



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

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**AS OF MARCH 31, 2008**

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

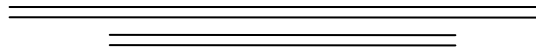
**UNAUDITED INTERIM**

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**AS OF MARCH 31, 2008**

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

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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 three months ended March 31, 2008

We have reviewed the accompanying interim consolidated balance sheet of EURO-TRADE REAL ESTATE INTERNATIONAL (Y.N.B) LTD. ("the Company") as of March 31, 2008, and the related interim consolidated statements of income, changes in equity and cash flows for 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.

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  
May 30, 2008

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

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

## Interim Condensed Consolidated Balance Sheets

	Convenience Translation in Euro as of March 31 2008 *) Unaudited Euro in thousands	As of March 31 2008 Unaudited	As of March 31 2007 Unaudited	As of December 31 2007 Audited
		NIS in thousands		
<b><u>Current Assets:</u></b>				
Cash and cash equivalents	1,585	8,906	6,149	17,574
Short term investments	543	3,049	6,140	15,286
Trustee's deposit	-	-	62,959	-
Accounts receivable and other current assets	1,666	9,360	544	2,255
	<u>3,794</u>	<u>21,315</u>	<u>75,792</u>	<u>35,115</u>
<b><u>Non-current assets:</u></b>				
Investment properties	85,674	481,220	63,089	317,344
Derivative financial instruments	30	171	-	867
Fixed assets, net	2	9	6	9
	<u>85,706</u>	<u>481,400</u>	<u>63,095</u>	<u>318,220</u>
	<u>89,500</u>	<u>502,715</u>	<u>138,887</u>	<u>353,335</u>
<b><u>Current Liabilities:</u></b>				
Current maturity of long term bank loans	1,184	6,648	1,144	3,802
Accounts payable and other current liabilities	2,005	11,261	2,268	13,738
	<u>3,189</u>	<u>17,909</u>	<u>3,412</u>	<u>17,540</u>
<b><u>Long-term liabilities:</u></b>				
Long-term bank loans	62,394	350,462	51,430	225,874
Loans from minority shareholders in consolidated companies	1,389	7,800	6,775	13,273
Debentures	11,547	64,861	61,929	63,149
Deferred taxes	1,649	9,261	-	6,336
Derivative financial instruments	724	4,067	-	962
	<u>77,703</u>	<u>436,451</u>	<u>120,134</u>	<u>309,594</u>
<b><u>Equity:</u></b>				
<b><u>Equity attributable to equity shareholders of the company</u></b>				
Issued Share capital	(** -	(** -	(** -	(** -
Share premium	2,867	16,108	16,108	16,108
Other reserves	(440)	(2,471)	19	(1,038)
Accumulated profit ( Deficit)	2,009	11,283	(768)	8,153
	<u>4,436</u>	<u>24,920</u>	<u>15,359</u>	<u>23,223</u>
Minority Interest (debt)	4,172	23,435	(18)	2,978
Total equity	<u>8,608</u>	<u>48,355</u>	<u>15,341</u>	<u>26,201</u>
	<u>89,500</u>	<u>502,715</u>	<u>138,887</u>	<u>353,335</u>

\*) Translated to Euro based on exchange rate as of 31.3.08.

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

Tsahi Fridler  
Finance manager

Boaz Kamar  
CEO and Director

Amit Biel  
Chairmen of the board of  
directors

May 30, 2008  
Approval date of the  
financial statements

## Interim Condensed Consolidated Income Statements

	Convenience Translation in Euro for the three months ended March 31, 2008 *) <u>Unaudited</u> Euro in thousands	For the three months ended March 31, 2008 <u>Unaudited</u>	For the three months ended March 31, 2007 <u>Unaudited</u>	For the year ended December 31, 2007 <u>Audited</u>
		NIS in thousands		
<u>Income</u>				
Rent Income	1,104	6,199	-	9,239
Administrating assets income	94	529	24	64
Revaluation of investment properties	2,498	14,031	-	18,868
Other income	29	163	-	189
	3,725	20,922	24	28,360
Operating expenses	363	2,037	-	407
Gross profit	3,362	18,885	24	27,953
General and administration expenses	166	931	258	3,866
Operating profit (loss)	3,196	17,954	(234)	24,087
Financial expenses	1,307	7,343	1,108	14,830
Financial income	27	152	581	2,439
Profit (loss) before income taxes	1,916	10,763	(761)	11,696
Taxes on income	601	3,378	-	3,588
Profit (loss) after income taxes	1,315	7,385	(761)	8,108
Company share in profit (loss) of affiliated company	-	-	21	21
Net profit (Loss)	1,315	7,385	(740)	8,129
<u>Attributed to:</u>				
Net profit (Loss) Attributed to shareholders of the company	557	3,130	(740)	8,181
Minority share	758	4,255	-	(52)
	1,315	7,385	(740)	8,129
Profit (Loss) per share (in NIS)	0.02	0.13	(0.03)	0.34

\*) Translated to Euro based on exchange rate as of 31.03.08.

