

**EURO-TRADE REAL ESTATE INTERNATIONAL (Y.N.B) LTD**

**EURO-TRADE REAL ESTATE INTERNATIONAL (Y.N.B)**  
**LTD**

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**AS OF JUNE 30, 2009**

**EURO-TRADE REAL ESTATE INTERNATIONAL (Y.N.B) LTD**

**UNAUDITED INTERIM**

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**AS OF JUNE 30, 2009**

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# **WEKSLER, KODENZIK, ENOCH & CO.**

Certified Public Accountants (ISR).

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To the Shareholders

EURO-TRADE REAL ESTATE INTERNATIONAL (Y.N.B) LTD

Re: Review of unaudited interim consolidated financial statements  
for the six and three months ended June 30, 2009

## **Introduction**

We have reviewed the accompanying financial information of EURO TRADE REAL ESTATE INTERNATIONAL (Y.N.B) LTD and its subsidiaries ("the Group"), which comprises the condensed consolidated balance sheet as of June 30, 2009 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six and three months then ended. The Company's board of directors and management are responsible for the preparation and presentation of interim financial information for this period in accordance with IAS 34, "Interim Financial Reporting" and are responsible for the preparation of this interim financial information in accordance with Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express a conclusion on this interim financial information based on our review.

We did not review the condensed interim financial information of certain subsidiaries, whose assets constitute approximately 99.3% of total consolidated assets as of June 30, 2009, and whose revenues constitute approximately 99.3% and 99.6% of total consolidated revenues for the six and three months then ended. The condensed interim financial information of those companies was reviewed by other auditors, whose review reports have been furnished to us, and our conclusion, insofar as it relates to the financial information in respect of 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 generally 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 accompanying interim financial information is not prepared, in all material respects, in accordance with IAS 34.

In addition to the abovementioned, based on our review and the review reports of other auditors, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not comply, in all material respects, with the disclosure requirements of Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970.

Ramat-Gan, Israel  
August 19, 2009

Weksler, Kodenzik, Enoch & Co.  
Certified Public Accountants (ISR)

Ben Gurion st.2 Ramat Gan 52573 Tel: 03-7533900 FAX: 03-7527673

EURO-TRADE REAL ESTATE INTERNATIONAL (Y.N.B) LTD

Interim Condensed Consolidated Balance Sheets

	Convenience Translation in Euro as of June 30 2009 *)	As of June 30 2009	As Of June 30 2008	As Of December 31 2008
	Unaudited	Unaudited	Unaudited	Audited
	Euro in thousands		NIS in thousands	
<b><u>Current Asset :</u></b>				
Cash and cash equivalents	1,142	6,321	9,964	10,432
Short term investment	25	140	1,331	189
Accounts receivable and other current assets	600	3,319	8,323	3,909
	<u>1,767</u>	<u>9,780</u>	<u>19,618</u>	<u>14,530</u>
<b><u>Non-current assets:</u></b>				
Investment properties	99,069	548,307	530,167	525,332
Derivative financial instruments	-	-	10,226	-
Fixed assets, net	2	10	10	10
	<u>99,071</u>	<u>548,317</u>	<u>540,403</u>	<u>525,342</u>
	<u>100,838</u>	<u>558,097</u>	<u>560,021</u>	<u>539,872</u>
<b><u>Current Liabilities:</u></b>				
Current maturity of long term bank loans	1,335	7,389	6,488	7,067
Loan from other	423	2,343	-	-
Accounts payable and other current liabilities	2,091	11,575	15,445	15,348
	<u>3,849</u>	<u>21,307</u>	<u>21,933</u>	<u>22,415</u>
<b><u>Long-term liability:</u></b>				
Long-term bank loans	75,889	420,016	399,733	405,047
Loans from minority shareholders in consolidated companies	4,386	24,275	6,215	23,133
Renter's deposits	144	797	248	255
Debentures	11,056	61,188	66,859	64,816
Deferred taxes	391	2,165	12,105	3,670
Derivative financial instruments	5,395	29,858	211	20,126
	<u>97,261</u>	<u>538,299</u>	<u>485,371</u>	<u>517,047</u>
<b><u>Equity:</u></b>				
<b><u>Equity attributable to equity shareholders of the company</u></b>				
Issued Share capital	**)-	**)-	**)-	**)-
Share premium	3,254	18,007	16,108	16,108
Receipts on account of preferred shares	70	386	-	-
Other reserves	(3,227)	(17,862)	(568)	(16,506)
Accumulated Profit (Deficit)	(43)	(236)	11,290	861
	<u>54</u>	<u>295</u>	<u>26,830</u>	<u>463</u>
<b><u>Minority Interest (Debt)</u></b>	<b><u>(326)</u></b>	<b><u>(1,804)</u></b>	<b><u>25,887</u></b>	<b><u>(53)</u></b>
Total equity (Deficit)	<u>(272)</u>	<u>(1,509)</u>	<u>52,717</u>	<u>410</u>
	<u>100,838</u>	<u>558,097</u>	<u>560,021</u>	<u>539,872</u>

\*) Translated to Euro based on current exchange rate as of 30.6.09.

