Translated from the Hebrew original

ASHR'A - THE ISRAEL EXPORT INSURANCE CORPORATION LTD.

CONDENSED FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2007

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AUDITORS' REPORT

To the Shareholders of

ASHR'A – THE ISRAEL EXPORT INSURANCE CORPORATION LTD.

Dear Sirs,

We have audited, in accordance with generally accepted auditing standards in Israel, the balance sheets of Ashr'a - The Israel Export Insurance Corporation Ltd. as at December 31, 2007 and 2006, and the related statements of profit and loss, changes in shareholders' equity, statements of insurance business foreign trade risks and statements of cash flows for each of the years then ended, and in our report dated March 30, 2008, we expressed an unqualified opinion on those financial statements.

The accompanying financial statements are condensed financial statements and do not include the disclosures required by general accepted accounting principles in Israel / International Financial Reporting Standards. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the financial position, results of operations, and cash flows of the Company. Accordingly, the accompanying financial statements are not designed for those who are not informed about such matters.

Tel-Aviv, Israel
September 18, 2008

KOST FORER GABBAY & KASIERER
A Member of Ernst & Young Global

BALANCE SHEETS

	December 31		
	2007	2006	
	U.S. $ in thousands		
INVESTMENTS			
Cash and cash equivalents	4,339	2,417	
Securities	23,060	20,946	
Deposits:			
With the Accountant General at the Ministry of Finance	9,087	10,419	
With banking institutions	24	24	
	9,111	10,443	
Real estate for lease	1,126	1,176	
Total investments	37,636	34,982	
FIXED ASSETS, NET			
Office buildings	613	621	
Other fixed assets	79	99	*)
Total fixed assets	692	720	
AMOUNTS RECEIVABLE			
The Accountant General and reinsurers' share in outstanding claims	35,712	35,973	
Debtors and receivables	465	199	
Total amounts receivable	36,177	36,172	
OTHER ASSETS			
Deferred taxes	208	212	
Other assets – software	97	64	*)
	305	276	
	74,810	72,150	

*) Reclassified.

BALANCE SHEETS

	December 31	
	2007	2006
	U.S. $ in thousands	
SHAREHOLDERS' EQUITY	27,386	24,026
CLAIMS AND COMMITMENTS		
LONG TERM LIABILITIES		
Liability for severance pay, net	99	122
OUTSTANDING CLAIMS IN FOREIGN TRADE RISKS INSURANCE	40,487	40,918
OTHER LIABILITIES		
Prepaid premiums	5,490	6,314
The Accountant General at the Ministry of Finance and other reinsurers – current account	985	349
Policyholders – deposits and payables	39	58
Creditors and payables	324	363
Total other liabilities	6,838	7,084
	74,810	72,150

STATEMENTS- OF PROFIT AND LOSS

	Year ended December 31		
	2007	2006	2005
	U.S. $ in thousands [except for earning (loss) per share data]		
Income transferred from foreign trade risks insurance business statements	1,318	777	401
Income (expenses) not included in the insurance business statements:			
Income (losses) from investments	2,317	1,886	(110)
From lease of buildings, net	6	(53)	(43)
	2,323	1,833	(153)
Income before income taxes	3,641	2,610	248
Provision for income tax and profit tax	281	361	498
Net income (loss)	3,360	2,249	(250)
Net earnings (loss) per share:			
Net earnings (loss) per share (in U.S. dollars)	1.39	0.93	(0.10)
Number of shares used for the above calculations (in thousands)	2,411	2,411	2,411

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Fund for extraordinary risks	Revaluation fund	Retained earnings	Designated profits for distribution	Total
			U.S. $ in thousands			
Balance as at January 1, 2005	1,720	13,969	521	5,817	-	22,027
Loss	-	-	-	(250)	-	(250)
Balance as at December 31, 2005	1,720	13,969	521	5,567	-	21,777
Net profit	-	-	-	2,249	-	2,249
Balance as at December 31, 2006	1,720	13,969	521	7,816	-	24,026
Net profit	-	-	-	3,360	-	3,360
Designated profits for distribution	-	-	-	(1,680)	1,680	-
Balance as at December 31, 2007	1,720	13,969	521	9,496	1,680	27,386

