KARDAN N.V.

Director's Report and Financial Statements Kardan NV Q1 – 2012

Amsterdam/Tel Aviv, May 30, 2012
Number of pages: 13

The Additional Information and the Financial Statements of Kardan NV, Q1 – 2012, are drawn up in accordance with the Dutch and Israeli regulations and together with the separately presented press release on the Q1 – 2012 results of Kardan form an integral part of the regulatory requirements and presentation.

FINANCIAL REPORTS
FOR THE FIRST QUARTER ENDED MARCH 31, 2012

The Financial Reports contain the following sections:

PART 1 ADDITIONAL INFORMATION FOR Q1- 2012

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1. ADDITIONAL INFORMATION FOR Q1 - 2012

1.1. Main events in the first quarter of 2012

Kardan

- In Q1-2012, Kardan purchased EUR 9.1 million of debentures A as part of the Debenture Plan. As at February 14, 2012, 32% of the Debenture Plan had been completed. Kardan - through its subsidiaries GTC RE and Tahal Consulting Engineers Ltd.- owned 14.7% of Kardan Debentures Series A and 3.6% of Kardan Debentures Series B by the end of the first quarter of 2012.

- In February 2012, Kardan announced that the Supervisory Board of Kardan decided to recommend to the Annual General Meeting of Shareholders on May 31, 2012, to appoint Mr. Shouky Oren as Chairman of the Management Board of Kardan, following approval of the shareholders. Mr. Shouky Oren will succeed Mr. Alain Ickovics - current Chairman of the Management Board - who will remain in the Kardan Group as Chairman of the Management Board of Kardan's real estate subsidiary GTC Real Estate Holding B.V.

  Mr. Oren's last position was Chief Treasurer of the State of Israel, which position he held from December 2007 until June 2011. Prior to working for the Israeli Government, Mr. Oren held various senior positions in the banking sector. Mr. Oren will join Kardan on February 22, 2012, as the intended Chairman of the Management Board /CEO. Until the Annual General Meeting of Shareholders he will cooperate closely with Mr. Ickovics to ensure a smooth transition.

- On March 15, 2012, the Company received a letter from the Israeli Securities Authority regarding sampling audit that was conducted by the ISA and included, inter alia, the examination of the values in the financial statements of five real estate assets owned by a consolidated subsidiary financial statement as of December 31, 2009. Reference is made to Note 1 in the Q1-2012 IFRS financial statements of Kardan.

Real estate (GTC Real Estate)

- In March 2012, GTC S.A., the real estate developer in Central and Eastern Europe in which Kardan NV holds a 27.75% stake, mentioned in the press release presenting their 2011 Results, that the Management of GTC S.A. has identified a need for new capital in order to strengthen the capital structure of GTC S.A. and to improve its cash position. After considering various alternatives, the Management of GTC S.A. recommends to raise approximately EUR 100 million through a rights issue. The decision is subject to market conditions, as well as obtaining all the necessary regulatory approvals, including, in particular, the approval of the prospectus by the Polish Financial Supervision Authority. GTC S.A. has been informed by Kardan N.V. of its intention to participate in the rights offering in its full pro-rata share (27.75%).
  During the General Meeting of shareholders of GTC S.A., on April 16, 2012, the proposal to raise EUR 100 million through a rights issue was approved. Furthermore, Mr. Alain Ickovics was appointed Chairman of the Supervisory Board of the company, replacing Mr. Eli Alroy. Mr. Shouky Oren has also been appointed to the Supervisory Board of GTC S.A.

Water Infrastructure (Tahal)

- In February 2012, it was announced that due to disagreements between Tahal Group B.V. ("Tahal") and the Government of Botswana, the Memorandum of Agreement ("MoA") with respect to a water and agriculture project in Botswana has been cancelled by Tahal. Tahal reserves all its rights with respect to the MoA. Kardan currently does not anticipate any losses with respect to the MoA or its cancellation. The MoA as signed between Tahal and the Government of Botswana in May 2007 (the "Project") involved the construction of water supply infrastructure and the development of agricultural land in Botswana. The Project entailed two components, to be executed subject to feasibility studies and certain conditions precedent.