\*\*\*) Less than 1 NIS/Euro thousands.

**Tsahi Fridler**  
Finance manager

**Boaz Kamar**  
CEO and Director

**Amit Biel**  
Chairmen of the board  
of directors

August 19, 2009  
Approval date of  
the financial  
statements

## Interim Condensed Consolidated Income Statements

	Convenience Translation in Euro for the six months ended June 30, 2009 *)		For the six Months ended June 30, 2009	For the six Months ended June 30, 2008	For the three months ended June 30, 2009	For the three months ended June 30, 2008	For the Year ended December 31, 2008
	Unaudited		Unaudited	Unaudited	Unaudited	Unaudited	Audited
	Euro in thousands		NIS in thousands				
<u>Income</u>							
Rent Income	3,445	19,067	15,569	9,642	9,370	34,653	
Administating assets income	23	129	585	66	56	717	
Revaluation of investment properties	(98)	(541)	15,969	(541)	1,939	539	
Other income	22	119	203	45	40	536	
	<u>3,392</u>	<u>18,774</u>	<u>32,326</u>	<u>9,212</u>	<u>11,405</u>	<u>36,445</u>	
Operating expenses	<u>281</u>	<u>1,556</u>	<u>2,808</u>	<u>744</u>	<u>772</u>	<u>2,796</u>	
Gross profit	3,111	17,218	29,518	8,468	10,633	33,649	
General and administration expenses	<u>426</u>	<u>2,355</u>	<u>1,592</u>	<u>1,099</u>	<u>661</u>	<u>4,536</u>	
Operating profit	2,685	14,863	27,926	7,369	9,972	29,113	
Financial expenses	<u>3,272</u>	<u>18,108</u>	<u>16,334</u>	<u>9,132</u>	<u>8,991</u>	<u>32,955</u>	
Financial income	<u>503</u>	<u>2,784</u>	<u>586</u>	<u>68</u>	<u>434</u>	<u>576</u>	
Profit (loss) before income taxes	(84)	(461)	12,178	(1,695)	1,415	(3,266)	
Taxes on income	<u>82</u>	<u>452</u>	<u>4,015</u>	<u>600</u>	<u>637</u>	<u>1,759</u>	
Net profit (loss)	<u>(166)</u>	<u>(913)</u>	<u>8,163</u>	<u>(2,295)</u>	<u>778</u>	<u>(5,025)</u>	
<u>Attributed to:</u>							
Net profit (Loss) attributed to shareholders of the company	(198)	(1,097)	3,137	(2,225)	7	(7,292)	
Minority share	<u>32</u>	<u>184</u>	<u>5,026</u>	<u>(70)</u>	<u>771</u>	<u>2,267</u>	
	<u>(166)</u>	<u>(913)</u>	<u>8,163</u>	<u>(2,295)</u>	<u>778</u>	<u>(5,025)</u>	
Profit (Loss) per share (in NIS)	<u>(0.01)</u>	<u>(0.04)</u>	<u>0.13</u>	<u>(0.08)</u>	<u>0.01</u>	<u>(0.30)</u>	

\*) Translated to Euro based on exchange rate as of 30.06.09.

## Interim Condensed Comprehensive Income Statements

	Convenience Translation in Euro for the six months ended	For the six months ended		For the three months ended		For the year ended	
	June 30, 2009 *)	June 30		June 30		December 31, 2008	
	Unaudited	2009	2008	2009	2008	Audited	
	Euro in thousands	NIS in thousands					
Net Profit (loss)	(166)	(913)	8,163	(2,295)	778	(5,025)	
Comprehensive income (loss):							
Profit (loss) on cash flow hedge	(1,101)	(6,093)	7,561	3,090	10,418	(16,184)	
Foreign currency translation	506	2,802	(4,885)	(450)	(5,134)	(4,582)	
Comprehensive income (loss) , net.	(595)	(3,291)	2,676	2,640	5,284	(20,766)	
Total comprehensive income (loss)	(761)	(4,204)	10,839	345	6,062	(25,791)	
<b>Total comprehensive income (loss) attributed to:</b>							
Shareholders of the company	(443)	(2,453)	3,607	(593)	1,910	(22,760)	
Minority share	(318)	(1,751)	7,232	938	4,152	(3,031)	
	(761)	(4,204)	10,839	345	6,062	(25,791)	

\*) translated to Euro based on exchange rate as of 30.06.09.

