



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

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS OF JUNE 30, 2008

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

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UNAUDITED INTERIM

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS OF JUNE 30, 2008

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WEKSLER, KODENZIK, ENOCH & CO.

Certified Public Accountants (ISR).

To the Board of Directors

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, 2008

We have reviewed the accompanying interim consolidated balance sheet of EURO-TRADE REAL ESTATE INTERNATIONAL (Y.N.B) LTD. ("the Company") as of June 30, 2008, and the related interim consolidated statements of income, changes in equity and cash flows for the six and the three months then ended. These interim consolidated financial statements are the responsibility of the Group's management. Our responsibility is to issue a report on these interim consolidated financial statements based on our review.

We did not review the condensed interim financial statements of certain subsidiaries, whose assets constitute approximately 93.5% of the total assets in the consolidated interim balance sheet as of June 30, 2008 and whose revenues constitute approximately 98.2% and 99.4% of total revenues in the consolidated interim statement of operations for the six and three months ended on that date, respectively.

A review is substantially less in scope than an audit in accordance with generally accepted auditing standards, and accordingly, we do not express an opinion on the interim consolidated financial statements.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements are not presented fairly, in all material respects, in accordance with International Financial Reporting Standards IAS34 (Interim Financial Reporting) and with the Securities Regulations (periodic and Immediate Reports) - 1970.

Ramat-Gan, Israel
August 17, 2008

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

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

Interim Condensed Consolidated Balance Sheets

	Convenience Translation in Euro as of June 30 2008 *) Unaudited Euro in thousands	As of June 30 2008 Unaudited	As Of June 30 2007 Unaudited NIS in thousands	As Of December 31 2007 Audited
<u>Current Asset :</u>				
Cash and cash equivalents	1,885	9,964	51,498	17,574
Short term investment	252	1,331	21,142	15,286
Accounts receivable and other current assets	1,575	8,323	1,208	2,255
	<u>3,712</u>	<u>19,618</u>	<u>73,848</u>	<u>35,115</u>
<u>Non-current assets:</u>				
Investment properties	100,317	530,167	107,853	317,344
Derivative financial instruments	1,935	10,226	-	867
Fixed assets, net	2	10	6	9
	<u>102,254</u>	<u>540,403</u>	<u>107,859</u>	<u>318,220</u>
	<u>105,966</u>	<u>560,021</u>	<u>181,707</u>	<u>353,335</u>
<u>Current Liabilities:</u>				
Current maturity of long term bank loans	1,228	6,488	2,117	3,802
Accounts payable and other current liabilities	2,922	15,445	6,247	13,738
	<u>4,150</u>	<u>21,933</u>	<u>8,364</u>	<u>17,540</u>
<u>Long-term liability:</u>				
Long-term bank loans	75,637	399,733	82,586	225,874
Loans from minority shareholders in consolidated companies	1,176	6,215	6,923	13,273
Renter's deposits	47	248	-	-
Debentures	12,651	66,859	62,451	63,149
Deferred taxes	2,290	12,105	3,727	6,336
Derivative financial instruments	40	211	-	962
	<u>91,841</u>	<u>485,371</u>	<u>155,687</u>	<u>309,594</u>
<u>Equity:</u>				
<u>Equity attributable to equity shareholders of the company</u>				
Issued Share capital	**)	**)	**)	**)
Share premium	3,048	16,108	16,108	16,108
Other reserves	(107)	(568)	319	(1,038)
Accumulated Profit (Deficit)	2,136	11,290	(1,859)	8,153
	<u>5,077</u>	<u>26,830</u>	<u>14,568</u>	<u>23,223</u>
<u>Minority Interest</u>	<u>4,898</u>	<u>25,887</u>	<u>3,088</u>	<u>2,978</u>
Total equity	<u>9,975</u>	<u>52,717</u>	<u>17,656</u>	<u>26,201</u>
	<u>105,966</u>	<u>560,021</u>	<u>181,707</u>	<u>353,335</u>

*) Translated to Euro based on current exchange rate as of 30.6.08.