- In March 2012, Kardan's indirectly owned water infrastructure subsidiary Tahal Consulting Engineers Ltd. ("Tahal") and the National Water Company of Ghana signed an agreement for a project ("the Project") to design, construct, expand and upgrade the drinking water systems in the Kumawu, Konongo and Kwahu region of Ghana. The Project is the sequel to an existing project also executed by Tahal in the same area ("the 3K project "). Estimated revenues for the Project are USD 97.5 million (approximately EUR 73 million). According to the agreement, the Project is anticipated to take three years from commencement. Tahal has organized the financing for the Project. The Project will be the fourth project for Tahal in Ghana. Including the today announced Project, total combined revenues for Tahal's current projects in Ghana amount to USD 282 million (approximately EUR 210 million), of which approximately 75% is still to be invoiced over the coming years.

1.2. Subsequent events

- In April, 2012, it was announced that Mr. Joseph Krant and Mr. Hendrik Benjamins, Chairman and Member of the Supervisory Board of Kardan N.V., had announced their resignation from the Supervisory Board as per the Annual General Meeting ("AGM") of shareholders of Kardan N.V. to be held on May 31, 2012. In addition, in the upcoming AGM, Kardan is proposing to change the current Two Tier Board to a One Tier Board. The one-tier structure is the prevailing corporate governance structure globally. A new Dutch legislation that is aimed at facilitating the implementation of the one tier model is also expected to become effective July 1, 2012, or soon thereafter. The move to a one tier model should simplify the corporate governance structure and result in a more efficient and simplified decision making process. New nominees will be proposed for appointment as Board members in the upcoming general meeting. Details with respect to such nominees will be further provided in the AGM notes, to be published on April 18, 2012.

- In May 2012, at the start of the closed period (May 9, 2012) approximately 46% of the Debenture Plan was completed, and Kardan - through its subsidiaries GTC RE and Tahal Consulting Engineers Ltd.- owned 17.6% of Kardan Debentures Series A and 3.6% of Kardan Debentures Series B. The Company may continue to purchase debentures according to the Plan as of May 30, 2012.

1.3. Book value of investments Kardan N.V.

The following table summarizes the book value of the companies held directly by Kardan as of March 31, 2012 and December 31, 2011 (amounts in EUR million):

Holding Company	Name of subsidiary	Share in subsidiary	Book Value in Kardan NV	Loans granted by Kardan NV	Total Investment in books 31.03.12	Total Investment in books 31.12.11
Kardan NV	GTC RE Holding	100%	356	117	473	510
	KFS	100%	56	93	149	161
	Tahal	100%	51	45	96	98

Holding Company	Name of subsidiary	Share in subsidiary	GTC Holding Book Value	Loans granted by GTC Holding	Total Investment in books 31.03.12	Total Investment in books 31.12.11
GTC RE Holding	GTC SA	27.75%	202	-	202	199
	Kardan Land China	100%	241	24	265	269
	GTC Investments	48.75%	2	11	13	14

Holding Company	Name of subsidiary	Share in subsidiary	KFS Book Value	Loans granted by KFS	Total Investment in books 31.03.12	Total Investment in books 31.12.11
KFS	TBIF	100%	90	86	176	194

1.4. Financial Position of holding companies of the Kardan Group as of March 31, 2012

- **Net debt** [1]

The net debt position of Kardan N.V., GTC RE BV, KFS BV and TBIF BV as of March 31, 2012 increased to EUR 482 million from EUR 477 million as of December 31, 2011, mainly as a result of accrued interest.

