD 5.7 million).

Canada

At the date of the statement of financial position, the Company holds rights, through its foreign subsidiaries, in 15 office buildings in Canada, at ownership rates of 55% to 100% under lease contracts for periods which end between 2010 and 2022.

Transactions subsequent to the reporting period:

In May 2010, a foreign subsidiary of the Company which holds 60% of a property in the City of Winnipeg, Canada, signed a binding agreement for the sale of its holdings in the property. The sold property is an office building and a commercial floor with an aggregate area (100%) of approximately 55,700 sq. meters. The sales price of the property was approximately Can \$114 million (approximately USD 113.6 million). The Company does not anticipate recording a gain from the disposal of the property in excess of the net gain recorded in its financial statements for previous periods in the context of the item of fair value adjustments. The share of the subsidiary in the gross cash flows resulting from the sale of the property, before transaction costs and taxes on income, and after repayment of the loan, was approximately Can. \$23.9 million (approximately USD 23.8 million). The sales transaction is expected to close by the end of May 2010.

USA

As of the date of the statement of financial position, Electech, through a wholly owned foreign subsidiary, Electech Real Estate Inc. (hereafter: "Electech Inc"), owns foreign corporations (LLC) which own the rights to 10 office buildings in the United States, one of which is held at a rate of 60%, under lease contracts for periods which end between 2010 and 2031 and 9 additional properties at rates ranging between 40%-49% through affiliate companies (including one property that was converted from a residential rental building into residential condominium apartments).

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

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

As of the date of the statement of financial position, through its foreign subsidiaries Electech holds rights in 60 buildings in Germany, Holland, Switzerland, Belgium and Luxembourg of which, 42 buildings are held at rates ranging from 50%-100% under rental contracts ending in the years 2010-2033, and 18 additional properties held through affiliate companies at rates of holding of 42.5%- 70%.

India

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

As of March 31, 2010, the Company has not yet begun construction activities on these lands, except stage A of a residential project in the city of Hyderabad, with a volume of approximately 370 residential units.

Regarding the investments of Electech in India, see paragraph 8.4 see the Report of the Description of the Entity's Business as of December 31, 2009

B. Financial Position

Total assets as of the date of the statement of financial position amounted to USD 2,151 million, compared with USD 2,265 million at the end of 2009. The decrease in the volume of assets and liabilities of the Company as of the date of the statement of financial position is principally the result of the change in foreign currency exchange rates in the markets in which it operates as presented below:

Details on the change in exchange rates in relation to the shekel between 31/12/2009-31/03/2010

Currency	Rate Change (in %):
US Dollar	-1.6%
Euro	- 8.3%
Pound Sterling	- 8.2%
Swiss Franc	- 4.9%
Canadian Dollar	+ 1.3%
Indian Rupee	+1.4%

Current assets

Total current assets as of the date of the statement of financial position amounted to approximately USD 168 million, compared with USD 197 million as of the end of 2009. Most of the decrease in current assets is attributable to the disposal of property in Britain during the reporting period while at the end of 2009, the property designated for disposal was included in the current assets section (and the relevant liabilities included in the current liabilities section). Also, the Company repaid loans to Israeli banks during the reporting period which reduced its cash balances. This decrease was partially offset by the issuance of debentures (Series C) to the public which the Company executed during the month of January 2010 in a financial volume (gross) of approximately USD 15 million.(See paragraph D.1. below on "events during the reporting period" for more details).

Non current assets

Non current assets as of the date of the statement of financial position amounted to approximately USD 234 million as compared with approximately USD 235 million at the end of 2009.

Yielding assets

Total yielding assets as of the date of the statement of financial position amounted to approximately USD 1,748 million as compared with USD 1,833 million at the end of 2009. The decline in the volume of the Company's yielding assets is primarily attributable to the change in the exchange rates of the currencies in the markets of the Company's activities, as detailed above.

The Company's relative share in the yielding assets (with reference to its percentage of holdings in each company) of its affiliate companies as of the date of the statement of financial position totals approximately USD 658 million.

Current liabilities

Total current liabilities as of the date of the statement of financial position amounted to approximately USD 293 million as compared with approximately USD 265 million at the end of 2009. The increase is primarily attributable to the current maturities of long term loans designated for repayment during the current year which, in prior periods, were included within non current liabilities section. This increase was partially offset by a liability with respect to property in Britain which was sold during the reporting period while at the end of 2009, included with current liabilities.

For additional details on the Company's readiness for repaying its current liabilities, see the section on "forecasted cash flows for financing the excess of the current liabilities over the current assets of the Company".

Non current liabilities

Non current liabilities (including long-term loans obtained to finance yielding assets) on the date of the statement of financial position amounted to approximately USD 1,580 million as compared with approximately USD 1,718 million at the end of 2009. The decrease in the liabilities is mainly attributable to the change in the exchange rates of the currencies in the markets of the Company's activities, as detailed above.

As of the date of the statement of financial position, liabilities in the amount of approximately USD 1,307 million are non-recourse loans, not bearing any right of recourse to the company.

The Company's share in the bank loans (respective to its holding percentage in each company) of its affiliate companies as of the date of the statement of financial position totals approximately USD 587 million. These are non-recourse loans, not bearing any right of recourse to the company.

Shareholders' equity

The Company's shareholders' equity as of the date of the statement of financial position was USD 278 million compared with approximately USD 281 million at the end of 2009. The change in shareholders' equity is primarily due to the net income for the period in the amount of approximately USD 4.8 million and from a decline in capital reserves from translation differences arising from foreign operations and other capital reserves in the amount of approximately USD 7.8 million.

The change in the capital reserves had no effect on the Company's cash flows and on its current activities from its existing properties.

The Company finances its investments in foreign properties by taking loans in the local functional currency and in addition receives loans in the investment currency from Israeli banking institutions, and accordingly, diminish the effect of exposure to changes in exchange rates on the shareholders' equity of the Company.

For further detail, see the statement of changes in equity in the financial statements.

C. Results of operations

The following is a summary of operating results (in thousands of US dollars):

	2010	2009			
	Quarter 1	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Revenues from rental fees, management fees and others	44,045	50,356	47,913	48,062	47,174
Cost of revenues	15,236	15,806	14,817	14,310	15,719
Gross profit	28,809	34,550	33,096	33,752	31,455
Fair value adjustments and results of sale of other assets, net	(1,801)	(1,335)	(3,781)	(3,115)	(45,870)
Company's share in earnings (losses) of affiliates, net	(497)	(464)	(671)	10	(24,309)
General and administrative expenses	(2,385)	(2,374)	(1,772)	(1,978)	(2,566)
Financing income from revaluation of CPI linked options	-	6	28	-	-
Total costs and expenses	(4,683)	(4,167)	(6,196)	(5,083)	(72,745)
Operating income (loss)	24,126	30,383	26,900	28,669	(41,290)
Financing expenses, net	18,726	24,929	26,845	26,740	20,259
Income (loss) before taxes on income	5,400	5,454	55	1,929	(61,549)
Income tax expenses (income)	547	1,394	(160)	1,505	(12,837)
Net income (loss) for period	4,853	4,060	215	424	(48,712)
Attributed to:					
Shareholders of parent company	4,737	3,960	231	480	(49,301)
Minority interest	116	100	(16)	(56)	589
Net income (loss) for period	4,853	4,060	215	424	(48,712)

Revenues

Total revenues of the Company from rental fees, management fees and others as of March 31, 2010 (hereafter: "the reporting period") amounted to approximately USD44 million as compared with approximately USD 50 million in the corresponding period last year.

