KARDAN N.V.

PRESS RELEASE

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KARDAN: POSITIVE RESULTS IN STILL VOLATILE MARKETS

- **Net profit 9M-2010: EUR 24 million profit vs. EUR 45 million loss in 9M-2009;**
- **Profitable sale of Insurance and Pension activities and 16% stake in Russian Sovcom bank materializes value for shareholders;**
- **Improved results from operating companies in all segments in 9M-2010.**

Real Estate
- GTC SA: rental and service income up 40% y-o-y; slower pace of residential sales;
- China: approximately 100% (9M y-o-y) increase of sales contracts for apartments; fewer deliveries y-o-y;
- China: first shopping mall Chengdu opened on November 24, 2010 (over 80% pre-let).

Financial Services
- Russian bank Sovcom: strong y-o-y improvement of net result (EUR 25 million profit, 9M-2010 vs. EUR 14 million loss, 9M-2009);
- Ukraine bank VAB: 10% y-o-y increase of net loss (9M-2010).

(Water)Infrastructure
- 9M-2010: Higher revenues (up 21% y-o-y) and substantially higher operating result (up 133% y-o-y) reflect continuing demand for water infrastructure services.

Breakdown of the net result for equity holders of Kardan N.V. (EUR million)[1]	9M-2010	9M-2009	Q3-2010	Q3-2009	FY 2009
– Real Estate	3	(20)	1	(8)	(63)
– Financial Services – Banking and Lending	(6)	(32)	24	(7)	(29)
– Financial Services – Insurance and Pension	31	22	1	7	19
– (Water) Infrastructure – Projects	2	-	-	-	2
– (Water) Infrastructure – Assets	2	(1)	3	-	(4)
– Rental and Leasing of vehicles	2	-	-	2	1
– Sale of vehicles	6	3	2	1	5
– Other	(16)	(17)	(8)	(7)	(23)
Total net result attributable to equity holders	**24**	**(45)**	**23**	**(12)**	**(92)**
Profit (loss) per share (EUR)	0.23	(0.45)	0.23	(0.12)	(0.91)
Profit (loss) per share diluted (EUR)	0.22	(0.45)	0.23	(0.12)	(0.92)

Kardan N.V. – balance sheet (non consolidated)	September 30, 2010	September 30, 2009	December 31, 2009
Total Assets (in EUR million)	1,011	969	909
Total Equity (in EUR million)	358	325	293
Equity/Total assets (%)	35	34	32

[1] The table shows the contribution of each of the businesses to the results of Kardan. As profits attributable to minority shareholders have already been deducted, these figures do not represent the full net result realized in each segment.

The Management Board of Kardan N.V. ("Kardan") commented on the results of 9M-2010:

"In general, our results for 9 months of 2010 were better than for the same period of last year. We recorded positive net results in all our divisions. This is due to improved efficiencies, better markets, and our strategy to create local platforms, combining our expertise with local knowledge. The co-operation with our local partners provides us with an early insight into both risks and opportunities that may arise in those markets/countries, of which some, as we know, are still fairly volatile. From an investment company point of view, we materialized value by successfully selling our Insurance and Pension activities, and a part of our stake in Sovcom bank in Russia, both at a significant profit.
We expect further improvement in the macroeconomic conditions in most countries in which we are active. The economy in China continues to grow significantly. Within CEE, some countries are in a better position than others, but overall, GDP growth estimates indicate that the emerging markets will outpace the growth of developed markets. Kardan is well positioned to benefit from the increasing wealth of the middle classes in emerging markets and thus to create long term value for shareholders. Looking at the portfolio of Kardan and the macroeconomic expectations for the countries in which we are active, and taking into account our involvement in the operating companies, we expect 2010 to show a positive development in our results".

Summary Results of 9M-2010

The net result of Kardan N.V. attributable to equity holders amounted to a profit of EUR 24 million in 9M-2010 versus a loss of EUR 45 million in the same period of 2009. The increase is mainly attributable to the Financial Services division (EUR 35 million) and to the Real Estate division (EUR 23 million). The strengthening of the currencies against the Euro, in most countries of operation, significantly increased the value of the investments in these countries. According to the accounting principles, the increase in value is recognized directly in equity, not affecting the income statement. This appreciation of local currencies resulted in an increase of equity attributable to shareholders of EUR 49 million, besides the net contribution of EUR 24 million, to EUR 358 million from EUR 293 million as at December 31, 2009.

The net contribution of the **Real Estate** division in the reporting period is EUR 3 million (9M-2009: loss of EUR 20 million), out of which EUR 15 million is attributable to (net of tax) revaluation gains (compared to revaluation losses of EUR 27 million in 9M-2009). Most of the positive revaluation result (EUR 13 million) is attributable to GTC China. GTC SA recorded a positive revaluation result (EUR 4 million); a turning point after 5 consecutive quarters of valuation losses until Q2-2010. Delivery of apartments in China in 9M-2010, approximately 14-18 months after having been bought and to a large extent paid for, were substantially lower as a result of less sales contracts in China in 2008. The contribution net of tax of the operating companies in the Real Estate division before recognition of revaluations was EUR 6 million negative (9M-2009: profit of EUR 7 million).
The positive contribution of the operating companies was reduced by finance expenses of the holding company amounting to EUR 7 million.

Within KFS, the **Banking and Lending** segment (TBIF), generated a negative net contribution to equity holders of EUR 6 million in 9M-2010, compared to a loss of EUR 32 million in 9M-2009.

The total net result of all TBIF operating companies improved by EUR 16 million from a loss of EUR 24 million in 9M-2009 to a loss of EUR 8 million in 9M-2010. The improved result is mainly due to lower provisions for bad debts in Russia driven by the improving macroeconomic environment.
The change from joint to full control by Kardan in the Ukrainian bank VAB Bank negatively impacted the results in the reporting period. Due to the increase, foreign exchange losses in prior years that were recorded directly in equity, are now reclassified to the income statement; the impact is a loss of EUR 16 million. In addition, given the continuing losses of VAB Bank (Ukraine) the goodwill and intangible assets resulting from the increase of the stake were impaired with EUR 10 million. Furthermore, an amount of EUR 11 million was impaired relating to our holdings in KFS. The sale of 16% of the shares of Sovcom (Russia) reduced the stake of Kardan in the bank to 50%; due to the sales price of more than twice the equity value, the transaction led to a gain of EUR 48 million.

The **Insurance and Pension** segment (TBIH) contributed a net profit of EUR 31 million (9M-2009: net profit EUR 22 million). Due to the change of control in June 2010, whereby Vienna Insurance Group obtained full control over TBIH, Kardan recorded a net profit of EUR 24 million in 9M-2010. The agreement, concluded in Q3-2010, to sell 40% of TBIH will not lead to additional material results for

Kardan. In 9M-2009, Kardan recognized a capital gain of EUR 20 million on the sale of part of the activities of TBIH to VIG.

The net contribution of the **(Water) Infrastructure** division amounted to a profit of EUR 4 million in 9M-2010 (9M-2009: loss of EUR 1 million). Higher revenues (up 21% y-o-y to EUR 127 million) and gross margins (up 27% y-o-y) resulted in a substantially higher (up 133% y-o-y) operating profit (before fair value adjustments, disposal of assets and financial expenses) of EUR 10 million. The operating profit was reduced by finance expenses and tax, to arrive at EUR 4 million profit.

The Israeli **Sale of vehicles** and **Rental and Leasing of vehicles** segments contributed EUR 8 million (9M-2009: break-even) on the back of higher revenues and improvement in gross profit margins.

Finally, **Other Results**, mainly comprising of finance and general expenses not allocated to specific activities and the results of activities not attributable to a segment, amounted to a loss of EUR 16 million in 9M-2010 (9M-2009: loss of EUR 17 million).

Developments within the divisions and segments in 9M-2010

GTC, Kardan's Real Estate division, realized strong growth of 40% y-o-y in rental and service income throughout GTC SA's operations in the CEE region. Approximately 75% of this growth derives from new completions or acquisitions of minority stakes in properties; the remainder can be allocated to existing projects. Residential sales declined as the number of apartments and houses available for sale decreased. The quality of the portfolio of GTC SA is reflected, amongst others, by the sale of the Topaz and Nefryt office buildings in Warsaw, at attractive yields of 7.2% resulting in EUR 22 million free cash. GTC SA has a reputable name with leading European banks, which enables the company to ensure financing at favorable terms. In September 2010, a EUR 80 million refinancing loan agreement for City Gate, a renowned office building in Bucharest, was finalized. As of mid November 2010, GTC SA has 1.8 million sqm net under construction and in pipeline for commercial and residential projects (GTC's equity part only).

In the Chinese real estate operations, 2,656 apartment sales contracts were signed in 9M-2010, significantly outpacing the 9M-2009 level of 1,316. These sales will only be recognized as revenue upon delivery of the relevant apartments, which is expected in 2011-2012. The Chinese government took additional measures in April 2010 to reduce speculative purchases of apartments. This was to some extent noticeable in the slightly decreasing trend of sales contracts during the year 2010 (Q3-2010: 745 vs. Q2-2010: 921). The sales trend is also partly influenced by GTC China's strategy to be cautious and to follow market developments. GTC China constructs apartments in Tier 2 and Tier 3 cities, the majority of which are for buyers' own use and not for speculative purposes. Larger projects are constructed in phases, enabling easy adaptation to changing market conditions. The opening of GTC's first shopping mall in China (Chengdu) took place on November 24 of this year, with over 80% pre-let.

Within the Banking and Lending segment (TBIF) of the Financial Services division (KFS), the developments in Russia are promising: in 9M-2010, the loan portfolio of Sovcom bank increased significantly (31%) as did the deposit taking (16%), compared to December 31, 2009. In the Ukraine, growing confidence in the banking system is reflected in the 9M-2010 increase in deposit taking (40%). Lending, however, is still at low levels due to the weak economy. Romania and Bulgaria, the two other countries in which TBIF operates, are still facing macroeconomic challenges. These markets remain difficult, as governments are taking measures to reduce the fiscal deficit and to comply with IMF demands.

Tahal, Kardan's (Water) Infrastructure division, continued to see strong demand for its services, particularly in China and Africa which are facing a severe lack of (clean) water. In 9M-2010, revenues grew 21% y-o-y to EUR 127 million. To accommodate the many opportunities for (water) infrastructure projects, Tahal concluded an agreement in July with a private equity investor (FIMI) to provide funds of up to USD 50 million (approx. EUR 36 million), of which USD 25 million (approx. EUR 18 million) was received in cash. The backlog of Tahal Projects (EUR 194 million at September 30, 2010) remains substantial.

The Israeli automotive activities presented higher revenues and gross margins in 9M-2010 y-o-y on the back of improved market conditions and changes in the mix of vehicles sold.

KARDAN N.V.

Outlook 2010

Based on the results in 9M-2010 and assuming no deterioration of the Real Estate markets in which Kardan is active, result from operations before tax and financing expenses should be positive.

In Financial Services (mainly Banking and Lending) in CEE and CIS, the economic environment in Russia has shown signs of improvement. In the other countries where we operate, such as in Bulgaria, Romania and Ukraine, circumstances are more challenging. We expect that, on balance, lending activities should increase and provisions for bad debt will decrease throughout the full year 2010. Overall, profit from continuing operations before tax in financial services will not be positive in 2010.

In the (Water) Infrastructure division, due to completion of waste water treatment plants in China in 2009 and 2010 (Tahal Assets) and the steady backlog for the design, engineering and construction activities (Tahal Projects), management expects an increase in revenues and gross margins in 2010. Results from operations before tax and finance expenses are expected to be positive.

About Kardan

Kardan is an active international investment company focused on emerging markets in three sectors that benefit from the rising middle classes: Real Estate, Financial Services and (Water) Infrastructure. The company operates in seven segments throughout emerging markets, primarily in Central and Eastern Europe and China, where it conducts most of its activities.

Kardan holds controlling interests in its divisions and is actively involved in the definition and implementation of their strategy. Kardan has a consistent track record of creating long-term shareholder value through active management of investments in the group companies and by leveraging on its business experience, financial resources and local and international network.

Kardan is listed on NYSE Euronext Amsterdam and the Tel-Aviv Stock Exchange.

Total assets as of September 30, 2010 amounted to EUR 5.9 billion (December 31, 2009 and September 30, 2009 respectively EUR 5.6 billion and EUR 5.5 billion) with revenues of EUR 489 million in 9M-2010 (EUR 691 million in 2009 and EUR 518 million in 9M-2009).

As of Page 6 of this press release, financial reports drawn up in accordance with the Dutch and Israeli regulations are included and form an integral part of this release.

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"This press release contains regulated information (gereglementeerde informatie) as defined in the Dutch Act on Financial Supervision (Wet op het financieel toezicht)"

9 MONTHS FINANCIAL REPORTS 2010

The 9 Months Financial reports contain the following sections:

PART 1 MANAGEMENT REPORT FOR THE 9 MONTHS PERIOD ENDED ON SEPTEMBER 30, 2010

1. Developments of divisions of Kardan and the respective markets
2. Main events in the period (January 1- September 30, 2010)
3. Subsequent events
4. Results and equity attributable to equity holders of Kardan
5. Value of investments of Kardan
6. Financial position of Kardan Group as of September 30, 2010
7. Risk management and Israeli Sox
8. Segmental key indicators for the period

PART 2 ADDITIONAL INFORMATION

1. Financial analysis of consolidated interim balance sheet, income statement and cash-flow statement
2. Fair value disclosure
3. Issuance of debt
4. Immaterial transactions procedure
5. Procedures for approving the financial statements

PART 3 CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Condensed interim consolidated balance sheet

Condensed interim consolidated income statement

Condensed interim consolidated statement of comprehensive income

Condensed interim consolidated statement of changes in equity

Condensed interim consolidated cash flow statement

Notes to the condensed interim consolidated financial statements

Auditor's review report

KARDAN N.V.

PART 1[2] MANAGEMENT REPORT FOR THE 9 MONTHS PERIOD ENDED ON SEPTEMBER 30, 2010

1.1 Development of divisions[3] of Kardan and the respective markets

For the sake of clarity, the explanations of the following paragraphs 1.1 and in 2.1 are based upon the consolidated figures, thus including minority interests, unless specifically stated differently. Details on the percentage of ownership can be found in paragraph 1.5.

Details of division and segment results can be found in note 3 of the Financial Statements.

Real Estate

Kardan is active in development and management of Real Estate mainly through GTC SA and GTC China, as well as through GTC Investments in Western Europe and Kardan Real Estate in Israel.

The largest holding, GTC SA, in which Kardan has a controlling stake (43%), operates mainly in Central and Eastern Europe. GTC China, fully owned by Kardan, develops residential and retail real estate in Tier 2 and Tier 3 cities in China, and focuses on developing mixed-use projects (residential and retail) as well as on managing commercial real estate.

In 9M-2010, the Real Estate division generated EUR 143 million revenues[4] (9M-2009: EUR 195 million).

General market developments Central and Eastern Europe (GTC SA)

Emerging Europe is recovering from the recession: the IMF expects GDP growth of 3.9% in 2010 and of 3.8% in 2011 for the region, a marked difference from the 6% contraction in 2009.
For the second half of 2010, a global slow-down is anticipated, however, which will particularly weigh on the export sector. Hope is set on an increase in the domestic demand in the Central European region, although the slow improvement in the labor market and necessary fiscal tightening may hamper consumption growth. Poland and the Czech Republic form the exception, where a recovery of internal consumption is noticeable. The South Eastern European countries are lagging behind in their recovery. In Romania the VAT increase has, among others, not improved consumer confidence, whilst on the other hand Hungary is starting to show small positive signs of recovery.

For the Real Estate sector in CEE, general market estimates are that cap rates will continue to decline, mainly due to lower supply and recovering demand for commercial property. Some distinction between major CEE and SEE markets can be detected: Poland and the Czech Republic are doing well whereas Hungary, Bulgaria and Romania are still slow in their recovery.

In Q3-2010, the value of CEE transactions increased to EUR 1.5 billion (up 60% q-o-q and 100% y-o-y), mostly driven by prime assets in Warsaw. The expectation is that this upward trend will continue, albeit possibly at a lower pace in line with the macroeconomic forecasts. In addition, a record breaking take-up level in the history of Warsaw's office market was registered in Q3-2010. The cumulative take-up for 9M-2010 was over 100% higher than in the corresponding period of 2009. Growing demand for office space is expected to also impact secondary cities positively.

[2] Reference is made to the disclaimer at the end of part.1
[3] For the percentage of ownership reference is made to paragraph 1.5
[4] Reference is made to the Segment Information in the Financial Statements, note 3

Developments GTC SA

- Total revenues for 9M-2010 amounted to EUR 115 million (9M-2009 EUR 117 million); the decrease is due to the lower income from residential sales. On the other hand, rental and service income increased significantly throughout GTC SA's operations in the CEE region by 40% y-o-y to EUR 92 million. This 40% y-o-y growth mainly derives from new completions or acquisitions of minority stakes in properties, and to a lesser extent from rent increases in existing projects. Gross margin on rental revenue was stable compared to 9M-2009 at 77%, whereas the margin on residential sales declined. For the 9M-2010, the pre-tax revaluation gain amounts to EUR 15 million. Net profit amounted to EUR 8 million for 9M-2010, in comparison to a loss of EUR 44 million for 9M-2009.
- The balance sheet of GTC SA remains strong, with EUR 199 million in cash and short term-deposits, and 50% of the debt maturing in Q4-2015 or later. The leverage ratio net of cash (54%) showed moderate increase due to borrowing and investing into assets that are not revalued yet. Residential inventory decreased as a result of delivery of completed apartments. The average vacancy rate for GTC SA decreased from 16% as at June 30, 2010, to 15% as at September 30, 2010.
- In September 2010, GTC Romania, together with its partner Blue House, finalized a EUR 80 million refinancing loan agreement for City Gate, a renowned office building in Bucharest.
- GTC SA sold the Topaz and Nefryt office buildings in Warsaw in October 2010, at an attractive yield of 7.2%, raising net cash of EUR 22 million.
- In October, 2010, GTC SA signed a lease agreement (9,000 sqm) with the French retailer Cora for Galeria Arad in Romania, a sign of recovery of the South Eastern European markets.
- Galleria Stara Zagora, with a total lease area of 25,000 sqm, was opened in Bulgaria in November 2010, as was Galeria Harfa (42,000 sqm) in Prague, a modern mixed-use shopping mall and office complex.
- As of mid November, 2010, GTC SA has 1.8 million sqm net under construction and in pipeline for commercial and residential projects (GTC's equity part only).
- Currently, GTC SA holds 523,000 sqm of net rentable office and retail space. As per September 30, 2010, the average yields in the valuation of GTC SA's investment property were:

	Poland	**Other countries**
Completed Property	7.4%	8.2%
Property under construction	7.7%	9.4%

General Market Developments in China (GTC China)

In mid October 2010, the Chinese authorities announced their proposal for the 12th Five Year Plan (FYP), for the years 2011 – 2015. The FYP will continue to emphasize structural adjustment of China's economy and its growth model, with a focus on "rebalancing". To improve people's livelihoods and to restrain resource demand, the government has set three main targets: 1) to increase the internal consumption's share of GDP, 2) to boost household incomes and 3) to improve the social safety net (both urban and rural). By doing so, the authorities aim to rebalance demand, especially stimulating consumption, relative to export and investment. Analysts think that domestic inflationary pressure will remain manageable. Economic growth slowed to 9.6% in Q3 (versus 10.3% in Q2).

<u>Property Market</u>
The recent economic measures by the Chinese government, such as increasing financing costs for second and third homes, have been taking effect as they target speculation rather than underlying demand. Consequently, confidence remains in China's property market outlook in the medium and long term. This cautious, but still optimistic outlook, is based on the expectations that further urbanization and a more balanced growth between tier 1 / major tier 2 and lower tier cities, will continue to fuel growth in tier 2 and tier 3 cities.

Developments GTC China

GTC China is mainly active in the residential and commercial real estate markets.