EURO-TRADE REAL ESTATE INTERNATIONAL (Y.N.B) LTD

**Interim Condensed statement of Change in Shareholder's Equity**

	Attributable to shareholders equity of company								
	Issued share capital	Share premium	Receipts on account of preferred shares	Accumulated profit (loss)	Foreign currency translation	Other reserves	Total	Minority Interest	Total equity
	Unaudited								
	NIS in thousands								
Balance as of January 1, 2009 (audited)	(* -	16,108	-	861	(5,235)	(11,271)	463	(53)	410
Total comprehensive income (loss)	(* -	-	-	(1,097)	2,802	(4,158)	(2,453)	(1,751)	(4,204)
Receipts on account of preferred shares	-	-	386	-	-	-	386	-	386
Issue of preference share capital	(* -	1,899	-	-	-	-	1,899	-	1,899
Balance as of June 30, 2009	(* -	18,007	386	(236)	(2,433)	(15,429)	295	(1,804)	(1,509)
Convenience translation in Euro as of June 30, 2009 (**	(* -	3,254	70	(43)	(439)	(2,788)	54	(326)	(272)

	Attributable to shareholders equity of company							
	Issued share capital	Share premium	Accumulated profit	Foreign currency translation	Other reserves	Total	Minority Interest	Total equity
	Unaudited							
	NIS in thousands							
Balance as of January 1, 2008 (audited)	(* -	16,108	8,153	(653)	(385)	23,223	2,978	26,201
Total comprehensive income (loss)	-	-	3,137	(4,885)	5,355	3,607	7,232	10,839
Minority Interest	-	-	-	-	-	-	15,677	15,677
Balance as of June 30, 2008	(* -	16,108	11,290	(5,538)	4,970	26,830	25,887	52,717

(\* Less than 1 NIS/Euro thousands.

(\*\* Translated to Euro based on current exchange rate as of 30.06.09

EURO-TRADE REAL ESTATE INTERNATIONAL (Y.N.B) LTD

**Interim Condensed Statement of Changes in Shareholders' Equity**

	Attributable to shareholders equity of company							Minority Interest	Total equity
	Issued share capital	Share premium	Receipts on account of preferred shares	Accumulated profit (loss)	Foreign currency translation	Other reserves	Total		
	Unaudited								
	NIS in thousands								
Balance as of April 1, 2009 (audited)	(*	16,108	-	1,989	(1,983)	(17,511)	(1,397)	(2,742)	(4,139)
Total comprehensive income (loss)	(*-	-	-	(2,225)	(450)	2,082	(593)	938	345
Receipts on account of preferred shares	-	-	386	-	-	-	386	-	386
Issue of preference share capital	(*-	1,899	-	-	-	-	1,899	-	1,899
Balance as of June 30, 2009	(*-	18,007	386	(236)	(2,433)	(15,429)	295	(1,804)	(1,509)
Convenience translation in Euro as of June 30 ,2009 (**	(*-	3,254	70	(43)	(439)	(2,788)	54	(326)	(272)

	Attributable to shareholders equity of company						Minority Interest	Total equity
	Issued share capital	Share premium	Accumulated profit	Foreign currency translation	Other reserves	Total		
	Unaudited							
	NIS in thousands							
Balance as of April 1, 2008	(* -	16,108	11,283	(404)	(2,067)	24,920	23,435	48,355
Total comprehensive income (loss)	-	-	7	(5,134)	7,037	1,910	4,152	6,062
Minority Interest	-	-	-	-	-	-	(1,700)	(1,700)
Balance as of June 30, 2008	(* -	16,108	11,290	(5,538)	4,970	26,830	25,887	52,717

(\* Less than 1 NIS/Euro thousands.

(\*\* Translated to Euro based on current exchange rate as of 30.6.09.

EURO-TRADE REAL ESTATE INTERNATIONAL (Y.N.B) LTD

Interim Condensed Statement of Changes in Shareholder's Equity

	Attributable to equity shareholders of the company					Total	Minority Interest	Total equity
	Issued share capital	Share premium	Accumulated profit	Foreign currency translation	Other reserves			
Audited								
NIS in thousands								
Balance as of January 1, 2008	-*)	16,108	8,153	(653)	(385)	23,223	2,978	26,201
Total comprehensive loss	-	-	(7,298)	(4,582)	(10,886)	(22,760)	(3,031)	(25,791)
Balance as of December 31, 2008	-*)	16,108	861	(5,235)	(11,271)	463	(53)	410

\*) Less than 1 NIS thousands.

