

**EURO-TRADE REAL ESTATE INTERNATIONAL (Y.N.B) LTD**  
**UNAUDITED INTERIM**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**30 SEPTEMBER 2007**

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

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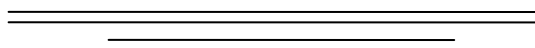
**UNAUDITED INTERIM**

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**30 SEPTEMBER 2007**

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

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Certified Public Accountants (ISR).

To the Board of Directors

EURO-TRADE REALSTATE INTERNATIONAL (Y.N.B) LTD

Re: Review of unaudited interim consolidated financial statements  
for the nine and three months ended September 30, 2007

We have reviewed the accompanying interim consolidated balance sheet of EURO-TRADE REALSTATE INTERNATIONAL (Y.N.B) LTD. ("the Company") as of September 30, 2007, and the related interim consolidated statements of income, changes in equity and cash flows for the nine 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 conducted our review in accordance with the International Standard on Review Engagements 2400. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the interim consolidated financial statements are free of material misstatement. A review is limited primarily to inquiries of Group personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

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  
November 28, 2007

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

## Interim Consolidated Balance Sheet

	Convenience Translation in Euro as of September 30 2007 *)	As Of September 30 2007	As Of December 2006
	Unaudited	Unaudited	Audited
	Euro in thousands	NIS in thousands	
<b><u>Current Asset :</u></b>			
Cash and cash equivalents	3,598	20,470	1,091
Short term investment	3,985	22,673	-
Accounts receivable and other current assets	350	1,993	314
	<u>7,933</u>	<u>45,136</u>	<u>1,405</u>
<b><u>Non-current assets:</u></b>			
Investment properties	36,259	206,308	-
Affiliated company investment	-	-	3,640
Fixed assets, net	2	9	6
	<u>36,261</u>	<u>206,317</u>	<u>3,646</u>
	<u>44,194</u>	<u>251,453</u>	<u>5,051</u>
<b><u>Current Liabilities:</u></b>			
Current maturity of long term bank loans	551	3,134	-
Accounts payable and other current liabilities	2,009	11,429	164
	<u>2,560</u>	<u>14,563</u>	<u>164</u>
<b><u>Long-term liabilities:</u></b>			
Long-term bank loans	23,378	133,014	-
Other loans	1,280	7,285	-
Debentures	11,045	62,847	-
Deferred taxes	974	5,540	-
	<u>36,677</u>	<u>208,686</u>	<u>-</u>
<b><u>Equity:</u></b>			
Equity attributable to equity shareholders of the company			
Issued Share capital	**)	**)	**)
Share premium	2,831	16,108	8
Receipts on account of shares	-	-	4,868
Other reserves	(52)	(298)	39
Accumulated profit (Deficit)	1,728	9,833	(28)
	<u>4,507</u>	<u>25,643</u>	<u>4,887</u>
Minority Interest	450	2,561	-
Total equity	<u>4,957</u>	<u>28,204</u>	<u>4,887</u>
	<u>44,194</u>	<u>251,453</u>	<u>5,051</u>

\*) Translated to Euro based on current exchange rate as of 30.9.07.

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

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Tsahi Fridler  
Finance manager

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Boaz Kamar  
CEO and Director

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Amit Biel  
Director manager

November 28, 2007  
Approval date of the  
financial statements

## Interim Consolidated Income Statement

	Convenience Translation in Euro for the nine months ended September 30, 2007 *)	For the nine months ended September 30, 2007	For the three months ended September 30, 2007	For the Period ended December 31,2006
	Unaudited	Unaudited	Unaudited	Audited
	Euro in thousands	NIS in thousands		
<u>Income</u>				
Rent Income	778	4,425	2,970	-
Administrating assets income	11	64	16	16
Revaluation of investment properties	3,306	18,809	18,809	-
	4,095	23,298	21,795	16
Operating expenses	52	294	**) 282	-
Gross profit	4,043	23,004	21,513	16
General and administration expenses	396	2,255	**) 737	56
Operating profit (loss)	3,647	20,749	20,776	(40)
Financial income (expenses), net	(1,358)	(7,722)	(5,572)	53
Profit before income taxes	2,289	13,027	15,204	13
Taxes on income	(628)	(3,575)	(3,555)	(10)
Profit (loss) after income taxes	1,661	9,452	11,649	3
Company share in profit (loss) of affiliated company	4	21	-	(31)
Net profit (Loss)	1,665	9,473	11,649	(28)
<u>Attributed to:</u>				
Net profit (Loss) Attributed to shareholders of the company	1,733	9,861	11,692	(28)
Minority share	(68)	(388)	(43)	-
	1,665	9,473	11,649	(28)
Profit Loss per share (in NIS)	0.07	0.39	0.48	(3.5)

\*) Translated to Euro based on current exchange rate as of 30.9.07.

