

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

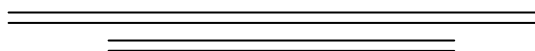
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2008

EURO-TRADE REAL ESTATE INTERNATIONAL (Y.N.B) LTD
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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INDEX

	<u>page</u>
Auditors' Report	2
Consolidated Balance Sheets	3
Consolidated Income Statements	4
Statement of Changes in shareholders' Equity	5-6
Consolidated Cash Flows Statements	7-9



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, 2008 and 2007, and the related consolidated statements of income, statements of changes in shareholders' equity and consolidated cash flows for each of the three years ended December 31, 2008. 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 98.9% and 93% of total consolidated assets as of December 31, 2008 and 2007, respectively and whose revenues constitute approximately 98% and 99% of total consolidated revenues for the years then ended respectively. The financial statements of those companies were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to amounts included for those companies, is based on the reports of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards in Israel, including those prescribed by the Auditors' Regulations (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, 2008 and 2007, and the results of its operations changes in shareholders' equity and its cash flows for each of the three years ended December 31, 2008, in conformity with International Financial Reporting Standards (IFRS) and accordance with the securities regulations (preparation of annual financial statements) – 1993.

Ramat Gan, Israel
March 31, 2009

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

Condensed Consolidated Balance Sheets

	Convenience Translation in Euro as of December 31 2008 *)	As of December 31 2008	As of December 31 2007
	Euro in thousands	NIS in thousands	
<u>Current Asset:</u>			
Cash and cash equivalents	1,969	10,432	17,574
Short term investment	36	189	15,286
Accounts receivable and other current assets	738	3,909	2,255
	<u>2,743</u>	<u>14,530</u>	<u>35,115</u>
<u>Non-current assets:</u>			
Investment properties	99,170	525,332	317,344
Derivative financial instruments	-	-	867
Fixed assets, net	2	10	9
	<u>99,172</u>	<u>525,342</u>	<u>318,220</u>
	<u>101,915</u>	<u>539,872</u>	<u>353,335</u>
<u>Current Liabilities:</u>			
Current maturity of long term bank loans	1,334	7,067	3,802
Accounts payable and other current liabilities	2,897	15,348	13,738
	<u>4,231</u>	<u>22,415</u>	<u>17,540</u>
<u>Long-term liabilities:</u>			
Long-term bank loans	76,463	405,047	225,874
Loans from minority shareholders in consolidated companies	4,367	23,133	13,273
Renter's deposits	48	255	-
Debentures	12,236	64,816	63,149
Deferred taxes	693	3,670	6,336
Derivative financial instruments	3,799	20,126	962
	<u>97,606</u>	<u>517,047</u>	<u>309,594</u>
<u>Equity:</u>			
<u>Equity attributable to equity shareholders of the company</u>			
Issued Share capital	(** -	(** -	(** -
Share premium	3,041	16,108	16,108
Other reserves	(3,116)	(16,506)	(1,038)
Accumulated profit	163	861	8,153
	<u>88</u>	<u>463</u>	<u>23,223</u>
<u>Minority Interest</u>	<u>(10)</u>	<u>(53)</u>	<u>2,978</u>
Total equity	<u>78</u>	<u>410</u>	<u>26,201</u>
	<u>101,915</u>	<u>539,872</u>	<u>353,335</u>

*) Translated to Euro based on current exchange rate as of 31.12.08.

**) Less than 1 NIS/Euro thousands.

Tsahi Fridler
Finance manager

Boaz Kamar
CEO and Director

Amit Biel
Chairmen of the board
of directors

March 31, 2009
Approval date of the
financial statements

Condensed Consolidated Income Statements

	Convenience Translation in Euro for the year ended December 31, 2008 *)	For the year ended December 31, 2008	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	6,542	34,653	9,239	-
Administrating assets income	135	717	64	16
Revaluation of investment properties	102	539	18,868	-
Other income	101	536	189	-
	6,880	36,445	28,360	16
Operating expenses	528	2,796	407	-
Gross profit	6,352	33,649	27,953	16
General and administration expenses	856	4,536	3,866	56
Operating profit (loss)	5,496	29,113	24,087	(40)
Financial expenses	6,222	32,955	14,830	-
Financial income	109	576	2,439	53
Profit (loss) before income taxes	(617)	(3,266)	11,696	13
Taxes on income	332	1,759	3,588	10
Profit (loss) after income taxes	(949)	(5,025)	8,108	3
Company share in profit (loss) of affiliated company	-	-	21	(31)
Net profit (Loss)	(949)	(5,025)	8,129	(28)
<u>Attributed to:</u>				
Net profit (Loss) Attributed to shareholders of the company	(1,377)	(7,292)	8,181	(28)
Minority share	428	2,267	(52)	-
	(949)	(5,025)	8,129	(28)
Profit Loss per share (in NIS)	(0.06)	(0.30)	0.34	(3.5)

*) Translated to Euro based on current exchange rate as of 31.12.08.

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

Condensed Statement of Changes in shareholder's Equity

Attributable to equity shareholders of the company

	<u>Issued share capital</u>	<u>Share premium</u>	<u>Receipts on account of shares</u>	<u>Accumulated profit (Deficit)</u>	<u>Foreign currency translation</u>	<u>Other reserves</u>	<u>Total</u>	<u>Minority Interest</u>	<u>Total equity</u>
	NIS in thousands								
Balance as of October 5, 2006	(* - 8	8	-	-	-	-	8	-	8
Foreign currency translation	-	-	-	-	39	-	39	-	39
Total income and expense for the period recognized directly in equity	(* - 8	8	-	-	39	-	47	-	47
Loss for the period	-	-	-	(28)	-	-	(28)	-	(28)
	(* - 8	8	-	(28)	39	-	19	-	19
Receipts on account of shares	-	-	4,868	-	-	-	4,868	-	4,868
Balance as of December 31, 2006	(* - 8	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	8	4,868	(28)	(653)	(385)	3,810	-	3,810
Profit for the year	-	-	-	8,181	-	-	8,181	(52)	8,129
Issue of preference share capital	(* - 16,100	16,100	(4,868)	-	-	-	11,232	-	11,232
Minority Interest	-	-	-	-	-	-	-	3,030	3,030
Balance as of December 31, 2007	(* - 16,108	16,108	-	8,153	(653)	(385)	23,223	2,978	26,201

*) Less than 1 NIS/EURO thousands.