FOREIGN TRADE RISKS INSURANCE BUSINESS STATEMENTS

	Year ended December 31		
	2007	2006	2005
	U.S. $ in thousands		
Premiums	11,567	10,950	10,293
Fees	710	800	930
Total insurance premiums	12,277	11,750	11,223
Less – State of Israel guarantee and reinsurance	11,466	10,826	10,254
Insurance premiums earned	811	924	969
Investment income	1,014	1,124	124
Total income for the year	1,825	2,048	1,093
Decrease (increase) in claims paid and outstanding net of claims recoveries received (net of reinsurance)	165	(580)	(129)
Excess of income over claims for the year	1,990	1,468	964
Administrative and general expenses	2,031	2,158	2,110
Less – commission from the State of Israel and from reinsurance	(1,359)	(1,467)	(1,547)
Total expenses for the year, net	672	691	563
Income from foreign trade risks insurance business for the year – transferred to the statements of profit and loss	1,318	777	401

STATEMENTS OF CASH FLOWS

	Year ended December 31		
	2007	2006	2005
	U.S. $ in thousands		
CASH FLOWS FROM CURRENT ACTIVITIES			
In foreign trade risks insurance business	1,857	500	643
In other current activities	1,769	1,496	(66)
Net cash provided by (used in) current activities	3,626	1,996	577
CASH FLOWS FROM INVESTMENT ACTIVITIES			
Changes in investments earmarked to shareholders equity and non-insurance liabilities:	(1,637)	(2,463)	(168)
Acquisition of fixed assets and other assets	(67)	(25)	(230)
Proceeds from sale of fixed assets	-	-	56
Net cash used in investment activities	(1,704)	(2,488)	(342)
Increase (decrease) in cash and cash equivalents	1,922	(492)	235
Balance of cash and cash equivalents as at the beginning of the year	2,417	2,909	2,674
Balance of cash and cash equivalents as at the end of the year	4,339	2,417	2,909

STATEMENTS OF CASH FLOWS

	Year ended December 31		
	2007	2006	2005
	U.S. $ in thousands		
(a) Cash flows from current activities in foreign trade risks insurance business			
Income for the year from foreign trade risks insurance business	1,318	777	401
Income and expenses not involving cash flows:			
Increase (decrease) in outstanding claims and accruals, net of Accountant General and reinsurers' share	(170)	594	215
Depreciation and amortization	61	67	78
Changes in other balance sheet items:			
Deposits with the Accountant General and other investments relating to insurance liabilities	855	1,094	2,623
Policyholders – prepaid premiums and other payables, net	(843)	(1,671)	(1,288)
Accountant General and reinsurers – current accounts, net	636	(361)	(1,386)
Net cash flows provided by current activities in foreign trade risks insurance business	1,857	500	643
(b) Cash flows from other current activities			
Net income (loss) for the year	3,360	2,249	(250)
Income for the year from foreign trade risks insurance business	(1,318)	(777)	(401)
	2,042	1,472	(651)
Income and expenses not involving cash flows:			
Depreciation and amortization	51	34	31
Change in deferred taxes, net	12	(1)	34
Debtors, other creditors and liabilities in respect of severance pay, net	(336)	(9)	520
Net cash flows provided by (used in) other current activities	1,769	1,496	(66)
(c) Significant non-cash activities			
Sale of fixed assets against debtors	-	-	(56)
Acquisition of fixed assets against creditors	-	-	143

