

Electra Real Estate Ltd.

Interim Consolidated Financial Information

As of December 31, 2023

(Audited)

This is an English translation of parts of the information included in the full Hebrew report of the company, that was published on March 19, 2024 (reference No. 2024-01-023965) at the ISA reporting website (magna.isa.gov.il) (hereafter: "the Hebrew Version"). The English version is Voluntary and only for convenience purposes. This is not an official translation and has no binding force. The translation in any case cannot perfectly reflect the Hebrew Version. In the event of any discrepancy between the Hebrew Version and this translation, the Hebrew Version shall prevail.

Electra Real Estate Ltd.

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To: Electra Real Estate Ltd.

Re: Annual Financial Information

Per your request, we have audited the accompanying consolidated financial information of Electra Real Estate Ltd. ("the Company") as of December 31, 2023 and 2022 and for each of the three years in the period ended on December 31, 2023 ("the Financial Information"). The Financial Information is the responsibility of the Company's Board of Directors and management. Our responsibility is to express an opinion on the Financial Information based on our audits.

We did not audit the financial information of certain subsidiaries, whose assets constitute approximately 0.3% and 3.6% of the total consolidated assets as of December 31, 2023 and 2022, respectively, and whose revenues constitute approximately 0%, 0.9% and 0.9% of the total consolidated revenue for the years ended December 31, 2023, 2022 and 2021, respectively. The financial information for 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 Information are free of material misstatement. An audit includes examining, on the test basis, evidence supporting the amounts in the Financial Information. 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 Information presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinion

Based on our audits and the reports of other auditors, we expressed an unqualified opinion on the consolidated financial statements in our report dated March 19, 2024.

The accompanying Financial Information, which are derived from the Company's consolidated financial statements, are condensed financial information and do not include the disclosures required by International Financial Reporting Standards (IFRS). If the omitted disclosures were included in the accompanying Financial Information, it might influence the user's conclusions about the consolidated financial position, changes in equity, results of operations and cash flows of the Company. Accordingly, the accompanying Financial Information is not designed for those who are not informed about such matters.

Key audit matters

Key audit matters are matters that have been communicated, or which were required to be communicated to the Company's Board of Directors and which, in our professional judgment, were very material to the current period audit of the consolidated financial statements. These matters include, inter alia, any matter, which (1) relates to or which may relate to items or disclosures that are material to the financial statements and (2) involved especially challenging, subjective, or complex judgment. A response to these matters is provided within the framework of our audit and the preparation of our opinion on the consolidated financial statements as a whole. Communication of these matters does not change our opinion on the consolidated financial statements as a whole, and does not constitute a separate opinion on this matter or on the items or disclosures to which they relate.

The following are the key audit matters in the Company's consolidated financial statements for the year ended December 31, 2023:

Determination of the fair value of investment property in investments that are accounted for at equity and the implementation of the hypothetical liquidation at book value (HLBV) method

The company, operating through its investee companies, directly and indirectly, serves as a limited partner (LP) in funds that invest in multifamily housing complexes in the United States as well as limited partner (LP) in activity in the single family residences on plots of land (SFR) and as a shareholder in the general partner of the investment funds (GP) and general partner of the SFR activity (GP). The company's holdings in funds that invest in multifamily housing complexes in the United States and the SFR activity are accounted for at equity in its financial statements. The company, operating through its investee companies, is a shareholder in the partner that manages the funds and the SFR activity (GP), which, subject to the achievement of a target internal yield rate (IRR) in the various funds of the above mentioned operations for the generality of the investors, entitles it to success (promote) fees at rates that vary between the various funds for the housing complexes in the United States and the SFR activity.