- Revenues for GTC China in 9M-2010 were EUR 20 million versus EUR 36 million for 9M-2009 due to less delivery of apartments in 2010 and despite the substantial increase in contract sales. Net profit in this period amounted to EUR 10 million, in comparison to EUR 4 million in 9M-2009. Total assets as at September 30, 2010, were EUR 346 million (September 30, 2009: EUR 249 million). Equity to assets ratio decreased from 52% on September 30, 2009, to 43% this year at the end of September.
- In 9M-2010, GTC China signed contracts for the sale of 2,656 apartments, significantly outpacing the 9M-2009 level of 1,316. The measures taken by the Chinese government, in April 2010, to reduce speculative purchases of apartments has to some extent led to a slightly decreasing trend of sales contracts (Q3-2010: 745 vs. Q2-2010: 921). On average, delivery of apartments takes place some 14 to 18 months after the sale contract is signed. The lower number of sales contracts signed and to a large extent paid for in 2008, is now reflected in the number of delivered apartments, 912 in 9M-2010 compared to 1,801 in 9M-2009.
- The Chinese government's current policy is expected to continue to have a negative impact on the sales volume in the last quarter of the year, though the impact on GTC China is partly mitigated due to its strategy:
    - GTC China generally constructs apartments for first time home owners' self use and not for speculators in Tier 2 and Tier 3 cities. It is expected that the construction of these apartments will continue to be promoted by the Chinese government in the coming Five Year Plan, to be announced in March 2011.
    - GTC China constructs its projects in phases, following the demand. The number of unsold apartments for which construction starts is limited.
- In Q1-2009, GTC China commenced the construction of a shopping mall with approximately 35,000 sqm of net rentable area in Chengdu (Western China). This shopping mall was opened on November 24 of this year. Currently, over 80% of the mall is leased.

Financial Services (KFS)

Kardan operates in the financial services sector through its approximately 99% holding in KFS, which owns 90% of TBIF (banking and lending) and 40% of TBIH (Insurance and Pension). In July 2010, KFS signed an agreement to sell its shares in TBIH. The transaction was completed end of November, 2010.

TBIF is active in banking, consumer finance, leasing, mortgages and asset management in Russia and Ukraine mainly through its 50% stake in Sovcom bank (Russia) and its 71% stake in VAB Bank (Ukraine), and in Romania and Bulgaria through its fully owned non-banking subsidiaries.

Revenues [5] in 9M-2010 for KFS amounted to EUR 38 million in comparison to EUR 78 million over the same period in 2009. Excluding the revenues from insurance and pension (due to the disposal of TBIH) and adding the revenues of Sovcom bank, which due to IFRS ruling were not included in revenues but in "discontinued operations", revenues total EUR 74 million for 9M-2010 in comparison to EUR 61 million in the same period in 2009. The increase is mainly due to Sovcom bank, which was partially offset by VAB.

In 9M-2010, TBIF generated EUR 3 million revenue in comparison to 9M-2009: EUR 30 million (reference is made to Part 2, Financial Analysis), and revenue for TBIH amounted to EUR 35 million (9M-2009: EUR 48 million).

[5] Reference is made to the Segment Information in the Financial Statements, note 3

General Market Developments CEE/CIS

Russia

Russia's real GDP growth slowed to 2.7% y-o-y in Q3-2010, according to preliminary data from the Federal Statistics Service. A significant part of the slowdown can be attributed to the severe drought that hit the agricultural sector during the summer. This has led to a higher inflation which undermines consumer incomes and has constrained general consumer demand.
The World Bank, however, anticipates a 4.2% growth for Russia in 2010, followed by 4.5% in 2011 and 3.5% in 2012 as domestic demand expands in line with gradual improvements in labor and credit markets. Unemployment in Russia fell from 9.2% in January 2010 to 6.6% in September 2010. Smaller regions with more small and medium sized enterprises, more foreign investment, and a stronger financial sector presence are expected to show a better recovery.

Ukraine

GDP growth for Ukraine is anticipated to slow down in H2-2010 (Q3-2010 at 3.25% and Q4-2010 expected to be 3%) in comparison to H1-2010 (Q1 at 4.9% and Q2 at 5.9%). Unemployment rates are improving slightly, but remain high at 8.2 % at Q3-2010, versus 8.7% at Q2-2010. There are signs in the Ukraine of some more political stability. In addition, IMF seems satisfied so far with Ukrainian compliance with conditions of its USD 15 billion stand-by loan. In the banking sector, household deposits kept growing, led by Hryvnia accounts, and early signs of lending recovery emerged. However, loan loss provisions remained high. IMF expects a real GDP growth of 3.7% for Ukraine in 2010, increasing to a 4.5% growth in 2011.

Bulgaria

Bulgaria is benefiting from stronger exports and the economy is poised for gradual recovery. Real GDP growth for 2010 as projected by the IMF will range between 0% and 0.4%. The current account deficit is expected to decline to just below 3% of GDP and inflation should remain moderate. The recovery should continue in 2011 with a forecasted GDP growth of 2% – 2.5% (y-o-y) as domestic demand will start to grow and foreign direct investments will increase. As growth increases, employment conditions may improve, leading to an increasing demand for consumer credits. At present, however, private consumption remains very low and even decreased in Q3 of 2010, and import was down again with just over 2% q-o-q, further emphasizing persistent weakness of domestic demand.

Romania

The Romanian GDP dropped 0.7% in Q3-2010 (q-o-q). On a yearly basis (Q3-2010 versus Q3-2009), GDP contracted 2.5%. Continuing structural reforms are the most important issue for Romania. In addition, domestic demand is expected to remain slack in 2010 as consumer and business confidence are anticipated to build only as of 2011. Higher than anticipated net export has not been sufficient to mitigate the very weak domestic demand. The IMF states "Economic activity is now stabilizing and we expect growth of 1.5% – 2% in 2011 (compared to -2% in 2010). Headline inflation has jumped in recent months due to the effects of the necessary July VAT increase and food price pressures. The tough but necessary fiscal measures taken earlier this year are reducing Romania's fiscal imbalances and helping to ensure macroeconomic stability". The market for consumer credit remains challenging as the confidence of consumers and smaller companies in the economy remains very weak.

Developments KFS

Banking and Lending

Sovcom

In September 2010, TBIF, Kardan's Banking and Lending subsidiary, sold 16% of the Russian bank Sovcom to its co-shareholder as a result of the latter's exercise of its call option. Following the completion of the transaction, TBIF and the co-shareholder each own 50% of Sovcom share capital.
Consequently, starting 30 September, 2010, the balance sheet and results of Sovcom are proportionally consolidated in the Financial Statements of Kardan. The results of Sovcom, before 30 September 2010, are recorded in the Financial Statements as "discontinued operations" based on IFRS rules.

- As a result of the improved macroeconomic environment and successful implementation of new strategies, Sovcom reported strong 9M-2010 operating results. The deposit taking and lending have increased compared to December 31, 2009.
- The loan portfolio of Sovcom before deduction of provisions (gross loan portfolio) in 9M-2010 increased in comparison to December 31, 2009 (EUR 389 million) by 31% to EUR 511 million, of which 55% relates to retail loans. EUR 24 million of the increase was due to the weakening of the Euro against the Ruble.
- The non-performing loans overdue for more than 90 days (NPL) decreased from 6.8% as at December 31, 2009 to 4.4% as at September 30, 2010. The downward trend of provisions for bad loans continues: as at September 30, 2010 provisions represented 7.4% of the portfolio whereas this ratio amounted to 13.7% at year end 2009.
- The outstanding deposits increased by16% (EUR 84 million) from EUR 517 million as of December 31, 2009 to EUR 601 million as at September 30, 2010. Approximately 5% of the increase is due to the weakening of the Euro against the Ruble. The retail deposits count for 86% of the total deposits (December 31, 2009: 78%).
- As a result of these developments, the loan to deposit ratio as at September 30, 2010 is 85%, in comparison to 75% as at December 31, 2009. The over-liquidity of the bank is partly used to invest in bonds of reputable companies and municipalities.
- The net profit of Sovcom in 9M-2010 amounted to EUR 25 million versus a loss of EUR 14 million in 9M-2009.

VAB Bank

TBIF increased its stake in VAB Bank from 63% to 71% in the third quarter of 2010, following the increase in the first quarter to obtain full control. Consequently, the balance sheet of VAB Bank is fully consolidated as of March 31, 2010, and the results have been fully included in the results for the period April – September,-2010.

- In line with the cautious sentiment in the country, the increase in deposits was significantly higher than the slight increase in loans when compared to December 31, 2009. At September 30, 2010, deposits showed an increase of 40% to EUR 358 million versus December 31, 2009 (EUR 256 million), whereas the gross loan portfolio in 9M-2010 grew with only 1% to EUR 540 million in comparison to the EUR 533 million as at December 31, 2009. The weakening of the Euro against the local currency (Hryvnia) accounted for part of the increases. In local currencies, deposits increased by 32% (9M-2010 vs. Q4-2009), whilst the gross portfolio decreased by 5% in the same period, albeit with a stabilization noticeable in Q3-2010.
- Of the total loan portfolio, 26.2% is overdue for more than 90 days (September 30, 2010), a continuation of the upward trend of the previous quarters (December 31, 2009: 15.5%). The provisions also continued to grow to a level of 21.1% as of September 30, 2010 (December 31, 2009: 14.6%), in line with the weak economy.
- The loan to deposit ratio is coming down. As of September 30, 2010 the ratio amounted to 151% in comparison to 163% as at H1-2010 and 208% as at December 31, 2009. In addition to deposits, the loan portfolio is partially funded through a line of support from the National Bank of Ukraine amounting to approximately EUR 65 million, to be repaid in the coming months, and an outstanding debenture balance amounting to EUR 66 million.
- The net loss of VAB Bank in 9M-2010 amounted to EUR 31 million versus a loss of EUR 28 million in 9M-2009. The increase of the loss is mainly due to increase in provisions and the fact that the gross portfolio, in local currency, has decreased.

The other financial services activities, which include non-banking leasing and consumer finance (mainly in Romania and Bulgaria), experienced a decrease of portfolios in all lines of business. The main reason for this is the ongoing challenging economic situation in those countries as well as the lack of liquidity in the banking sector funding these activities.

Insurance and Pension

At the end of 2009, KFS and Vienna Insurance Group ("VIG") agreed to a change of control whereby VIG would obtain full control over TBIH earlier than the originally scheduled date of December 31, 2010 (whereas prior to such changes it used to be joint control). This change of control came into effect in June 2010. In July 2010, KFS announced that it had signed an agreement to sell its 40% stake in TBIH to VIG, pending regulatory approvals. The transaction was closed end of November, 2010.

Water Infrastructure (Tahal)

Kardan is active in the infrastructure business and operates as a leading international engineering company, specializing in water-related infrastructure projects and water-related asset ownership through its 100% owned subsidiary Tahal Group International ("TGI"). TGI is active in approximately 30 countries, across 4 continents, primarily in Eastern Europe, China, Africa and Israel. TGI has two subsidiaries: Tahal Projects and Tahal Assets.

Tahal Projects engages in two basic types of projects: engineering, procurement and construction (EPC) projects as well as design projects. Tahal Assets invests in water-related assets such as municipal water systems, desalination plants and waste water treatment plants, mainly in China, Israel and Turkey. During the development phase these assets do not generate cash. After completion of the development phase, water is delivered to municipalities and industrial areas on the basis of long term concession rights (twenty to thirty years).

Revenues [6] in 9M-2010 for Tahal Group International amounted to EUR 127 million in comparison to EUR 105 million over the same period in 2009.

Global Market Developments

The global water infrastructure market continues to be very robust. Population growth and industrial expansion continue to fuel the growing global demand. At the same time, the world's fresh water supply is shrinking due to pollution, draining of underground aquifers and climate change. According to Global Water Intelligence, despite the global economic crisis in 2009, the water market grew over 8.2% y-o-y to a value of nearly EUR 350 billion. The water market is expected to continue to grow substantially faster in developing countries and in China (Tahal's regions of activity) over the next several years than in developed countries. The IMF reports that the Waste Water Treatment Plant market in China continues to be strong, in particular at the smaller municipality level where the size of potential plants is smaller. This is the market in which Tahal is active. One of the focal areas of the next five year plan for China (2011 – 2015) is on water conservation. The general forecast is that the investment in waste water treatment will double (to approximately EUR 70 billion) in 2011-2015.

Developments Tahal

- Tahal Projects generated EUR 79 million (9M-2009: EUR 67 million) in revenues in 9M-2010 (up 18% y-o-y) and the revenue of Tahal Assets arrived at EUR 48 million (9M-2009: EUR 38 million) in the same period, an increase of 26% y-o-y.

- Tahal Projects' backlog increased 7% to EUR 194 million from EUR 181 million as at December 31, 2009 as a result of a mix of new orders and currency translation effects. The main regions that contributed to the development of the backlog are Africa and Europe. The backlog does not include the project in Angola with an expected future revenue of EUR 143 million (reference is made to par. 1.2). This project will be added once the first advance payment for the project is received. Reference is made to the Financial Statements, note 6.

[6] Reference is made to the Segment Information in the Financial Statements, note 3

- In January 2010, Tahal Assets won a tender in China for the acquisition of a waste water treatment plant in Xuanhua with a capacity of 120,000 cubic meters per day. The transaction is expected to be closed in the first half of 2011.
- In September 2010, Tahal Assets signed an agreement for the sale of Hydro Caisan S.A., owner of a concession right to construct and operate a hydro power plant in Panama, for the consideration of EUR 2.5 million. The profit to Kardan amounted to EUR 2.5 million.

Kardan is active in Israel in the Rental and Leasing of Vehicles and Sale of Vehicles segments. Kardan holds a 74% stake in Kardan Israel.

General Market Developments Israel[7]

The Israeli economy has continued its impressive growth in the first nine months with GDP increasing by 3.9%, 4.5% and 3.8% in Q1-2010, Q2-2010 and Q3-2010, respectively. The continued growth will depend on the developments of the US and European markets which are the main target markets for Israeli exports.

Rental and Leasing of vehicles

In this segment Kardan N.V. is active through AVIS Israel, of which it indirectly holds 30%. In 2010, Kardan Israel increased its indirect and direct stake in Avis Israel from 33% to 41% by purchasing shares on the stock exchange.

Developments of Rental and Leasing of vehicles

As a result of the improving general market conditions, prices for second hand vehicles as well as financing availability improved during 2010. It is expected, however, that the growth in the leasing market in Israel will come to a standstill and that a reduction might even occur due to recent regulations in Israel on taxation of lease cars. As a consequence, employees are facing increasing income tax amounts, as the value of their lease car is considered to be additional compensation.

Developments AVIS Israel

The increase in prices of second hand vehicles and leasing led to an increase of revenues of 2% y-o-y in 9M-2010. In addition, due to lower interest expenses and reduction of the amortization rate of the car fleet from 15% to 14.5%, net profit in 9M-2010 significantly improved by 8% y-o-y.

Sale of vehicles

Developments of sale of vehicles

In light of the improving general market conditions, Israeli automotive sales market increased by 26% in 9M-2010 y-o-y with approximately 156,000 vehicles being handed over in 9M-2010. In this segment, Kardan owns a 30% indirect stake of UMI, the exclusive importer of the core brands of General Motors in Israel; Chevrolet, Buick and Cadillac.

Developments UMI

Due to the improvement in the economic environment in Israel, an improved mix of vehicles and strengthening of the Israeli Shekel, net profit in 9M-2010 nearly doubled y-o-y.

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[7] This reflects market developments for both Rental & Leasing of vehicles as well as for Sale of vehicles

1.2 Main events in the period (January 1 – September 30, 2010)

Kardan

- In May 2010, Maalot, the Israeli subsidiary of Standard & Poor's, downgraded the rating of the debentures issued by Kardan to ilBBB+, outlook negative from ilA-, outlook negative. The negative outlook is due to the concern of Maalot that the economies in which Kardan is active will deteriorate.

- In May 2010, the board of directors of Kardan Israel Ltd. decided to purchase shares of Kardan N.V. on the stock exchange up to an amount of NIS 30 million (approximately EUR 6 million). That amount is deducted from Kardan N.V. shareholders equity. Following those purchases, as at September 30, 2010 Kardan Israel's stake in Kardan N.V. is approximately 11%.

Real estate (GTC)

- In March 2010, GTC SA agreed on the terms of a joint venture with Polnord SA for the development of a modern shopping mall in Wilanow, one of the most affluent residential areas of Warsaw, Poland. The approximate size of the mall will be 60,000 sqm. In May 2010, the joint venture agreement was signed.

- In May 2010, GTC SA signed a letter of intent with an international investor for the sale of two of its office buildings in Warsaw with a total area of approximately 27,000 sqm for a consideration reflecting a 7.2% yield. Closing of the transaction occurred after balance sheet date, resulting in EUR 22 million free cash.

Financial Services (KFS)

- In November 2009, TBIF signed an agreement to purchase additional shares in VAB bank, which would increase its stake in VAB Bank from 63% to 98%, subject to certain conditions precedent to be fulfilled by the seller and approval from Ukrainian authorities. The price to be paid was approximately EUR 24 million. As announced in January 2010, closing of the transaction was not expected before Q2-2010, and closing did not take place so far. As the conditions precedent were not met, the transaction has not been completed. In parallel, in August 2010, the shareholders of VAB Bank approved a capital increase by converting an outstanding loan of TBIF to VAB Bank into shares. TBIF was the only shareholder participating in this shareholders meeting. As a result, its holding in the bank, has increased from 63.0% to 71.3%.

- In March 2010, VAB Bank refinanced debentures in the amount of approximately EUR 90 million. Maturity was extended from June 2010 to June 2014, the interest rate increased from 10.125% to 10.5%. Investors who voted in favor of the restructuring before March 19, 2010, have received a prepayment of 10% of the principal.

- In June, 2010, Kardan announced that as of June 30, 2010 the joint control arrangement between Vienna Insurance Group and Kardan Financial Services over TBIH Financial Services Group N.V. would terminate. TBIH is active in Insurance and Pension in Central and Eastern Europe. Up to June 30, 2010 the partners jointly controlled TBIH in which VIG holds 60% and KFS 40%. As a result, as of June 30, 2010, Kardan and KFS ceased to proportionately consolidate the financial statements of TBIH and from that date the investment in TBIH is presented according to the equity method.

- In July 2010, KFS signed an agreement to sell its 40% holding in TBIH to Vienna Insurance Group, which already held 60% of TBIH. The consideration of approximately EUR 127 million will mainly be used to reduce the overall debt of KFS. In addition to the sale transaction, KFS is buying from VIG a transferable five year call option for EUR 10 million to purchase 92.6% of the shares of Doverie Pension Fund AD, the leading Bulgarian pension fund currently owned by TBIH. The exercise price of this call option is EUR 150 million for the first three years and EUR 160 million for the last two years. This call option will allow KFS to benefit from a potential increase in value of this Bulgarian pension fund as the improvement in the global financial markets continues. Doverie, with a market share of 33% in Bulgaria, has 1.3 million members. In 2009 the company reported revenues of EUR 12.1 million, a profit of EUR 3.8 million with total assets of EUR 567 million.

- In September 2010, Kardan announced that TBIF Financial Services B.V. ("TBIF"), Kardan's Banking and Lending subsidiary, had received notice from its co-shareholder in the Russian Bank Sovcom, expressing its intention to exercise a call option to purchase 16% of Sovcom Bank shares from TBIF. Kardan was informed on September 1, 2010, that the co-shareholder had transferred to TBIF the consideration for the shares to be purchased in the amount of approximately EUR 36 million. Two weeks later the sale of 16% of the Russian bank Sovcom, by TBIF to its co-shareholder, was completed. Following the completion of the transaction, TBIF and the co-shareholder each hold 50% of the Sovcom shares. Kardan recorded a gain of EUR 48 million.

<u>(Water) Infrastructure (Tahal)</u>

- In January 2010, the government of Angola awarded Tahal a contract for a project for the development and construction of the water supply, sewage and drainage system for a new rural settlement and the irrigation of farm land. The expected revenue from this agreement is EUR 143 million.

- In January 2010, Tahal assets won a tender in China for the acquisition of a waste water treatment plant in Xuanhua (180 km from Beijing) with a capacity of 120,000 cubic meters per day. The purchase price amounts to approximately EUR 28 million. The transaction is expected to be closed in the first half of 2011.

- In May 2010, Tahal closed a transaction for the planning, construction, expansion and upgrading of drinking water systems in three regions in Ghana. The total revenues of this project should amount to approximately EUR 83 million. The agreement for the transaction was concluded with Ghana Water Company Ltd. A down payment of approximately EUR 13.3 million was received and the agreement came into force. The project is expected to take approximately three years from commencement until completion. Commencement of the project is subject to the finalization of certain administrative procedures.
- In July 2010, Tahal Group International signed an agreement with FIMI, an Israeli private equity fund, pursuant to which FIMI undertakes to provide Tahal a loan of up to USD 50 million (approximately EUR 40 million). According to the agreement, FIMI would receive warrants in an amount of up to USD 50 million (approximately EUR 40 million) to purchase an equity stake in Tahal based on a pre-money company valuation for Tahal which shall be the lower of (a) USD 250 million plus interest or (b) 25% discount on the company valuation at an exit event (such as an IPO). Kardan has the option to buy back up to 60% of the warrants at an IRR for FIMI of 17.5% (provided that a pro-rata portion of the Loan shall be repaid at that time) ("Call Option"). The Call Option can be exercised in the six months period commencing two and a half years from closing, or earlier in certain events. The transaction was closed in August 2010.

