

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

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2007

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

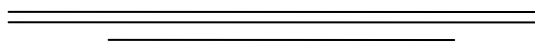
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AS OF DECEMBER 31, 2007

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AUDITORS' REPORT
TO THE SHAREHOLDERS OF
EURO-TRADE REAL ESTATE INTERNATIONAL (Y.N.B) LTD.

We have audited the accompanying consolidated balance sheets of **EURO-TRADE REAL ESTATE INTERNATIONAL (Y.N.B) LTD** (the "Company") as of December 31, 2007 and 2006, and the related consolidated statements of income, statements of changes in shareholders' equity and consolidated cash flows for the year ended December 31, 2007 and for the period ended December 31, 2006. These financial statements are the responsibility of the Company's board of directors and management. Our responsibility is to express an opinion on these financial statements based on our audit.

We did not audit the financial statements of certain subsidiaries, whose assets constitute approximately 93% of total consolidated assets as of December 31, 2007, and whose revenues constitute approximately 99% of total consolidated revenues for the year ended December 31, 2007. The financial statements of those companies were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to amounts included for those companies, is based on the reports of the other auditors.

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

In our opinion, based on our audits and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company consolidated as of December 31, 2007 and 2006, and the results of its operations changes in shareholders' equity and its cash flows for the year ended December 31, 2007 and for the period ended December 31, 2006, in conformity with International Financial Reporting Standards (IFRS) and accordance with the securities regulations (preparation of annual financial statements) – 1993.

Ramat Gan, Israel
March 30, 2008

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

Condensed Consolidated Balance Sheets

	Convenience Translation in Euro as of December 31 2007 *)	As of December 31 2007	As of December 31 2006
	Euro in thousands	NIS in thousands	
<u>Current Asset:</u>			
Cash and cash equivalents	3,105	17,574	1,091
Short term investment	2,701	15,286	-
Accounts receivable and other current assets	398	2,255	314
	<u>6,204</u>	<u>35,115</u>	<u>1,405</u>
<u>Non-current assets:</u>			
Affiliated company investment	-	-	3,640
Derivative financial instruments	153	867	-
Investment properties	56,076	317,344	-
Fixed assets, net	2	9	6
	<u>56,231</u>	<u>318,220</u>	<u>3,646</u>
	<u>62,435</u>	<u>353,335</u>	<u>5,051</u>
<u>Current Liabilities:</u>			
Current maturity of long term bank loans	672	3,802	-
Accounts payable and other current liabilities	2,428	13,738	164
	<u>3,100</u>	<u>17,540</u>	<u>164</u>
<u>Long-term liabilities:</u>			
Long-term bank loans	39,913	225,874	-
Loans from minority shareholders in consolidated companies	2,345	13,273	-
Debentures	11,159	63,149	-
Deferred taxes	1,120	6,336	-
Derivative financial instruments	170	962	-
	<u>54,707</u>	<u>309,594</u>	<u>-</u>
<u>Equity:</u>			
<u>Equity attributable to equity shareholders of the company</u>			
Issued Share capital	(** -	(** -	(** -
Share premium	2,846	16,108	8
Receipts on account of shares	-	-	4,868
Other reserves	(184)	(1,038)	39
Accumulated profit (Deficit)	1,440	8,153	(28)
	<u>4,102</u>	<u>23,223</u>	<u>4,887</u>
<u>Minority Interest</u>	<u>526</u>	<u>2,978</u>	<u>-</u>
Total equity	<u>4,628</u>	<u>26,201</u>	<u>4,887</u>
	<u>62,435</u>	<u>353,335</u>	<u>5,051</u>

*) Translated to Euro based on current exchange rate as of 31.12.07.