**) Less than 1 NIS/Euro thousands.

Tsahi Fridler
Finance manager

Boaz Kamar
CEO and Director

Amit Biel
Chairmen of the board
of directors

August 17, 2008
Approval date of
the financial
statements

Interim Condensed Consolidated Income Statements

	Convenience						
	Translation in Euro	For the six	For the six	For the three	For the three	For the Year	
	for the six months	Months ended	Months ended	months ended	months ended	ended	
June 30, 2008 *)	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007	December 31, 2007		
Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited		
Euro in thousands	NIS in thousands						
<u>Income</u>							
Rent Income	2,946	15,569	1,455	9,370	1,455	9,239	
Administating assets income	111	585	48	56	24	64	
Revaluation of investment properties	3,022	15,969	-	1,939	-	18,868	
Other income	38	203	-	40	-	189	
	<u>6,117</u>	<u>32,326</u>	<u>1,503</u>	<u>11,405</u>	<u>1,479</u>	<u>28,360</u>	
Operating expenses	531	2,808	803	772	803	407	
Gross profit	5,586	29,518	700	10,633	676	27,953	
General and administration expenses	301	1,592	727	661	469	3,866	
Operating profit (loss)	5,285	27,926	(27)	9,972	207	24,087	
Financial expenses	3,091	16,334	3,931	8,991	2,820	14,830	
Financial income	110	586	1,781	434	1,197	2,439	
Profit (loss) before income taxes	2,304	12,178	(2,177)	1,415	(1,416)	11,696	
Taxes on income	760	4,015	20	637	20	3,588	
Profit (loss) after income taxes	1,544	8,163	(2,197)	778	(1,436)	8,108	
company share in profit (loss) of affiliated company	-	-	21	-	-	21	
Net profit (Loss)	<u>1,544</u>	<u>8,163</u>	<u>(2,176)</u>	<u>778</u>	<u>(1,436)</u>	<u>8,129</u>	
<u>Attributed to:</u>							
Net profit (Loss) attributed to shareholders of the company	593	3,137	(1,831)	7	(1,091)	8,181	
Minority share	951	5,026	(345)	771	(345)	(52)	
	<u>1,544</u>	<u>8,163</u>	<u>(2,176)</u>	<u>778</u>	<u>(1,436)</u>	<u>8,129</u>	
Profit (Loss) per share (in NIS)	<u>0.02</u>	<u>0.13</u>	<u>(0.09)</u>	<u>0.01</u>	<u>(0.06)</u>	<u>0.34</u>	

*) Translated to Euro based on exchange rate as of 30.06.08.

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

Interim Condensed statement of Change in Shareholder's Equity

Attributable to shareholders equity of company

	<u>Issued share capital</u>	<u>Share premium</u>	<u>Accumulated profit</u>	<u>Foreign currency translation</u>	<u>Other reserves</u>	<u>Total</u>	<u>Minority Interest</u>	<u>Total equity</u>
Unaudited								
NIS in thousands								
Balance as of January 1, 2008 (audited)	(* -	16,108	8,153	(653)	(385)	23,223	2,978	26,201
Profit on cash flow hedge	-	-	-	-	5,355	5,355	2,206	7,561
Foreign currency translation	-	-	-	(4,885)	-	(4,885)	-	(4,885)
Total income and expense for the period recognized directly in equity	-	-	-	(4,885)	5,355	470	2,206	2,676
Profit for the period	-	-	3,137	-	-	3,137	5,026	8,163
	(* -	16,108	11,290	(5,538)	4,970	26,830	10,210	37,040
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
Convenience translation in Euro as of June 30, 2008	(* -	3,048	2,136	(1,047)	940	5,077	4,898	9,975

Attributable to shareholders equity of company

	<u>Issued share capital</u>	<u>Share premium</u>	<u>Accumulated loss</u>	<u>Receipts on Account of shares</u>	<u>Foreign currency translation</u>	<u>Total</u>	<u>Minority Interest</u>	<u>Total equity</u>
Unaudited								
NIS in thousands								
Balance as of January 1, 2007 (audited)	(* -	8	(28)	4,868	39	4,887	-	4,887
Issue of preference share capital	(* -	16,100	-	(4,868)	-	11,232	-	11,232
Foreign currency	-	-	-	-	280	280	-	280
Minority Interest	-	-	-	-	-	-	3,433	3,433
Net loss	-	-	(1,831)	-	-	(1,831)	(345)	(2,176)
Balance as of June 30, 2007	(* -	16,108	(1,859)	-	319	14,568	3,088	17,656

(* Less than 1 NIS/Euro thousands.

(** Translated to Euro based on current exchange rate as of 30.6.08.