<u>Kardan Israel</u>

- In June, 2010, Kardan Israel announced that Kardan Communications Ltd., a wholly owned subsidiary of Kardan Israel had completed a transaction to sell its 45% stake in Teledata Networks Ltd. to Enablence Technologies Inc., a Canadian listed company. Following completion of the transaction, Kardan N.V. recorded a capital gain of approximately EUR 6 million.

- In August 2010, Kardan Israel purchased 1,248,700 par value shares Dan Vehicle & Transportation D.R.T. Ltd. (AVIS) shares in the amount of EUR 8 million, and increased its direct stake from 5.8% to a stake of 13.8% directly. The total direct and indirect stake of Kardan Israel in AVIS is approximately 41%.

1.3 Subsequent events

Financial Services (KFS)

- In November, 2010, Kardan announced that the transaction between its subsidiary Kardan Financial Services B.V ("KFS") and the Vienna Insurance Group ("VIG") to sell KFS's 40% stake in TBIH Financial Services Group N.V. ("TBIH") to VIG, was completed. In exchange for the TBIH shares that were sold to VIG, KFS received a cash compensation of EUR 127.7 million. The compensation will be used to reduce the principal debt of KFS with EUR 125 million, after which the outstanding principal balance of the debt to banks will be EUR 57 million.

1.4 Results and equity attributable to equity holders of Kardan

In this paragraph, the amounts and the explanations all reflect the share of Kardan N.V. in the consolidated results i.e. net of minority interests. For the sake of clarity, the explanations of paragraph 1.1 and 2.1 are based upon the consolidated figures, thus including minority interests.

Breakdown of the net result for equity holders of Kardan N.V. (EUR million)[8]	**9M-2010**	**9M-2009**	**Q3-2010**	**Q3-2009**	**FY 2009**
– Real Estate	3	(20)	1	(8)	(63)
– Financial Services – Banking and Lending	(6)	(32)	24	(7)	(29)
– Financial Services – Insurance and Pension	31	22	1	7	19
– (Water) Infrastructure – Projects	2	-	-	-	2
– (Water) Infrastructure – Assets	2	(1)	3	-	(4)
– Rental and Leasing of vehicles	2	-	-	2	1
– Sale of vehicles	6	3	2	1	5
– Other	(16)	(17)	(8)	(7)	(23)
Total net result attributable to equity holders	**24**	**(45)**	**23**	**(12)**	**(92)**
Profit (loss) per share (EUR)	0.23	(0.45)	0.23	(0.12)	(0.91)
Profit (loss) per share diluted (EUR)	0.22	(0.45)	0.23	(0.12)	(0.92)

Kardan N.V. – balance sheet (non consolidated)	**September 30, 2010**	**September 30, 2009**	**December 31, 2009**
Total Assets (in EUR million)	1,011	969	909
Total Equity (in EUR million)	358	325	293
Equity/Total assets (%)	35	34	32

The net profit attributable to equity holders of Kardan N.V. increased by EUR 69 million to EUR 24 million in 9M-2010, compared to a loss of EUR 45 million in the same period in 2009.

Real Estate

The net results of the Real Estate division increased by EUR 23 million to a profit of EUR 3 million in 9M-2010 (9M-2009: loss of EUR 20 million) mainly as a result of the following:

- The profit of GTC's operating companies net of tax in 9M-2010 amounted to EUR 10 million, an improvement of EUR 30 million compared to the loss of EUR 20 million in the same period of last year. The main elements of the improved result are:
    - In 9M-2010 the total revaluation profits net of tax amounted to EUR 15 million (9M-2009: loss of EUR 27 million). GTC China recorded a revaluation profit net of tax of EUR 13

[8] The table shows the contribution of each of the businesses to the results of Kardan. As profits attributable to minority shareholders have already been deducted, these figures do not represent the full net result realized in each segment.

million (9M-2009: nil) on the shopping centre under construction in Chengdu, that has been opened recently. The profit is the result of the progress in construction and advancing in pre-leasing of the shopping center. GTC SA booked a revaluation profit net of tax of EUR 4 million (9M-2009: loss of EUR 27 million). The positive revaluation result was recognized in Q2 and Q3-2010, after consecutive losses since Q4-2008. Slightly decreasing yields and improving rents in some of the properties were the drivers for the positive revaluation. In Israel, an impairment loss, relating to building inventory and investment of associates, amounting to EUR 2 million was recognized due to uncertainties with regard to getting building permits for the second phase of the "Holyland" project in Jerusalem (9M-2009: nil).

  - o Losses from the operating companies after tax, excluding revaluation results, amounted to EUR 5 million (9M-2009: profit of EUR 7 million). The loss for the period was mainly caused by the relatively low number of apartments delivered in the reporting period. Reference is made to par. 1.1.

- Finance expenses and general and administrative expenses on the level of GTC Real Estate Holding, the holding company of the Real Estate division, amounted to EUR 7 million (9M-2009: EUR 5 million).
- In 9M-2009 Kardan sold a 3% stake in GTC SA resulting in a capital gain of EUR 4 million.

Financial Services (KFS)
KFS contributed a net profit of EUR 25 million in 9M-2010, a significant improvement compared to the 9M-2009 net loss of EUR 10 million. The profit can be explained as follows:

The Banking and Lending segment (TBIF) contributed a net loss of EUR 6 million in 9M-2010 versus a net loss of EUR 32 million in 9M-2009. The main elements of the results are:

- The result of the operating companies (excluding provisions) net of tax amounted to a profit of EUR 39 million in 9M-2010 (EUR 41 million in 9M-2009).
- Provisions on the loan portfolio decreased to EUR 47 million in 9M-2010 from EUR 65 million in 9M-2009, due to lower non-performing loans in Russia resulting from the significant improvement of the economy.
- Net finance expenses relating to the funding of acquisitions and equity investment of the operational companies, and general and administrative expenses less other income of the holding companies, of this sector amounted to EUR 8 million in 9M-2010 (9M-2009: EUR 6 million).
- In Q3-2010, the co-shareholder in the Russian bank Sovcom exercised its option to increase the stake in Sovcom from 34% to 50%. Kardan gained EUR 48 million on this transaction.
- In Q1-2010, TBIF increased its holding in VAB Bank from 49% to 63%. According to IFRS this transaction is recorded as two transactions: on the one hand the "sale" of the (joint control) 49% stake and on the other hand the "acquisition" of (majority control) 63% of the shares. The "sale" resulted in the recognition of a net loss amounting to EUR 16 million mainly due to releasing the foreign exchange translation reserve on this investment to the income statement. In prior years, these translation results, created due to the devaluation of the local currency against the Euro, were already recorded directly in Equity. In Q3-2010, the holding in VAB Bank increased to 71%.
- Goodwill and intangibles were impaired with an amount of EUR 21 million, of which EUR 10 million is attributable to VAB bank as a result of continuing losses.

The Insurance and Pension segment (TBIH) contributed a profit of EUR 31 million in 9M-2010 versus a profit of EUR 22 million in 9M-2009. This result can mainly be explained as follows:

- The net loss of the operating companies in 9M-2010 amounted to EUR 1 million (9M-2009: loss of EUR 6 million).
- At the end of 2009, KFS and VIG, the partner in TBIH, agreed that the control over TBIH would be transferred to VIG. Regulatory approvals for this change of control were received in Q2-2010. In Q3-2010 KFS signed an agreement with VIG to sell its 40% holding in TBIH to VIG for an amount of approximately EUR 126 million. Due to the change of control, Kardan recorded a profit of EUR 24 million in 9M-2010. In addition, in 9M-2010, a EUR 8 million revaluation profit was realized appertaining to a put-option. In 9M-2009, Kardan recognized a profit of EUR 8 million on this put-option, and a capital gain of EUR 20 million on the sale of part of the activities of TBIH.

(Water) Infrastructure (Tahal)
Tahal realized a profit of EUR 4 million in 9M-2010 versus a net loss of EUR 1 million in 9M-2009. Tahal operates through two segments: Tahal Projects and Tahal Assets.

- Tahal Projects recorded a profit of EUR 2 million (9M-2009: break-even). The increase is mainly due to an increase in revenues to EUR 79 million (+ 18% y-o-y).

- Tahal Assets recorded a net profit of EUR 2 million (9M-2009: loss of EUR 1 million). Increased revenues to EUR 48 million (+ 26% versus 9M-2009) resulted in a higher operating profit off-set by increased taxes. In 9M-2010 the profit was positively impacted by a capital gain of EUR 2 million on the sale of the rights in a Central-American project. In 9M-2009, the net result was impacted by a loss on the impairment of assets (EUR 3 million) and a capital gain realized on the increase of the share in the Chinese water activities (EUR 2 million).

Rental and Leasing of vehicles
The segment contributed a profit of EUR 2 million in 9M-2010 (9M-2009: break-even). The increase in second hand vehicle prices contributed to an increase of 2% in revenues in 9M-2010, y-o-y. In addition, the net profit significantly improved due to lower interest expenses and reduction of amortization rate of car fleet from 15% to 14.5%.

Sale of Vehicles
In 9M-2010, the contribution of UMI to the profit for equity holders of Kardan was EUR 6 million (9M-2009: EUR 3 million). In 9M-2010, revenues increased by 18% y-o-y due to improved market conditions. Gross profitability improved from 14.1% to 16.5%.

Other
Other activities include investments that are relatively immaterial (“Communications and Technology”, “Import and Sale of white goods” and “El Har” which performs building construction works in Israel), general and administrative expenses, and finance expenses of Kardan N.V. and Kardan Israel Ltd. The total loss of these activities amounted to EUR 16 million (9M-2009: loss of EUR 17 million).

The loss derives mainly from general and administrative expenses and finance expenses related to the funding of the equity investments in subsidiaries of Kardan Israel and Kardan amounting to EUR 21 million in 9M-2010 versus EUR 14 million in 9M-2009. Due to the revaluation of a forward transaction regarding Kardan N.V.’s Israeli Shekel denominated debentures that were purchased through a subsidiary that did not qualify for hedge accounting and the accounting implications of the hedging transaction, Kardan N.V. recorded in 9M-2010 additional EUR 3 million finance expenses compared to 9M-2009. In addition finance expenses of Kardan Israel went up with EUR 4 million mainly due to conversion of a Loan granted to a subsidiary into Equity.
Due to the sale of an (indirect) stake of approximately 33% in Teledata Networks Ltd, Kardan realized a capital gain of EUR 6 million in 9M-2010.

- **Third Quarter 2010 results**

In the third quarter of 2010, the net profit attributable to equity holders of Kardan increased significantly to EUR 23 million against a loss of EUR 12 million in the third quarter of 2009.

In Q3-2010 the Real Estate division recorded a profit of EUR 1 million, an improvement of EUR 9 million compared to the loss of EUR 8 million in the same period of last year.

The improvement mainly stems from the positive revaluation result net of tax of EUR 4 million versus a revaluation loss net of tax of EUR 18 million in Q3-2009. From the revaluation profits, EUR 3 million was recorded in GTC China and EUR 1 million in GTC SA.

In Q3-2010 the net result after tax of the operating companies excluding revaluation results after tax was break even (9M-2009: profit of EUR 5 million). The lower result in Q3-2010 is mainly caused by a decrease in the number of apartments that have been delivered. The finance and general and administrative expenses of the holding company amounted to EUR 4 million (Q3-2009: loss of EUR 1 million).

In Q3-2009 Kardan sold a 3% stake in GTC SA resulting in a capital gain of EUR 4 million.

The net profit after tax for Banking and Lending segment amounted to EUR 24 million in Q3-2010, a significant improvement against Q3-2009 with a net loss of EUR 7 million.

The main elements composing the results are:

The net profit from operating companies after tax, before credit losses, improved from EUR 17 million, Q3-2009, to EUR 20 million, Q3-2010.

The provisions for bad loans were a little less in Q3-2010, EUR 20 million versus EUR 22 million in Q3-2009. Lower provisions in Russia were offset by higher provisions in Ukraine.
In Q3-2010, the co-shareholder in the Russian bank Sovcom exercised its option to increase the stake in Sovcom from 34% to 50%. Kardan gained EUR 48 million on this transaction. Goodwill and intangibles were impaired with an amount of EUR 21 million, of which EUR 10 million is attributable to VAB bank as a result of continuing losses.

The net profit from the Insurance and Pension segment decreased from EUR 7 million in Q3-2009 to EUR 1 million in Q3-2010. In Q3-2010, the contribution to the profit was a revaluation profit of EUR 1 million (Q3-2009: profit of EUR 5 million) relating to the value of a put option to sell the holding in TBIH to the partner. In Q3-2009 a capital gain of EUR 4 million was realized on the sale of the Romanian pension and insurance activities.

The (Water) Infrastructure division realized a net profit of EUR 3 million in Q3-2010 compared to a breakeven result in Q3-2009. In Q3-2010 a capital gain was realized on the sale of rights related to a Central American asset.

The net result attributable to equity holders of Rental and Leasing of vehicles was break-even in Q3-2010, whereas in Q3-2009 a profit of EUR 2 million was reported. The reduction in the result is due to tax income which was recorded in Q3-2009, compared to high Israeli CPI influence over the result of AVIS Israel, considering its CPI-linked debentures.

Sale of vehicles realized a net profit attributable to equity holders of EUR 2 million in the third quarter of 2010 (Q3-2009: profit of EUR 1 million) due to an increase of revenues.

The "other activities" recognized a net loss of EUR 8 million versus a loss of EUR 7 million in the third quarter of 2009. Finance expenses and general and administrative expenses amounted to EUR 5 million (Q3-2009 EUR 5 million).

- **Equity attributable to the shareholders of Kardan N.V. as of September 30, 2010**

As of September 30, 2010, the shareholder's equity of Kardan increased by EUR 65 million, to EUR 358 million, compared to EUR 293 million at year-end 2009. This increase in the shareholders' equity is resulting from the EUR 24 million net profit recorded in 9M-2010, and to a large extent from an increase of foreign currency reserves (including the VAB Bank transaction influence; reference is made to 9 months 2010 result analysis, TBIF) and hedge reserves.

The solvency ratio (shareholder's equity/total assets) of Kardan as of September 30, 2010 increased and is 35% compared to 32% at year-end 2009.

As a result of transactions in 2010, the net debt position of Kardan as of September 30, 2010 increased to EUR 390 million from EUR 362 million as of December 31, 2009.

1.5 Value of investments Kardan N.V.

The following table summarizes the book value of the companies held directly by Kardan as at September 30, 2010 and December 31, 2009 (amounts in EUR million):

Holding Company	Name of subsidiary	Share in subsidiary	Book Value in Kardan N.V.	Loans granted by Kardan N.V.	Total Investment in books 30.09.10	Total Investment in books 31.12.09
Kardan N.V.	GTC RE Holding (*) (1)	100%	323	90	413	396
	KFS (**) (1)	99.1%	170	100	270	209
	Tahal (2)	100%	52	43	95	107
	Kardan Israel	73.9%	74	-	74	71

(*)

Holding Company	Name of subsidiary	Share in subsidiary	GTC Holding Book Value	Loans granted by GTC Holding	Total Investment in books 30.09.10	Total Investment in books 31.12.09
GTC RE Holding	GTC SA	43.1%	408	-	408	407
	GTC China	100%	156	30	186	161
	GTC Investments	46.3%	5	10	15	16

(**)

Holding Company	Name of subsidiary	Share in subsidiary	KFS Book Value	Loans granted by KFS	Total Investment in books 30.09.10	Total Investment in books 31.12.09
KFS	TBIF	90.6%	180	120	300	255
	TBIH (3)	40%	127	-	127	67

1) The main difference in the total investments in GTC RE Holding and KFS as of September 30, 2010 compared with December 31, 2009 is a change in the translation reserves as well as the results of 9M-2010.
2) The main difference in the total investments in Tahal as of September 30, 2010 compared with December 31, 2009 is the result of a dividend distribution in 9M-2010.
3) This reflects the agreement to sell TBIH to VIG (see also paragraph 1.3)

1.6 Financial Position of Kardan Group as of September 30, 2010

- **Maturity loans**

Kardan has a decentralized funding structure. This means that Kardan, its direct subsidiaries (all being holding companies of the operational entities), and the operational entities mostly are responsible for the funding of their own activities. As a consequence, within the Kardan group many agreements with lenders are in place with different covenants. As of September 30, 2010, the Group is compliant with all covenants.

The following table gives an overview of the cash positions and refinance obligations for convertible and non convertible debentures and other interest bearing loans as at September 30, 2010 for Kardan N.V. and its divisions[9];

[9] The table provides consolidated figures for each division. It should be noted however that the cash and debt positions of an individual company within a division cannot always be compensated with the position of another company. The data in the table do not include the liabilities due to deposit holders of the banking activities in Russia and Ukraine.

EUR Millions	Free Cash & Cash equivalents	Debt/loans maturing					
		Before September 30, 2011	Before September 30, 2012	Before September 30, 2013	Before September 30, 2014	After September 30, 2014 and until September 30, 2028	Total
Kardan N.V.	68	11	6	73	116	423	629
GTC Group	254	135	122	192	288	968	1,705
KFS	280	201*	64	44	194	78	581
Tahal Group International	49	54	13	17	29	17	130
Kardan Israel**	61	133	49	61	55	112	410
Total	**712**	**534**	**254**	**387**	**682**	**1,598**	**3,455**

From the total debt payable after September 30, 2014, the total amounts due in the next five years are respectively EUR 435 million, EUR 178 million, EUR 237 million, EUR 143 million and EUR 300 million.

* Including an amount of EUR 125 million, which was repaid after balance sheet date, as the result of the sale of TBIH (reference is made to paragraph 1.3).

** Includes liabilities of Avis (Israel) in the sum of EUR 149 million. Repayment of liabilities of AVIS is financed by proceeds from car fleet sales, which are not presented in this table The loans maturing before 30/9/11 include a construction loan in the sum of EUR 33 million.

- **Net debt** [10]

The following table summarizes the net debt of Kardan N.V. and if applicable of its directly owned subsidiaries (company only) as of September 30, 2010:

Company	Net Debt (in EUR million)	
Kardan NV	**Liabilities:**	
	Debentures (*)	(504)
	Loans from banks	(54)
	Assets:	
	Loan to KFS	100
	Cash and short term investments	68
	Net debt	**(390)**
GTC RE Holding	**Liabilities:**	
	Loans from banks	(162)
	Assets:	
	Cash and short term investments	-
	Net debt	**(162)**

[10] Net debt includes interest bearing loans and borrowings, debentures and convertible debentures, less cash and cash equivalents and interest bearing receivables

KFS	**Liabilities:** Loans from Kardan N.V. (100) Loans from banks (181) **Assets:** Cash and short term investments 2 Loans to minority in subsidiary 22 Loans to TBIF <u>120</u> **Net debt (137)**
TGI	**Liabilities:** Loans from others (and related warrants) (18) **Assets:** Cash and short term investments <u>10</u> **Net debt (8)**
Kardan Israel	**Liabilities:** Debentures (45) Loans from banks (49) **Assets:** Loan to subsidiary 4 Cash and short term investments <u>5</u> **Net debt (85)**

(*) Approximately 80% par value of the Debentures are presented in EUR in accordance with the currency hedging transactions

1.7 Risk management and Israeli SOX

1.7.1 Risk Management

The Company has three main fields of activities (divisions) divided into seven segments. Each segment is managed by an executive director or board of directors which are responsible for managing its market segment risks. In addition, in each operating company a senior manager is responsible for managing its risks. The director responsible for risk management of Kardan is Mr. Walter van Damme, a member of the Management Board.

The annual report 2009 describes the main risks relating to Kardan's strategy, such as interest rate and currency risks, capital availability and financial market risks etc. These risks are deemed incorporated and repeated in this report by reference.

Although economic indicators in various markets show positive signs, 2010 is still challenging. The future developments could possibly have additional adverse economic implications possibly leading to a further slowdown in the world economy in general. These global economic factors could possibly have future negative consequences for the results of the Group, its equity base, the value of its assets, its ability to comply with the covenants agreed upon with lenders and its ability to raise financing, as well as the terms of such financing.

1.7.2 Israeli SOX

On November 24, 2009, the Knesset Finance Committee approved the proposal of the Israeli Securities Authority to adopt regulations dealing with the internal control framework for the financial reporting and disclosures of a company, so as to provide a reasonable degree of assurance regarding the fairness of the reports and their compliance with the provisions of the law (Securities Regulations (Periodic and Immediate Reports) (Revision No. 3) – 2009 (hereinafter – the "Revision")). The Revision was published in December 2009.