The following table summarizes the net debt of Kardan NV and if applicable of its directly held subsidiaries (company only) as of March 31, 2012:

Company	Net Debt (in EUR million)	
Kardan NV/GTC RE	**Liabilities:**	
	Debentures (*)	(488)
	Loans from banks **	(131)
	Assets:	
	Loan to KFS	93
	Loan to Kardan Land China	24
	Cash and short term investments	85
	Net debt	**(417)**
KFS/TBIF	**Liabilities:**	
	Loans from Kardan NV	(93)
	Loans from banks and others	(43)
	Assets:	
	Cash and short term investments	9
	Loans to others	8
	Loans to subsidiaries	54
	Net debt	**(65)**
TGI	**Liabilities:**	
	Loans from others	(19)
	(and related warrants)	
	Assets:	
	Loan to related party	-
	Net debt	**(19)**

(*) Approximately 58% of the debentures are presented in EUR in accordance with the currency hedging transactions.

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

(**) Subsequent to balance sheet date, in accordance with the agreement reached with the lending bank, an amount of EUR 30 million was repaid.

(***) In the financial statements of TBIF, the positions with respect to Sovcombank are not included in the current assets. As it is expected that the sale of the shares will be completed before September 2012, EUR 71 million, which is the amount payable by the buyers less an amount due to Sovcombank,is not included in the net cash position.

1.5. Risk Management

Kardan has three fields of activity (divisions) Real-Estate (GTC), Water Infrastructure (Tahal), Banking and Retail lending (KFS). These divisions are divided into five segments, which can each consist of one or more operating company. Each segment is managed by an executive director or Board of Directors, responsible for managing the market segment risks. In addition, in each operating company a senior manager is responsible for managing its risks. Mr. Walter van Damme, one of the members of the management board, is responsible for Kardan NV risk management. For more details on Mr. Walter van Damme's resume, reference is made to chapter "Composition of the Boards" in the annual report).

The annual report for 2011 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 Press Release by reference. The above described risks should be seen as re-quoted in this report by way of reference.

Kardan is focused on further expanding its businesses in emerging markets. By nature, these markets are relatively underdeveloped and unstable in various aspects and therefore often exposed to risks arising from unforeseen changes such as (geo) political, regulatory, legal and economic changes.

Developments and shocks in global markets and particularly in the European markets, may affect the liquidity of Kardan NV, its equity value, the value of its assets, its ability to realize its assets, the state of its business (including the demand for its assets), its ability to distribute dividends and its ability to raise finance for its ongoing activities and long-term activities, as well as the terms of such financing.

Contacts between the Management Board and the local management of its subsidiaries remain frequent and intensive, to discuss the latest development and expectations in the respective markets as well as the (financial) resilience of these subsidiaries.

For an overview of the main risks the Group is exposed to, reference is made to the 2011 Annual Report, notably the consolidated financial statements and the management board report and the 2011 Israeli Annual Report (Barnea). In addition, there may be other significant risks Kardan has not yet identified or that have not been assessed as having a significant potential impact on the business but which in a later stage could materialize as such.

<u>Disclaimer</u>

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.

2. 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 million)

	31.3.12	31.3.11	31.12.11	Notes
Total balance sheet	4,275	5,637	4,355	The decrease as of March 31, 2012 compared to December 31, 2011 is mainly a result of repayment of loans and increased delivery of apartments.
Current assets	1,823	1,766	1,669	The increase as of March 31, 2012 compared to December 31, 2011 is mainly a result of presenting the assets of Sovcombank as 'Assets held for sale'.
Non-current assets	2,452	3,871	2,686	The Decrease as of March 31, 2012 compared to December 31, 2011 is mainly a result of presenting the assets of Sovcombank as 'Assets held for sale'.
Current liabilities	1,589	1,411	1,290	The increase as of March 31, 2012 compared to December 31, 2011 is mainly a result of presenting the liabilities of Sovcombank as 'Liabilities associated with assets held for sale'.
Other debentures	755	1,063	811	The decrease as of March 31, 2012 compared to December 31, 2011 is mainly a result repurchase of debentures and reclassification of first installments to current maturity.
Interest-bearing loans and borrowings	945	1,545	972	-
Equity attributable to equity holders of the parent	191	351	203	The decrease as of March 31, 2012, compared to December 31, 2011 is mainly a result of the net loss in the year.