Most of the decrease was derived from the sale of properties carried out during 2009, from revenues from rental fees from properties which during the year 2009, were removed from consolidation, and from that time on the revenues derived from them are presented in the framework of the Company's share of the results of affiliate companies, and also, from the weakening in the exchange rates of the currencies in the markets of the Company's activities against the NIS, as detailed above.

Financing expenses, net

In the reporting period, net financing expenses totaled approximately USD 19 million, compared with approximately USD 25 million in the corresponding period last year. The decrease in financing expenses is attributed to the sale of properties in Israel and abroad during the year of 2009 and from the repayment of related loans. During the period, the known CPI in Israel declined at the rate of approximately 0.95% compared with a decline of 0.72%% in the corresponding period last year which impacted the index-linked liabilities in Israel, as well as the effect of the decline in the exchange rates on the Company's loans. The financing expenses for the reporting period include approximately USD 17 million for long-term loans taken from overseas financial institutions to finance yielding assets overseas. These loans are secured by a fixed lien on the buildings. These liabilities are non recourse.

Net income

The net income of the Company in the reporting period amounted to approximately USD 4.8 million, compared with net income of approximately USD 4 million in the corresponding period last year.

Cash flows

Cash flows derived from operating activities

During the reporting period, operating activities provided the Company with cash flows totaling approximately USD 1.6 million, as compared with approximately USD 3.7 million in the corresponding period last year.

The decrease is mainly attributed to the fact that, commencing from 2010, the Company records its investments in inventory of land for sale and in residential dwellings in the framework of cash flows derived from current operations (according to an approximation of the operating turnover by the Company to dispose of this inventory) as compared with corresponding periods in which these investments were recorded in the framework of cash flows derived from investment activities. During the reporting period, the Company recorded investments in this section with a total monetary volume of approximately 1.6 million. During the reporting period, the Company also made payments with respect to prepaid expenses for the entire year of 2010.

Cash flows from investing activities and financing activities

During the period, the Company did not make any material investments in real estate, and accordingly, the net amounts of cash flows from investing activities and from financing activities are not material.

Forecasted cash flows for financing the excess of current liabilities over current assets of the Company

The Group has an excess of current liabilities over current assets as of date of the statement of financial condition totaling approximately USD 125.5 million, of which there are non recourse current liabilities in the amount of approximately USD 65 million which were incurred in order to finance yielding assets whose value is approximately USD 107.7 million and which are classified together with non current assets. The following is a description of the main actions which the Company is taking in order to reduce such excess:

A. Liabilities to foreign financial institutions

- The Company is expected to repay long-term loans (non recourse) to foreign financial institutions totaling an amount of approximately USD 65 million, of which approximately USD 53 million for loans taken to finance properties in Canada and approximately USD 12 million for loans taken to finance a property in Switzerland. The fair value of the properties, for the financing of which these loans were taken, as of the date of the report, is approximately USD 107.7 million, with the value of the properties in Canada amounting to approximately USD 89.1 million and the value of the property in Switzerland being approximately USD 18.6 million. The Company is acting to repay these loans by way of refinancing. As of the date that this report is being published, negotiations are being carried on with a number of foreign financing entities for the receipt of new loans in order to repay the existing loans and/or to extend the existing loans. These loans are classified as of March 31, 2010 as current liabilities. The properties are classified under non-current assets (yielding assets).

B. Liabilities to financial institutions in Israel

- The Group has short-time credit amounting to approximately USD 14.8 million, secured by a fixed lien on a yielding asset in Israel.
- The Group has short term credit in the amount of approximately USD 27.7 million secured by a fixed lien on a project under construction in Israel. The repayment date of the loan is January 2011. The Company is acting to extend the repayment date.
- The Company is carrying on negotiations with a number of financial institutions in order to extend short term loans received from them.

C. Unutilized credit lines

- As of March 31, 2010, the Company has unutilized credit lines in an amount of approximately USD 41.2 million, of which approximately USD 29.3 million is long term.

D. Realization of properties and investments

- During the first quarter of 2010, the Company sold its rights in a property in Britain. The gross pre tax cash flows generated to the Company, after deducting the loans and liabilities connected to the properties was approximately USD 5.7 million.
- After the reporting period the Company signed an agreement with reference to the sale of its holdings in property in Canada. The transaction is expected to close at the end of May 2010. The anticipated cash flows expected to be derived by the Company as the result of the sale of the property, before transaction costs and income taxes, and after repayment of the loan, is approximately USD 23.8 million.
- The Company intends to act to sell a number of properties in 2010 and 2011, both abroad and in Israel, the sale proceeds of which, net of the loans which were taken for their purchase, will lead to an increase in the Company's cash balance and will improve the Company's working capital.

E. Current cash flows

- The Company has additional current maturities of loans (non-recourse) loans received with respect to properties abroad amounting to approximately USD 17.5 million, which are expected to be repaid from the current cash flows from those properties.

F. General- debentures

- As of the date of the statement of financial position, the Company has liabilities to debenture holders in an aggregate total of approximately USD 152 million.
- Out of the abovementioned liabilities to the debenture holders, a total of approximately USD 1.6 million was paid in April 2010, the amount of approximately USD 17 million is to be repaid in August 2010 and the amount of USD 1.6 million in October 2010. The balance of approximately USD 132 million is to be repaid beginning from 2011 and through April 2019.
- In December 2009, the Company issued NIS 144,919,000 par value of debentures (Series C) to the public. The proceeds of the offering totaled approximately USD 39 million (gross).
- In January 2010, the Company issued NIS 55,081,000 par value of debentures (Series C) to the public by way of an expansion of the debenture series. The debentures were issued under identical terms to the outstanding debentures, as mentioned above. The proceeds of the offering totaled approximately USD 15 million (gross). The amount of par value of the debentures (Series C) held by the public as of the date of publishing this report was NIS 200,000,000 par value and the proceeds derived from them by the Company was approximately USD 54.1 million (gross).

See below in the section on "events during the reporting period" for further details.

The Company is examining the possibility of issuing additional debentures. See below in the section on "events subsequent to the reporting period" for further details.

G. General-non recourse liabilities

- As of the date of the statement of financial position, the Company had non recourse liabilities of approximately USD 1,307 million.

In noting the range of possible sources at the Company's disposal, the Board of Directors of the Company believes that, as of the approval date of the financial statements, the Company has adequate financial resources for repaying the current liabilities and that the Company has no liquidity problem.

Even if at present, the Board of Directors assesses that the Company has adequate financial sources to repay its current liabilities, this assessment and the Company's assessment, as mentioned in paragraph 1.C. to the financial statements as of March 31, 2010 attached to this report, in relation to the forecasted cash flows, for the refinancing of loans, for the sale of the assets and the current cash flow is prospective information, which is based on the Company's assumptions and various assessments that it has made, and on the basis of the data at its disposal as of the date of this report. However, this information may not materialize or may turn out differently from that expected, since the Company is subject to external influences that cannot be estimated in advance and are not under its control, including the risk factors characterizing the Company's activity, the worsening of the economic crisis, changes in currency exchange rates, the tightening of the conditions for raising external sources of finance and a deterioration in the trade and economic conditions for the realization of business opportunities which needed for the purchase and sale of real estate assets, etc.

F.F.O (FUNDS FROM OPERATIONS)

The F.F.O is an acceptable index in United States, Canada and Europe which is not required under generally accepted accounting principles, for giving more information on the operational results of yield real estate companies, and provides a proper basis for comparison between yield real estate companies. The F.F.O, by definition, expresses net income (calculated according to generally accepted accounting principles), excluding gains (or losses) due to selling yield assets , plus depreciation and amortization (for real estate).