## Interim Condensed Consolidated Cash flow Statements

	Convenience Translation In Euro for the six months ended June 30, 2009 *)		For the six months ended June 30		For the three months ended June 30		For the year ended December 31, 2008
	Unaudited		Unaudited	Unaudited	Unaudited	Unaudited	Audited
	Euro in thousands		NIS in thousands				
<b><u>Cash flows from operating activities:</u></b>							
Net profit (loss) per statements of income	(166)	(913)	8,163	(2,295)	778	(5,025)	
Adjustments to reconcile net profit (loss) to cash provided by operating activities (See A)	(376)	(2,079)	(8,882)	3,496	3,854	5,865	
Net cash provided by (used in) operating activities	(542)	(2,992)	(719)	1,201	4,632	840	
<b><u>Cash flows from investing activities:</u></b>							
Purchase of fixed assets	-	-	(1)	-	(1)	(10)	
Purchase of investment properties	-	-	(223,623)	-	(75,043)	(226,128)	
Investment in marketable securities and others, net	18	101	12,532	101	474	12,532	
Purchase of investment from the minority	-	-	(48)	-	(48)	(48)	
Investments' sale to minority	-	-	36	-	36	36	
Deposit repayment	-	-	1,075	-	1,075	2,166	
Net cash provided by (used in) investing activities	18	101	(210,029)	101	(73,507)	(211,443)	
<b><u>Cash flows from financing activities:</u></b>							
Repurchase of debentures	(426)	(2,358)	-	(725)	-	(2,022)	
Proceeds from sale of debentures and options	-	-	1,549	-	-	1,580	
Receipt (repayment) of loans from others, net	693	3,838	(628)	2,914	(611)	10,551	
Long-term bank loans	-	-	212,989	-	85,982	214,459	
Repayment of long-term bank loans	(559)	(3,095)	(17,950)	(1,513)	(15,876)	(20,243)	
Repayment of short term bank credit	-	-	-	(282)	-	-	
Minority's interest	-	-	8,139	-	1,151	-	
Net cash provided by (used in) financing activities	(292)	(1,615)	203,833	394	70,646	204,325	
<b>Translation differences relating to cash balances in autonomous units</b>	73	395	(695)	220	(713)	(864)	
Increase (decrease) in cash and cash equivalents	(743)	(4,111)	(7,610)	1,916	1,058	(7,142)	
Cash and cash equivalents – beginning of the period	1,885	10,432	17,574	4,405	8,906	17,574	
Cash and cash equivalents – end of the period	1,142	6,321	9,964	6,321	9,964	10,432	

\*) Translated to Euro based on current exchange rate as of 30.6.09.

## Interim Condensed Consolidated Cash Flow Statements

	Convenience Translation In Euro for the six months ended June 30, 2009 *)		For the six months ended June 30		For the three months ended June 30		For the year ended December 31, 2008
	Unaudited		Unaudited	Unaudited	Unaudited	Unaudited	Audited
	Euro in thousands		NIS in thousands				
			2009	2008	2009	2008	2008
<b>A. Adjustments to reconcile net profit (loss) to net cash provided by operating activities</b>							
<b><u>Income and expenses not involving cash flow:</u></b>							
Depreciation and amortization	142	785	876	395	461	1,827	
Deferred taxes	32	176	4,040	519	619	1,631	
Interest income from long term loan and other, net	(542)	(3,001)	(23)	1,395	(118)	3,444	
Linkage differences of debentures	144	795	1,606	1,190	1,538	2,950	
Gain from repurchase of debentures	(467)	(2,582)	-	(5)	-	(2,643)	
Gain (loss) on realization and increase in value of marketable securities, net	(9)	(52)	219	(23)	60	246	
Revaluation of investment properties	98	541	(15,969)	541	(1,939)	(539)	
Adjustments of fair value of derivative financial instruments	115	644	(360)	(355)	(641)	-	
<b><u>Change in operating assets and liabilities:</u></b>							
Increase in accounts receivable and other current assets	128	710	(3,880)	552	(1,417)	(1,983)	
Increase in accounts payable and other current liabilities	(17)	(95)	4,609	(713)	5,291	935	
	(376)	(2,079)	(8,882)	3,496	3,854	5,865	

\*) Translated to Euro based on exchange rate as of 30.6.09.

This is a condensed English translation of the financial statements of EURO-TRADE REAL ESTATE INTERNATIONAL (Y.N.B) LTD. The complete financial statements of the Company in Hebrew are presented in the MGANA web site: <http://www.magna.isa.gov.il/>

In case of disagreement the complete Hebrew version is the definitive.