Interim Condensed Statement of Changes in Shareholders' Equity

Attributable to shareholders equity of company

	Issued share capital	Share premium	Accumulated profit	Foreign currency translation	Other reserves	Total	Minority Interest	Total
Unaudited								
NIS in thousands								
Balance as of April 1, 2008	(* -	16,108	11,283	(404)	(2,067)	24,920	23,435	48,355
Profit on cash flow hedge	-	-	-	-	7,037	7,037	3,381	10,418
Foreign currency translation	-	-	-	(5,134)	-	(5,134)	-	(5,134)
Total income and expense for the period recognized directly in equity	-	-	-	(5,134)	7,037	1,903	3,381	5,284
Profit	-	-	7	-	-	7	771	778
	(* -	16,108	11,290	(5,538)	4,970	26,830	27,587	54,417
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
Convenience translation in Euro as of June 30, 2008 (**)	(* -	3,048	2,136	(1,047)	940	5,077	4,898	9,975

Attributable to shareholders equity of company

	Issued share capital	Share premium	Accumulated loss	Other reserves	Total	Minority Interest	Total equity
Unaudited							
NIS in thousands							
Balance as of April 1, 2007	(* -	16,108	(768)	19	15,359	(18)	15,341
Foreign currency translation	-	-	-	300	300	-	300
Minority Interest	-	-	-	-	-	3,451	3,451
Net loss	-	-	(1,091)	-	(1,091)	(345)	(1,436)
Balance as of June 30, 2007	(* -	16,108	(1,859)	319	14,568	3,088	17,656

(* Less than 1 NIS/Euro thousands.

(** Translated to Euro based on current exchange rate as of 30.6.08.

Interim 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 January 1, 2007	(* -	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	-	-	-	-	(692)	(385)	(1,077)	-	(1,077)
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 **)	(* -	3,048	-	1,543	(124)	(73)	4,394	563	4,957

(* Less than 1 NIS/Euro thousands.

(** Translated to Euro based on current exchange rate as of 30.6.08.

Interim Condensed Consolidated Cash flow Statements

	Convenience Translation In Euro for the six months ended June 30, 2008 *)	For the six months ended June 30		For the three months ended June 30		For the year ended December 31, 2007
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited
	Euro in thousands	NIS in thousands				
<u>Cash flows from operating activities:</u>						
Net profit (loss) per statements of income	1,544	8,163	(2,176)	778	(1,436)	8,129
Adjustments to reconcile net profit (loss) to cash provided by operating activities (See A)	(1,680)	(8,882)	2,455	3,854	1,699	(5,287)
Net cash provided by (used in) operating activities	(136)	(719)	279	4,632	263	2,842
<u>Cash flows from investing activities:</u>						
Purchase of fixed assets	-	(1)	-	(1)	-	(2)
Purchase of investment properties	(42,314)	(223,623)	-	(75,043)	-	(173,427)
Net cash acquired with affiliated company consolidated for the first time (See B)	-	-	910	-	-	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	2,372	12,532	(21,069)	474	(14,939)	(15,338)
Long-term loan received	-	-	72	-	-	72
Trustee's deposit	-	-	-	-	62,959	-
Purchase of investment from the minority	(9)	(48)	-	(48)	-	-
Investments' sale to minority	7	36	-	36	-	-
Deposit repayment	203	1,075	-	1,075	-	-
Net cash provided by (used in) investing activities	(39,741)	(210,029)	(20,087)	(73,507)	48,020	(191,732)

*) Translated to Euro based on current exchange rate as of 30.6.08.