\*\*) Reclassification.

## Interim Statement of Changes in Equity

	<u>Issued share capital</u>	<u>Share premium</u>	<u>Receipts on Account of shares</u>	<u>Other reserves</u>	<u>Accumulated profit (Deficit)</u>	<u>Total</u>	<u>Minority Interest</u>	<u>Total equity</u>
<b>Unaudited</b>								
<b>NIS in thousands</b>								
Balance as of January 1, 2007 (audited)	*) -	8	4,868	39	(28)	4,887	-	4,887
Issue of preference share capital	*) -	16,100	(4,868)	-	-	11,232	-	11,232
Foreign currency translation	-	-	-	(337)	-	(337)	-	(337)
Minority Interest	-	-	-	-	-	-	2,949	2,949
Net profit (loss)	-	-	-	-	9,861	9,861	(388)	9,473
Balance as of September 30, 2007	*) -	16,108	-	(298)	9,833	25,643	2,561	28,204
Convenience Translation In Euro as of September 30, 2007**)	*) -	2,831	-	(52)	1,728	4,507	450	4,957
	<u>Issued share capital</u>	<u>Share permium</u>	<u>Receipts on account of shares</u>	<u>Capital reserves</u>	<u>Accumulated Profit (Deficit)</u>	<u>Total</u>	<u>Minority Interest</u>	<u>Total equity</u>
<b>Unaudited</b>								
<b>NIS in thousands</b>								
Balance as of July 1, 2007	*) -	16,108	-	319	(1,859)	14,568	3,088	17,656
Foreign currency translation	-	-	-	(617)	-	(617)	-	(617)
Minority Interest	-	-	-	-	-	-	(484)	(484)
Net profit (loss)	-	-	-	-	11,692	11,692	(43)	11,649
Balance as of September 30, 2007	*) -	16,108	-	(298)	9,833	25,643	2,561	28,204

\*) Less than 1 NIS / Euro thousands.

\*\*) Translated to Euro based on current exchange rate as of 30.9.07

## Interim Statement of Changes in Equity

	Issued share capital	Share permium	Receipts on account of shares	Capital reserves	Accumulated Deficit	Total
	Audited					
	NIS in thousands					
<b>Changes in equity from the day of inception (October 5, 2006) to December 31, 2006</b>						
Issue of shares	*) -	8	-	-	-	8
Receipts on account of shares	-	-	4,868	-	-	4,868
Foreign currency translation	-	-	-	39	-	39
Net loss	-	-	-	-	(28)	(28)
Balance as of December 31,2006	*) -	8	4,868	39	(28)	4,887

\*) Less than 1 NIS thousands.

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

Interim Consolidated Cash Flow statements

	Convenience Translation In Euro for the nine months ended September 30, 2007 *) <u>Unaudited</u> <u>Euro in thousands</u>	For the nine months ended September 30, 2007 <u>Unaudited</u>	For the three months ended September 30, 2007 <u>Unaudited</u>	For the period ended December 31, 2007 <u>Audited</u>
		<u>NIS in thousands</u>		
<b><u>Cash flows from operating activities:</u></b>				
Net profit (loss) per statements of income	1,665	9,473	11,649	(28)
Adjustments to reconcile net profit (loss) to cash provided by operating activities (See A)	(996)	(5,667)	(8,122)	41
Net cash provided by operating activities	<u>669</u>	<u>3,806</u>	<u>3,527</u>	<u>13</u>
<b><u>Cash flows from investing activities:</u></b>				
Purchase of investment properties	(11,495)	(65,407)	(65,407)	-
Purchase of fixed assets	-	(2)	(2)	(7)
Net cash acquired with affiliated company consolidated for the first time (See B)	160	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)	(694)	(3,947)	(3,947)	-
Investment in Affiliated company	-	-	-	(2)
Long-term loan	-	-	-	(3,577)
Long term loan received	13	72	-	-
Investment in marketable securities, net.	(3,995)	(22,728)	(1,659)	-
Net cash used in investing activities	<u>(16,011)</u>	<u>(91,102)</u>	<u>(71,015)</u>	<u>(3,586)</u>
<b><u>Cash flows from financing activities:</u></b>				
Issue of capital (including premium)	1,974	11,232	-	8
Receipts on account of shares	-	-	-	4,868
Issue of debentures (less – issuance expenses)	10,865	61,824	(93)	(212)
Repurchase of debentures	(264)	(1,502)	(1,502)	-
Repayment of other loans	(3,106)	(17,673)	(15,108)	-
Long-term bank loans	9,320	53,029	53,029	-
Repayment of long-term bank loans	(214)	(1,220)	(851)	-
Net cash provided by financing activities	<u>18,575</u>	<u>105,690</u>	<u>35,475</u>	<u>4,664</u>
<b><u>Translation differences relating to cash balances in autonomous units</u></b>				
	<u>173</u>	<u>985</u>	<u>985</u>	<u>-</u>
Increase (decrease) in cash and cash equivalents	3,406	19,379	(31,028)	1,091
Cash and cash equivalents – beginning of the period	192	1,091	51,498	-
Cash and cash equivalents – end of the period	<u>3,598</u>	<u>20,470</u>	<u>20,470</u>	<u>1,091</u>