The Company published the F.F.O results based upon a position paper issued by the – NAREIT – the "REIT" company organization in the U.S. The Company believes that subject and in addition to its financial statements, the F.F.O properly reflects an aspect of the Company's operating results, and provides a basis for the comparison between the Company's operating results for a specific period to previous periods and between the Company's operating results and other real estate companies' operating results.

The total F.F.O derived for the Company for the reporting period was approximately USD 5 million compared to a total of approximately USD 5.8 million in the corresponding period last year. The decline is explained primarily by the sale of properties by the Company during 2009. These properties contributed to the F.F.O. for the first quarter of 2009 as well as the weakening of the exchange rates during the reporting period in the markets in which the Company operates.

It should be emphasized that the F.F.O:

1. Does not present cash flows from current operations according to generally accepted accounting principles.
2. Does not reflect cash existing for financing all of the Group's cash flows, including the ability to carry out distribution of funds.
3. Should not be considered as a substitute for net income for the purpose of evaluating the Group's operating results.
4. Is not audited.

Following is the calculation of the F.F.O for the reporting periods as follows:

	For the three months ended March 31	
	2010	2009
Net income attributed to the Company's shareholders	<u>4,737</u>	<u>3,960</u>
Adjustment to net income:		
Fair value adjustments, results of disposing of yield assets and other properties, net	1,801	1,335
Depreciation and amortization	17	542
Gain from early redemption of loans and debentures	-	(2,255)
Revaluation of derivatives and linkage basis of liabilities	202	(6)
Deferred taxes and taxes on adjustments of fair value, results of disposing of yielding assets and other properties, net	(436)	139
Expenses (income) from accrued linkage increments and exchange rate differences	(1,859)	1,671
Other adjustments	<u>508</u>	<u>461</u>
Total adjustments to net profit	<u>233</u>	<u>1,887</u>
F.F.O.	4,970	5,847

D. Events during the report period

- On January 18, 2010, the Company issued NIS 55,081,000 par value of debentures (Series C-from the series traded on the stock exchange) by means of the expansion of the series of debentures, with par value of NIS 1.0 each. The additional debentures were issued under identical terms to outstanding debentures (Series C) which had been issued on December 22, 2009. The debentures (Series C) are repayable in four equal payments on January 1 of each of the years 2013 to 2016 and bear annual fixed interest at the rate of 5.2%, paid twice yearly, on July 1 of each of the years 2010 to 2015 (inclusive) and on January 1 of each of the years 2011 to 2016 (inclusive). The debentures (Series C) are linked (principal and interest) to the CPI for the month of November 2009. The proceeds (gross) that were derived from the issuance amounted to USD 15,086,824. The total par value held by the public as of the date that the report was published was NIS 200,000,000 in par value.

The debentures were issued according to a shelf prospectus published by the Company on November 26, 2009. See the shelf prospectus dated November 27, 2009, published on November 26, 2009 (document no. 2009-01-299169) for further details.

E. Events after the report period

- In the period between the date of the statement of financial position (March 31, 2010) and the publication date of the financial statements for the first quarter of 2010 (May 23, 2010), there were changes in exchange rates in relation to the shekel, including currencies in countries in which the Company operates.

Details on the aforesaid changes: (between 31/3/2010 – 21/5/2010)

Currency	Rate of Change (in %):
US Dollar	+2.9%
Euro	-4.1%
Pound Sterling	-1.8%
Swiss Franc	-4.7%
Canadian Dollar	-1.7%
Indian Rupee	+ 1.2%

Since a significant part of the Company's revenues are in foreign currency, the Company estimates that the changes in the exchange rates, as of the publication date of this report, may have an impact on the Company's results and its statement of financial position (including shareholders' equity) at a weighted rate up to approximately 2%. Nonetheless, the effect of exchange rates on the operating results for the second quarter of 2010 will be determined according to the actual exchange rates throughout the entire quarter and at its end (June 30, 2010).

2. On May 4, 2010, the Company gave notice of its intention to act to carry out an issuance to the public of debentures pursuant to the shelf prospectus dated November 27, 2009. On May 5, 2010, the Company received the approval of the CEO of the stock exchange to register additional debentures (Series C) for trading by means of a series expansion in a volume of up to NIS 125,000,000 par value (and another 15% in case of oversubscription). The terms of the issuance, to the extent that it will be carried out, will be detailed in the shelf proposal report.
3. See section A above for details regarding an agreement for the sale of the Company's holding in a Canadian property.

F. Qualitative reporting on market risks and methods of managing them

Entity's policies for managing and supervising business risks

The Company uses the following means in order to prevent exposure to business risks:

In each country where the Company invests in yielding assets, it obtains loans in the same currency which is used for investment purposes. In this manner, the Company reduces its exposure to changes in the exchange currencies. The interest on long-term loans is ordinarily fixed interest.

Cash balances created from time to time are deposited with banks with high financial rankings and in marketable securities. With regard to the Company's policies for investment in marketable securities – see paragraph 16 in the Report of the Description of the Entity's Business as of December 31, 2009. Company management reports from time to time to the Board of Directors on the market risks and the Company's exposure to them. The means taken to reduce the risks are presented to the Board of Directors for its approval.

Persons responsible for managing market risks

The management of market risks by the Company is conducted by the Company's Chief Executive Officer, the Chief Financial Officer and the Vice President for Business Development. For additional details regarding risk factors to which the Company is exposed, see paragraph 29 in the Report of the Description of the Entity's Business as of December 31, 2009

G. Accounting estimates

See Report of the Board of Directors as of December 31, 2009.

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

The Board of Directors is responsible for the overall control in the Company. The Board of Directors appoints 6 members. The minimum number of directors with accounting and financial expertise is 1. Of the members of the Board of Directors, 2 directors who have accounting and financial expertise serve. A draft of the financial statements and the report of the Board of Directors are sent for the review of the directors a few days before the meeting of the Board of Directors. The directors are invited to refer at any time to the Company's Chief Executive Officer and Chief Financial Officer on any question or any clarification required, prior to the meeting. The meeting is attended by the Chief Executive Officer, the Chief Financial Officer, the

Business Development Manager and the external auditor. In the course of the Board of Directors meeting, the Company's financial results are reviewed, comparisons between the reported periods and corresponding periods are presented, and changes that have taken place as a result of implementing new standards are described by the Chief Executive Officer, Chief Financial Officer and external auditor. In the course of the discussion, questions are posed to the external auditor relating to principal accounting issues arising from the financial statements and he is asked to present to the Board of Directors fundamental issues that arise during the audit work. The submission of questions regarding the financial statements and the answers provided is given as much time as is necessary. At the end of discussions and after it has been clarified that the financial statements reflect fairly the Company's financial position and results of operations, a vote is taken to approve the financial statements.

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

Shlomo Sherf
CEO

Gershon Salkind
Chairman of the Board of Directors

May 23, 2010

Review Report of the Independent Auditor to the share holders of ELECTRA REAL ESTATE LTD.

Introduction

We have reviewed the accompanying financial information of **Electra Real Estate Ltd.** the Company and subsidiaries (hereafter- "the Group") which includes the condensed consolidated statement of financial position as of March 31, 2010 and the condensed consolidated statements of comprehensive income, changes in equity and cash flows for the three-month period then ended (in the Hebrew language, not included herein) and have issued our accountants review report thereon dated May 23, 2010. The board of directors and management are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34 "Interim Financial Reporting" and they are also responsible for the preparation of this interim financial information in accordance with Chapter D of Securities Regulations (Periodic and Immediate Reports) - 1970. Our responsibility is to express a conclusion on this interim financial information based on our review.