**Interim Condensed Statement of Changes in shareholder's Equity**

	Attributable to equity shareholders of the company							
	Issued share capital	Share premium	Accumulated Profit	Foreign currency translation	Other reserves	Total	Minority Interest	Total equity
NIS in thousands								
Balance as of January 1, 2008 (audited)	(*-	16,108	8,153	(653)	(385)	23,223	2,978	26,201
Loss on cash flow hedge	-	-	-	-	(1,682)	(1,682)	-	(1,682)
Foreign currency translation	-	-	-	249	-	249	-	249
Total income and expense for the period recognized directly in equity	-	-	-	249	(1,682)	(1,433)	-	(1,433)
Profit for the period	-	-	3,130	-	-	3,130	4,255	7,385
	(*-	16,108	11,283	(404)	(2,067)	24,920	7,233	32,153
Minority Interest	-	-	-	-	-	-	16,202	16,202
Balance as of March 31, 2008	(*-	16,108	11,283	(404)	(2,067)	24,920	23,435	48,355
Convenience translation in Euro as of March 31, 2008	-	2,867	2,009	(72)	(368)	4,436	4,172	8,608

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

## Interim Condensed Statement of Changes in Shareholder's Equity

	Issued share capital	Share premium	Receipts on Account of shares	Foreign currency translation	Accumulated loss	Total	Minority's debt	Total equity
NIS in thousands								
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	-	-	-	(20)	-	(20)	-	(20)
Minority's debt	-	-	-	-	-	-	(18)	(18)
Net loss	-	-	-	-	(740)	(740)	-	(740)
Balance as of March 31, 2007	(* -	16,108	-	19	(768)	15,359	(18)	15,341

\*) Less than 1 NIS/EURO thousands.

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								
	Issued share capital	Share premium	Receipts on account of shares	Accumulated profit (Deficit)	Foreign currency translation	Other reserves	Total	Minority Interest	Total equity
	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	(* -	2,846	-	1,440	(116)	(68)	4,102	526	4,628

\*) Less than 1 NIS/EURO thousands.

## Interim Condensed Consolidated Cash Flow Statements

	Convenience Translation In Euro for the three months ended March 31, 2008 *)	For the three months ended march 31, 2008	For the three months ended march 31, 2007	For the year ended December 31, 2007
	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	1,315	7,385	(740)	8,129
Adjustments to reconcile net profit (loss) to cash provided by operating activities (See A)	(2,267)	(12,736)	756	(5,287)
Net cash provided by (used in) operating activities	(952)	(5,351)	16	2,842
<b><u>Cash flows from investing activities:</u></b>				
Purchase of fixed assets	-	-	-	(2)
Purchase of investment properties	(26,452)	(148,580)	-	(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	2,147	12,058	-	(15,338)
Long-term loan	-	-	(6,130)	-
Long-term loan received	-	-	72	72
Trustee's deposit	-	-	(62,959)	-
Net cash used in investing activities	(24,305)	(136,522)	(68,107)	(191,732)
<b><u>Cash flows from financing activities:</u></b>				
Issue of capital (including premium)	-	-	11,232	11,232
Issue of debentures (less – issuance expenses)	-	-	61,917	61,824
Debenture's sale	275	1,549	-	-
Purchase of options	(53)	(297)	-	-
Options sale	5	31	-	-
Repurchase of debentures	-	-	-	(1,532)
Repayment of loans from minority shareholders in consolidated companies, net	(3)	(17)	-	(12,536)
Long-term bank loans	22,611	127,007	-	149,430
Repayment of long-term bank loans	(369)	(2,074)	-	(1,952)
Minority's interest	1,244	6,988	-	-
Net cash provided by financing activities	23,710	133,187	73,149	206,466
<b>Translation differences relating to cash balances in autonomous units</b>				
	3	18	-	(1,093)
Increase (decrease) in cash and cash equivalents	(1,544)	(8,668)	5,058	16,483
Cash and cash equivalents – beginning of the period	3,129	17,574	1,091	1,091
Cash and cash equivalents – end of the period	1,585	8,906	6,149	17,574

\*) Translated to Euro based on exchange rate as of 31.03.08

## Interim Condensed Consolidated Cash Flow Statements

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

**A. Adjustments to reconcile net profit (loss) to net cash provided by operating activities****Income and expenses not involving cash flow:**

Company share in loss (profit) of affiliated company	-	-	(21)	(21)
Depreciation and amortization	74	415	224	1,238
Deferred taxes	609	3,421	(76)	3,542
Interest income from long term loan	17	95	(10)	(3)
Linkage differences of debentures	12	69	-	1,939
Gain from repurchase of debentures	-	-	-	(192)
loss on realization and increase in value of marketable securities, net	28	159	-	52
Revaluation of investment properties	(2,498)	(14,031)	-	(18,868)
Adjustments of fair value from long term loan	50	281	-	(446)

**Change in operating assets and liabilities:**

Increase in accounts receivable and other current assets	(438)	(2,463)	(396)	(1,894)
Increase in accounts payable and other current liabilities	(121)	(682)	1,035	9,366
	<u>(2,267)</u>	<u>(12,736)</u>	<u>756</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)
	<u>-</u>	<u>-</u>	<u>910</u>	<u>910</u>

**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
Investment properties	-	-	-	(40,270)
Long-term liabilities	-	-	-	35,896
Minority Interest	-	-	-	3,312
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

## Interim Condensed Consolidated Cash Flow Statements

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

\*) Translated to Euro based on exchange rate as of 31.3.08.

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.