Within the framework of the implementation of the equity method, the company has adopted the hypothetical liquidation at book value (HLBV) method for the purpose of determining the company's share of the profits that are allocated from the affiliated companies. Pursuant to the HLBV approach, the company's share of the success (promote) fees from the funds that invest in multifamily housing complexes is calculated on the assumption that the investee company will realize its assets immediately in accordance with their carrying value in the accounting records at that time, based on their carrying values and taking other liabilities and investments that have been made, net, into account. The company is entitled to success fees, which are distributed out of the investee company's profits, as the general partner (GP), where the overall profit from the disposal of the asset pursuant to the HLBV approach exceeds the yield rate for the limited partners (LP). Since the affiliated companies measure their investment property at fair value, so as part of the implementation of the HLBV method, the company's share of the profits of the investee companies is affected by the fair value of the income-generating real estate properties.

Audit procedures that we have performed, which are connected to the determination of the fair value of investment property in investments that are accounted for at equity and the implementation of the HLBV method

(1) The examination and analysis of evaluation in relation to the investment property assets in the housing complexes funds, which were prepared by external appraiser on a sample basis, taking qualitative and quantitative considerations into account in relation to the sample that was identified; (2) the examination of the assumptions that served as the basis for the evaluations, including examination of the NOI on the various investment property assets, the examination of the discount rate that has been used in the appraisal work, comparative transactions, which have been taken into account in the basis of the evaluation and the methodology that has been implemented in the evaluation; (3) the review of the appraisals of the investment property, on a sample basis, by an expert department operating on our behalf, with an emphasis on the testing of the discount rates for the investment property assets; (4) referring questionnaires to the appraisers and receiving responses and clarifications, where necessary; (5) examination and reconciliation opposite the company's documentation covering the mechanisms for the calculation of the success fees (promote) on the various real estate assets on a sample basis; (6) checking the arithmetical calculation and the various components that are included in the calculation of the success fees (promote); and (7) the testing of the fairness of the recording and the format of the disclosure in the Company's consolidated financial statements.

In our opinion, based on our audit and the reports of other auditors, the abovementioned Financial Information presents fairly, in all material respects, the information contained therein.

Tel-Aviv, Israel
March 19, 2023

KOST FORER GABBAY & KASIERER
A Member of Ernst & Young Global

Electra Real Estate Ltd.

CONSOLIDATED INFORMATION OF FINANCIAL POSITION

US DOLLARS (in thousands)

	December 31 2023	December 31 2022
	<u>Audited</u>	<u>Audited</u>
Assets		
<u>Current assets</u>		
Cash and cash equivalents	2,545	7,757
Financial assets at fair value through profit or loss	794	-
Other receivables and loans	32,069	36,597
Total current assets	<u>35,408</u>	<u>44,354</u>
<u>Non-current assets</u>		
Investments in residential property held for rental and others accounted for at equity	695,182	719,418
Long-term loans and other receivables	54,588	18,264
Fixed assets	260	356
Usage right assets	957	1,282
Total non-current assets	<u>750,987</u>	<u>739,320</u>
Total assets	<u>786,395</u>	<u>783,674</u>

Electra Real Estate Ltd.**CONSOLIDATED INFORMATION OF FINANCIAL POSITION**

US DOLLARS (in thousands)

	December 31 2023	December 31 2022
	<u>Audited</u>	<u>Audited</u>
Liabilities and Equity		
<u>Current Liabilities</u>		
Short-term credit (including current maturities of loans and bonds)	72,946	46,188
Current tax liabilities	769	5,330
Suppliers and providers of services	74	67
Other payables	8,185	11,328
Current maturities of leasing liabilities	298	370
Total current liabilities	<u>82,272</u>	<u>63,283</u>
<u>Non-current Liabilities</u>		
Bonds	110,692	66,861
Leasing liabilities	576	878
Other long-term liabilities	35,253	20,120
Long-term loans from banks	167,679	149,244
Deferred taxes	63,099	79,787
Total non-current liabilities	<u>377,299</u>	<u>316,890</u>
<u>Equity</u>		
Share capital	58	58
Share premium	185,635	185,270
Capital reserves	(117,254)	(119,023)
Retained earnings	252,353	332,509
Equity attributed to the shareholders	320,792	398,814
Non-controlling interests	6,032	4,687
Total equity	<u>326,824</u>	<u>403,501</u>
Total liabilities and equity	<u>786,395</u>	<u>783,674</u>