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

As noted in our aforementioned review report, we did not review the interim condensed financial information of companies that were consolidated, whose assets included in consolidation constitute approximately 75% of total consolidated assets as of March 31, 2010, and whose revenues included in consolidation constitute approximately 89% of total consolidated revenues for the three-month period then ended. Furthermore, were submitted to us the reports of other auditors of associates that the investment in them is amounted to approximately 103 million USD as of March 31, 2010 and the share of the group in their results for three-month period then ended, is amounted to approximately 2 millions USD. The condensed financial information for interim period of those companies was reviewed by other auditors, whose review reports have been submitted to us, and our conclusion, insofar as it relates to the financial information included for those companies, is based on the review reports of the other auditors.

Scope of Review

We conducted our review in accordance with Review Standard 1 of the Institute of Certified Public Accountants in Israel "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with accepted auditing standards in Israel and consequently 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 above financial information is not prepared, in all material respects, in accordance with IAS 34.

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In addition to what was stated in the previous paragraph, based on our review and the review reports of other auditors, nothing has come to our attention that causes us to believe that the above financial information is not prepared, in all material respects, in accordance with the disclosure provisions of Chapter D of the Securities Regulations (Periodic and Immediate Reports) - 1970.

As described in Note 1, the accompanying English-language condensed interim consolidated financial statements in US dollars represent a translation of the above-mentioned NIS financial statements into US dollars in condensed form solely for the convenience of the reader ("convenience translation"), using the representative dollar exchange rate in effect on March 31, 2010. Comparative figures for the three months period ended March 31, 2009 and for the year ended December 31, 2009 represent a translation of the original NIS values of the respective period, using the representative dollar exchange rate in effect on March 31, 2010. These condensed interim financial statements do not include all the disclosures necessary for presentation of the financial statements in conformity with generally accepted accounting principles.

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

Brightman Almagor Zohar & Co.
Certified Public Accountants

Tel Aviv, May 23, 2010

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Member of Deloitte Touche Tohmatsu

**ELECTRA REAL ESTATE LTD.
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
CONVENIENCE TRANSLATION INTO U.S. DOLLARS**

	<u>March 31,</u>		<u>December 31,</u>
	<u>2010</u>	<u>2009</u>	<u>2009</u>
	<u>In thousands</u>		<u>In thousands</u>
	<u>(Unaudited)</u>		<u>(Audited)</u>
ASSETS			
<u>Current assets</u>			
Cash and cash equivalents	91,371	68,108	117,080
Short-term deposits	9,210	6,097	10,695
Marketable securities	13,653	2,138	2,611
Trade accounts receivable	6,687	5,531	3,610
Current tax assets	2,058	1,137	2,282
Receivables and other current assets	7,097	12,455	4,504
Inventory of land for sale and residential apartments	37,710	-	35,678
Assets to be realized	-	16,967	20,677
	<u>167,786</u>	<u>112,433</u>	<u>197,137</u>
<u>Non current assets</u>			
Investments in affiliates	180,135	220,056	178,336
Loans and long-term receivables	32,330	38,155	32,604
Fixed assets	569	280	530
Inventory of land for sale and residential apartments	-	25,933	-
Investments in equity instruments designated at fair value through other comprehensive income	21,510	42,565	23,431
Deferred income taxes	-	1,618	1
	<u>234,544</u>	<u>328,607</u>	<u>234,902</u>
<u>Yielding assets in -</u>			
Europe	1,063,685	1,506,708	1,155,933
North America	490,879	489,669	483,522
Israel	174,903	148,819	172,560
Britain	18,936	40,680	20,631
	<u>1,748,403</u>	<u>2,185,876</u>	<u>1,832,646</u>
Total Assets	<u><u>2,150,733</u></u>	<u><u>2,626,916</u></u>	<u><u>2,264,685</u></u>

The accompanying notes are an integral part of the financial statements

ELECTRA REAL ESTATE LTD.
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
CONVENIENCE TRANSLATION INTO U.S. DOLLARS

	<u>March 31,</u>		<u>December 31,</u>
	<u>2010</u>	<u>2009</u>	<u>2009</u>
	<u>In thousands</u>		<u>In thousands</u>
	<u>(Unaudited)</u>		<u>(Audited)</u>
LIABILITIES AND EQUITY			
<u>Current liabilities</u>			
Short term credit (including loans and bonds current maturities)	207,444	209,920	165,059
Current tax liabilities	6,384	4,022	4,980
Trade accounts payable	5,117	5,289	4,461
Payables and other current liabilities	74,419	58,347	76,318
Obligations due to assets to be realized	-	-	14,494
	<u>293,364</u>	<u>277,578</u>	<u>265,312</u>
<u>Non current liabilities</u>			
Debentures	131,920	96,276	118,131
Long-term loans to finance development projects	-	15,320	-
Liabilities in respect of index-linked options	-	28	-
Loans from Electra Group companies	21,586	22,737	21,381
Loans from shareholders in subsidiaries	3,777	2,960	3,568
Employee benefit liability	937	859	816
Other long-term liabilities	22,990	31,762	22,299
Deferred income taxes	60,042	82,546	63,365
	<u>241,252</u>	<u>252,488</u>	<u>229,560</u>
<u>Loans for financing investments and yielding assets and other financial investments:</u>			
Europe	887,270	1,309,300	1,006,996
North America	352,398	348,627	368,723
Israel	66,166	46,012	73,750
Britain	32,377	43,751	39,492
	<u>1,338,211</u>	<u>1,747,690</u>	<u>1,488,961</u>
<u>Equity</u>			
Ordinary Share Capital 0.0001 NIS Net Value	1	1	1
Share premium	138,199	138,199	138,199
Capital reserves	(68,984)	(40,673)	(61,140)
Retained earnings	201,940	245,791	197,203
	<u>271,156</u>	<u>343,318</u>	<u>274,263</u>
Equity attributable to the Company's shareholders	271,156	343,318	274,263
Minority interests	6,750	5,842	6,589
Total equity	<u>277,906</u>	<u>349,160</u>	<u>280,852</u>
Total Liabilities and Equity	<u>2,150,733</u>	<u>2,626,916</u>	<u>2,264,685</u>

May 23, 2010

Approval date of the financial statements	Zvi Duskin	Shlomo Sherf	Gershon Salkind
	CFO	CEO	Chairman of the Board of Directors