The aforementioned provisions will be effective for the periodic report as of December 10, 2010 (hereinafter – the "effective date"). Notwithstanding the above, according to the provisions of the Revision, during the period from the date of publication of the Revision until the effective date, a description should be given of the stages being implemented by a company in preparation for the implementation of the Revision and the progress being made in respect thereof (hereinafter – the "implementation of the project").

The goal of the Revision is to improve the quality of financial reporting and disclosure by strengthening the internal control framework of the company.

Steps taken by Kardan to implement the project as of the date of this report:

The person responsible for implementation of the project at Kardan is Mr. Jan Slootweg, a member of the Kardan management board.

A. As of the date of this report, Kardan completed the mapping of the significant processes in connection with financial reporting and disclosure. For purposes of mapping the processes and identifying the very significant business risks involving the financial reporting and disclosure at Kardan, Kardan used an assessment and analysis model which takes into consideration various qualitative and quantitative factors.

The processes that were identified as very significant to financial reporting and disclosure were as follows:

1. Entity Level Controls (ELC)
2. The Financial Statement Closing Process
3. Information Technology General Controls (ITGC)
4. Investment property
5. Loans to customers
6. Banks and cash flow management
7. Financial products

B. The documentation of business processes and the existing internal controls over the financial reporting and disclosure was made on the basis of risk assessment of the internal control.

C. The Company analyzed the existing design gaps in the internal control over the financial reporting and disclosure.

1.8 Segmental Key Indicators for the period

The following table presents key indicators for the activities of each of the three main fields of activities of Kardan N.V.

Key Indicators

The following tables contain balances as of September 30, 2010 and results for the period of 9 months ending September 30, 2010.

Real Estate

Commercial Properties

Completed

	Unit	Total	Poland*	Other CEE
NRA - GTC ownership	[SQM '000]	510	287	224
Average vacancy*	[%]	15%	14%	17%
Average yield used in valuations	[%]	7.8%	7.4%	8.2%
Book value**	[EUR mn]	1,517.7	809.6	708.1

Under construction

	Unit	Total	Poland	Other CEE	China
NRA - GTC ownership	[SQM '000]	232	36	162	35
Accumulated cost	[EUR mn]	295.9	28.2	202.2	65.4
Profit from revaluations	[EUR mn]	27.7	(11.3)	17.5	21.4
Minority interest in commercial properties	[EUR mn]	(36.1)	-	(36.1)	-

* Two assets were completed during Q2 2010.
** GTC SA holds c. 32% of the operations in Czech Republic and thus does not consolidate the results in the financial statements. The information presented in these tables does not include GTC's share in the results of activities in Czech Republic. The information also does not include value of assets held for sale.

Residential Properties

Under construction & completed inventory

	Unit	Total	CEE	China*
NRA - GTC ownership	[SQM '000]	491	60	431
Book value	[EUR mn]	180.6	58.4	122.2

* The selling rights of areas which are not yet under construction amounts to 887 thousand SQM.
** GTC SA holds c. 32% of the operations in Czech Republic and thus does not consolidate the results in the financial statements. The information presented in these tables does not include GTC's share in the results of activities in Czech Republic.

Net Debt

	Unit	Total	GTC SA (CEE)	GTC China
Net financial liabilities (assets)	[EUR mn]	1,140.1	1,173.8	(33.8)

KARDAN N.V.

Financial Services

Banking Activities

	Unit	Sovcom	VAB	TBI Bulgaria	TBI Romania
Country		Russia	Ukraine	Bulgaria	Romania
Holding	[%]	50%	71%	100%	100%
Revenues (100%)*	[EUR mn]	111.1	22.8	12.9	14.5
Net profit / loss (100%)	[EUR mn]	24.7	(30.9)	(0.6)	1.7
Equity (100%)	[EUR mn]	98.5	32.3	11.9	35.6
Equity /Total Assets	[%]	11%	6%	10%	32%
Net loan portfolio (100%)**	[EUR mn]	465.3	424.2	98.8	89.0
Provisions	[%]	7%	21%	11%	17%
Loans to deposits ratio	[#]	0.9	1.5	NA	NA
Book value in TBIF - equity, goodwill and loans	[EUR mn]	114.5	27.1	42.0	61.9

* Includes net interest income, net commission income and other operating income.

** According to IFRS.

TBIF - Net financial liabilities (assets)	[EUR mn]	31.7

Infrastructure

		Tahal Group	Tahal Group Assets
Sector		Projects	Assets
Revenues	[EUR mn]	78.9	48.5
Gross profit	[EUR mn]	16.9	11.3
Profit from operations	[EUR mn]	5.2	4.9
EBITDA	[EUR mn]	6.7	7.7
Net financial liabilities*	[EUR mn]	16.3	48.7
Backlog**	[EUR mn]	193.9	

* Not including shareholders loans.

** Backlog includes projects which have a signed agreement and have received first payment were relevant. In January Tahal signed agreements to execute projects in Angola with expected total revenues of EUR 143mn. The first payment of this project has not been received yet and therefore the project is not included in the backlog.

Disclaimer

This report contains forward looking information as defined in the Israeli Securities Act, based on macro economic data relevant to each geographical region in which Kardan N.V. is active, the management's experience and the condition of the local and global market. The aforesaid may not materialize completely or part thereof, or materialize in a different manner, including materially different from what is expected as a result of changes in the state of the market, new regulations, continuation and/or worsening of the global economic crisis or incorrect assessments by management.

This report also contains information regarding market developments which are based on external party research which was published in the following reports.

- CEE Real Estate market: **KBC,** *Economic Emerging Europe, Outlook 4th Quarter 2010 & CEE Real Estate, Approaching Equilibrium, November 2010;* **IMF,** *Regional Economic Outlook, Europe, Building Confidence, October 2010;* **Jones Lang Lasalle,** *City Reports Q3-2010;*

- China Real Estate market: **Goldman Sachs,** *Real Estate Developers, November 2010*;**UBS**, *China Focus, November 2010;* **GaveKal Dragonomics**, *November 2010;*

- Financial Services market: **IMF** *website;* **World Bank** *website;* **Unicredit,** *Emerging Europe Daily, November 2010;*

- (Water) Infrastructure market: **Global Water Intelligence***, Global Water Market*, *July Review*

- Automotive market: **Car Importers Association** (Israel) *website*

Kardan N.V. is not responsible for the nature or correctness of data presented in this section regarding market developments or projections.

KARDAN N.V.

PART 2 ADDITIONAL INFORMATION

2.1. Financial analysis

2.1.1 Following is a summary of Kardan N.V.'s consolidated balance sheet (in EUR millions)

Balance	30.9.10	30.9.09	31.12.09	Notes
Total balance sheet	5,939	5,531	5,633	The increase as of September 30, 2010 compared to December 31, 2009 is mainly a result of revaluations of investment properties and additional costs incurred in the various projects in GTC Group as well as increase in the proportionate share of Kardan Israel in AVIS during the reported period. The increase was mitigated slightly due to various changes of control in KFS Group [11] (TBIH , VAB Bank and Sovcom bank - see also the main events in this segment).
Current assets	2,053	2,041	2,064	The decrease as of September 30, 2010 compared to December 31, 2009 is mainly a result of changes of control in KFS Group [11] (TBIH, VAB Bank, and Sovcom bank - see also the main events in this segment).
Non current assets	3,886	3,490	3,569	The increase as of September 30, 2010 compared to December 31, 2009 is mainly a result of revaluations of investment properties and additional costs incurred in the various projects in GTC Group as well as increase in the proportionate share of Kardan Israel in AVIS during the reported period.
Current liabilities	1,677	1,503	1,600	The increase as of September 30, 2010 compared to December 31, 2009 is mainly a result increase in advances from apartment buyers due to increase in the sales of apartments in GTC China.
Other debentures	1,045	908	866	The increase as of September 30, 2010 compared to December 31, 2009 is mainly a result of Kardan Real Estate's issue of Debentures through an IPO, Kardan Israel debentures issuance and the partial reissuance of Kardan N.V. series A debentures.
Non current Interest-bearing loans and borrowings	1,753	1,541	1,698	The increase as of September 30, 2010 compared to December 31, 2009 is mainly a result of receipt of bank loans for the funding of projects in the GTC Group.
Options	35	35	28	The increase as of September 30, 2010, compared to December 31, 2009 is mainly a result of granting warrants to FIMI in Tahal Group (see also the main events in this segment).
Equity attributable to equity holders of the parent	358	325	293	The increase as of September 30, 2010 compared to December 31, 2009 is mainly a result of the profit in the reported period as well as movements in the translation reserve which derived from strengthening of local currencies versus the EUR in some countries of operation.

[11] In June 2010, pursuant to an agreement dated December 29, 2009 between Vienna Insurance Group ('VIG') and KFS, the joint control over the insurance and pension's subsidiary, TBIH was terminated. Accordingly, as of June 30, 2010 the Company no longer proportionately consolidates TBIH and accounts for the investment using the equity method. In the consolidated income statement for the first six months of 2010 TBIH is still proportionally consolidated. The consolidated balance sheet as of December 31, 2009 includes the balance sheet of TBIH on a proportionate basis.

During the first quarter of 2010, TBIF increased its holdings in VAB Bank to 63% and thus obtained full control over the operations of the Ukrainian bank, previously accounted for as a joint venture of TBIF in Ukraine (49%). Accordingly, the result of VAB Bank for the three months

KARDAN N.V.

ended March 31, 2010 has been included in these condensed interim consolidated financial statements on proportionate basis. The balance sheet of the bank as of September 30, 2010 and the results for the six months ended September 30, 2010 have been fully included.

In September 2010, a sale transaction of 16% of the shares of Sovcom bank was carried out. Subsequently, TBIF holds 50% of the bank under a joint control agreement and therefore the statement of financial position of the bank is included in these condensed financial statements on a proportionate basis as of September 30, 2010, and fully consolidated as of December 31, 2009. The results of the bank for the periods before September 30, 2010 are presented as discontinued operations.
For more information on the transactions, please see Note 6 in the financial statement as of September 30, 2010.

2.1.2 Income Statement of Business Operations (in EUR million):

	1-9/2010	1-9/2009	7-9/2010	7-9/2009	1-12/2009	Notes
Revenues						
Sale of goods	84	120	25	40	145	The decrease in sale of goods in 9M-2010 vs. 9M-2009 is mainly a result of decrease in delivery of apartments for which income could be recognized.
Contract revenues	149	120	51	46	173	The income mainly represents the revenues from projects in the (Water) Infrastructure segment operated by Tahal Group. The increase in 9M-2010 in comparison to 9M-2009 is a result of increase in the activity of Tahal.
Revenues from renting vehicles	86	83	30	28	108	The income mainly represents the revenues from the rental activities of AVIS.
Revenues from sale of rental vehicles	52	41	17	14	58	The increase in 9M-2010 in comparison to 9M-2009 is a result of increase in the number of vehicles sold as well as increased sale prices all generated by AVIS operation.
Insurance activities	33	45	-	15	59	The income in 9M 2010 represents revenues for the first 6 months of 2010, as starting Q3 2010 and due to the cease of joint control following "VIG transaction" (see also the main events in this segment) the company records its share in TBIH results based on the equity method[10].

Banking and retail lending activities	3	30	(9)	7	34	Following the decrease in interest in Sovcom bank the company reclassified its related revenues to "results from discontinued operations" [10] It will be noted that the income is presented net of provision for doubtful debts.
Property rental revenues	78	73	27	25	105	The increase in property rental revenues in 9M-2010 in comparison to 9M-2009 is mainly as a result of completion of construction and leasing of a number of commercial projects in 2009 which generated rental income starting 2010.
Services and management fees	4	6	1	2	9	-
Total Revenues	**489**	**518**	**142**	**177**	**691**	
<u>Expenses</u>						
Cost of goods sold	55	94	15	31	114	See explanations for the changes in sale of goods.
Contracts costs	119	97	41	38	138	See explanations for the changes in revenues from contract works.
Cost of rental vehicles	63	59	22	18	78	See explanations for the changes in revenues from sale of vehicles
Cost of sale of rental vehicles	48	38	16	12	54	See explanations for the changes in revenues from renting of vehicles.
Operating expenses of insurance activities	32	48	-	17	68	See explanations for the changes in revenues from insurance activities.
Cost of banking and lending activities	55	47	20	16	61	The increase is mainly a result of the first time full consolidation of VAB Bank results starting Q2-2010[10].

Income Statement of Business Operations (in EUR millions) (cont'd):

	1-9/2010	1-9/2009	7-9/2010	7-9/2009	1-12/2009	Notes
Cost of property rental operations	23	16	9	6	24	See the explanations for the changes in rental revenues.
Other expenses , net	7	16	2	3	30	The other expenses in 2009 are mainly due to impairment of assets in the (Water) Infrastructure segment (see also the net result analysis in this segment) as well as the write down to net realizable value to the cost of building in progress in the real estate segment.
Total expenses	**402**	**415**	**125**	**141**	**567**	-
Gross margin	**87**	**103**	**17**	**36**	**124**	-
Sales and marketing expenses	23	17	9	6	24	-
General and administration expenses	49	44	15	14	62	-
Profit (loss) from operations before fair value adjustments, disposals of assets and financial expenses	**15**	**42**	**(7)**	**16**	**38**	-
Adjustment to fair value of investment properties	33	(62)	5	(44)	(179)	All the investment properties were revaluated to their fair value in GTC Group. Reference is made to note number 5 in the Financial Statements.
Impairment losses on goodwill	(20)	-	(17)	-	(1)	Mainly as a result of Goodwill impairment due to the losses of VAB Bank and goodwill relating to KFS.

Gain on issuance of shares in associated companies and subsidiaries to third parties	-	1	-	-	1	-
Gain (Loss) on disposal of assets and other income	29	18	3	12	30	The profit in 9M-2010 is mainly a result of transfer of control in TBIH to VIG as well as gain on the sale of Teledata Networks (see also main events in the period for the relevant segments). The profit was partly offset against the release of translation reserves following the increased interest in VAB Bank. The income in 2009 includes the revaluation of a “Put” option granted to KFS with respect to its holding in TBIH as well as the profit from the sale of 3% of GTC SA shares.
Profit (loss) on disposal of assets and investments	**42**	**(43)**	**(9)**	**(32)**	**(149)**	-
Profit (loss) before finance expenses and income taxes	**57**	**(1)**	**(16)**	**(16)**	**(111)**	-

KARDAN N.V.

Income Statement of Business Operations (in EUR millions) (cont'd):

	1-9/2010	1-9/2009	7-9/2010	7-9/2009	1-12/2009	Notes
Financial Income	32	55	11	10	63	Financial income in 9M-2010 is mainly the result of interest income on the cash balances of the group as well as early repayment of a loan in one of the subsidiaries in KFS Group. Finance income in 9M-2009 is mainly the result of an increase of value of financial assets which are denominated in EUR and USD, in the financial services operations as a result of devaluation of the Russian and Romanian currencies.
Financial expenses	(133)	(152)	(31)	(48)	(185)	Financial expenses for the reported period include the financing costs of loans and debentures in the group. The financial expenses in the first 9M-2009 are mainly a result of a decrease in the value of financial liabilities which are denominated in EUR and USD, mainly in the financial services operations as a result of devaluation of the Russian and Romanian currencies.
Adjustments to fair value of other financial instruments	2	3	1	3	3	-
Total financial expenses , net	**(99)**	**(94)**	**(19)**	**(35)**	**(119)**	-
Profit (loss) from operations	**(42)**	**(95)**	**(35)**	**(51)**	**(230)**	-
Share of profit (loss) of associates accounted for using the equity method	11	1	4	(1)	7	-
Net profit (loss) before income taxes	**(31)**	**(94)**	**(31)**	**(52)**	**(223)**	-
Income tax (benefit) expenses	13	(6)	1	(17)	(27)	Main tax expenses/benefits are a result of provision for deferred taxes due to revaluation/impairment of investment properties.

Net profit (loss) for the year from continuing operations	**(44)**	**(88)**	**(32)**	**(35)**	**(196)**	-
Net profit (loss) for the year from discontinued operations	**72**	**6**	**58**	**8**	**20**	In 9M-2010, the results include the profit from Sovcom bank operations as well as the gain from decrease in the interest of KFS in Sovcom bank [10]. In 2009 the profit derives from the sale of the pension activity in Romania.
Net profit (loss) for the period	**28**	**(82)**	**26**	**(27)**	**(176)**	-
Net profit (loss) attributed to equity holders of the parent	24	(45)	23	(12)	(92)	See also analysis of the net result to the equity holders of Kardan N.V.
Net profit (loss) attributed to minority interest holders	4	(37)	3	(15)	(84)	-

In June 2010, pursuant to an agreement dated December 29, 2009 between Vienna Insurance Group ('VIG') and KFS, the joint control over the insurance and pension's subsidiary, TBIH was terminated. Accordingly, as of June 30, 2010 the Company no longer proportionately consolidates TBIH and accounts for the investment using the equity method. In the consolidated income statement for the first six months of 2010 TBIH is still proportionally consolidated. The consolidated balance sheet as of December 31, 2009 includes the balance sheet of TBIH on a proportionate basis.

During the first quarter of 2010, TBIF increased its holdings in VAB Bank to 63% and thus obtained full control over the operations of the Ukrainian bank, previously accounted for as a joint venture of TBIF in Ukraine (49%). Accordingly, the result of VAB Bank for the three months ended March 31, 2010 has been included in these condensed interim consolidated financial statements on proportionate basis. The balance sheet of the bank as of September 30, 2010 and the results for the six months ended September 30, 2010 have been fully included.

In September 2010 a sale transaction of 16% of the shares of Sovcom bank was carried out. Subsequently, TBIF holds 50% of the bank under a joint control agreement and therefore the statement of financial position of the bank is included in these condensed financial statements on a proportionate basis as of September 30, 2010, and fully consolidated as of December 31, 2009. The result of the bank, for the periods before September 30, 2010, is presented as discontinued operations.

For more information on the transactions, please see Note 6 in the financial statement as of September 30, 2010.

2.1.3. Cash flow and source of funding (in EUR millions):

	1-9/2010	1-9/2009	7-9/2010	7-9/2009	1-12/2009	Notes
Net cash provided by operating activities	24	48	54	51	51	-
Net cash used in investing activities	(231)	(448)	(74)	(200)	(566)	In 9M-2010, EUR 143 million were used for acquisition of tangible fixed assets and investment properties , EUR 137 million were used for change in long term loans and receivables, EUR 28 million were generated from change from proportional to full consolidation of a subsidiary and EUR 24 million were generated from Change in other assets. In 9M-2009, EUR 262 million were used for acquisition of tangible fixed assets and investment, EUR 217 million were used for short term investment ,EUR 292 million were generated from long term loans and receivables. In 2009, EUR 313 million were used for acquisition of tangible fixed assets and investment properties and EUR 256 million were used for short term investment.
Net cash provided by financing activities	206	295	18	201	472	In 9M-2010, EUR 158 million were generated from change in loans to bank customers, EUR 282 million were generated from proceeds of long term loans, EUR 29 million were generated from sale of hedge instruments, EUR 196 million were used in repayment of long term loans and EUR 66 million were used in repayment of debentures. In 9M-2009, EUR 801 million were generated following the receipt of long term loans, EUR 175 million were generated from short term loans and borrowings, EUR 21 million were generated from issuance of debentures and EUR 483 million were used for repayment of long term loans. In 2009, EUR 641 million were generated following the receipt of long term loans, EUR 175 million were generated from short term loans and borrowings, EUR 22 were generated from issuance of debentures, EUR 492 million were used for repayment of long term loans and EUR 41 million were used in repayment of debentures.

KARDAN N.V.

2.2 Fair value disclosure

GTC Group

In the first 9 months of 2010 the Investment properties in GTC Group were valuated. The following table indicates the main assumptions, methods and valuations of investment properties that had a material impact on Kardan N.V. results in the reported period:

Country	City	Asset name	Valuation method	External valuator	Value in Euro million as September 30, 2010	Completion percent	Average rent per SQM	Pre –lease agreement / Letter of intent	Yield	Date of last valuation
China	Chengdu	Galleria Chengdu	Residual	(1)CBRE	86	85%	23.6 (195RMB)	70%	9% comm. 5% parking	30.9.2010

(1) The valuation as of September 30, 2010 was made by the company based on the external valuation (CBRE) made as of March 31, 2010.

KFS Group

For additional information regarding valuation that was done in regard to Sovcom bank, and had a material impact on Kardan N.V. results in the reported period , please refer to the valuation report as attached to September 30, 2010 financial statements.

KARDAN N.V.