March 19, 2024

Date of approval of the
financial statementsE. Vessely
Chief Financial
OfficerA. Yaniv
Chief Executive OfficerG. Rushinek
Chairman of the
Board of Directors

Electra Real Estate Ltd.**CONSOLIDATED INFORMATION OF PROFIT OR LOSS**

US DOLLARS (in thousands)

	Year ended December 31 2023	Year ended December 31 2022	Year ended December 31 2021
	Audited	Audited	Audited
<u>Revenues and profits</u>			
From the operations of investment funds and partnerships			
Revenues from management fees and purchase commissions	17,056	14,970	8,755
Revenues from success fees (Promote)	(67,898)	208,662	143,416
The Company's share of operation results under the equity method	(22,671)	5,126	6,631
The Company's share of fair value adjustments under the equity method and others	31,194	42,596	29,777
From realization strategy assets			
Revenues from rental fees and other	700	1,169	10,962
Adjustments of fair value and the results of the disposal of income-generating assets, net	-	-	(2,206)
The Company's share of the results of realization strategy assets under the equity method	428	61	316
	<u>(41,192)</u>	<u>272,584</u>	<u>197,651</u>
Costs and expenses			
Cost of revenues from realization strategy assets	112	131	12,332
Cost of revenues from the operation of investment funds and partnerships	1,860	12,111	11,271
Administrative and general expenses	5,541	8,275	7,520
	<u>7,512</u>	<u>20,517</u>	<u>31,123</u>
Operating income (loss)	<u>(48,704)</u>	<u>252,067</u>	<u>166,528</u>
Financing expenses	(24,060)	(12,786)	(9,339)
Financing expenses on the partner's share in the revaluation of a put option	(11,539)	(1,326)	(1,853)
Financing income	6,212	12,850	5,143
Financing (expenses) income, net	<u>(29,387)</u>	<u>(1,262)</u>	<u>(6,049)</u>
Income (loss) before taxes on income	<u>(78,091)</u>	<u>250,805</u>	<u>160,479</u>
Taxes on income	15,111	(69,325)	(28,771)
Net income (loss) for the year	<u>(62,981)</u>	<u>181,481</u>	<u>131,708</u>
Attributable to:			
Shareholders of the parent company	(63,689)	180,627	128,603
Non-controlling interests	708	854	3,105
Net income (loss) for the year	<u>(62,981)</u>	<u>181,481</u>	<u>131,708</u>
Net earnings (loss) per share attributable to the shareholders in the parent company			
Basic – in US\$	<u>(1.13)</u>	<u>3.18</u>	<u>2.26</u>
Fully diluted – in US\$	<u>(1.13)</u>	<u>3.15</u>	<u>2.25</u>
Weighted average number of shares used in the calculation of the net earnings per share:			
Basic – in thousands	<u>56,485</u>	<u>56,761</u>	<u>56,887</u>
Fully diluted – in thousands	<u>56,685</u>	<u>57,265</u>	<u>57,323</u>

Electra Real Estate Ltd.**CONSOLIDATED INFORMATION OF COMPREHENSIVE INCOME**

US DOLLARS (in thousands)

	Year ended December 31 2023	Year ended December 31 2022	Year ended December 31 2021
	Audited	Audited	Audited
Net income (loss) for the Period	(62,981)	181,481	131,708
Other comprehensive income (net of tax effect)			
Amounts that will never be classified to profit or loss:			
Adjustments deriving from the translation of statements from the functional currency into the presentation currency	-	771	(2,198)
Amounts that will be classified or reclassified to the profit or loss in the future:			
Transfer to profit or loss on the disposal of a foreign operation	-	-	2,111
Income on cash flow hedging transactions	388	-	-
Exchange differences on the translation of foreign operations	660	539	2,389
Total other comprehensive income (loss) for the period	1,048	1,310	2,302
Total comprehensive income for the period	(61,933)	182,791	134,010
Comprehensive income (loss) for the period attributable to:			
Shareholders in the parent company	(62,641)	182,195	130,916
Non-controlling interests	708	596	3,094
	(61,933)	182,791	134,010

Electra Real Estate Ltd.