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

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

	Year ended December 31	For the three-month period ended March 31	
	2009	2009	2010
	In thousands		
	<u>(Audited)</u>	<u>(Unaudited)</u>	
Rental fees, management fees	193,505	50,356	44,045
Revenue cost	<u>60,653</u>	<u>15,806</u>	<u>15,236</u>
Gross profit	132,852	34,550	28,809
Adjustment of fair value, results of disposal of yielding properties and others, net	(54,102)	(1,335)	(1,801)
Company's share in results of affiliates, net	(25,434)	(464)	(497)
General and administrative expenses	(8,691)	(2,374)	(2,385)
Revaluation of liabilities in respect of index-linked options	34	6	-
	<u>(88,191)</u>	<u>(4,167)</u>	<u>(4,683)</u>
Operating profit	<u>44,661</u>	<u>30,383</u>	<u>24,126</u>
Financing expenses	(107,617)	(28,247)	(21,487)
Financing income	8,844	3,318	2,761
Financing expenses, net	<u>(98,773)</u>	<u>(24,929)</u>	<u>(18,726)</u>
Profit before taxes on income	(54,113)	5,454	5,400
Taxes on income	<u>10,100</u>	<u>(1,394)</u>	<u>(547)</u>
Net profit (loss) for the period	<u>(44,013)</u>	<u>4,060</u>	<u>4,853</u>
Attributable to:			
The Company's shareholders	(44,628)	3,960	4,737
Minority interest	615	100	116
Net income (loss) for the period	<u>(44,013)</u>	<u>4,060</u>	<u>4,853</u>
Earnings (Loss) per share (in dollars) attributed to the Mother Company's shareholders:			
Basic	<u>(1.70)</u>	<u>0.15</u>	<u>0.18</u>
Diluted	<u>(1.70)</u>	<u>0.15</u>	<u>0.18</u>
Weighted average number of ordinary			
Basic	<u>26,265</u>	<u>26,265</u>	<u>26,265</u>
Diluted	<u>26,265</u>	<u>26,265</u>	<u>26,265</u>

The accompanying notes are an integral part of the financial statements

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

	Year ended December 31 2009	For the three-month period ended March 31	
	(Audited)	2009	2010
	In thousands		
	(Audited)	(Unaudited)	
Net profit (loss) for the period	(44,013)	4,060	4,853
Other comprehensive income (loss)			
Profit (loss) due to remeasuring of investments in equity instruments designated at fair value through comprehensive income, net of tax	(15,978)	3,156	(1,921)
Profit (loss) from exchange rate in connection with loans designated for hedging of investments in equity instruments	(2,654)	(2,094)	1,307
Loss due to cash flow hedges, net of tax	(570)	(543)	-
Adjustments on the translation of financial statements of overseas activities	19,628	20,206	(7,184)
Other inclusive profit (loss), net of tax	<u>426</u>	<u>20,725</u>	<u>(7,798)</u>
Total other inclusive profit (loss) for the period	<u>(43,587)</u>	<u>24,785</u>	<u>(2,945)</u>
Total other inclusive profit (loss) for the period attributed to:			
The Company's shareholders	(44,633)	24,487	(3,106)
Minority interest	1,046	299	161
	<u>(43,587)</u>	<u>24,785</u>	<u>(2,945)</u>

The accompanying notes are an integral part of the financial statements

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

For the three-month period ended March 31, 2010 (Unaudited)

	<u>Share Capital</u>	<u>Share premium</u>	<u>Capital reserve from revaluation of investments in equity instruments designated at fair value</u>	<u>Capital reserve from Share based Payments</u>	<u>Capital reserve from cash flow hedges</u>	<u>Capital reserve from foreign currency translation adjustment</u>	<u>Retained earnings</u>	<u>Total shareholders equity</u>	<u>Minority Interests</u>	<u>Total equity</u>
	(In thousands)									
Balance - January 1, 2010	1	138,199	(32,583)	1,531	(1,441)	(28,647)	197,203	274,262	6,589	280,852
Profit for the period							4,737	4,737	116	4,853
Loss due to remeasuring of investments in equity instruments designated at fair value through comprehensive income, net of tax			(1,921)					(1,921)		(1,921)
Profit from exchange rate in connection with loans designated for hedging of investments in equity instruments			1,307					1,307		1,307
Adjustments on the translation of financial statements of overseas activities						(7,229)		(7,229)	45	(7,184)
Total profit (loss) for the period	<u>-</u>	<u>-</u>	<u>(614)</u>	<u>-</u>	<u>-</u>	<u>(7,229)</u>	<u>4,737</u>	<u>(3,106)</u>	<u>161</u>	<u>(2,945)</u>
Total Equity – March 31, 2010	<u>1</u>	<u>138,199</u>	<u>(33,197)</u>	<u>1,531</u>	<u>(1,441)</u>	<u>(35,876)</u>	<u>201,940</u>	<u>271,156</u>	<u>6,750</u>	<u>277,906</u>

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

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

For the three-month period ended March 31, 2009 (Unaudited)

	Share Capital	Share premium	Capital reserve from revaluation of investments in equity instruments designated at fair value	Capital reserve from Share based Payments	Capital reserve from cash flow hedges	Capital reserve from foreign currency translation adjustment	Retained earnings	Total shareholders equity	Minority Interests	Total equity
	(In thousands)									
Balance - January 1, 2009	1	138,199	(13,951)	1,435	(870)	(47,845)	241,831	318,800	5,543	324,343
Profit for the period							3,960	3,960	100	4,060
Profit due to remeasuring of investments in equity instruments designated at fair value through comprehensive income, net of tax			3,156					3,156		3,156
Loss from exchange rate in connection with loans designated for hedging of investments in equity instruments			(2,094)					(2,094)		(2,094)
Loss due to cash flow hedges, net of tax					(543)			(543)		(543)
Adjustments on the translation of financial statements of overseas activities						20,007		20,007	199	20,206
Total profit (loss) for the period	-	-	1,062	-	(543)	20,007	3,960	24,486	299	24,785
Share-based payment	-	-	-	32	-	-	-	32	-	32
Total transactions with the company's share holders during their duty	-	-	-	32	-	-	-	32	-	32
Total Equity – March 31, 2009	1	138,199	(12,889)	1,467	(1,413)	(27,838)	245,791	343,318	5,842	349,160

The accompanying notes are an integral part of the financial statements

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

Year ended December 31, 2009

	Share Capital	Share premium	Capital reserve from revaluation of investments in equity instruments designated at fair value	Capital reserve from Share based Payments	Capital reserve from cash flow hedges	Capital reserve from foreign currency translation adjustment	Retained earnings	Total shareholders equity	Minority Interests	Total equity
	(In thousands)									
Balance - January 1, 2009	1	138,199	(13,951)	1,435	(870)	(47,845)	241,831	318,800	5,543	324,343
Loss for the priod							(44,628)	(44,628)	615	(44,013)
Profit (loss) due to remeasuring of investments in equity instruments designated at fair value through comperhensive income, net of tax			(15,978)					(15,978)		(15,978)
Loss from exchange rate in connection with loans designated for hedging of investments in equity instruments			(2,654)					(2,654)		(2,654)
Loss due to cash flow hedges, net of tax					(570)			(570)		(570)
Adjustments on the translation of financial statements of overseas activities						19,197		19,197	431	19,628
Total profit (loss) for the period	-	-	(18,632)	-	(570)	19,197	(44,628)	(44,633)	1,046	(43,587)
Share-based payment	-	-	-	96	-	-	-	96	-	96
Total transactions with the company's share holders during their duty	-	-	-	96	-	-	-	96	-	96
Total Equity – December 31, 2009	1	138,199	(32,583)	1,531	(1,440)	(28,648)	197,203	274,263	6,589	280,852