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								
Loss on cash flow hedge	-	-	-	-	-	(10,886)	(10,886)	(5,298)	(16,184)
Foreign currency translation	-	-	-	-	(4,582)	-	(4,582)	-	(4,582)
Total income and expense for the year recognized directly in equity	-	16,108	-	8,153	(5,235)	(11,271)	7,755	(2,320)	5,435
Loss for the year	-	-	-	(7,292)	-	-	(7,292)	2,267	(5,025)
Balance as of December 31, 2008	(* -	16,108	-	861	(5,253)	(11,271)	463	(53)	410
Convenience translation in Euro as of December 31, 2008 (**)	(*	3,041	-	163	(988)	(2,128)	88	(10)	78

*) Less than 1 NIS/EURO thousands.

**) Translated to Euro based on current exchange rate as of 31.12.08.

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

Condensed Consolidated Cash Flow statements

	Convenience Translation In Euro for the year ended December 31, 2008 *)	For the year ended December 31, 2008	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	(949)	(5,025)	8,129	(28)
Adjustments to reconcile net profit (loss) to cash provided by operating activities (See A)	1,107	5,865	(5,287)	41
Net cash provided by operating activities	158	840	2,842	13
<u>Cash flows from investing activities:</u>				
Purchase of fixed assets	-	(1)	(2)	(7)
Purchase of investment properties	(42,687)	(226,128)	(173,427)	-
Investment in Affiliated company	-	-	-	(2)
Net cash acquired with affiliated company consolidated for the first time (See B)	-	-	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)	-	-	(3,947)	-
Investment in marketable securities and others, net	2,365	12,532	(15,338)	-
Long-term loan	-	-	-	(3,577)
Long-term loan received	-	-	72	-
Investment purchased from the minority	(9)	(48)	-	-
Investment's sale to minority	7	36	-	-
Deposit repayment	409	2,166	-	-
Net cash used in investing activities	(39,915)	(211,443)	(191,732)	(3,586)
<u>Cash flows from financing activities:</u>				
Issue of capital (including premium)	-	-	11,232	8
Receipts on account of shares	-	-	-	4,868
Issue of debentures (less – issuance expenses)	-	-	61,824	(212)
Repurchase of debentures and options	(382)	(2,022)	(1,532)	-
Sale of debentures and options	298	1,580	-	-
Repayment of loans from minority shareholders in consolidated companies, net	1,992	10,551	(12,536)	-
Long-term bank loans	40,485	214,459	149,430	-
Repayment of long-term bank loans	(3,821)	(20,243)	(1,952)	-
Net cash provided by financing activities	38,572	204,325	206,466	4,664
Translation differences relating to cash balances in autonomous units	(163)	(864)	(1,093)	-
Increase (decrease) in cash and cash equivalents	(1,348)	(7,142)	16,483	1,091
Cash and cash equivalents – beginning of the period	3,317	17,574	1,091	-
Cash and cash equivalents – end of the period	1,969	10,432	17,574	1,091

*) Translated to Euro based on current exchange rate as of 31.12.08

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

Condensed Consolidated Cash Flow statements

	Convenience Translation In Euro for the year ended December 31, 2008*)	For the year ended December 31, 2008	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	-	-	(21)	31
Depreciation and amortization	345	1,827	1,238	1
Deferred taxes	308	1,631	3,542	-
Interest from long term loan, net	650	3,441	(3)	(53)
Linkage differences of debentures	557	2,950	1,939	-
Gain from repurchase of debentures	(499)	(2,643)	(192)	-
loss on realization and increase in value of marketable securities, net	46	246	52	-
Revaluation of investment properties	(102)	(539)	(18,868)	-
Adjustments of fair value from long term loan	-	-	(446)	-
<u>Change in operating assets and liabilities:</u>				
Increase in accounts receivable and other current assets	(374)	(1,983)	(1,894)	(102)
Increase in accounts payable and other current liabilities	176	935	9,366	164
	<u>1,107</u>	<u>5,865</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)	-	-	1,015	-
Investment properties	-	-	(63,089)	-
Long-term liabilities	-	-	63,002	-
Minority Interest	-	-	(18)	-
	<u>-</u>	<u>-</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)	-	-	1,062	-
Investment properties	-	-	(40,270)	-
Long-term liabilities	-	-	35,896	-
Minority Interest	-	-	3,312	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

*) Translated to Euro based on current exchange rate as of 31.12.08.

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

Condensed Consolidated Cash Flow statements

	Convenience Translation In Euro for the year ended December 31, 2008 *) Euro in thousand	For the year ended December 31, 2008	For the year ended December 31, 2007	For the period ended December 31, 2006
	NIS in thousands			
<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)	-	-	173	-
Investment properties	-	-	(19,623)	-
Fixed assets	-	-	(9)	-
Long-term liabilities	-	-	15,503	-
Minority Interest	-	-	9	-
	-	-	(3,947)	-
	-	-	1,801	-
<u>Not cash activity</u>				
Investment properties' purchase expenses	-	-	1,801	-

*) Translated to Euro based on current exchange as of 31.12.08.

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.