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

	Three months ended March 31, 2012	Three months ended March 31, 2011	Year ended December 31, 2011	Notes
Revenues				
Sale of goods	20	7	67	The increase in sale of goods in Q1-2012 compared to Q1-2011 is mainly a result of increase in deliveries of apartments in China.
Contract revenues	31	30	114	This income represents revenues from projects in the (Water) Infrastructure segment.
Banking and retail lending activities	(3)	5	5	The Decrease in revenues from banking and retail lending activities in Q1-2012 compared to Q1-2011 is mainly a result of provisions on vintage loan portfolios. In previous periods the results of Sovcombank are presented as discontinued operations.
Property rental revenues	35	33	142	The increase in property rental revenues in Q1-2012 in comparison to Q1-2011 is mainly as a result of completion of construction and leasing of a number of retail and commercial projects during 2011.
Other income	2	2	6	This income mainly represents the revenues generated by Avis Ukraine.
Total Revenues	**85**	**77**	**334**	

Results of Business Operations (in EUR million) (cont'd):

Expenses				
Cost of goods sold	17	7	57	See explanations for the changes in sale of goods.
Contract costs	25	20	92	See explanations for the changes in revenues from contract works.
Cost of banking and lending activities	8	8	35	See explanations for the changes in revenues from banking and lending activities.
Cost of property rental operations	10	10	40	See the explanations for the changes in rental revenues.
Other expenses, net	2	2	88	Other expenses in 2011 relate mainly to impairment of residential land bank and investment property at cost in CEE.
Total expenses	**62**	**47**	**312**	
Gross margin	**23**	**30**	**22**	-

Selling and marketing expenses	4	4	21	-
General and administration expenses	13	12	61	
Profit (loss) from operations before fair value adjustments, disposals of assets and financial expenses	**6**	**14**	**(60)**	-

Adjustment to fair value of investment properties	4	16	(205)	The adjustment of fair value in Q1-2012 relates mainly to a positive revaluation gain of investment properties held for sale in the CEE area to the sale price and to revaluation of the shopping center in Chengdu, China.
Impairment losses on goodwill	-	-	(30)	In 2011 the impairment losses on goodwill relate primarily to the Group's holdings in the Banking and Retail lending segment.
Gain on disposal of assets and other income	1	-	21	In 2011 the gain on disposal of assets and other income relates primarily to gains on real estate assets sold in Kardan Land China.
Profit (loss) on disposal of assets and investments	**5**	**16**	**(214)**	-
Profit (loss) before finance expenses and income taxes	**11**	**30**	**(274)**	**-**
Financial Income	8	10	21	Finance income in 2011 is mainly the result of interest on the cash balances and deposits of the Group.
Financial expenses	(33)	(33)	(141)	The financial expenses are mainly related to financing costs of loans and debentures in the group.
Adjustments to fair value of other financial instruments	-	-	(3)	-
Total financial expenses, net	**(25)**	**(23)**	**(123)**	-

	Three months ended March 31, 2012	Three months ended March 31, 2011	Year ended December 31, 2011	Notes
Profit (loss) from operations	**(14)**	**7**	**(397)**	-
Share of profit (loss) of associates accounted for using the equity method	(1)	-	(3)	The decrease in equity profits relates to a decrease in the results of the real estate associates in the GTC Group.
Net profit (loss) before income taxes	**(15)**	**7**	**(400)**	-
Income tax (benefit) expenses	(2)	6	27	Tax expenses/benefits in the Group mainly are a result of deferred taxes related to currency translation differences and revaluation of investment properties.
Net profit (loss) for the year from continuing operations	**(13)**	**1**	**(427)**	-
Net profit (loss) for the year from discontinued operations	-	3	18	In 2011 the profit derives from the sale of VAB bank which was completed in Q1- 2011, the results of Kardan Yazamut which are presented as discontinued operation due to their distribution as well as the results of Sovcombank which is presented as discontinued operations.
Net profit (loss) for the period	**(13)**	**4**	**(409)**	-
Net profit (loss) attributed to equity holders of the parent	(14)	-	(148)	-
Net profit (loss) attributed to non controlling interest holders	1	4	(261)	-