Interim Condensed Consolidated Cash Flow Statements

	Convenience Translation In Euro for the six months ended June 30,		For the six months ended June 30		For the three months ended June 30		For the year ended December 31,
	2008 *)		2008	2007	2008	2007	2007
	Unaudited		Unaudited	Unaudited	Unaudited	Unaudited	Audited
	Euro in thousands		NIS in thousands				
Cash flows from financing activities:							
Issue of capital (including premium)	-	-	11,232	-	-	-	11,232
Issue of debentures (less – issuance expenses)	-	-	61,917	-	-	-	61,824
Debenture's sale	293	1,549	-	-	-	-	-
Purchase of options	(56)	(297)	-	-	-	-	-
Options sale	6	31	-	-	-	-	-
Repurchase of debentures	-	-	-	-	-	-	(1,532)
Repayment of loans from minority shareholders in consolidated companies, net	(119)	(628)	(2,565)	(611)	(2,565)	-	(12,536)
Long-term bank loans	40,301	212,989	-	85,982	-	-	149,430
Repayment of long-term bank loans	(3,396)	(17,950)	(369)	(15,876)	(369)	-	(1,952)
Minority's interest	1,540	8,139	-	1,151	-	-	-
Net cash provided by (used in) financing activities	38,569	203,833	70,215	70,646	(2,934)	-	206,466
Translation differences relating to cash balances in autonomous units	(132)	(695)	-	(713)	-	-	(1,093)
Increase (decrease) in cash and cash equivalents	(1,440)	(7,610)	50,407	1,058	45,349	-	16,483
Cash and cash equivalents – beginning of the period	3,325	17,574	1,091	8,906	6,149	-	1,091
Cash and cash equivalents – end of the period	1,885	9,964	51,498	9,964	51,498	-	17,574

*) Translated to Euro based on exchange rate as of 30.6.08.

Interim Condensed Consolidated Cash Flow Statements

Convenience Translation In Euro for the six months ended June 30, 2008 *)	For the six months ended June 30		For the three months ended June 30		For the year ended December 31, 2007	
	2008	2007	2008	2007	2007	
	Unaudited	Unaudited	Unaudited	Unaudited	Audited	
	Euro in thousands					NIS in thousands
A. Adjustments to reconcile net profit (loss) to net cash provided by operating activities						
<u>Income and expenses not involving cash flow:</u>						
Company share in profit of affiliated company	-	-	(21)	-	-	(21)
Depreciation and amortization	166	876	536	461	312	1,238
Deferred taxes	764	4,040	20	619	20	3,542
Interest income from long term loan	(4)	(23)	(76)	(118)	-	(3)
Linkage differences of debentures	304	1,606	210	1,537	210	1,939
Gain from repurchase of debentures	-	-	-	-	-	(192)
loss on realization and increase in value of marketable securities, net	41	219	(72)	60	(62)	52
Revaluation of investment properties	(3,022)	(15,969)	-	(1,938)	-	(18,868)
Adjustments of fair value from long term loans	(68)	(360)	-	(641)	-	(446)
<u>Change in operating assets and liabilities:</u>						
Increase in accounts receivable and other current assets	(734)	(3,880)	(847)	(1,417)	(451)	(1,894)
Increase in accounts payable and other current liabilities	872	4,609	2,705	5,291	1,670	9,366
	<u>(1,681)</u>	<u>(8,882)</u>	<u>2,455</u>	<u>3,854</u>	<u>1,699</u>	<u>(5,287)</u>
B. Consolidation of affiliated company for the first time						
The assets and liabilities as at the date of consolidation:						
Current capital, net (cash and cash equivalent excluded)	-	-	1,015	-	-	1,015
Investment properties	-	-	(63,089)	-	-	(63,089)
Long-term liabilities	-	-	63,002	-	-	63,002
Minority Interest	-	-	(18)	-	-	(18)
	-	-	910	-	-	910
C. Consolidation of investee company for the first time						
The assets and liabilities as at the date of consolidation:						
Current capital, net (cash and cash equivalent excluded)	-	-	1,062	-	1,062	1,062
Investment properties	-	-	(40,270)	-	(40,270)	(40,270)
Long-term liabilities	-	-	35,896	-	35,896	35,896
Minority Interest	-	-	3,312	-	3,312	3,312
	-	-	-	-	-	-

Interim Condensed Consolidated Cash Flow Statements

Convenience Translation In Euro for the six months ended June 30, 2008 *)	For the six months ended June 30		For the three months ended June 30		For the year ended December 31, 2007
	2008	2007	2008	2007	2007
	Unaudited	Unaudited	Unaudited	Unaudited	Audited
	Euro in thousands	NIS in thousands			

D. Consolidation of proportionate consolidation for the first time

The assets and liabilities as at the date of consolidation:

Investment properties	-	-	-	-	-	173
Fixed assets	-	-	-	-	-	(9)
Long-term liabilities	-	-	-	-	-	15,503
Minority interest	-	-	-	-	-	9
	-	-	-	-	-	(3,947)

Not cash activity

Investment properties purchase expenses

	-	-	-	-	-	1,801
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*) Translated to Euro based on exchange rate as of 30.6.08.

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.