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**

	Year ended December 31 2009	For the three-month period ended March 31	
	2009	2009	2010
	In thousands		
	(Audited)	(Unaudited)	
Cash Flow - Operating Activities:			
Net income (loss) for the period	(44,013)	4,060	4,853
Adjustments required to present cash flows from operating activities (Appendix A)	67,968	(283)	(3,214)
Net cash - operating activities	<u>23,955</u>	<u>3,777</u>	<u>1,639</u>
Cash Flows - Investing Activities:			
Proceeds from the sale (invest) of marketable securities, net	467	782	(11,022)
Giving of Long-term loans	(6,346)	(4,673)	(982)
Consolidation exit of investees that were proportionately consolidated (Appendix B)	20,001	(1,528)	-
Change in short-term deposits	6,291	2,768	1,288
Changes in investments and loans to investee companies, net	(3,064)	(7,155)	(1,177)
Acquisition and construction of yielding assets	(52,333)	(11,938)	(7,915)
Acquisition of fixed assets and other assets	(268)	-	(55)
Proceeds from disposition of yielding properties	32,854	-	19,458
Net cash used in investing activities	<u>(2,398)</u>	<u>(21,744)</u>	<u>(405)</u>
Cash Flows - Financing Activities:			
Bond issues net of issue expenses	38,507	-	14,997
Receipt of long-term loans	47,153	6,651	23,077
Repayment of long-term loans	(46,726)	(8,862)	(43,931)
Receipt of loans and capital notes from the Electra Group companies, net	4,328	-	-
Repayment of bonds	(18,659)	-	-
Prepayment of bonds and long-term liabilities	(9,051)	(9,051)	-
Short-term bank borrowings, net	1,967	18,282	(18,023)
Net cash - financing activities	<u>17,519</u>	<u>7,020</u>	<u>(23,880)</u>
Increase (Decrease) in cash and cash equivalents	<u>39,076</u>	<u>(10,947)</u>	<u>(22,646)</u>
Cash and cash equivalents at beginning of period	<u>76,401</u>	<u>76,401</u>	<u>117,080</u>
Translation differences relating to cash balances in foreign currency	<u>1,603</u>	<u>2,654</u>	<u>(3,063)</u>
Cash and cash equivalents at end of period	<u>117,080</u>	<u>68,108</u>	<u>91,371</u>

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**

	Year ended December 31 2009	For the three-month period ended March 31	
	2009	2009	2010
	In thousands		
	(Audited)	(Unaudited)	
Appendix A - Adjustments required to present cash flows from operating activities:			
Expenses (income) not involving cash flows:			
Company's share in results of affiliates, net	25,434	464	497
Gain from prepayment of bonds and long-term liabilities	(2,793)	(2,793)	-
Depreciation and amortization	95	18	17
Adjustment of fair value and results of disposal of yielding properties, net	54,102	1,335	1,801
Gain from marketable securities	(158)	-	(20)
Recording of expenses in connection with share based payments	96	32	-
Revaluation of liabilities in respect of index-linked options deferred income tax net	(34) (12,662)	(6) 454	- 40
Changes in assets and liabilities:			
Inventory of land for sale and residential apartments	-	-	(1,609)
Trade accounts receivables	(308)	(936)	(3,170)
Receivables and other current assets	(967)	(4,306)	(2,197)
Trade accounts payables	1,309	2,197	781
Payables and other current liabilities	2,978	3,928	2,486
Change in value of long-term receivables and liabilities, net	876	(670)	(1,840)
	<u>67,968</u>	<u>(283)</u>	<u>(3,214)</u>

Appendix B - Consolidation exit of investees that were proportionately consolidated

Net working capital (excluding cash)	(60,818)	(49,858)	-
Long-term receivables	(523)	(1,720)	-
Yielding assets, net	451,165	167,048	-
Long-term liabilities	(371,956)	(93,866)	-
Investment in affiliates	(20,356)	(22,960)	-
Gain (Loss) from investments realization	(2,055)	(173)	-
Compensation from the sale of proportionately consolidated companies	24,543	-	-
	<u>20,001</u>	<u>(1,528)</u>	<u>-</u>

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**

	Year ended December 31 2009	For the three-month period ended March 31 2009 2010	
	(Audited)	In thousands (Unaudited)	
Appendix C – Additional cash flow information			
Cash paid during the period:			
Interest	105,399	27,750	22,539
Income taxes	3,129	327	89
Cash received during the period:			
Interest	943	75	292
Income taxes	451	-	-
Appendix D – Non-cash transactions			
Purchase of yielding property	4,567	-	2,223

The accompanying notes are an integral part of the financial statements

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

Note 1 - **General**

- A.** Electra Real Estate Ltd. (hereinafter – "the Company") is a public company whose securities are traded on the Tel Aviv Stock Exchange, and which is engaged (both directly and through affiliate companies) in the purchase, leasing, and sale of rental properties in Israel and abroad and in the initiation and establishment of projects in the field of real estate in Israel and abroad. The Company is held by Elco Holdings Ltd (hereafter – the parent company).

Additional information on the Group's operations by segments is presented in Note 4.

- B.** These condensed consolidated financial statements should be reviewed in conjunction with the annual financial statements of the Company as of December 31, 2009 and for the year ended on that date, and the accompanying notes.

C. Excess of current liabilities over the current assets

The Group has an excess of current liabilities over current assets as of date of the statement of financial condition totaling approximately USD 125.5 million, of which there are non recourse current liabilities in the amount of approximately USD 65 million which were incurred in order to finance yielding assets whose value is approximately USD 107.7 million and which are classified together with non current assets .The following is a description of the main actions which the Company is taking in order to reduce such excess:

a. Liabilities to foreign financial institutions

- The Company is expected to repay long-term loans (non recourse) to foreign financial institutions totaling an amount of approximately USD 65 million, of which approximately USD 53 million for loans taken to finance properties in Canada and approximately USD 12 million for loans taken to finance a property in Switzerland. The fair value of the properties, for the financing of which these loans were taken, as of the date of the report, is approximately USD 107.7 million, with the value of the properties in Canada amounting to approximately USD 89.1 million and the value of the property in Switzerland being approximately USD 18.6 million. The Company is acting to repay these loans by way of refinancing. As of the date that this report is being published, negotiations are being carried on with a number of foreign financing entities for the receipt of new loans in order to repay the existing loans and/or to extend the existing loans. These loans are classified as of March 31, 2010 as current liabilities. The properties are classified under non-current assets (yielding assets).

b. Liabilities to financial institutions in Israel

- The Group has short-time credit amounting to approximately USD 14.8 million, secured by a fixed lien on a yielding asset in Israel.
- The Group has short term credit in the amount of approximately USD 27.7 million secured by a fixed lien on a project under construction in Israel. The repayment date of the loan is January 2011. The Company is acting to extend the repayment date.
- The Company is carrying on negotiations with a number of financial institutions in order to extend short term loans received from them.

c. Unutilized credit lines

- As of March 31, 2010, the Company has unutilized credit lines in an amount of approximately USD 41.2 million, of which approximately USD 29.3 million is long term.

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

Note 1 - **General (Cont.)**

C. Excess of current liabilities over the current assets (cont.)

d. Realization of properties and investments

- During the first quarter of 2010, the Company sold its rights in a property in Britain. The gross pre tax cash flows generated to the Company, after deducting the loans and liabilities connected to the properties was approximately USD 5.7 million. .
- After the reporting period the Company signed an agreement with reference to the sale of its holdings in property in Canada. The transaction is expected to close at the end of May 2010. The anticipated cash flows expected to be derived by the Company as the result of the sale of the property, before transaction costs and income taxes, and after repayment of the loan, is approximately USD 23.8 million.
- The Company intends to act to sell a number of properties in 2010 and 2011, both abroad and in Israel, the sale proceeds of which, net of the loans which were taken for their purchase, will lead to an increase in the Company's cash balance and will improve the Company's working capital.

e. Current cash flows

- The Company has additional current maturities of loans (non-recourse) loans received with respect to properties abroad amounting to approximately USD 17.5 million, which are expected to be repaid from the current cash flows from those properties.

In noting the range of possible sources at the Company's disposal, the Board of Directors of the Company believes that, as of the approval date of the financial statements, the Company has adequate financial resources for repaying the current liabilities and that the Company has no liquidity problem.