2.3. Issuance of debt

The following are details regarding the marketable debentures of Kardan N.V. as of September 30, 2010:

	Debenture series A	Debenture series B
Par value of issued debentures	EUR 239 million (NIS 1,190,000,000)	EUR 268 million (NIS 1,333,967,977)
Linkage basis	Principal and interest linked to Israeli CPI (CPI of January 2007)	Principal and interest linked to Israeli CPI (CPI of December2006)
Par value of debentures as of September 30, 2010	EUR 239 million (NIS 1,190,000,000 par value)	EUR 268 million (NIS 1,333,967,977 par value)
Interest rate (per annum)	4.45%	4.9%
Principal repayment	Four equal installments: from February 2013 to February 2016	Seven equal installments: from February 2014 to February 2020
Interest payment dates	Nine annual installments from February 2008 to February 2016	13 annual installments from February 2008 to 2020
Total debt up to the date of the balance sheet (including interest and Israeli CPI linkage)	EUR 278 million (*)	EUR 313 million (*)
Market capitalization as of September 30, 2010	EUR 257 million	EUR 271 million
The trustee	Aurora Fidelity Trustees Ltd (Adv. Iris Shlaien)	Hermatic trustee (1957) (Adv. Dan Avnun)
Rated by	S&P Maalot	S&P Maalot
Rating at the time of issuing	AA - (February 2007)	AA - (February 2007)
Updated rating	BBB+ (May 2010)	BBB+ (May 2010)

(*) Approximately 80% par value of the debentures are swapped to EUR by currency hedging transactions

2.4 Immaterial transactions procedure

For the selling of property, the relevant criterion to determine whether a transaction is ‘immaterial’ (without prejudice to the Company’s discretion as described in the immaterial transactions procedure) will be the Equity ratio (next to the contribution to profit/loss ratio) instead of the Assets ratio.

2.5. Procedure for approving the financial statements

The Management Board of Kardan N.V. holds a special meeting prior to the approval of the financial statements in order to discuss all relevant related issues. Kardan N.V.'s external auditors in Israel and the Netherlands and Kardan N.V.'s audit committee are invited to attend and take part in such meeting. This meeting is in addition to the regularly scheduled Management Board meeting, in which the financial statements are discussed and approved and which are held on a date closer to the actual approval of the financial statements.

During the course of this special comprehensive meeting, the members of the Management Board are given a detailed presentation by Kardan N.V.'s officers, auditors and others. During the meeting the following issues are discussed: all substantive material issues in the financial report, significant assumptions, and critical estimates, the reliability of the data and the accounting policies used and changes therein, and the implication of including according the principle of transparency and compatibility of the financial statements and accompanying information. Additional meetings of this type are held as needed.

November 30, 2010

Management Board:

A. Ickovics

W. van Damme

E. Oz-Gabber

A. Shlank

J. Slootweg

PART 3 CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS As of September 30, 2010

KARDAN N.V.
AMSTERDAM, THE NETHERLANDS

Condensed Interim Consolidated Financial Statements

As of September 30, 2010

CONTENTS

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

A s s e t s

	September 30, 2010	September 30, 2009	December 31, 2009
		€ in millions	
Non-current assets			
Tangible fixed assets	118	107	109
Rental vehicles	241	198	201
Investment properties (Note 5)	2,289	2,228	2,156
Investments in associates	246	140	146
Other financial assets	39	15	14
Loans to bank customers	139	186	189
Long-term loans and receivables	276	275	258
Deferred acquisition costs (insurance companies)	-	6	7
Derivatives	86	46	48
Intangible assets and goodwill	215	251	257
Long term inventory	197	19	160
Deferred income tax assets	40	19	24
	3,886	3,490	3,569
Current assets			
Inventories, contract work and buildings inventory in progress	387	424	308
Derivatives	-	4	1
Current maturities of long-term loans and receivables	152	167	195
Loans to bank customers	445	342	358
Trade receivables	118	89	96
Income tax receivables	6	9	6
Insurance premium receivables	-	28	27
Other receivables and prepayments	147	167	168
Reinsurance assets	-	30	26
Short-term investments	211	350	388
Cash and cash equivalents	501	428	474
	1,967	2,038	2,047
Assets held for sale	86	3	17
Total current assets	2,053	2,041	2,064
Total assets	5,939	5,531	5,633

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

E q u i t y   a n d   l i a b i l i t i e s

	September 30, 2010	September 30, 2009	December 31, 2009
		€ in millions	
Equity attributable to equity holders of the parent			
Issued and paid-in capital	23	23	23
Share premium	235	234	235
Foreign currency translation reserve	(3)	(63)	(52)
Property revaluation reserve	111	126	93
Revaluation reserve, other	(13)	(17)	(14)
Non-controlling interest holders transaction reserve	(3)	-	-
Treasury shares	(27)	(21)	(21)
Retained earnings	35	43	29
	358	325	293
Non-controlling interests	692	737	695
Total equity	1,050	1,062	988
Non-current liabilities			
Interest-bearing loans and borrowings	1,753	1,541	1,698
Banking customers accounts	88	138	144
Derivatives	77	81	64
Other long-term liabilities	22	17	19
Options	35	35	28
Convertible debentures	15	-	-
Other debentures	1,045	908	866
Insurance provisions	-	73	71
Deferred income tax liabilities	175	171	153
Accrued severance pay, net	2	2	2
	3,212	2,966	3,045
Current liabilities			
Advances from customers in respect of contracts	18	18	23
Banking customers accounts	567	408	483
Trade payables	128	105	125
Interest-bearing loans and borrowings	586	666	640
Income tax payables	7	10	9
Advances from apartment buyers	142	84	88
Derivatives	25	16	18
Other payables and accrued expenses	192	196	191
	1,665	1,503	1,577
Liabilities held for sale	12	-	23
Total current liabilities	1,677	1,503	1,600
Total liabilities	4,889	4,469	4,645
Total equity and liabilities	5,939	5,531	5,633

The accompanying notes are an integral part of these interim condensed consolidated financial statements

CONDENSED INTERIM CONSOLIDATED INCOME STATEMENT

	For the nine months ended September 30,		For the three months ended September 30,		For the year ended December 31,
	2010	2009	**2010**	2009	2009
	€ in millions				
Sales of goods	84	120	25	40	145
Contract revenues	149	120	51	46	173
Insurance activities	33	45	-	15	59
Banking and retail lending activities	3	30	(9)	7	34
Property rental and service recharge revenues	78	73	27	25	105
Revenues from renting vehicles	86	83	30	28	108
Revenues from sale of rental vehicles	52	41	17	14	58
Services and management fees	4	6	1	2	9
Total revenues	489	518	142	177	691
Cost of goods sold	55	94	15	31	114
Contract costs	119	97	41	38	138
Operating expenses of insurance activities	32	48	-	17	68
Costs of banking and retail lending activities	55	47	20	16	61
Costs of property rental and service recharge operations	23	16	9	6	24
Cost of rental of vehicles	63	59	22	18	78
Cost of sale of rental vehicles	48	38	16	12	54
Other expenses, net	7	16	2	3	30
Total expenses	402	415	125	141	567
Gross margin	87	103	17	36	124
Selling and marketing expenses	23	17	9	6	24
General and administration expenses	49	44	15	14	62
Profit (loss) from operations before fair value adjustments, disposal of assets and financial expenses	15	42	(7)	16	38
Adjustment to fair value of investment properties (Note	33	(62)	5	(44)	(179)
Impairment losses on goodwill	(20)	-	(17)	-	(1)
Gain on issuance of shares in associated companies and subsidiaries to third parties	-	1	-	-	1
Gain (loss) on disposal of assets and other income (Note 6)	29	18	3	12	30
Profit (loss) from fair value adjustments and on disposal of assets and investments	42	(43)	(9)	(32)	(149)
Profit (loss) from operations before finance expenses and income taxes	57	(1)	(16)	(16)	(111)
Other financial income	32	55	11	10	63
Other financing expenses	(133)	(152)	(31)	(48)	(185)
Adjustment to fair value of other financial instruments	2	3	1	3	3
Total financial expenses, net	(99)	(94)	(19)	(35)	(119)
Profit (loss) from operations	(42)	(95)	(35)	(51)	(230)
Share of profit of associates accounted for using the equity method	11	1	4	(1)	7
Profit (loss) before income taxes	(31)	(94)	(31)	(52)	(223)
Income tax expenses (benefit)	13	(6)	1	(17)	(27)
Profit (loss) for the period from continuing operations	(44)	(88)	(32)	(35)	(196)
Net profit from discontinued operations (Note 6E1)	72	6	58	8	20
Net profit (loss) for the period	28	(82)	26	(27)	(176)
Attributable to:					
Equity holders	24	(45)	23	(12)	(92)
Non-controlling interest holders	4	(37)	3	(15)	(84)
	28	(82)	26	(27)	(176)
Earnings (loss) per share attributable to shareholders					
Basic from continuing operations	(0.49)	(0.51)	(0.50)	(0.20)	(1.11)
Basic from discontinued operations	0.72	0.06	0.73	0.08	0.20
	0.23	(0.45)	0.23	(0.12)	(0.91)
Diluted from continuing operations	(0.50)	(0.51)	(0.50)	(0.20)	(1.12)
Diluted from discontinued operations	0.72	0.06	0.73	0.08	0.20
	0.22	(0.45)	0.23	(0.12)	(0.92)

The accompanying notes are an integral part of these interim condensed consolidated financial statements

CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the nine months ended September 30,		For the three months ended September 30,		For the year ended December 31,
	2010	2009	**2010**	2009	2009
	€ in millions				
Result for the period	28	(82)	26	(27)	(176)
Foreign currency translation differences (1)	56	(25)	(34)	(11)	(12)
Change in hedge reserve, net of tax (2)	(10)	15	(4)	-	21
Unrealized revaluations, net of tax (3)	-	(1)	-	-	(1)
Other comprehensive income (loss) for the period	46	(11)	(38)	(11)	8
Total comprehensive income (loss)	74	(93)	(12)	(38)	(168)
Attributable to:					
Equity holders	74	(47)	(5)	(22)	(80)
Non-controlling interest holders	-	(46)	(7)	(16)	(88)
	74	(93)	(12)	(38)	(168)

(1) Foreign currency translation differences for the nine months period ended September 30, 2010 include the release of €31 million to profit and loss due to the first time consolidation of a previously held joint venture, refer to Note 6A and 6F.

(2) The tax amount included in the change in hedge reserves is as follows: €1.2 million for the year ended December 31, 2009; €5.4 million and €1.2 million for the nine and three months periods ended September 30, 2010, respectively; and €1.6 million and less than €1 million for the nine and three months period ended September 30, 2009, respectively.

(3) Net of tax amounting to less than €1 million in all presented periods.

The foreign currency translation differences which resulted from associated companies amounted to €(2) million for the year ended December 31, 2009; nil and €(1) million for the nine and three months periods ended September 30, 2010, respectively; and €1 million and €0.4 million for the nine and three months periods ended September 30, 2009, respectively.

The accompanying notes are an integral part of these interim condensed consolidated financial statements

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent										
	Issued and paid-in capital	Share premium	Property revaluation reserve(*)	Revaluation reserve, other (*)	Foreign currency translation reserve (*)	Non controlling interest holders transactions reserve	Treasury Shares (**)	Retained Earnings (**)	Total	Non-controlling interest	Total equity
	€ in millions										
Balance as of January 1, 2010	23	235	93	(14)	(52)	-	(21)	29	293	695	988
Other comprehensive income (loss)	-	-	-	1	49	-	-	-	50	(4)	46
Net profit (loss) for the period	-	-	-	-	-	-	-	24	24	4	28
Total comprehensive income /loss for the period	-	-	-	1	49	-	-	24	74	-	74
Share-based payment	-	-	-	-	-	-	-	-	-	3	3
Issuance shares to non-controlling shareholders	-	-	-	-	-	1	-	-	1	22	23
Shares purchased in newly consolidated subsidiaries	-	-	-	-	-	-	-	-	-	9	9
Shares purchased in consolidated subsidiaries	-	-	-	-	-	(3)	-	-	(3)	(6)	(9)
Deconsolidation of a subsidiary (Note 6F)	-	-	-	-	-	-	-	-	-	(31)	(31)
Deconsolidation of proportionally consolidated subsidiaries	-	-	-	-	-	-	-	-	-	(2)	(2)
Other transactions with non-controlling shareholders	-	-	-	-	-	(1)	-	-	(1)	4	3
Dividend paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	(2)	(2)
Purchase of treasury shares	-	-	-	-	-	-	(6)	-	(6)	-	(6)
Reclassification according to the Netherlands civil code requirements (*)	-	-	18	-	-	-	-	(18)	-	-	-
Balance as of September 30, 2010	23	235	111	(13)	(3)	(3)	(27)	35	358	692	1,050

(*) In accordance with the Netherlands civil code, part of the retained earnings is restricted for distribution, following the regulations to maintain a revaluation reserve in respect of real estate unrealized fair value and other adjustments.

(**) Treasury shares were reclassified from Retained Earnings to be presented separately.

The accompanying notes are an integral part of these interim condensed consolidated financial statements

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent										
	Issued and paid-in capital	Share premium	Property revaluation Reserve (*)	Revaluation reserve, Other (*)	Foreign currency translation Reserve (*)	Non controlling interest holders transactions reserve	Treasury Shares (**)	Retained Earnings (**)	Total	Non-controlling interest	Total equity
	€ in millions										
Balance as of January 1, 2009	23	230	140	(35)	(43)	-	(21)	74	368	744	1,112
Other comprehensive income (loss)	-	-	-	18	(20)	-	-	-	(2)	(9)	(11)
Net result for the period	-	-	-	-	-	-	-	(45)	(45)	(37)	(82)
Total comprehensive income /loss for the period	-	-	-	18	(20)	-	-	(45)	(47)	(46)	(93)
Share-based payment	-	1	-	-	-	-	-	-	1	3	4
Issuance shares to minority shareholders	-	-	-	-	-	-	-	-	-	25	25
Issuance of shares due to conversion of debentures	-	3	-	-	-	-	-	-	3	-	3
Shares purchased in consolidated and newly consolidated subsidiaries	-	-	-	-	-	-	-	-	-	12	12
Dividend paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	(1)	(1)
Reclassification according to statutory requirements (*)	-	-	(14)	-	-	-	-	14	-	-	-
Balance as of September 30, 2009	23	234	126	(17)	(63)	-	(21)	43	325	737	1,062

(*) In accordance with Netherlands civil code, part of the retained earnings is restricted for distribution, following the regulations to maintain a revaluation reserve in respect of real estate unrealized fair value and other adjustments.

(**) Treasury shares were reclassified from Retained Earnings to be presented separately.

The accompanying notes are an integral part of these interim condensed consolidated financial statements

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent										
	Issued and paid-in capital	Share premium	Property revaluation reserve(*)	Revaluation reserve, other (*)	Foreign currency translation reserve (*)	Non controlling interest holders transactions reserve	Treasury shares(**)	Retained earnings (**)	Total	Non-controlling interest	Total equity
	€ in millions										
Balance as of July 1, 2010	23	235	112	(10)	22	1	(26)	11	368	731	1,099
Other comprehensive income (loss)	-	-	-	(3)	(25)	-	-	-	(28)	(10)	(38)
Net profit (loss) for the period	-	-	-	-	-	-	-	23	23	3	26
Total comprehensive income /loss for the period	-	-	-	(3)	(25)	-	-	23	(5)	(7)	(12)
Share-based payment	-	-	-	-	-	-	-	-	-	1	1
Shares purchased in consolidated subsidiaries	-	-	-	-	-	(3)	-	-	(3)	(3)	(6)
Deconsolidation of a subsidiary (Note 6F)	-	-	-	-	-	-	-	-	-	(31)	(31)
Transactions with non-controlling shareholders	-	-	-	-	-	(1)	-	-	(1)	2	1
Dividend paid to non controlling shareholders	-	-	-	-	-	-	-	-	-	(1)	(1)
Purchase of treasury shares	-	-	-	-	-	-	(1)	-	(1)	-	(1)
Reclassification according to the Netherlands civil code requirements (*)	-	-	(1)	-	-	-	-	1	-	-	-
Balance as of September 30, 2010	23	235	111	(13)	(3)	(3)	(27)	35	358	692	1,050

(*) In accordance with the Netherlands civil code, part of the retained earnings is restricted for distribution, following the regulations to maintain a revaluation reserve in respect of real estate unrealized fair value and other adjustments.

(**) Treasury shares were reclassified from Retained Earnings to be presented separately.

The accompanying notes are an integral part of these interim condensed consolidated financial statements

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Attributable to equity holders of the parent									
	Issued and paid-in capital	Share premium	Property revaluation Reserve (*)	Revaluation reserve, Other (*)	Foreign currency translation Reserve (*)	Treasury Shares (**)	Retained earnings (**)	Total	Non-controlling interest	Total equity
	€ in millions									
Balance as of July 1, 2009	23	230	134	(17)	(53)	(21)	47	343	720	1,063
Other comprehensive income (loss)	-	-	-	-	(10)	-	-	(10)	(1)	(11)
Net result for the period	-	-	-	-	-	-	(12)	(12)	(15)	(27)
Total comprehensive income /loss for the period	-	-	-	-	(10)	-	(12)	(22)	(16)	(38)
Share-based payment	-	1	-	-	-	-	-	1	-	1
Issuance and sale of shares to non controlling shareholders	-	-	-	-	-	-	-	-	39	39
Issuance of shares due to conversion of debentures	-	3	-	-	-	-	-	3	-	3
Shares purchased in consolidated and newly consolidated subsidiaries	-	-	-	-	-	-	-	-	(6)	(6)
Reclassification according to statutory requirements (*)	-	-	(8)	-	-	-	8	-	-	-
Balance as of September 30, 2009	23	234	126	(17)	(63)	(21)	43	325	737	1,062

(*) In accordance with the Netherlands civil code, part of the retained earnings is restricted for distribution, following the regulations to maintain a revaluation reserve in respect of real estate unrealized fair value and other adjustments.

(**) Treasury shares were reclassified from Retained Earnings to be presented separately.

The accompanying notes are an integral part of these interim condensed consolidated financial statements

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Attributable to equity holders of the parent									
	Issued and paid-in capital	Share premium	Property revaluation reserve (*)	Revaluation reserve, other (*)	Foreign currency translation reserve (*)	Treasury shares(**)	Retained earnings (**)	Total	Non-controlling Interest	Total equity
	€ in millions									
Balance as of January 1, 2009	23	230	140	(35)	(43)	(21)	74	368	744	1,112
Other comprehensive income (loss) for the year	-	-	-	21	(9)	-	-	12	(4)	8
Net profit for the period	-	-	-	-	-	-	(92)	(92)	(84)	(176)
Comprehensive income /loss for the year	-	-	-	21	(9)	-	(92)	(80)	(88)	(168)
Share-based payment	-	1	-	-	-	-	-	1	5	6
Issuance of shares to consolidated company	-	1	-	-	-	-	-	1	-	1
Exercise of warrants and options	-	3	-	-	-	-	-	3	-	3
Transactions with non-controlling shareholders	-	-	-	-	-	-	-	-	15	15
First time consolidation	-	-	-	-	-	-	-	-	20	20
Dividend distributed to non-controlling shareholders	-	-	-	-	-	-	-	-	(1)	(1)
Reclassification according to the Netherlands civil code requirements (*)	-	-	(47)	-	-	-	47	-	-	-
Balance as of December 31, 2009	23	235	93	(14)	(52)	(21)	29	293	695	988

(*) In accordance with the Netherlands civil code, part of the retained earnings is restricted for distribution, following the regulations to maintain a revaluation reserve in respect of real estate unrealized fair value and other adjustments.

(**) Treasury shares were reclassified from Retained Earnings to be presented separately.

The accompanying notes are an integral part of these interim condensed consolidated financial statements

CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT

	Nine months period ended September 30,		Three months period ended September 30,		For the year ended December 31,
	2010	2009	**2010**	2009	2009
	€ in millions				
Cash flow from operating activities					
Net profit (loss) from continuing operations before taxes on income	(31)	(94)	(31)	(52)	(223)
Profit from discontinued operations before taxes on income	79	3	62	10	21
Adjustments required to present cash flow from operating activities (see A below)	(24)	139	23	93	253
Net cash provided by (used in) operating activities	24	48	54	51	51
Cash flow from investing activities					
Acquisition of tangible fixed assets and investment properties	(143)	(262)	(25)	(81)	(313)
Collecting (granting) of loans to associated companies, net	3	(1)	(1)	(5)	(9)
Investment in companies and partnerships (*)	(14)	(11)	(14)	(11)	(27)
Proceeds from sale of assets and investments (*)	12	14	1	51	16
Granting of long-term loans	(1)	(129)	-	(38)	(141)
Change in loans to bank customers	1	(156)	94	(132)	(175)
Change in long-term loans and receivables	(137)	292	(138)	149	318
Change in short-term investments	12	(217)	(40)	(109)	(256)
Acquisition of newly consolidated subsidiaries, net of cash acquired (see B below)	(2)	3	-	-	3
Disposal of formerly consolidated subsidiaries, net of cash disposed (see C below)	17	19	17	(24)	24
Change from proportional consolidation to full consolidation (see D below)	28	-	-	-	-
Change in deferred brokerage fees	(1)	-	-	-	(2)
Change from proportional consolidation to equity method (see Note 6L)	(30)	-	-	-	-
Change in other assets	24	-	32	-	(6)
Decrease of cash of assets held for sale	-	-	-	-	2
Net cash provided by (used in) investing activities	(231)	(448)	(74)	(200)	(566)

(*) Reclassified according to IAS 7

The accompanying notes are an integral part of these interim condensed consolidated financial statements

CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT (CONT.)