CONSOLIDATED INFORMATION OF CHANGES IN EQUITY

US DOLLARS (in thousands)

	Share Capital	Share Premium	Capital reserve on financial assets through other comprehensive income	Capital reserve for hedging transaction	Capital reserve on share- based payment	Adjustments deriving from the translation of financial Statements	Treasury Shares	Retained Earnings	Total Attributable to equity holders in the company	Non- controlling interests	Total equity
	Audited	Audited	Audited	Audited	Audited	Audited	Audited	Audited	Audited	Audited	Audited
Balance as of January 1, 2023	58	185,270	(57,759)	-	474	(52,258)	(9,479)	332,509	398,814	4,687	403,501
Net income (loss) for the period	-	-	-	-	-	-	-	(63,689)	(63,689)	708	(62,981)
Income (loss) on cash flow hedging transactions	-	-	-	388	-	-	-	-	388	-	388
Exchange differences on the translation of foreign operations	-	-	-	-	-	660	-	-	660	-	660
Total comprehensive income for the period	-	-	-	388	-	660	-	660	(62,641)	708	660
Cost of share-based payment	-	-	-	-	1,085	-	-	-	1,085	-	1,085
Non-controlling interests' share in the capital of a subsidiary company in the operations of investment funds and partnerships	-	-	-	-	-	-	-	-	-	731	731
Exercise of option warrants	-	365	-	-	(365)	-	-	-	-	-	-
Dividend paid by a consolidated company to non-controlling interests	-	-	-	-	-	-	-	-	-	(94)	(94)
Dividend to shareholders in the company	-	-	-	-	-	-	-	(16,466)	(16,466)	-	(16,466)
Total equity as of December 31, 2023	58	185,635	(57,759)	388	1,194	(51,598)	(9,479)	252,354	320,792	6,032	326,824

CONSOLIDATED INFORMATION OF CHANGES IN EQUITY
US DOLLARS (in thousands)

	Share Capital	Share Premium	Capital reserve on financial assets through other comprehensive income	Capital reserve on share- based payment	Adjustments deriving from the translation of financial Statements	Treasury Shares	Retained Earnings	Total Attributable to equity holders in the company	Non- controlling interests	Total equity
	Audited	Audited	Audited	Audited	Audited	Audited	Audited	Audited	Audited	Audited
Balance as of January 1, 2022	58	185,270	(57,759)	392	(53,826)	(2,563)	175,665	247,237	3,813	251,050
Net income for the period	-	-	-	-	-	-	180,627	180,627	854	181,481
Exchange differences on the translation of foreign operations	-	-	-	-	1,568	-	-	1,568	(258)	1,310
Total comprehensive income for the period	-	-	-	-	1,568	-	180,627	182,195	596	182,791
Cost of share-based payment	-	-	-	82	-	-	-	82	-	82
Non-controlling interests' share in the capital of a subsidiary company in the operations of investment funds and partnerships	-	-	-	-	-	-	-	-	2,586	2,586
Acquisition of treasury shares in the company	-	-	-	-	-	(6,916)	-	(6,916)	-	(6,916)
Dividend paid by a consolidated company to non-controlling interests	-	-	-	-	-	-	-	-	(2,308)	(2,308)
Dividend to shareholders in the company	-	-	-	-	-	-	(23,783)	(23,783)	-	(23,783)
Total equity as of December 31, 2022	58	185,270	(57,759)	474	(52,258)	(9,479)	332,509	398,814	4,687	403,501

Electra Real Estate Ltd.
CONSOLIDATED INFORMATION OF CHANGES IN EQUITY

US DOLLARS (in thousands)