- D.** These financial statements are presented in US dollars, derived from convenient translation of the financial statements prepared in NIS, into US dollars by using the conversion rate prevailing on March 31, 2010 (\$1.00= NIS 3.71).

The accompanying English-language condensed interim consolidated financial statements in US dollars represent a translation of the above-mentioned NIS financial statements into US dollars in condensed form solely for the convenience of the reader ("convenience translation"), using the representative dollar exchange rate in effect on March 31, 2010. Comparative figures for the three month period ended March 31, 2009 and for the year ended December 31, 2009 represent a translation of the original NIS values of the respective period, using the representative dollar exchange rate in effect on March 31, 2010. These condensed interim financial statements do not include all the disclosures necessary for presentation of the financial statements in conformity with generally accepted accounting principles

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

Note 2 - Principal Accounting Policies

A. Basis for preparation of the financial statements:

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

In preparing these interim financial statements, the Group implemented accounting policies, presentation principles and calculation methods identical to those implemented in preparation of its financial statements as of December 31, 2009.

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

C. Exchange rates and linkage

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

	March 31		December 31,
	2 0 1 0	2 0 0 9	2 0 0 9
Actual CPI (1993 basis)	204.42	198.15	206.19
Known CPI (1993 basis)	204.23	197.17	206/19
<u>In NIS:</u>			
US Dollar	3.71	4.19	3.78
Pound Sterling	5.61	5.99	6.11
Canadian Dollar	3.65	3.34	3.60
Euro	4.99	5.57	5.44
Swiss Franc	3.49	3.68	3.67
India Rupee	0.082	0.081	0.081

	Three months ended		Year ended
	March 31		December 31,
	2 0 1 0	2 0 0 9	2 0 0 9
	%	%	%

Change in exchange rate during the period then ended:

Actual CPI	(0.86)	(0.14)	3.91
Known CPI	(0.95)	(0.72)	3.81
US Dollar	(1.64)	10.15	(0.71)
Pound Sterling	(8.21)	8.01	10.15
Canadian dollar	1.35	7.34	15.75
Euro	(8.29)	5.22	2.73
Swiss Franc	(4.92)	3.14	2.87
Indian Rupee	1.68	0.06	5.26

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

Note 3 - **New financial reporting standards and interpretations that have been issued:**

New effective standards and interpretations, which have no material effect on the current period and/or previous reporting periods:

The following standards, interpretations, and new amendments, which became effective during the current year, do not materially affect the current period and/or prior periods, but their becoming effective could have an effect on future periods.

- **IFRS 3 (Amended), "Business Combinations"**

The new standard determines rules for the accounting treatment of business combinations that took place on January 1, 2010 or thereafter.

- **IAS 27 (Amended), "Consolidated and Separate Financial Statements"**

The new standard prescribes the rules for the accounting treatment of consolidated and separate financial statements. The provisions of the standard apply to annual financial reporting periods which start on January 1, 2010 or thereafter. The standard will be implemented retrospectively, excluding a number of exceptions, as to which the provisions of the standard will be implemented prospectively.

- **Amendment to IAS 28 "Investments in Associated Companies" (with regard to the loss of material influence in the associated company)**

In the framework of the adoption of the amended IAS 27 as mentioned above, certain provisions of IAS 28 "Investments in Associated Companies" were amended. The amendment stipulates the accounting treatment in the matter of the loss of material influence in an associated company, when the entity continues to hold a certain percentage in the affiliate company. The amendment will be adopted prospectively regarding annual reporting periods starting January 1, 2010 or thereafter.

- **Amendment to IFRS 5, "Non-current Assets Held for Sale and Discontinued Activities"**

IFRS 5 "Non-current Assets Held for Sale and Discontinued Activities" was amended in the framework of the annual improvements project for 2008. The amendment provides that when a parent company is obliged to implement a plan for the sale of the controlling rights of a subsidiary, its assets and liabilities should be classified as held for sale, even when it intends to retain rights that do not give it control. The amendment will be implemented prospectively for annual reporting periods commencing January 1, 2010 or thereafter.

- **Amendments to IFRS 2 – "Share based payment transactions in a group which are settled in cash"**

The amendments determine the accounting treatment in the separate and individual financial statements of an entity with respect to share based payment transactions settled by other entities in the group. In addition, the amendments integrate previous instructions of IFRIC 8 "Effectiveness of IFRS 2" and IFRIC 11 –"Transactions in Shares of the Group and in Treasury Stock" into IFRS 2. The amendments are applied retroactively except for the amendments relating to previous instructions which are effective from their original date.

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

Note 3 - **New financial reporting standards and interpretations that have been issued (Cont.):**

The following amendments were published in the framework of the project for annual improvements for the year of 2009

- **Amendment to IFRS 8 "Operating Segments"**

The amended IFRS 8 "Operating Segments" stipulates that disclosure will be made of the measurement of assets of a reportable segment only if this information is regularly provided to the chief operational decision maker. The amendment applies to annual financial reporting periods which start on January 1, 2010 or thereafter.

- **Amendment to IAS 1 "Presentation of Financial Statements"**

Amendment IAS 1 "Presentation of Financial Statements" states that the liability element of an instrument which may, according to the election of the opposing party, be settled by the issuance of equity instruments of the entity, will be classified as current or non current based upon the settlement date by means of a transfer of cash or other assets and not on the basis of the settlement date by conversion. The amendment will be implemented for annual periods commencing on January 1, 2010 or thereafter.

- **Amendment to IAS 17 – "Leases"**

The amendment to IAS 17 "Leases" stipulates that leasing of land will be classified as a financing lease or an operating lease using the general principles in the standard. The amendment will be implemented retroactively for annual reporting periods commencing on January 1, 2010 or thereafter. The amendment will be implemented for leases of land when the necessary information is available at the start of the lease. When the required information is unavailable, land leases will be reevaluated as of the date of adoption of the amendment.

Note 4 - **Geographical segments**

The reportable segments of the Group are:

The Group identifies reportable segment on the geographical organizational basis.

Segment A – generates revenue in Israel.

Segment B – generates revenue in Europe (Germany, Britain, Switzerland, Luxemburg Holland and Belgium)

Segment C – generates revenue in North America (USA and Canada)

Because of the nature of the Company's business, the segments results are after financial expenses and including gains from realization of assets, and the segment liabilities include financial liabilities identified with specific assets.

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

Note 4 - Geographical segments (Cont.)