	Nine months period ended September 30,		Three months period ended September 30,		For the year ended December 31,
	2010	2009	**2010**	2009	2009
	€ in millions				
Cash flows from financing activities					
Dividend paid to non-controlling interests	(2)	(1)	(1)	-	(1)
Proceeds from issuance of shares in subsidiaries to third parties, net	23	2	-	-	5
Issuance of debentures	70	22	-	1	22
Repayment of debentures	(66)	(41)	(12)	(1)	(92)
Change in loans from bank customers	158	22	52	69	95
Change in deposits from tenants	1	1	2	1	1
Proceeds from long-term loans	282	641	114	224	886
Repayment of long-term loans	(196)	(492)	(109)	(169)	(585)
Change in short-term loans and borrowings, net	(79)	175	(20)	82	178
Costs related to issuance of debt and shares	(1)	(2)	(1)	(1)	(5)
Sale of hedge instruments	29	-	-	-	-
Purchase of treasury shares	(6)	-	(1)	-	-
Investments in companies and partnerships (*)	(7)	(76)	(6)	(6)	(76)
Proceeds from sale of investments in subsidiaries (*)	-	44	-	1	44
Net cash provided by financing activities	206	295	18	201	472
Foreign exchange differences relating to cash and cash equivalents	28	(7)	(12)	-	(23)
Increase (decrease) in cash and cash equivalents	27	(112)	(14)	52	(66)
Cash and cash equivalents at the beginning of the period	474	540	515	376	540
Cash and cash equivalents at the end of the period	501	428	501	428	474

(*) Reclassified according to IAS 7

The accompanying notes are an integral part of these interim condensed consolidated financial statements

CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

	Nine months period ended September 30, **2010**	Nine months period ended September 30, 2009	Three months period ended September 30, **2010**	Three months period ended September 30, 2009	For the year ended December 31, 2009
	€ in millions				
A. Adjustments to reconcile net profit (loss) to net cash					
Charges / (credits) to profit / loss not affecting operating cash flows:					
Share of (profit)/ loss of associates accounted for using the equity method	(11)	(1)	(4)	1	(7)
Dividend from associated companies	6	5	1	2	6
Gain on issuance of shares in associated companies and subsidiaries to third parties, net	-	(1)	-	-	(5)
Gain from release of negative goodwill	-	(2)	-	(2)	(5)
Impairment of goodwill	20	2	17	1	1
Loss (gain) on disposal of assets and investments, net	(102)	(31)	(44)	(7)	(18)
Gain on early repayment of loans	(9)	-	(9)	-	-
Share-based payment	3	4	1	1	6
Depreciation and amortization	50	59	19	21	74
Fair value adjustments of investment properties	(33)	62	(5)	44	179
Financial (income)/expense and exchange rate differences, net	81	70	23	57	99
Change in fair value of options and share appreciation rights	16	(4)	(1)	(3)	(14)
Decrease (increase) in fair value of securities held for trading, and hedge instruments, net	13	20	8	5	(20)
Increase in provision for bad debts in the financial services segment	63	93	26	29	116
Purchase of rental vehicles	(84)	(51)	(29)	(22)	(79)
Proceeds from sale of rental vehicles	48	41	16	14	54
Impairment of assets	-	-	-	-	19
Change in severance pay, net	-	-	-	2	-
Changes in operating assets and liabilities					
Change in insurance provisions and deferred acquisition costs, net	5	(3)	-	-	-
Change in outstanding insurance premiums, reinsurance receivables and insurance companies	-	-	-	-	(1)
Change in trade and other receivables	(232)	(16)	(49)	(21)	(42)
Change in inventories and in contract work in progress, net of advances from customers	(66)	(14)	(23)	7	(2)
Change in trade and other payables	219	(65)	68	(44)	(79)
Interest paid	(206)	(188)	(63)	(47)	(246)
Interest received	213	168	75	60	230
Income taxes paid	(18)	(9)	(4)	(5)	(13)
	(24)	139	23	93	253

The accompanying notes are an integral part of these interim condensed consolidated financial statements

CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

	Nine months period ended September 30,		Three months period ended September 30,		For the year ended December 31,
	2010	2009	**2010**	2009	2009
	€ in millions				
B. Acquisition of newly consolidated subsidiaries, net of cash acquired					
Working capital	-	17	-	-	74
Non-current assets	(2)	(287)	-	-	(279)
Goodwill on acquisition	(1)	(1)	-	-	(1)
Non-controlling interests	-	18	-	-	20
Long-term liabilities	-	255	-	-	192
Capital reserve	-	-	-	-	(2)
Total purchase price	(3)	2	-	-	4
Less – cash in subsidiaries acquired	-	1	-	-	(1)
Payable on account of investment	1	-	-	-	-
Cash used in acquisition, net of cash acquired	(2)	3	-	-	3
C. Disposal of formerly consolidated subsidiaries, net of cash disposed					
Working capital	105	51	105	37	59
Non-current assets	256	19	256	18	10
Investment properties	-	-	-	-	9
Goodwill	(38)	16	(38)	-	16
Non-controlling interests	(34)	(7)	(34)	-	(7)
Long-term liabilities	(307)	(49)	(307)	(47)	(49)
Gain on disposal of investment	57	19	57	(3)	19
Total consideration	39	49	39	5	57
Cash of subsidiary which ceased to be consolidated	(22)	(29)	(22)	(29)	(29)
Release of capital reserves	-	(1)	-	-	(1)
Other receivables from disposal of investments	-	-	-	-	(3)
Cash flows from disposal, net of cash disposed	17	19	17	(24)	24

The accompanying notes are an integral part of these interim condensed consolidated financial statements

CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

	Nine months period ended September 30,		Three months period ended September 30,		For the year ended December 31,
	2010	2009	**2010**	2009	2009
	€ in millions				
D. Change from proportional consolidation to full consolidation					
Cash	(35)	-	-	-	-
Working capital (excluding cash)	34	-	-	-	-
Investment property	(33)	-	-	-	-
Other non-current assets	(242)	-	-	-	-
Goodwill on acquisition	(11)	-	-	-	-
Gain on disposal of investment	6	-	-	-	-
Non-controlling interests	9	-	-	-	-
Long-term liabilities	265	-	-	-	-
Total purchase price	(7)	-	-	-	-
Less – cash in subsidiaries acquired	35	-	-	-	-
Cash used in acquisition, net of cash acquired	28	-	-	-	-
E. Significant non-cash transactions					
Conversion of debentures into Company's shares	-	3	-	3	3
Purchase of shares of subsidiary from non-controlling shareholders against assignment of loan	-	7	-	7	7
Purchase of subsidiary shares against contribution - in kind of assets	-	-	-	-	17
Sale of associate against long term debt	3	-	-	-	-
Sale of associate against traded shares	3	-	-	-	-

The accompanying notes are an integral part of these interim condensed consolidated financial statements

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2010

1. Corporate information

Kardan N.V. ('Kardan' or 'the Company') having its legal seat in Amsterdam, The Netherlands, was incorporated on May 2, 2003, and acts as an investment company which is engaged in the development of real estate, insurance and pension, banking and lending, infrastructure projects, infrastructure assets, rental of vehicles and sale of vehicles and others through its subsidiaries, joint ventures and associated companies.

The Company, its subsidiaries, joint ventures and associates are referred to as 'the Group'.

These condensed interim financial statements were approved by the management board on November 30, 2010.

2. Basis of presentation and preparation

A. Basis of preparation

The condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard (IAS) 34 as defined by the International Accounting Standards Board to be used for the preparation of the interim consolidated financial statements.

The condensed interim consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto for the year 2009.

For the condensed interim consolidated financial statements for the period ended on September 30, 2010 the Company applied the same accounting principles and methods of computation as compared with the consolidated financial statements for the year 2009, except for the changes described below.

B. Changes in accounting policies

With the effect from January 1, 2010 International Financial Reporting Standards have been revised. Below we summarize the following new or revised IFRS standards and IFRIC interpretations, which are effective from January 1, 2010 and which were adopted by the Group:

IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended)

The Group applies the revised standards from January 1, 2010. IFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after this date. Changes affect the valuation of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs and future reported results.

IAS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to gains or losses. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes by IFRS 3 (Revised) and IAS 27 (Amended) will affect future acquisitions or loss of control of subsidiaries and transactions with non-controlling interests. The change in accounting policy is applied prospectively and has a material effect, as described for the transactions presented in Note 6.

IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items
The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situations.
The Company believes that the new interpretation will not have a material impact on its financial statements, as the Group has not entered into any such hedges.

IFRIC 17 Distribution of Non-cash Assets to Owners
This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. The interpretation had no effect on the financial position or the results of the Group.

Improvements to IFRSs (issued May 2008)
In May 2008, the Board issued its first omnibus of amendments to its standards. All amendments issued are effective for the Group as of December 31, 2009, apart from the following:

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations: clarifies when a subsidiary is classified as held for sale, all its assets and liabilities are classified as held for sale, even when the entity remains a non-controlling interest after the sale transaction. The amendment is applied prospectively and had no impact on the financial position or the results of the Group. The amendment is effective for the Group as of January 1, 2010.

Improvements to IFRSs (issued April 2009)
In April 2009, the IASB issued a second omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard.

- IFRS 2 Share-based Payment
- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
- IFRS 8 Operating Segments
- IAS 1 Presentation of Financial Statements
- IAS 7 Statement of Cash Flows
- IAS 17 Leases
- IAS 18 Revenue
- IAS 36 Impairment of Assets
- IAS 38 Intangible Assets
- IAS 39 Financial Instruments: Recognition and Measurement

Amendments resulting from Improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or the results of the Group:

- IFRIC 16 Hedges of a Net Investment in a Foreign Operation

In addition, IFRIC 15 (Agreements for the Construction of Real Estate) and IFRIC 12 (Service Concession Arrangements) became effective in the EU in 2010. The company’s accounting policies effectively were compliant with this interpretation. Hence, there is no impact on the financial statements.

New and amended standards and Interpretations that are effective for financial years starting after 1 January 2010 or later

IFRS 9 Financial Instruments

The IASB has published phase 1 of IFRS 9 Financial Instruments, the accounting standard that will eventually replace IAS 39 Financial Instruments: Recognition and Measurement. Phase 1 establishes a new classification and measurement framework for financial assets. At initial recognition, all financial assets are measured at fair value. For subsequent measurement, financial assets that are debt instruments are classified at amortized cost or fair value through profit and loss on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. All other debt instruments are subsequently measured at fair value through profit and loss. All financial assets that are equity investments are measured at fair value either through profit or loss or other comprehensive income. The Group has taken notice of the new standard and is currently assessing its impact.

IAS 24 Related Party Disclosures (Revised)

The IASB has revised IAS 24 in response to concerns that the previous disclosure requirements and the definition of a ‘related party’ were too complex and difficult to apply in practice, especially in environments where government control is pervasive. The revised standard addresses these concerns by providing a partial exemption for government-related entities and a revised definition of a related party. The Group does not expect to adopt this standard before 1 January 2011. The Group has studied the standard and is currently assessing its impact, which will be limited to disclosures only.

IAS 32 Financial Instruments: Presentation – Classification of Rights Issues

The amendment alters the definition of a financial liability in IAS 32 to classify rights issued and certain options or warrants (together, here termed rights) as equity instruments. The amendment provides relief to entities that issue rights in a currency other than their functional currency, from treating the rights as derivatives with fair value changes recorded in profit or loss. Such rights will now be classified as equity instruments when certain conditions are met.

The Company is evaluating the effect of the amendments on its financial statements but is presently unable to assess such effect.

IFRIC 14 – Prepayments of a Minimum Funding Requirement

The practical implication of IFRIC 14 has revealed some unintended and counterintuitive results in case of prepayments of future minimum funding requirements. As a result the IASB issued a limited amendment to fix this problem. The amendment allows the recognition of the prepayment as an asset and then to apply the normal IFRIC 14 rules as if no prepayment had been made.
The Company is evaluating the effect of the amendments on its financial statements but is presently unable to assess such effect.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

IFRIC Interpretation 19 *Extinguishing Financial Liabilities with Equity Instruments* clarifies the requirements of International Financial Reporting Standards (IFRSs) when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity’s shares or other equity instruments to settle the financial liability fully or partially. IFRIC 19 clarifies that:

- the entity’s equity instruments issued to a creditor are part of the consideration paid to extinguish the financial liability.
- the equity instruments issued are measured at their fair value. If their fair value cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished.

- the difference between the carrying amount of the financial liability extinguished and the initial measurement amount of the equity instruments issued is included in the entity's profit or loss for the period.

The Company is evaluating the effect of the amendments on its financial statements but is presently unable to assess such effect.

Improvements to IFRSs (Issued May 2010)

In May 2010, the IASB issued a third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording:

IAS 1 - Presentation of Financial Statements

According to the amendment to IAS 1, the changes between the opening and the closing balances of each other comprehensive income component may be presented in the statement of changes in equity or in the notes accompanying the annual financial statements. The amendment will be adopted retrospectively in the financial statements for periods starting from January 1, 2011.

The amendment is not expected to have a material effect on the Company' financial statements.

IFRS 3 (Revised) - Business Combinations

Measurement of non-controlling interests:

The amendment limits the circumstances in which it is possible to choose the measurement of non-controlling interests based on their fair value on the date of acquisition or at the present ownership instruments' share in the recognized amounts of the acquiree's identifiable net assets. According to the amendment, this possibility is only available for types of non-controlling interests that entitle their holders to present ownership interests and a proportionate share to the entity's net assets in the event of liquidation (usually shares). In contrast, other types of non-controlling interests (such as options that represent equity instruments in the acquiree) do not allow such choice and must be measured at fair value on the acquisition date, unless another measurement basis is required by IFRSs such as in IFRS 2. The amendment will be effective from the financial statements for periods commencing on January 1, 2011. The amendment will be adopted retrospectively from the date of adoption of IFRS 3 (Revised).

Share-based payment awards in a business combination:

The amendment elaborates the accounting treatment of a business combination that refers to the exchange of the acquiree's share-based payment transactions (whether it is obligated or chooses to exchange them) with the acquirer's share-based payment transactions. Accordingly, the acquirer must allocate a value on the acquisition date and an expense in the period following the acquisition date. However, if the award expires as a result of the business combination and is exchanged for a new award, the value of the new award in accordance with IFRS 2 will be recognized as an expense in the period following the acquisition date and will not be included in the purchase price. Furthermore, if share-based payment awards are not exchanged, then, if the instruments have vested, they will form part of the non-controlling interests and are measured pursuant to the provisions of IFRS 2. If the instruments have not vested, they will be measured at the value that would have been used had they been re-granted on the acquisition date whereby this amount is allocated between the non-controlling interests and the post-acquisition expense. The amendment will be in effect starting from the financial statements for periods commencing on January 1, 2011. The amendment will be adopted retrospectively from the date of the first time adoption of IFRS 3 (Revised).

The Company is evaluating the effect of the amendments on its financial statements but is presently unable to assess such effect.

IFRS 7 - Financial Instruments: Disclosure

The amendment to IFRS 7 clarifies the disclosure requirements prescribed by the Standard. The Standard highlights the connection between the quantitative and qualitative disclosures and the nature and scope of the risks arising from financial instruments. The disclosure requirements regarding securities held by the company have been minimized and the disclosure requirements regarding credit risk have been revised. The amendment will be adopted retrospectively in the financial statements for periods starting from January 1, 2011.

The Company estimates that the amendment will not have a material effect on financial instruments presented in the financial statements.

IAS 34 - Interim Financial Reporting

Pursuant to the amendment to IAS 34, new disclosure requirements were introduced to interim financial reporting regarding the circumstances that are likely to affect the fair value of financial instruments and their classification, the transfers of financial instruments between different fair value levels, changes in the classification of financial assets and changes in contingent liabilities and contingent assets. The amendment will be adopted retrospectively in the financial statements for periods starting from January 1, 2011.

The required disclosure will be included in the Company's financial statements.

Transitional provisions

There are separate transitional provisions for each standard:

- IFRS 3 Business Combinations
    - Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS
    - Measurement of non-controlling interests
    - Un-replaced and voluntarily replaced share-based payment awards
- IFRS 7 Financial Instruments: Disclosures
    - Clarifications of disclosures
- IAS 1 Presentation of Financial Statements
    - Clarification of statement of changes in equity
- IAS 34 Interim Financial Reporting
    - Significant events and transactions

C. Reclassifications

Certain amounts in the statement of financial position and income statements were reclassified, within the same group of accounts, in order to conform to current period presentation.

Within the equity, treasury shares were presented as a reduction from retained earnings, in accordance with the requirement to present the cumulative impact of treasury shares, the Company has reclassified the treasury shares to a separate capital reserve,

D. Foreign currency translation

Following are the representative exchange rates of the USD and NIS in relation to the EUR and the Israeli Consumer Price Index (CPI) in points:

	USD	NIS	CPI
September 30, 2010	0.73	0.20	124.6
September 30, 2009	0.68	0.18	122.3
December 31, 2009	0.69	0.18	122.6
Change in 2010 (9 months)	5.9%	9.1%	1.6%
Change in 2010 (3 months)	(9.8%)	(4.6%)	1.2%
Change in 2009 (9 months)	(5.0%)	(3.9%)	3.6%
Change in 2009 (3 months)	(3.7%)	(0.5%)	2.4%
Change in 2009 (12 months)	(3.3%)	(2.7%)	3.9%

3. Segment information

A. Segments revenue:

	Nine months period ended September 30, **2010**	Nine months period ended September 30, 2009	Three months period ended September 30, **2010**	Three months period ended September 30, 2009	For the year ended December 31, 2009
	€ in millions				
Real estate	143	195	45	66	231
Financial services – banking and retail lending	3	30	(9)	7	34
Financial services – insurance and pension	35	48	-	16	64
Infrastructure - projects	79	67	28	27	100
Infrastructure – assets	48	38	17	14	52
Rental and leasing of vehicles	138	124	47	42	167
Sale of vehicles	1	-	-	-	-
Others	42	16	14	5	43
Total revenues	489	518	142	177	691

Fair value adjustments of investment properties, goodwill impairment, equity earnings, gains from disposal of assets and investments and other adjustments:

	Nine months period ended September 30, **2010**	Nine months period ended September 30, 2009	Three months period ended September 30, **2010**	Three months period ended September 30, 2009	For the year ended December 31, 2009
	€ in millions				
Real estate	34	(57)	6	(41)	(175)
Financial services – banking and retail lending	(35)	-	(17)	(3)	14
Financial services – insurance and pension	32	8	1	8	-
Infrastructure – projects	1	-	-	-	1
Infrastructure – assets	3	3	3	-	9
Rental and leasing of vehicles	-	2	-	2	2
Sale of vehicles	8	4	2	1	7
Others	10	(3)	-	-	-
	53	(43)	(5)	(33)	(142)

Total Segment income after Fair value adjustments of investment properties, goodwill impairment, equity earnings, gains from disposal of assets and investments and other adjustments:

	Nine months period ended September 30, **2010**	Nine months period ended September 30, 2009	Three months period ended September 30, **2010**	Three months period ended September 30, 2009	For the year ended December 31, 2009
	€ in millions				
Real estate	177	138	51	25	56
Financial services – banking and retail lending	(32)	30	(26)	4	48
Financial services – insurance and pension	67	56	1	24	64
Infrastructure – projects	80	67	28	27	101
Infrastructure – assets	51	41	20	14	61
Rental and leasing of vehicles	138	126	47	44	169
Sale of vehicles	9	4	2	1	7
Others	52	13	14	5	43
	542	475	137	144	549

B. Segments results and reconciliation to net result

	Nine months period ended September 30,		Three months period ended September 30,		For the year ended December 31,
	2010	2009	**2010**	2009	2009
	€ in millions				
Real estate	81	(2)	23	(23)	(117)
Financial services – banking and retail lending	(90)	(18)	(50)	(12)	(15)
Financial services – insurance and pension	34	5	2	7	(8)
Infrastructure - projects	6	3	2	1	7
Infrastructure – assets	5	(3)	4	1	8
Rental and leasing of vehicles	18	20	6	10	26
Sale of vehicles	9	4	2	1	7
Others	14	(3)	3	(1)	4
	77	6	(8)	(16)	(88)
Unallocated expenses	(9)	(6)	(4)	(1)	(16)
Profit (loss) from operations and share in profit of associates companies before finance expenses, net	68	-	(12)	(17)	(104)
Finance expenses, net	99	94	19	35	119
Profit (loss) before income tax	(31)	(94)	(31)	(52)	(223)
Income tax expenses (benefit)	13	(6)	1	(17)	(27)
Profit (loss) from continuing operations	(44)	(88)	(32)	(35)	(196)
Profit (loss) from discontinued operations	72	6	58	8	20
Profit (loss) for the period	28	(82)	26	(27)	(176)

After the balance sheet date, the financial services – insurance and pension segment was sold, for details please refer to note 6L.