	Share Capital	Share Premium	Capital reserve on financial assets through other comprehensive income	Capital reserve on share- based payment	Adjustments deriving from the translation of financial Statements	Treasury Shares	Retained Earnings	Total Attributable to equity holders in the company	Non- controlling interests	Total equity
	Audited	Audited	Audited	Audited	Audited	Audited	Audited	Audited	Audited	Audited
Balance as of January 1, 2021	1	185,162	(57,759)	395	(56,138)	(2,563)	56,992	126,090	4,844	130,934
Net income for the period	-	-	-	-	-	-	128,603	128,603	3,105	131,708
Realization of reserve on translation differences on the disposal of a foreign operation	-	-	-	-	2,111	-	-	2,111	-	2,111
Exchange differences on the translation of foreign operations	-	-	-	-	202	-	-	202	(11)	191
Total comprehensive income for the period	-	-	-	-	2,313	-	128,603	130,916	3,094	134,010
Cost of share-based payment	-	-	-	161	-	-	-	161	-	161
Exercise of options by officers	57	108	-	(165)	-	-	-	-	-	-
Non-controlling interests' share in the capital of a subsidiary company in the operations of investment funds and partnerships	-	-	-	-	-	-	-	-	799	799
Dividend paid by a consolidated company to non-controlling interests	-	-	-	-	-	-	-	-	(4,924)	(4,924)
Dividend to shareholders in the company	-	-	-	-	-	-	(9,930)	(9,930)	-	(9,930)
Total equity as of December 31, 2021	58	185,270	(57,759)	392	(53,826)	(2,563)	175,665	247,237	3,813	251,050

Electra Real Estate Ltd.**CONSOLIDATED INFORMATION OF CASH FLOWS**

US DOLLARS (in thousands)

	Year ended December 31 2023	Year ended December 31 2022	Year ended December 31 2021
	Audited	Audited	Audited
Cash flows from operating activities:			
Net income (loss) for the year	(62,981)	181,481	131,708
Adjustments required in order to present the cash flows from operating activities (Appendix A)	45,198	(94,799)	(77,313)
Net cash generated by operating activities	(17,783)	86,682	54,395
Cash flows from investment activities:			
Consideration from the sale of marketable securities, net	-	89	4,326
Consideration from the disposal of entities accounted for at equity	3,450	116,680	51,060
Change in short-term and long-term deposits, net	-	(12,341)	91
Changes in investments, loans to investments funds and partnerships, loans to investee companies and partners, net	(69,833)	(229,115)	(167,334)
Income tax received (paid) on the disposal of income-generating assets, net	-	(4,421)	(1,491)
Investment in and enhancement of income-generating assets	-	(83)	(1)
Consideration from the disposal of (investment in) fixed assets and usage right assets, net	-	(41)	(1,616)
Consideration from the sale of income-generating assets from the realization strategy assets	-	-	39,978
Net cash absorbed by investment activities	(66,383)	(129,232)	(74,987)
Cash flows from financing activities:			
Issue of bonds (net of issue expenses)	89,949	44,832	29,614
Dividend paid to shareholders in the company	(16,466)	(23,783)	(9,930)
Non-controlling interests' share of a subsidiary company holding residential property for rent in the United States, net	731	2,586	796
Payment of dividend in a consolidated company to non-controlling interests	(94)	(2,308)	(4,756)
Receipt of long-term loans	40,640	107,138	80,867
Repayment of long-term loans	(42,473)	(58,698)	(63,611)
Leasing liabilities	(290)	(77)	88
Purchase of treasury shares in the company	-	(6,916)	-
Repayment of bonds	(27,443)	(16,016)	(10,447)
Receipt of short-term loans	34,400	86,538	33,696
Repayment of short-term loans	-	(98,764)	-
Repayment of short-term credit from banks, which had been provided to realization strategy assets	-	-	(29,941)
Net cash generated by financing activities	78,954	34,532	26,376
Increase (decrease) in cash and cash equivalents	(5,212)	(8,018)	5,784
Balance of cash and cash equivalents at the beginning of the year	7,757	16,992	10,965
Translation differences in respect of cash balances in foreign currency	-	(1,217)	243
Balance of cash and cash equivalents at the end of the year	2,545	7,757	16,992