\*) Translated to Euro based on current exchange rate as of 30.9.07.

## Interim Consolidated Cash Flow statements

Convenience Translation In Euro for the nine months ended September 30, 2007*) <u>Unaudited</u> Euro in thousands	For the nine months ended September 30, 2007 <u>Unaudited</u>	For the three months ended September 30, 2007 <u>Unaudited</u>	For the period ended December 31, 2007 <u>Audited</u>	
		NIS in thousands		
<b><u>A. Adjustments to reconcile net loss to net cash provided by operating activities</u></b>				
<b><u>Income and expenses not involving cash flow:</u></b>				
Company share in loss (profit) of affiliated company	(4)	(21)	-	31
Depreciation and amortization	159	904	368	1
Deferred taxes	655	3,725	3,705	-
Interest income from long term loan	86	491	567	(53)
Linkage differences of debentures	341	1,941	1,731	-
Gain from repurchase of debentures	(34)	(192)	(192)	-
loss on realization and increase in value of marketable securities, net	10	55	127	-
Revaluation of investment properties	(3,306)	(18,809)	(18,809)	-
<b><u>Change in operating assets and liabilities:</u></b>				
Increase in accounts receivable and other current assets	(287)	(1,633)	(786)	(102)
Increase in accounts payable and other current liabilities	1,384	7,872	5,167	164
	<u>(996)</u>	<u>(5,667)</u>	<u>(8,122)</u>	<u>41</u>
<b><u>B. Consolidation of associated company for the first time</u></b>				
The assets and liabilities as at the date of consolidation:				
Current capital, net (cash and cash equivalent excluded)	178	1,015	-	-
Investment properties	(11,088)	(63,089)	-	-
Long-term liabilities	11,073	63,002	-	-
Minority Interest	(3)	(18)	-	-
	<u>160</u>	<u>910</u>	<u>-</u>	<u>-</u>
<b><u>C. Consolidation of investee company for the first time</u></b>				
The assets and liabilities as at the date of consolidation:				
Current capital, net (cash and cash equivalent excluded)	187	1,062	-	-
Investment properties	(7,078)	(40,270)	-	-
Long-term liabilities	6,309	35,896	-	-
Minority Interest	582	3,312	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

\*) Translated to Euro based on current exchange rate as of 30.9.07.

## Interim Consolidated Cash Flow statements

	Convenience Translation In Euro for the nine months ended September 30, 2007*) <u>Unaudited</u> Euro in thousands	For the nine months ended September 30, 2007 <u>Unaudited</u>	For the three months ended September 30, 2007 <u>Unaudited</u>	For the period ended December 31, 2007 <u>Audited</u>
		NIS in thousands		
<b><u>D. Consolidation of proportionate consolidation for the first time</u></b>				
The assets and liabilities as at the date of consolidation:				
Current capital, net (cash and cash equivalent excluded)	30	173	173	-
Investment properties	(3,272)	(18,616)	(18,616)	-
Fixed assets	(2)	(9)	(9)	-
Deferred taxes	(177)	(1,007)	(1,007)	-
Long-term liabilities	2,725	15,503	15,503	-
Minority Interest	2	9	9	-
	<u>(694)</u>	<u>(3,947)</u>	<u>(3,947)</u>	<u>-</u>

\*) Translated to Euro based on current exchange as of 30.9.07.