4. Share capital

A. Composition

	September 30, 2010		December 31, 2009	
	Authorized	Issued and Paid-in	Authorized	Issued and Paid-in
	Number of shares		Number of shares	
Ordinary shares with nominal value of €0.20 each	225,000,000	111,824,638	225,000,000	111,824,638

During the nine month period ended on September 30, 2010 there were no changes to the share capital of the Company.

During May till July 2010 Kardan Israel acquired 1,794,217 shares of the Company on the Tel Aviv Stock Exchange in consideration of €6 million. The purchase amount was deducted from the Company's equity and is accounted as treasury shares. Post acquisition Kardan Israel holds approximately 11% of the Company's share capital.

5. Investment properties

Further to Note 8 to the 2009 consolidated financial statements, below we present updated information regarding investment properties:

A. Investment properties can be split up as follows:

	September 30, 2010	September 30, 2009	December 31, 2009
	€ in millions		
Completed investment properties	1,669	1,454	1,580
Investment properties under construction carried at fair value	323	340	158
Investment properties under construction carried at cost	297	434	418
	2,289	2,228	2,156

B. Fair value adjustments comprise:

	Nine months period ended September 30, 2010	Nine months period ended September 30, 2009	Three months period ended September 30, 2010	Three months period ended September 30, 2009	For the year ended December 31, 2009
	€ in millions				
Adjustment to fair value of newly completed properties, net of goodwill released	(8)	30	(2)	18	17
Adjustment to fair value of properties completed in prior years	17	(99)	1	(44)	(142)
Adjustment to fair value of investment property under construction, net of goodwill released	29	7	6	(18)	(14)
Impairment adjustments to investment properties under construction measured at cost	(5)	-	-	-	(40)
	33	(62)	5	(44)	(179)

C. Significant assumptions

Significant assumptions used in the valuations as of September 30, 2010 and December 31, 2009 are presented below on the basis of weighted averages:

	China		Western Europe		CEE	
	September 30, 2010	December 31, 2009	**September 30, 2010**	December 31, 2009	**September 30, 2010**	December 31, 2009
<u>Completed investment properties</u>						
Average rental rate per sqm per month (in €)	n/a	n/a	10.3	9.8	20.8	20.2
Reversionary yield	n/a	n/a	6.3%	6%	7.8%	7.8%
ERV per sqm per month (in €)	n/a	n/a	10.2	9.8	20.0	20.3
Vacancy	n/a	n/a	4.6%	7.3%	15.3%	10.9%
<u>Assets under construction (only assets at fair value)</u>						
Average risk-adjusted yield used in capitalizing the net future income stream	9.0%	n/a	n/a	n/a	9.3%	9.3%
Average % complete	84%	n/a	n/a	n/a	56%	75%
Estimated average development profit ((Fair value upon completion / Total budgeted costs)- 1)	28%	n/a	n/a	n/a	8%	6%
Effective average development profit on executed part, accumulatively ((Current fair value /Total costs spent) -1)	25%	n/a	n/a	n/a	4%	2%

Due to the ongoing turmoil in the financial and real estate markets and the lack of comparable transactions in certain property markets, valuation uncertainty continues to exist. Management therefore refers to the sensitivity analysis included in Note 8 to the 2009 financial statements, which is still materially applicable.

6. Significant transactions, business combinations and commitments

A. In October 2009, TBIF (the holding company of the Group's banking and retail lending segment) signed an agreement with its joint venture partner in VAB Bank whereby TBIF would purchase additional shares in VAB Bank representing 14.1% of the share capital of VAB Bank in consideration of conversion of loans in the amount of approximately €14 million.

TBIF received the necessary regulatory approvals and the transaction was completed in March 31, 2010. Following the completion of the transaction, TBIF held 63% of the shares of VAB Bank and accordingly became the majority shareholder in VAB Bank and gained control over the bank. As a result, TBIF fully consolidated the balance sheet of VAB Bank as of March 2010 and started fully consolidating the income statement of VAB Bank as of the second quarter of 2010. Prior to the transaction, VAB Bank was proportionally consolidated,

The amounts recognized as of the acquisition date for each major class of assets acquired and liabilities assumed (representing 100% of each asset or liability) are assumed to have fair values approximating their carrying amounts as follows:

	Provisional amounts **March 2010** € in millions
Property, plant and equipment	31
Deferred tax assets	14
Bank loans granted – gross contractual amounts	565
Bank loans granted – accumulated impairment	(97)
Available for sale financial assets	7
Financial assets at fair value through profit/loss	2
Trade and other receivables	18
Balances with central banks	14
Cash and cash equivalents	69
	623
Loans and deposits from banks	(121)
Deposits from companies and individuals	(293)
Debentures	(97)
Other interest-bearing borrowings	(73)
Other liabilities	(3)
	(587)
Fair value of net assets	36
Fair value of net assets previously held (48.91%) share	(18)
Goodwill and intangible assets on acquisition	9
Non-controlling interest (share in fair value of net assets)	(13)
Net assets acquired	14

As a result of the transaction, the Company recognized a net loss amounting to €16 million, including the release of the accumulated foreign currency translation reserve in the amount of €22 million relating to the investment in VAB Bank. The loss is included in 'Gain (loss) on disposal of assets and other income'.

The gain on revaluation of the previously held share in VAB bank was calculated as follows:

	€ in millions
Fair value of previously held share	18
Carrying value of previously held share	(12)
Gain on revaluation	6

Had the transaction been closed on the first day of the reporting period, the consolidated revenue of Company would have been €486 million and the consolidated profit would have been €47 million.

In the period from March 31 till September 30, 2010, the full consolidation of the bank contributed additional revenues amounting to €(1), and additional net loss of to €19.

Pro-forma information regarding the first time consolidation of VAB bank:

In accordance with the Israeli Securities Authority regulations, we hereby present pro forma information with respect to the business combination of VAB Bank as described in Note 6A above. These combined interim pro forma income statements and statements of comprehensive income are presented as if the acquisition of the additional stake in VAB Bank has occurred on January 1, 2009, after giving effect to purchase accounting adjustments.

The additional pro forma income and comprehensive income statements are presented in accordance to the following guidelines and assumptions:

a) The pro forma income statement and comprehensive income statements are based on the consolidated income statements of the Group, as presented in previous periods, before the date of full consolidation. The results of VAB Bank proportional consolidation which existed before the full consolidation were eliminated.
b) The non-controlling interest share in the results of VAB bank was determined according to the holding percentage in VAB bank right after the date of acquisition (37%).
c) The consideration of the acquisition was allocated to the identifiable assets and liabilities of VAB Bank as described in Note 6A of these interim financial statements. The net loss resulting from the business combination (€16 million) is not included in the results of the pro forma income statements.
d) The financial income was reduced by the average interest that TBIF earned on deposits and cash which were used for the acquisition.

Condensed Interim consolidated Pro forma income statement regarding the first time consolidation of VAB bank:

	For the nine months ended September 30,, 2010	2009	For the three months ended September 30, 2010	2009	For the year ended December 31, 2009
	€ in millions				
Sales of goods	84	120	25	40	145
Contract revenues	149	120	51	46	173
Insurance activities	33	45	-	15	59
Banking and retail lending activities	-	31	(9)	6	30
Property rental and service recharge revenues	78	73	27	25	105
Revenues from renting vehicles	86	83	30	28	108
Revenues from sale of rental vehicles	52	41	17	14	58
Services and management fees	4	6	1	2	9
Total revenues	486	519	142	176	687
Cost of goods sold	55	94	15	31	114
Contract costs	119	97	41	38	138
Operating expenses of insurance activities	32	48	-	17	68
Costs of banking and retail lending activities	61	66	20	21	83
Costs of property rental and service recharge operations	23	16	9	6	24
Cost of rental of vehicles	63	59	22	18	78
Cost of sale of rental vehicles	48	38	16	12	54
Other expenses, net	7	16	2	3	30
Total expenses	408	434	125	146	589
Gross margin	78	85	17	30	98
Selling and marketing expenses	23	17	9	6	24
General and administration expenses	49	44	15	14	62
Profit (loss) from operations before fair value adjustments, disposal of assets and financial expenses	6	24	(7)	10	12
Adjustment to fair value of investment properties	33	(62)	5	(44)	(179)
Impairment losses on goodwill	(20)	-	(17)	-	(1)
Gain on issuance of shares in associated companies and subsidiaries to third parties	-	1	-	-	1
Gain (loss) on disposal of assets and other income (Note 6)	45	20	3	12	33
Profit (loss) from fair value adjustments and on disposal of assets and investments	58	(41)	(9)	(32)	(146)
Profit (loss) from operations before finance expenses and income taxes	64	(17)	(16)	(22)	(134)
Other financial income	32	53	11	10	63
Other financing expenses	(132)	(152)	(31)	(48)	(185)
Adjustment to fair value of other financial instruments	2	3	1	3	3
Total financial expenses, net	(98)	(96)	(19)	(35)	(119)
Profit (loss) from operations	(34)	(113)	(35)	(57)	(253)
Share of profit of associates accounted for using the equity method	11	1	4	(1)	7
Profit\(loss) before income taxes	(23)	(112)	(31)	(58)	(246)
Income tax expenses (benefit)	11	(8)	1	(19)	(32)
Loss for the period from continuing operations	(34)	(104)	(32)	(39)	(214)
Net profit for the period from discontinued operations (Note 6)	72	6	58	8	20
Net profit (loss) for the period	38	(98)	26	(31)	(194)
Attributable to:					
Equity holders	42	(50)	23	(11)	(97)
Non-controlling interest holders	(4)	(48)	3	(20)	(97)
	38	(98)	26	(31)	(194)
Earnings (loss) per share attributable to shareholders					
Basic from continuing operations	(0.29)	(0.56)	(0.50)	(0.17)	(1.17)
Basic from discontinued operations	0.71	0.06	0.73	0.06	0.20
	0.42	(0.50)	0.23	(0.11)	(0.97)
Diluted from continuing operations	(0.31)	(0.56)	(0.50)	(0.17)	(1.18)
Diluted from discontinued operations	0.71	0.06	0.73	0.06	0.20
	0.40	(0.50)	0.23	(0.11)	(0.98)

Condensed Interim consolidated Pro forma statement of comprehensive income regarding the first time consolidation of VAB bank

	For the nine months ended September 30,,		For the three months ended September 30,		For the year ended December 31,
	2010	2009	**2010**	2009	2009
	€ in millions				
Result for the period	38	(98)	26	(31)	(194)
Foreign currency translation differences	79	(26)	(34)	(13)	(13)
Change in hedge reserve, net of tax	(10)	15	(4)	-	21
Unrealized revaluations, net of tax	-	(1)	-	-	(1)
Other comprehensive income (expense) for the period	69	(12)	(38)	(13)	7
Total comprehensive income (expense)	107	(110)	(12)	(44)	(187)
Attributable to:					
Equity holders	109	(57)	(5)	(24)	(91)
Non-controlling interest holders	(2)	(53)	(7)	(20)	(96)
	107	(110)	(12)	(44)	(187)

In August, 2010, the shareholders of VAB Bank approved a capital increase in which TBIF was the only shareholder participating. As a result, its holdings in the bank increased from 63% to 71%. The increase in holding resulted in a shareholders equity decrease of €2 million.

As a result of continuous losses incurred by the Bank, the Group examined the need to recognize an impairment of goodwill. As of September 30, 2010, the Group has recognized an impairment of €20 million of goodwill and intangible assets related to VAB and the financial services segment operations. Which were included in ‘Impairment losses on goodwill’ in the income statement.

B. In March 2010, Kardan Real Estate (which is included in the Group's real estate segment) has completed a public offering of shares and convertible debentures on the Tel Aviv Stock Exchange. The total proceeds amounted to approximately €27.2 million (€26.3 million, net of transaction costs), as follows:

1. 23,778,700 ordinary shares in consideration of €10.8 million.
2. NIS 80,867,000 par value convertible debentures in consideration of €16.4 million. The debentures are linked to the CPI and bear annual interest of 5.7%. The debentures mature on March 30, 2014. The debentures can be converted into Kardan Real Estate shares until March 14, 2014 at a rate of 3.884 NIS par value debentures per share.

The balance of the convertible debentures was split into two components: the conversion component was calculated at issue date as financial derivative measured at fair value of NIS 12.7 million (€2.5 million); the difference between the proceeds and the conversion component, amounting to NIS 71 million (€14 million) was allocated to the liability component. The effective interest rate of the convertible debentures was calculated as 10.29% p.a.

C. In January 2010, the Company has reissued NIS 150,555,233 par value Debentures series A it has repurchased through its subsidiary (TGI) in November 2008. The consideration received for the debentures amounted to NIS 161 million (€30 million), representing an effective interest rate of 6.8% p.a.

D. In March 2010, GTC Romania (which is included in the Group's real estate segment) has signed an agreement with its Joint Venture partner in relation with its holdings in NCC and NCC's project companies, which develop and operate shopping centres in Romania. The agreement regulates conversion of GTC Romania's over-financing into additional shares in NCC and the project companies. As a result of the agreement, GTC Romania increased its holding in NCC from 50% to 52% and gained control over the project companies (subsidiaries).

As a result of the transaction NCC and the project companies were fully consolidated effective March 2010. The impact on the financial statements of the Company is as follows:

a) Increase total assets by €27 million
b) Increase interest bearing loans and borrowings by €32 million

The transaction resulted in goodwill of €2.7 million which is supported by a mix of operational synergies, future projects' potential and control premium.

E. In relation to discontinued pension operations as described in Note 5 to the 2009 consolidated financial statements and the discontinued operation regarding SovCom bank which was discontinued in 2010 (as further described in Note 6H below) and the pension operation which was discontinued in 2009, please see below the relevant financial data.

1) Composition of the income and expenses related to discontinued operations:

	For the nine months ended September 30,,		For the three months ended September 30,		For the year ended December 31,
	2010	2009	**2010**	2009	2009
	€ in millions				
Total income	86	54	34	18	86
Total expenses	(55)	(73)	(20)	(14)	(88)
Profit (loss) before tax	31	(19)	14	4	(2)
Income tax expenses	(7)	3	(4)	(2)	(1)
Net profit (loss) from discontinuing operations before capital gains	24	(16)	10	2	(3)
Capital gain (loss) from sale	48	28	48	6	28
Release of goodwill	-	(6)	-	-	(5)
Net profit (loss) from discontinued operations	72	6	58	8	20

In the nine and three months periods ended September 30, 2009, the total income related to the discontinued pension activities amounted to €24 million and nil respectively; the net profit in the nine and three months periods ended September 30, 2009 which related to the pension activities amounted to €21 million and €5 million respectively. For the year ended December 31, 2009, the total income and net profit which related to the discontinued pension operations amounted to €62 million and €1 million, respectively.

The assets and liabilities presented as held for sale as of December 31, 2009, do not relate to the discontinued operations.

2) Composition of the net cash flows related to discontinued operations:

	For the nine months ended September 30, 2010	2009	For the three months ended September 30, 2010	2009	For the year ended December 31, 2009
	€ in millions				
Net cash flow from operating activities	(39)	(115)	(39)	32	(74)
Net cash flow from investing activities	(1)	82	(1)	(29)	88
Net cash flow from financing activities	-	16	-	-	17
Net cash flows from discontinued operations	(40)	(17)	(40)	3	31

3) Composition of comprehensive income (expense) related to discontinued operations:

	For the nine months ended September 30, 2010	2009	For the three months ended September 30, 2010	2009	For the year ended December 31, 2009
	€ in millions				
Foreign currency translation differences	2	(2)	2	-	(1)

F. In April 2010 TBIF (the holding company of the Group's banking and retail lending segment) received a notification from the non-controlling shareholder in Sovcombank, holding options issued by TBIF, which allow him to purchase shares in the Bank so that TBIF would decrease its holding to 50% holding of the Bank’s shares, that he intends to exercise all of the options. In July 2010, TBIF signed an agreement to sell shares of Sovcombank to the non-controlling shareholder in line with this notification.

In September 2010, this sale transaction was fully executed, including receipt of all required approvals. Subsequently, TBIF holds 50% of the Bank under a joint control agreement and therefore the statement of financial position of the Bank is included in these condensed financial statements on a proportionate basis. The results of the Bank for the periods before September 30, 2010 is presented as discontinued operations.

The sale transaction entailed a sale of a 16%% stake in the Bank by TBIF for consideration of €36 million. The purchase price was determined in line with the agreed upon terms of the option agreement mentioned above (RUR 1,284 million increased by interest from closing).

In accordance with the requirements of IAS27 TBIF revaluated the investment in the Bank to its fair value, estimated at €115 million for the 50% stake. The transaction resulted in goodwill in the amount of € 68 million which reflects the excess of the fair value of the investment over the carrying amount. The excess value was allocated to goodwill on a provisional basis pending final purchase price allocation.

The amounts of assets and liabilities of Sovcom bank proportionally consolidated in the TBIF statement of financial position are as follows (representing 50% of the balance sheet items of the bank):

	Provisional amounts
	September 2010
	€ in millions
Property, plant and equipment	11
Deferred tax assets	2
Bank loans granted	233
Goodwill and intangibles	72
Investment properties	1
Financial leases	4
Financial assets at fair value through profit/loss	147
Trade and other receivables	11
Balances with central banks	2
Cash and cash equivalents	22
	505
Loans and deposits from banks	(56)
Deposits from companies and individuals	(299)
Subordinated debt	(9)
Other liabilities	(26)
	(390)
Net assets consolidated	115

As a result of the transaction, the accumulated foreign currency translation reserve and revaluation reserve relating to the investment in the Bank were released, contributing a loss of € 9.3 million. The gain on the sale of the stake and on the revaluation to fair value of the investment in the Bank amounted to € 57 million. In accordance with the requirements of IFRS 5, and as management considers the bank operations as a separate major line of business, the current results of the bank, including the capital gain which totalled to €48 million and past results up to September 30, 2010 are included in 'Net profit for the period from discontinued operations' in the condensed interim consolidated income statement.

G. As of September 30, 2010 the Group was compliant with all covenants.

Under a loan agreement between KFS (the holding company of the Group's financial services segments) and Discount Bank, KFS is required to comply with certain covenants. The covenants relate to minimal equity and equity ratios in KFS, TBIF and TBIH as well as cross defaults relating to certain loans of subsidiaries. As of September 30, 2010, KFS is compliant with the abovementioned covenants.

H. Kardan Real Estate (which is included in the Group's real estate segment) holds 30% of the shares of Holyland Park Ltd (hereinafter: "Holyland"), which it purchased at the end of 1999 together with Leumi bank who purchased then a 10% stake in Holyland. The Holyland complex in Jerusalem, is intended for residential and hotel construction (hereinafter: "the Holyland Project"). The Project is currently under construction, including buildings whose construction has not yet begun.

In their review report, Holyland's auditors drew the readers' attention to Holyland's management's inability to reliably assess the additional possible effects of the following on Holyland's financial position and the results of its operations as of September 30, 2010. The auditors also drew attention to a framework agreement with a bank which will terminate on December 31, 2010. In November 2010 Holyland and the bank signed an amendment to the framework agreement according to which it will be extended till March 31, 2011 subject to some commercial terms.

In April 2010, Israel Police searched the offices of Kardan Real Estate, Holyland and Polar (the controlling shareholder in Holyland), against the background of what later became known in the Israeli media as the Holyland Affair and which deals with bribes. Former officers at Holyland were summoned by the authorities for questioning in connection with suspicions of bribery. As at the date of approval of the financial statements, and to the best of Holyland's management's knowledge, Holyland's involvement in the suspicions as stated is limited to the searches that were conducted, as stated.