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

	For the three months ended March 31,		For the year ended December 31,	Notes
	2012	2011	2011	
Net cash provided by (used in) operating activities	(33)	(61)	52	-
Net cash used in investing activities	(18)	(144)	(277)	In Q1-2012, EUR 26 million were used for acquisition of tangible fixed assets and EUR 15 million were received from long-term loans. In Q1-2011, EUR 25 million were received from long term loans and other receivables, EUR 69 million were used for acquisition of tangible fixed assets and investment property, EUR 48 million were used for short term investments and EUR 27 million were used for loans to bank customers. In 2011, EUR 264 million were used for acquisition of tangible fixed assets and investment properties, EUR 175 million were used for loans to bank customers and EUR 50 million were used for short-term investments, net. Conversely, about EUR 232 million s have been added from a disposal of Investment in companies and partnerships in the past and about EUR 33 million were received from long-term loans and receivables.
Net cash provided by financing activities	(18)	108	129	In Q1-2012, EUR 44 million were added from proceeds from long-term loans. EUR 61 million were used in repayment of long term loans. In Q1 2011, EUR 188 million were generated from issuing shares to a third party, EUR 75 million were from proceeds from long-term loans and EUR 205 million were used in repayment of long term loans. In 2011, EUR 189 million were generated from issuing shares to a third party, EUR 83 from issuance of debentures, EUR 132 from change in loans to bank customers, and EUR 333 from proceeds from long-term loans. EUR 525 million were used in repayment of long term loans and EUR 71 million were used in repayment and early repayment of debentures.

In the company only cash-flow, the Company presents a negative cash-flow from operating activities and a negative working capital. In accordance with ISA regulations the Company hereby provides the cash-flow forecast:

Forecast cash flow	April 1, 2012 – December 31, 2012	January 1, 2013 - December 31, 2013	January 1, 2014 – March 31, 2014
	in EUR million		
Cash and cash equivalents at the beginning of the period	**85**	**54**	**101**
Company only resources			
From operating activities			
General and administration expenses	(5)	(5)	(1)
From Financing activities			
Loans from Banks	6	-	-
From investing activities			
Sale of assets	22	70	-
Resources from investee companies			
From operating activities in investments – Loan repayment	40	57	15
From operating activities in investments – Management fees	1	1	-
Total Resources	**149**	**177**	**115**
Expected Uses			
From investing activities			
Investment in GTC SA	28	-	-
From financing activities			
Repayment of a loan	30	6	-
Interest payment of loans	5	6	1
Repurchase of debentures	32	-	-
Interest payment of debentures – Series A	-	9	7
Interest payment of debentures – Series B	-	15	15
Principle payment of debentures – Series A	-	40	40
Principle payment of debentures – Series B	-	-	44
Total Uses	**95**	**76**	**107**
Cash and cash equivalents at the end of the period	**54**	**101**	**8**

Assumptions and Notes to the cash flow forecast:

1. The opening balance of the cash flow forecast includes pledged deposits in the amount of approximately EUR 50 million which the Company expects will be released in the near future. Subsequent to balance sheet date, an amount of EUR 30 million was released from pledge and was used to repay a loan. The Company expects the remaining balance of the pledged deposits to be released in the near future.
2. The Cash-flow projection was jointly drawn for both Kardan NV Company only and GTC Real Estate Holding BV because the treasury of these companies is centralized.
3. The interest payment for the debentures includes the amount of hedged interest, less the interest which relates to the debentures purchased by a subsidiary.
4. The cash flows do not include any additional investments the company will make once those will be approved by the appropriate organs in the company.
5. The Interest calculations are based on CPI, exchange rates and interest rates which are as of March 31, 2012.
6. Sale of assets include sale of financial instruments and shares.
7. This estimate is forward looking information as defined in the Israeli Securities Act, based on management assumptions and expectations. 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, difficulties in raising credit, decrease in value of investments and change in cash amounts expected to be received from affiliated companies.