**) Less than 1 NIS/Euro thousands.

Tsahi Fridler
Finance manager

Boaz Kamar
CEO and Director

Amit Biel
Chairmen of the board
of directors

March 30, 2008
Approval date of the
financial statements

Condensed Consolidated Income Statements

	Convenience Translation in Euro for the year ended December 31, 2007 *)	For the year ended December 31, 2007	For the Period ended December 31,2006
	Euro in thousands	NIS in thousands	
<u>Income</u>			
Rent Income	1,632	9,239	-
Administrating assets income	11	64	16
Revaluation of investment properties	3,334	18,868	-
Other income	33	189	-
	5,010	28,360	16
Operating expenses	72	407	-
Gross profit	4,938	27,953	16
General and administration expenses	683	3,866	56
Operating profit (loss)	4,255	24,087	(40)
Financial expenses	2,620	14,830	-
Financial income	431	2,439	53
Profit before income taxes	2,066	11,696	13
Taxes on income	(634)	(3,588)	(10)
Profit (loss) after income taxes	1,432	8,108	3
Company share in profit (loss) of affiliated company	4	21	(31)
Net profit (Loss)	1,436	8,129	(28)
<u>Attributed to:</u>			
Net profit (Loss) Attributed to shareholders of the company	1,445	8,181	(28)
Minority share	(9)	(52)	-
	1,436	8,129	(28)
Profit Loss per share (in NIS)	0.06	0.34	(3.5)

*) Translated to Euro based on current exchange rate as of 31.12.07.

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

Condensed Statement of Changes in shareholder's Equity

	Attributable to equity shareholders of the company							Minority Interest	Total equity
	Issued share capital	Share premium	Receipts on account of shares	Accumulated profit (Deficit)	Foreign currency translation	Other reserves	Total		
	NIS in thousands								
Balance as of October 5, 2006	(* - 8	-	-	-	-	-	8	-	8
Foreign currency translation	-	-	-	-	39	-	39	-	39
Total income and expense for the period recognized directly in equity	(* - 8	-	-	-	39	-	47	-	47
Loss for the period	-	-	-	(28)	-	-	(28)	-	(28)
	(* - 8	-	-	(28)	39	-	19	-	19
Receipts on account of shares	-	-	4,868	-	-	-	4,868	-	4,868
Balance as of December 31, 2006	(* - 8	-	4,868	(28)	39	-	4,887	-	4,887
Loss on cash flow hedge	-	-	-	-	-	(385)	(385)	-	(385)
Foreign currency translation	-	-	-	-	(692)	-	(692)	-	(692)
Total income and expense for the year recognized directly in equity	(* - 8	-	4,868	(28)	(653)	(385)	3,810	-	3,810
Profit for the year	-	-	-	8,181	-	-	8,181	(52)	8,129
	(* - 8	-	4,868	8,153	(653)	(385)	11,991	(52)	11,939
Issue of preference share capital	(* - 16,100	-	(4,868)	-	-	-	11,232	-	11,232
Minority Interest	-	-	-	-	-	-	-	3,030	3,030
Balance as of December 31, 2007	(* - 16,108	-	-	8,153	(653)	(385)	23,223	2,978	26,201
Convenience translation in Euro as of December 31, 2007	(* 2,846	-	-	1,440	(116)	(68)	4,102	526	4,628

*) Less than 1 NIS/EURO thousands.

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

Condensed Consolidated Cash Flow Statements

	Convenience Translation In Euro for the year ended December 31, 2007 *)	For the year ended December 31, 2007	For the period ended December 31, 2006
	Euro in thousand	NIS in thousands	
<u>Cash flows from operating activities:</u>			
Net profit (loss) per statements of income	1,436	8,129	(28)
Adjustments to reconcile net profit (loss) to cash provided by operating activities (See A)	(934)	(5,287)	41
Net cash provided by operating activities	502	2,842	13
<u>Cash flows from investing activities:</u>			
Purchase of fixed assets	-	(2)	(7)
Purchase of investment properties	(30,645)	(173,427)	-
Investment in Affiliated company	-	-	(2)
Net cash acquired with affiliated company consolidated for the first time (See B)	161	910	-
Net cash acquired with investee company consolidated for the first time (See C)	-	-	-
Net cash acquired with proportionate consolidation consolidated for the first time (See D)	(697)	(3,947)	-
Investment in marketable securities and others, net	(2,711)	(15,338)	-
Long-term loan	-	-	(3,577)
Long-term loan received	12	72	-
Net cash used in investing activities	(33,880)	(191,732)	(3,586)
<u>Cash flows from financing activities:</u>			
Issue of capital (including premium)	1,985	11,232	8
Receipts on account of shares	-	-	4,868
Issue of debentures (less – issuance expenses)	10,925	61,824	(212)
Repurchase of debentures	(271)	(1,532)	-
Repayment of loans from minority shareholders in consolidated companies, net	(2,215)	(12,536)	-
Long-term bank loans	26,404	149,430	-
Repayment of long-term bank loans	(345)	(1,952)	-
Net cash provided by financing activities	36,483	206,466	4,664
<u>Translation differences relating to cash balances in autonomous units</u>			
	(193)	(1,093)	-
Increase in cash and cash equivalents	2,912	16,483	1,091
Cash and cash equivalents – beginning of the period	193	1,091	-
Cash and cash equivalents – end of the period	3,105	17,574	1,091