In May 2010 Holyland received a letter from the Jerusalem Municipality stating that the Committee has decided to suspend the building permits for excavation work with regard to three planned buildings in the Project, whose construction has not yet begun and which are presented in Holyland's financial statements as non-current real estate, for 100 days, which ended on August 12, 2010. On August 11, 2010 Holyland received a copy from the Jerusalem municipality attorney general's appeal to the local planning and building committee to extend the suspension of the excavation permits indefinitely or pending another decision by the committee. In the opinion of Holyland's management, based on the opinions of its legal advisors on this matter, there are no grounds for suspending and/or cancelling the building permits obtained. After September 30, 2010, the committee extended the suspension of the building permits for excavation work indefinitely, pending another decision.

In the wake of the aforesaid, Holyland, with the assistance of external advisors, has examined the net realizable value of the inventory of buildings for sale and real estate in its possession. In light of the aforementioned examination, Holyland included a provision for impairment of value of the inventory and real estate in its possession. The Company's share in Holyland's losses during the nine month period ended September 30, 2010 amounts to approximately NIS 18.7 million (€3.7 million of which the Company's share is €0.6 million).

Additionally, in light of the foregoing and in accordance with the provisions of IAS 28, Kardan Real Estate re-examined the value of its investment in Holyland shares in its entirety and, in light of this examination, an additional provision for impairment of value of its investment in Holyland was included, in the sum of approximately NIS 2 million (€0.4 million of which the Company's share is €0.2 million).

As at the date of approval of these interim financial statements, in light of the preliminary stages of the aforementioned proceedings, there is uncertainty with regard to all of the implications of the aforesaid, including what is known in the media as the Holyland Affair, on the Project in its entirety (especially building permits in Holyland's possession and those that it intends to obtain, the projected sales prices of apartments and the timing of the sale thereof), due to which the management of Kardan Real Estate and Holyland are unable to reliably assess the additional possible effects of all the aforesaid on Holyland's financial position and the results of its operations in the future, beyond those that have already found expression in these interim financial statements. Nevertheless, it should be clarified that the activities of Holyland is continuing normally and the sale of apartments in the Project is continuing.

To guarantee the repayment of the credit extended to Holyland by a lending bank, Holyland's shareholders are guarantors vis-a-vis the bank, for an unlimited sum and on a pro rata basis. As at September 30, 2010, the said credit balance, including guarantees and sales law guarantees, amounts to approximately NIS 435 million (€87 million of which the Company's share is approximately €14 million).

I. In May 26, 2010, the Annual General Meeting of the Company adopted a Share Plan which is meant as an incentive plan for certain (limited) qualified key (management) employees of the Company. According to the Share Plan a maximum of 2% of the issued share capital of the Company (as outstanding on January 1, 2009) will be granted to the qualified employees for the period ending on December 31, 2011. Such selected participants will receive a Notice of Grant which will specify the Date of Grant. The participants being members of the Management Board should achieve certain predefined targets over a Performance Measurement Period of 3 years. After attainment of the targets, new non-listed shares of the Company ('the Unreleased Shares') will be issued against payment of the nominal value of the shares. The Unreleased Shares will be held in custody by the Company for two years, and will be released for trade at the later of (i) the expiration of the Performance Measurement Period, or (ii) at the moment the Participant has accumulated (at least) five consecutive years of service with the Company since January 1, 2009. The participants being members of the Management Board can elect to receive up to 50% of this incentive by way of a cash payment, subject to the approval of the Supervisory Board of the Company. For members of the Management Board, the definition of targets to be achieved as well as the parameters of the maximum incentive to be received, takes place in accordance with the general principles of the Remuneration Policy as well as the principles as applied by the remuneration, appointment and selection committee and the Supervisory Board. For other key employees, not being member of the Management Board, the targets will set by the Management Board and may take the form of general performance targets. The Company will account for such grants in accordance with the provisions of IFRS 2.

As of the date of signing these financial statements, notices of grant have not been sent.

J. In May 2010, GTC SA (which is included in the Group's real estate segment) signed a letter of intent with an international investor for sale of Topaz and Nefryt office buildings in Warsaw. The transaction is subject to due diligence and approval of statutory organs. As of September 30, 2010 the two buildings are presented as "Assets held for sale" and comprise the majority of “Assets held for sale” in these condensed consolidated financial statements. The related loans and hedges are presented within current liabilities. An expense of €4 million representing the hedge related to the assets held for sale was recycled from equity and recognized as expense in the period (including the release of capital reserves that were included in OCI). Subsequent to the balance sheet date, in October 2010, GTC SA finalized the sale transaction. The transaction resulted in an inflow of €22 million.

K. In June 2010 Kardan Communications (which is included in the Group's “others” segment) has completed a transaction to sell its 45% interest in Teledata Networks Ltd. ('Teledata') to Enablence Technologies Ltd. ('Enablence'), a Canadian listed company. Kardan Communications and the other major shareholders in Teledata sold their shares in Teledata to Enablence in total consideration of USD 50 million (approximately €40 million) paid in cash, non-tradable bonds and listed shares of Enablence. The total consideration to Kardan Communications amounted to USD 13 million (approximately €11 million). Following the completion of the transaction the Company recorded a gain amounting to €6 million which was included in `Gain (loss) on disposal of assets and other income` in the income statement

L. Cease of joint control of the investment and subsequent agreement to sell TBIH (the holding company of the Group's insurance and pension segment)

Pursuant to the Shareholders Agreement of December 2008 between VIG and KFS (the holding company of the Group's financial services segment) with respect to their joint control in TBIH , which would have originally scheduled to expire on December 31, 2010, on December 29, 2009 the parties signed a new agreement, pursuant to which joint control will expire immediately, subject to receipt of the required regulatory approvals and respective amendment of the TBIH Articles of Association. These conditions were fulfilled in June 2010, and accordingly, VIG has obtained sole control over TBIH, while KFS is entitled to certain non controlling interest rights under the Shareholders Agreement and have significant influence over the activities of TBIH.

As a result, as of June 30, 2010 the Company ceased to proportionately consolidate the financial statements of TBIH, and as of that date the investment in TBIH is accounted for using the equity method.

In accordance with the requirements of IAS 31R the Company revaluated the new equity investment in TBIH to its fair value. The excess of the fair value of the investment over the fair value of the individual assets and liabilities amounting to €34 million was allocated to goodwill on a provisional basis, subject to a final purchase price allocation.

The amounts deconsolidated from the Company's consolidated statement of financial position as of June 30, 2010 are as follows:

	June 2010
	€ in millions
Assets:	
Property, plant and equipment	(10)
Goodwill and other intangible assets	(68)
Deferred acquisition costs (insurance companies)	(8)
Reinsurance receivables and insurance companies	(28)
Insurance premium receivables	(30)
Other long term assets	(5)
Short term investments	(20)
Other receivables and prepayments	(3)
Cash and cash equivalents	(30)
	(202)
Liabilities and Equity:	
Non controlling interests	2
Interest bearing loans and borrowings	47
Options	7
Insurance provisions	79
Other payables and accrued expenses	17
	152
Net assets deconsolidated	(50)

KFS holds a put option to sell its 40% stake in TBIH to VIG, exercisable from April until December 2011 under certain conditions. On July 22, 2010 KFS signed an agreement to exercise the put option earlier. On November 25, 2010, the transaction was finalized.

In addition to the sale transaction and upon its closing, KFS will acquire a transferable five year call option for € 10 million to purchase 92.6% of the shares of Doverie Pension Fund AD, a Bulgarian pension fund currently owned by TBIH. The exercise price of this call option is € 150 million for the first three years and € 160 million for the last two years. The call option will be exercisable subject to receipt of required regulatory approvals. For the purchase of the call option, KFS will receive a €10 million loan from VIG.

As of September 30, 2010 the investment in TBIH amounts to €127.2 million (including the value of the put option). As a result of the abovementioned agreements the Company recognized a net gain of approximately €24 million (including the revaluation of the put option, recognition of deferred gain and release of related goodwill and capital reserves), the gain is included in “Gain (loss) on disposal of assets and other income”.

M. Due to administration changes in Angola - including comprehensive changes in the top ranks of the Angola government, the new government has been detaining all payments to foreign companies. As of September 30, 2010, Angola's debt to TGI (which is included in the group's Infrastructure – projects segment) is approximately € 15.6 million (US$ 20.4 million).

Upon request the customer has stated that the " payment of the overdue invoices registers a delay due to an administrative process, which precedes the respective payment." Several credit rating agencies confirm that there is no enhanced credit risk for amounts due from the Republic of Angola. Accordingly, as there is no enhanced credit risk and no reason to believe that the customer disputes any of the overdue invoices, at present management has no reason to believe that the amounts will not be collected.

N. On July 12, 2010 Tahal Group International B.V. ("Tahal", the holding company of the Group's infrastructure segment) signed an agreement ("the Agreement") with FIMI, an Israeli private equity fund, pursuant to which FIMI undertakes to provide Tahal a loan of up to USD 50 million (approximately € 40 million). In exchange, FIMI will receive warrants in an amount of up to USD 50 million (approximately € 40 million) to purchase an equity stake in Tahal.

On July 12, 2010 FIMI has provided a loan (the "Loan") to Tahal in the amount of USD 25 million (€ 19 million) and provided an additional commitment in the same amount which will be available one year after the closing. The Loan is to be repaid after four years and bears an interest of 6 month Libor plus 3% per annum. On each interest payment date, the loan may be prepaid in whole or in part without premium or penalty. Upon closing of the Loan Agreement, the Company converted 50% of its shareholders loans to Tahal in equity.

On the basis of the Agreement, Tahal issued warrants to FIMI, which entitle FIMI to purchase shares in Tahal in the amount of the Loan outstanding. The exercise price of the warrants is based on a company valuation equal to the lower of :

(a) USD 250 million increased by 5% annually (subject to certain adjustments, as detailed in the Agreement) or;

(b) In case of an exit event such as an IPO, merger or loss of control at a 25% discount from the valuation of Tahal at such exit event date.

The warrants are exercisable after the below mentioned call option has expired or upon an exit event. If Tahal would obtain part or whole of the additional commitment, it would issue additional warrants to FIMI for the amount of this additional loan.

The warrants expire at the earlier of the lapse of four years after closing or upon an exit event, if they are not exercised at such an exit event. The Company has the option to buy back up to 60% of the warrants at an IRR of 17.5% (provided that a pro-rata portion of the Loan shall be repaid at that time) (the "Call Option"). The Call Option can be exercised by The Company in the six months period commencing two and a half years from closing, or earlier in certain events. The Company and FIMI have also signed a shareholders' agreement providing for certain customary rights and obligations.

In accordance with IAS 32 (Financial instruments: presentation) and IAS 39 (Financial instruments: recognition and measurement), at initial recognition, the Company and Tahal have classified the warrants as a derivative liability and determined the fair values of the Warrants (€6.2 million) and the Call Option (€0.2 million), based on an external valuation. The external valuation was based on the "Binomial model". The valuation was done with respect to the exercise price and by using parameters of Tahal's value as of the balance sheet date, effective contractual period of the options, annual interest rate and expected volatility of shares. Subsequent fair value movements of the warrants and the call option will be recognised in the income statement. The loan is subsequently measured at amortised cost with an effective interest rate being 10.6%.

O. In August 2010, the Board of Kardan Israel approved, pending the required allocation approval of the Audit Committee, a share option plan for Kardan Israel's executives and employees. According to the plan 1.5 million options exercisable to up to 1.5 million ordinary shares of Kardan Israel of NIS 1 par value each during the five years from the date of issuance, The exercised shares will constitute 1.82% of Kardan Israel's issued and paid share capital (about 1.76% on fully diluted basis). From the assigned amount of options, 215,000 options were granted after the balance sheet date to interested parties and relatives of holders of control of Kardan Israel and 360,000 options were granted senior officers.

The exercise price of each option was set to a total of NIS 6 (subject to adjustments for dividends, bonus shares, etc.). Entitlement to exercise the options will rise gradually over a period of three years. 2 / 3 of the options will be exercised after two years from the date of grant and 1 / 3 will be added at the end of three years period from the date of grant.

After the balance sheet date ,in October 2010, the share option plan was amended to include an exercise price of 7 NIS per share, instead of 6 NIS per share following which the Annual General Meeting of Kardan Israel approved the grant 215,000 options to interested parties and relatives of holders of control.

The fair value of the grant is estimated at about €1 million (out of which a total of about €0.2 million is assigned to interested parties and relatives of holders of control and €0.1 million is attributable to senior officers). The benefit was estimated based on the binomial model taking into account the standard deviation of 44%, risk free rate of 3.44% (3.67% to interested parties and relatives of holders of control), the expected term of 5 years, and a share price of 7.055 NIS.

P. In August 2010, Kardan Israel purchased 1,248,700 par value shares Dan Vehicle & Transportation D.R.T Ltd. (AVIS) shares in the amount of €8 million and increased its direct stake from 5.8% to stake of 13.8% directly. The total direct and indirect stake of Kardan Israel in AVIS is 40.9%.
After the balance sheet date Kardan Israel acquired additional 37,769 shares of AVIS in consideration of €0.2 million. Following the additional purchase Kardan Israel holds 14% in AVIS

Q. On 16 September, 2010, an agreement for the sale of Hydro Caisan (which is included in the group's Infrastructure assets sub segment) was signed for a consideration of €2.5 million for the sale of the shares and shareholders loan. The profit which amounted to € 2.5 million was included in "Gain (loss) on disposal of assets and other income" in the income statement.

R. In September 2010, VAB Bank repaid loans with a carrying amount of €20 million prior to the date of their contractual maturity in exchange for €11 million. Due to the early repayment, the liability was settled at a discount and accordingly a gain of €9 million was recognized.

7. Subsequent events

A. In October 2010, Kardan N.V. acquired additional stakes (0.83%) from a non controlling shareholder of KFS bringing its stake to 99.9% in consideration of €2 million.

B. In connection to the auction to purchase a land in Dalian in consideration of RMB 870 million (approximately €100 million) a subsidiary of GTC China (which is included in the Group's real estate segment) won in December 2008, subsequent to the balance sheet date, the subsidiary has signed an agreement to purchase the said land. The land will be developed into a mixed residential – commercial project.

To the management and shareholders of Kardan N.V.

Review report

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Kardan N.V., Amsterdam (the "Company") as at September 30, 2010 and the related interim condensed consolidated income statement, statement of comprehensive income, changes in equity and cash flows for the three month and nine month periods then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting ("IAS 34). Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope

We conducted our review in accordance with Dutch law which include audit standards equivalent to International Standard on Review Engagements 2410, "Review of interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Opinion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34.

Amsterdam, November 30, 2010

Ernst & Young Accountants LLP

Signed by: W. C. Van Hoeven

ADDITIONAL INFORMATION

Required under to rule 38(D) of the Israeli Securities and exchange regulations (Periodic and immediate reports), 1970.

KARDAN N.V.

Presentation of separate financial data included annexed to the

Consolidated financial statements related to the company

As of September 30, 2010

ADDITIONAL FINANCIAL INFORMATION FROM THE COMPANY'S STATEMENT OF FINANCIAL POSITION

September 30, 2010

	September 30,		December
	2010	2009	31, 2009
	€ in millions		
A s s e t s			
Non-current assets			
Long-term receivable (Mainly fair value of derivatives)	85	42	50
Financial fixed assets			
Investments in consolidated subsidiaries	619	550	519
Loans to consolidated subsidiaries	227	242	215
	846	792	734
Current assets			
Cash and cash equivalents	58	103	61
Short-term investments	10	17	6
Other receivables	12	15	58
	80	135	125
Total assets	1,011	969	909
E q u i t y a n d l i a b i l i t i e s			
Equity attributable to equity shareholders			
Share capital	23	23	23
Share premium	235	234	235
Property revaluation reserve	111	126	93
Revaluation reserve, other	(13)	(17)	(14)
Currency translation reserve	(3)	(63)	(52)
Non controlling interest holders transaction reserve	(3)	-	-
Treasury shares	(27)	(21)	(21)
Retained earnings	35	43	29
	358	325	293
Long-term liabilities			
Debentures	567	504	510
Loans from banks and others	43	54	53
Options and other long term liabilities	8	8	8
	618	566	571
Current liabilities			
Current maturities of long term loans	11	53	11
Other payables (mainly accrued interest)	24	25	34
	35	78	45
Total equity and liabilities	1,011	969	909

ADDITIONAL INFORMATION FROM THE COMPANY'S INCOME STATEMENT

Period ended September 30, 2010

	For the nine months ended September 30,		For the three months ended September 30,		For the year ended December 31,
	2010	2009	**2010**	2009	2009
	€ in millions				
Net result from investments for the period	40	(31)	27	(4)	(73)
Other income	1	1	1	1	1
Total revenues	41	(30)	28	(3)	(72)
General and administrative expenses	5	5	2	2	5
Other expenses	1	1	-	1	2
Total expenses	6	6	2	3	7
Income/(Loss) from operations before financing expenses	35	(36)	26	(6)	(79)
Financing expenses, net	(12)	(9)	(2)	(6)	(13)
Income/(Loss) from operations before tax expense (benefit)	23	(45)	24	(12)	(92)
Income tax expense (benefit)	(1)	-	1	-	-
Net income/(Loss) for the period	24	(45)	23	(12)	(92)

ADDITIONAL INFORMATION FROM THE COMPANY'S STATEMENT OF COMPREHENSIVE INCOME OF THE COMPANY

	For the nine months ended September 30,		For the three months ended September 30,		For the year ended December 31,
	2010	2009	**2010**	2009	2009
	€ in millions				
Net result for the period	24	(45)	23	(12)	(92)
Foreign currency translation differences	49	(20)	(25)	(10)	(9)
Change in hedge reserve, net	1	19	(3)	-	22
Unrealized revaluations, net of tax	-	(1)	-	-	(1)
Other comprehensive income for the period	50	(2)	(28)	(10)	12
Total comprehensive income (expense)	74	(47)	(5)	(22)	(80)

ADDITIONAL INFORMATION FROM THE COMPANY'S CASH FLOW STATEMENT

	For the nine months ended September 30,		For the three months ended September 30,		For the year ended December 31,
	2010	2009	**2010**	2009	2009
	€ in millions				
Cash flow from operating activities of the Company					
Net income/(Loss) for the period	24	(45)	23	(12)	(92)
Adjustments to reconcile net profit to net cash of the Company					
Charges to net loss not affecting operating cash flows:					
Share based payment	-	-	-	-	1
Change in fair value of hedge instruments	9	12	(4)	-	(12)
Financial expense (income)	(1)	10	5	27	26
Dividend received	12	-	-	-	-
Equity loss (earnings)	(40)	31	(27)	4	73
Changes in working capital of the Company					
Change in receivables	2	(3)	(1)	(9)	8
Change in payables	1	(9)	1	(9)	(4)
Cash amounts paid and received during the year					
Interest paid	(29)	(26)	(1)	-	(27)
Interest received	5	3	2	3	8
Net cash used in operating activities of the company	**(17)**	**(27)**	**(2)**	**4**	**(19)**
Cash flow from investing activities of the company					
Short term investments, net	(4)	15	1	-	26
Granting of loans to subsidiaries, net	-	45	3	23	32
Investments in subsidiaries	(1)	(47)	-	(5)	(48)
Net cash provided by (used in) investing activities of the company	**(5)**	**13**	**4**	**18**	**10**
Cash flow from financing activities					
Proceeds from long-term debt	-	59	-	-	59
Proceeds from sale of hedge instruments	29	-	-	-	-
Repayment of long-term debt	(10)	(51)	(1)	(13)	(98)
Net cash provided by (used in) financing activities of the company	**19**	**8**	**(1)**	**(13)**	**(39)**
Increase (decrease) in cash and cash equivalents of the company	**(3)**	**(6)**	**1**	**9**	**(48)**
Cash and cash equivalents at beginning of the period of the company	61	109	57	94	109
Cash and cash equivalents at end of the period of the company	**58**	**103**	**58**	**103**	**61**

Significant non-cash transactions:

Conversion of loans to shares of a subsidiary	41	-	41	-	-

1. General

This interim condensed separate financial information is presented in accordance to rule 38(D) of the Israeli Securities and exchange regulations (Periodic and immediate reports), 1970.

The condensed interim consolidated financial statements should be read in conjunction with the additional financial information for the year ended December 31, 2009 and the accompanying notes, and in conjunction to the consolidated interim financial statements for the nine months ended September 30, 2010.

For the additional financial information for the period ended on September 30, 2010 the Company applied the same accounting principles and methods of computation as compared with the additional financial information for the year 2009.

2. Additional Information

During the first nine months of 2010, a subsidiary of the Company declared a dividend of €13 million and distributed to the Company a dividend of €12 million Euro. After the financial position date, the subsidiary distributed the additional €1 million.

During 2010 the Company granted and collected loans from its subsidiaries in the normal course of business.