	<u>Israel</u>	<u>Europe</u>	<u>North America</u>	<u>Other (*)</u>	<u>Total</u>
	<u>US\$ in thousands</u>				
As of March 31, 2010 (Unaudited)					
Assets value according to geographical location	<u>293,741</u>	<u>1,162,866</u>	<u>628,551</u>	<u>65,575</u>	<u>2,150,733</u>
Invetment in affiliate according to geographical location	<u>-</u>	<u>13,279</u>	<u>101,281</u>	<u>65,575</u>	<u>180,135</u>
Liabilities according to assets' geographical location	<u>568,019</u>	<u>897,825</u>	<u>346,941</u>	<u>60,042</u>	<u>1,872,827</u>
For the three-month period ended March 31 , 2010 (Unaudited)					
Revenues	<u>2,735</u>	<u>23,443</u>	<u>18,420</u>	<u>(553)</u>	<u>44,045</u>
Profit (loss) before tax expense	<u>1,135</u>	<u>6,742</u>	<u>(1,924)</u>	<u>(553)</u>	<u>5,400</u>
Yielding assets acquisition	<u>2,700</u>	<u>149</u>	<u>3,989</u>	<u>-</u>	<u>6,838</u>
Other Information					
Adjustment of fair value, results of disposal of yielding properties, net	<u>(347)</u>	<u>130</u>	<u>(1,584)</u>	<u>-</u>	<u>(1,801)</u>
As of March 31, 2009 (Unaudited)					
Assets value according to geographical location	<u>248,659</u>	<u>1,655,430</u>	<u>662,038</u>	<u>60,789</u>	<u>2,626,916</u>
Invetment in affiliate according to geographical location	<u>-</u>	<u>22,158</u>	<u>137,109</u>	<u>60,789</u>	<u>220,056</u>
Liabilities according to assets' geographical location	<u>496,816</u>	<u>1,309,955</u>	<u>388,440</u>	<u>82,546</u>	<u>2,277,757</u>
For the three-month period ended March 31 , 2009 (Unaudited)					
Revenues	<u>2,955</u>	<u>26,747</u>	<u>21,247</u>	<u>(593)</u>	<u>50,356</u>
Profit (loss) before tax expense	<u>263</u>	<u>6,129</u>	<u>(344)</u>	<u>(593)</u>	<u>5,455</u>
Yielding assets acquisition	<u>4,171</u>	<u>61</u>	<u>5,533</u>	<u>-</u>	<u>9,765</u>
Other Information					
Adjustment of fair value, results of disposal of yielding properties, net	<u>1,580</u>	<u>(2,289)</u>	<u>(626)</u>	<u>-</u>	<u>(1,335)</u>

(*) mainly represents an investment in India

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

Note 4 - Geographical segments (Cont.)

	<u>Israel</u>	<u>Europe</u>	<u>North America</u>	<u>Other (*)</u>	<u>Total</u>
	<u>US\$ in thousands</u>				
As of December 31, 2009					
Assets value according to geographical location	<u>302,818</u>	<u>1,274,421</u>	<u>624,497</u>	<u>62,949</u>	<u>2,264,685</u>
Invetment in affiliate according to geographical location	<u>-</u>	<u>14,551</u>	<u>100,836</u>	<u>62,949</u>	<u>178,336</u>
Liabilities according to assets' geographical location	<u>545,805</u>	<u>991,920</u>	<u>382,743</u>	<u>63,365</u>	<u>1,983,833</u>
Year ended December 31, 2009					
Revenues	<u>11,308</u>	<u>107,475</u>	<u>76,695</u>	<u>(1,973)</u>	<u>193,505</u>
Profit (loss) before tax expense	<u>(3,911)</u>	<u>(20,458)</u>	<u>(27,771)</u>	<u>(1,973)</u>	<u>(54,113)</u>
Yielding assets acquisition	<u>36,688</u>	<u>911</u>	<u>14,755</u>	<u>-</u>	<u>52,354</u>
Other Information					
Adjustment of fair value, results of disposal of yielding properties, net	<u>(1,043)</u>	<u>(40,398)</u>	<u>(12,661)</u>	<u>-</u>	<u>(54,102)</u>

(*) mainly represents an investment in India

Note 5 - Significant events during the reporting period

- A.** In March 2010, a foreign subsidiary of the Company which holds 75% of property in the City of London in Britain, completed a transaction for the sale of its holdings in the property (following a binding contract for the sale of the holdings in the property dated February 2010). The property sold serves as an office building and was leased in its entirety to the London Police with an aggregate area (100%) of approximately 2,400 sq. meters. The sales price of the property was approximately £ 17.125 million (approximately USD 27 million). The Company did not record a gain from the disposal of the property in excess of the net gain recorded in its financial statements for previous periods in the context of the item of fair value adjustments. The total gross cash flows (100%) before taxes on income resulting from the sale of the property, after repayment of the bank loan and transaction costs, was approximately £4.8 million (approximately USD 7.6 million), and the subsidiary's share was approximately £ 3.6 million (approximately USD 5.7 million).
- B.** During January 2010, the Company issued NIS 55,081,000 par value of debentures (Series C) registered in name with par value of NIS 1 each by means of the expansion of the series of debentures (Series C), originally issued to the public under a shelf proposal report dated December 21, 2009. The debentures (Series C) are repayable in four equal payments on January 1 of each of the years 2013 to 2016 and bear annual fixed interest at the rate of 5.2%, paid twice yearly, on July 1 of each of the years 2010 to 2015 (inclusive) and on January 1 of each of the years 2011 to 2016 (inclusive). The debentures and the related interest are linked to the CPI for the month of November 2009. The proceeds amounted to approximately USD 15 million.

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

Note 6 - **Events subsequent to date of statement of financial position**

In May 2010, a foreign subsidiary of the Company which holds 60% of a property in the City of Winnipeg, Canada, signed a binding agreement for the sale of its holdings in the property. The sold property is an office building and a commercial floor with an aggregate area (100%) of approximately 55,700 sq. meters. The sales price of the property was approximately Can \$114 million (approximately USD 113.6 million). The Company does not anticipate recording a gain from the disposal of the property in excess of the net gain recorded in its financial statements for previous periods in the context of the item of fair value adjustments. The share of the subsidiary in the gross cash flows resulting from the sale of the property, before transaction costs and taxes on income, and after repayment of the loan, was approximately Can \$23.9 million (approximately USD 23.8 million). The sales transaction is expected to close by the end of May 2010.

Note 7 - **Structural change in Elco group**

1) Structural change in Elco group

As part of the structural change in the Elco group, Electra (the former parent company of the Company) distributed its holdings in the Company to Elco as dividends in kind, along with the yieldreal estate property (including obligations taken for the property up to its fair value) (hereafter together – yield real estate property) After the structural change described, the Company was split from Electra and was converted from Electra's subsidiary to Electra's sister company.

Additionally, in the context of the arrangement for structural change, Electra gave the Company a long-term loan repayable on September 30, 2013 with interest reflecting the cost of raising the money plus 2%, with the Company having the right to make early repayment of the entire sum of the loan, or part of it, without any obligation and/or penalty, by providing notice to be given 30 days in advance. The cost of raising the money is a specific price for credit taken by Electra from a financial institution for purposes of providing the aforementioned loan (which is a variable cost). As of the date of the statement of financial position, the loan balance stood at approximately USD 4.4 million

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

On December 31, 2008 the Company applied to the Israeli Tax Authority with a request to approve that the structural change arrangement will be carried out with tax exemption according to Section E2 of the Income Tax Ordinance, subject to complying with the conditions that will be set.

According to the Israeli Tax Authority's decision (hereinafter – "the decision") dated August 23, 2009, the structural change arrangement is tax exempt and the determining date for tax purposes with regard to execution of the structural change is December 31, 2008.

According to the decision and subject to the instructions of Section E2 of the Income Tax Ordinance in the framework of the structural change, certain limitations will be imposed, including in connection with the ability of the Company and the Electra to offset tax losses during a five year period beginning from 2009 and restrictions concerning the sale of the Company's shares by the controlling shareholders for two years and subject to the concessions stipulated in the Income Tax Ordinance.

As part of the structural change, Electra's tax losses were divided as of the split date (December 31, 2008) between the Company and Electra according to the ratio of the equity of the companies. The amounts are not material.

For additional information see Note 23 N to the Company's financial statements for the year of 2009.

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

Note 8 – **Attaching condensed data of an affiliate company**

The Company has not attached financial statements for PBEL Real Estate Limited in accordance with the provisions of Regulation 24 (d)(2) of the Securities Regulation (Periodic and Immediate Reports) – 2010.