*) Translated to Euro based on current exchange rate as of 31.12.07.

Consolidated Cash Flow statements

	Convenience Translation In Euro for the year ended December 31, 2007 *)	For the year ended December 31, 2007	For the period ended December 31, 2006
	Euro in thousand	NIS in thousands	
<u>A. Adjustments to reconcile net loss to net cash provided by operating activities</u>			
<u>Income and expenses not involving cash flow:</u>			
Company share in loss (profit) of affiliated company	(4)	(21)	31
Depreciation and amortization	219	1,238	1
Deferred taxes	626	3,542	-
Interest income from long term loan	-	(3)	(53)
Linkage differences of debentures	343	1,939	-
Gain from repurchase of debentures	(34)	(192)	-
loss on realization and increase in value of marketable securities, net	9	52	-
Revaluation of investment properties	(3,334)	(18,868)	-
Adjustments of fair value from long term loan	(79)	(446)	-
<u>Change in operating assets and liabilities:</u>			
Increase in accounts receivable and other current assets	(335)	(1,894)	(102)
Increase in accounts payable and other current liabilities	1,655	9,366	164
	<u>(934)</u>	<u>(5,287)</u>	<u>41</u>
<u>B. Consolidation of affiliated company for the first time</u>			
The assets and liabilities as at the date of consolidation:			
Current capital, net (cash and cash equivalent excluded)	180	1,015	-
Investment properties	(11,148)	(63,089)	-
Long-term liabilities	11,132	63,002	-
Minority Interest	(3)	(18)	-
	<u>161</u>	<u>910</u>	<u>-</u>
<u>C. Consolidation of investee company for the first time</u>			
The assets and liabilities as at the date of consolidation:			
Current capital, net (cash and cash equivalent excluded)	188	1,062	-
Investment properties	(7,116)	(40,270)	-
Long-term liabilities	6,343	35,896	-
Minority Interest	585	3,312	-
	<u>-</u>	<u>-</u>	<u>-</u>

*) Translated to Euro based on current exchange rate as of 31.12.07.

Consolidated Cash Flow statements

	Convenience Translation In Euro for the year ended December 31, 2007 *) <u>Euro in thousand</u>	For the year ended December 31, 2007 <u>NIS in thousands</u>	For the period ended December 31, 2006
<u>D. Consolidation of proportionate consolidation for the first time</u>			
The assets and liabilities as at the date of consolidation:			
Current capital, net (cash and cash equivalent excluded)	31	173	-
Investment properties	(3,467)	(19,623)	-
Fixed assets	(2)	(9)	-
Long-term liabilities	2,739	15,503	-
Minority Interest	2	9	-
	<u>(697)</u>	<u>(3,947)</u>	<u>-</u>
<u>Not cash activity</u>			
Investment properties' purchase expenses	<u>318</u>	<u>1,801</u>	<u>-</u>

*) Translated to Euro based on current exchange as of 31.12.07.

This is a condensed English translation of the financial statements of EURO-TRADE REAL ESTATE INTERNATIONAL (Y.N.B) LTD. ("the Company"). 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.