DETAILS OF ASSETS AND LIABILITIES

ASSETS	December 31, 2007				
	Distribution of assets earmarked to liabilities				
	Total assets	Foreign risks trade insurance	Minimum solvency margin	Capital surplus	Other liabilities
	U.S. $ in thousands				
INVESTMENTS					
Cash and cash equivalents	4,339	2,170	1,373	796	-
Securities:					
Government bonds:					
Quoted in Israel	10,405	-	589	9,816	-
Quoted abroad	524	-	-	524	-
Other bonds:					
Quoted in Israel	5,907	1,849	-	4,058	-
Quoted abroad	6,224	-	-	6,224	-
Unquoted abroad					
Deposits:					
With the Accountant General at the Ministry of Finance	9,087	7,270	1,363	454	-
With banking institutions	24	-	-	24	-
Real estate for lease	1,126	-	-	1,126	-
FIXED ASSETS					
Office buildings	613	-	-	613	-
Other fixed assets	79	-	-	79	-
AMOUNTS RECEIVABLE					
The Accountant General and reinsurers' share in outstanding claims	35,712	35,712	-	-	-
Debtors and receivables	465	-	-	250	215
OTHER ASSETS					
Deferred taxes	208	-	-	-	208
Other assets - software	97	-	-	97	-
Total assets	74,810	47,001	3,325	24,061	423
Total capital and liabilities (according to Part B)	74,810	47,001	3,325	24,061	423
Surplus (deficiency)	-	-	-	-	-

Part B - Details of Capital and Liabilities according to type

	December 31, 2007				
Capital and liabilities	**Total liabilities**	**Foreign trade risks insurance**	**Minimum solvency margin**	**Capital surplus**	**Other liabilities**
	U.S. $ in thousands				
Shareholders' equity	27,386	-	3,325	24,061	-
Liabilities in respect of severance pay, net	99	-	-	-	99
Outstanding claims in foreign trade risks insurance	40,487	40,487	-	-	-
Other liabilities					
Prepaid premiums	5,490	5,490	-	-	-
Reinsurers and the General Accountant at the Ministry of Finance	985	985	-	-	-
Creditors and payables and policyholders' balances	363	39	-	-	324
Total capital and liabilities	74,810	47,001	3,325	24,061	423

DETAILS OF ASSETS AND LIABILITIES

ASSETS	December 31, 2006				
	Distribution of assets earmarked to liabilities				
	Total assets	Foreign trade risks insurance	Minimum solvency margin	Capital surplus	Other liabilities
	U.S. $ in thousands				
INVESTMENTS					
Cash and cash equivalents	2,417	1,692	508	217	-
Securities:					
Government bonds:					
Quoted in Israel	9,547	1,639	874	7,034	-
Unquoted abroad	820	-	-	820	-
Other debentures:					
Quoted in Israel	4,100	-	-	4,100	-
Quoted abroad	5,461	-	-	5,461	-
Unquoted abroad	1,018	-	-	1,018	-
Deposits:					
With the Accountant General at the Ministry of Finance	10,419	8,335	1,563	521	-
With banking institutions	24	-	-	24	-
Real estate for lease	1,176	-	-	1,102	74
FIXED ASSETS					
Office buildings	621	-	-	621	-
Other fixed assets	99	-	-	99 *)	-
AMOUNTS RECEIVABLE					
The Accountant General and reinsurers share in outstanding claims	35,973	35,973	-	-	-
Debtors and receivables	199	-	-	-	199
OTHER ASSETS					
Deferred taxes	212	-	-	-	212
Other assets -software	64	-	-	64 *)	-
Total assets	72,150	47,639	2,945	21,081	485
Total capital and liabilities (according to Part B)	72,150	47,639	2,945	21,081	485
Surplus (deficiency)	-	-	-	-	-

*) Reclassified.

Part B - Details of Capital and Liabilities according to type

	December 31, 2006				
Capital and liabilities	**Total liabilities**	**Foreign trade risks insurance**	**Minimum solvency margin**	**Capital surplus**	**Other liabilities**
	U.S. $ in thousands				
Shareholders' equity	24,026	-	2,945	21,081	-
Liabilities in respect of severance pay, net	122	-	-	-	122
Outstanding claims in foreign trade risks insurance	40,918	40,918	-	-	-
Other liabilities					
Prepaid premiums	6,314	6,314	-	-	-
Reinsurers and the General Accountant at the Ministry of Finance	349	349	-	-	-
Creditors and payables and policyholders' balances	421	58	-	-	363
Total capital and liabilities	72,150	47,639	2,945	21,081	485

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