CONSOLIDATED INFORMATION OF CASH FLOWS

US DOLLARS (in thousands)

	Year ended December 31 2023	Year ended December 31 2022	Year ended December 31 2021
	Audited	Audited	Audited
Appendix A' – Adjustments to present the cash flows from operating activities			
Expenses (income) not involving cash flows:			
The Company's share of the results of affiliated companies, net	(8,950)	(47,783)	(36,724)
Realization of reserve on translation differences on the disposal of a foreign operation	-	-	2,111
Success fee (promote)	67,898	(208,662)	(142,543)
Dividends, success fees and interest received from companies accounted for at equity and others	9,703	90,557	60,204
Depreciation and amortization	421	350	292
Adjustments of fair value and the disposal of income-generating assets, net	-	-	2,206
Change in the value of financial assets	(794)	(113)	(4,326)
Cost of share-based payment	1,085	82	161
Change in deferred taxes, net	(16,688)	51,378	28,823
Changes in asset and liability items:			
Change in inventory of real estate for sale and advances, net	-	-	1,949
Change in trade receivables	-	47	116
Change in other receivables	(9,167)	(3,172)	664
Change in suppliers and providers of services	8	(417)	146
Change in other payables	7,844	12,522	4,318
Revaluation of long-term payables and receivables, net	(6,162)	10,412	5,290
	<u>45,198</u>	<u>(94,799)</u>	<u>(77,313)</u>
	Year ended December 31 2023	Year ended December 31 2022	Year ended December 31 2021
	Audited	Audited	Audited
Appendix B' – Additional details			
Cash paid in the year for:			
Interest	<u>21,467</u>	<u>11,989</u>	<u>7,221</u>
Taxes paid on income	<u>2,974</u>	<u>9,993</u>	<u>1,491</u>
Cash received in the period for:			
Interest	<u>12,786</u>	<u>7,842</u>	<u>721</u>

Notes to the Consolidated Financial Information

US Dollars (in thousands)

Note 1 - General

The accompanying Financial Information is derived from Hebrew version of the Company's annual consolidated financial statement as at December 31, 2023 and for the year ended on that date and the accompanying notes thereto (hereinafter - The annual consolidated financial statements), and is condensed financial information and it does not include the disclosures that are required under the International Financial Reporting Standards (IFRS).

The consolidated financial Information should be read together with the Company's Hebrew version of the annual consolidated financial statement as at December 31, 2023 and for the year ended on that date and the accompanying notes thereto (hereinafter – The Annual Consolidated Financial Statement).

The consolidated financial Information is a translation which is based on The Consolidated Financial Statements, which have been prepared in accordance with International Financial Reporting Standard (IFRS), and also in accordance with the disclosure requirements in accordance with section D of the Securities Regulations (Periodic and Immediate Reports) - 1970.

The financial Information are presented in USD since the Company believes that financial Information in USD provide more relevant information to the investors and users of the financial Information.

Note 2 - General description of the Company and its activities

Electra Real Estate Ltd. (hereinafter: "The Company") is a public company whose securities are listed for trading on the Tel-Aviv Stock Exchange. The Company focusses on the management of investment funds and partnerships for limited partners, where the Company is a partner in the entity that serves as the managing partner of the investment funds and partnerships (General Partner). As of the time of the publication of the financial information, the Company manages three investment funds, which invest in multi-family housing complexes in the United States, two debt fund for the provision of loans for the financing of housing complexes in the United States, 23 special purpose partnerships for investment in single family residences on plots of land for rental (Single Family Rental) including, inter alia build to rent activities (BTR), (The single family homes activity and the BTR activities will be called hereinafter: "SFR"). In addition, the Company manages an American REIT partnership which invests in opportunities in hotels in the United States and holds 2 office buildings in Great Britain, within the framework of a fund that is being established for investment in offices in Great Britain and two reserves of land that are designated primarily for the development of residential complexes for rental in Southern Miami.