2.2 Issuance of debt

The following are details regarding the marketable debentures of Kardan NV as of March 31, 2012:

	Debenture series A	Debenture series B
Par value of issued debentures	EUR 240 million (NIS 1,190,000,000)	EUR 269 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 December 2006)
Par value of debentures as of March 31, 2012	EUR 240 million (NIS 1,190,000,000 par value)	EUR 269 million (NIS 1,333,967,977 par value)
Debentures held by subsidiaries	174,344,863 par value	48,311,499 par value
Interest rate (per annum)	4.45%	4.9%
Principal repayment	Four equal installments from: From February 2013 to February 2016	Seven equal installments from: From February 2014 to February 2020
Interest payment dates	9 annual installments from February 2008 to February 2016	13 annual installments from February 2008 to February 2020
Total debt up to the date of the balance sheet (including interest and Israeli CPI linkage)	EUR 241 million (net of debentures held by subsidiaries) (*)	EUR 306 million (net of debentures held by subsidiaries) (*)
Market capitalization as of March 31, 2012	EUR 212 million (net of debentures held by subsidiaries)	EUR 230 million (net of debentures held by subsidiaries)
The trustee	Aurora Fidelity Trustees Ltd (CPA Daniel Vafnish +972-3-6083252)	Hermatic trustee (1957) (Adv. Dan Avnun +972-3-5274867)
Rated by	S&P Maalot	S&P Maalot
Rating at the time of issuance	AA - (February 2007)	AA - (February 2007)
Updated rating	BBB + (January 2011)	BBB+ (January 2011)

(*) Approximately 58% of the debentures are swapped to EUR using hedge transactions.

DISCLAIMER

This press release contains forward-looking statements and information, for example concerning the financial condition, results of operations, businesses and potential exposure to market risks of Kardan N.V. and its group companies (jointly "Kardan Group"). All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements (including "forward looking statements" as defined in the Israeli Securities Law). Forward-looking statements are statements of future expectations that are based on management's current expectations and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in these statements. These forward-looking statements are identified by the use of terms and phrases such as ''anticipate'', ''believe'', ''could'', ''estimate'', ''expect'', ''intend'', ''may'', ''plan'', ''objectives'', ''outlook'', ''probably'', ''project'', ''will'', ''seek'', ''target'', ''risks'', ''goals'', ''should'' and similar terms and phrases. A variety of factors, many of which are beyond Kardan Group's control, affect our operations, performance, business strategy and results and could cause the actual results, performance or achievements of Kardan Group to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. For Kardan Group, particular uncertainties arise, amongst others but not limited to and not in any order of importance, (i) from dependence on external financing with the risk that insufficient access to capital threatens its capacity to grow, execute its business model, and generate future financial returns (ii) from concentration of its business in Central Eastern Europe and China as a result of which Kardan Group is strongly exposed to these particular markets (iii) from risks related to the financial markets as a result of Kardan N.V.'s listings on NYSE Euronext Amsterdam and the Tel-Aviv Stock Exchange and (iv) from it being a decentralized organization with a large number of separate entities spread over different geographic areas in emerging markets, so that Kardan Group is exposed to the risk of fraudulent activities or illegal acts perpetrated by managers, employees, customers, suppliers or third parties which expose the organization to fines, sanctions and loss of customers, profits and reputation etc. and may adversely impact Kardan Group's ability to achieve its objectives and (v) from any of the risk factors specified in Kardan N.V.'s Annual Report 2011 and in the "Periodic Report for 2011" published by Kardan N.V. in Israel on March 30, 2012 and which is also available at the Kardan website. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in the relevant forward-looking statement as expected, anticipated, intended, planned, believed, sought, estimated or projected. Kardan N.V. does not intend or assume any obligation to update or revise these forward-looking statements in light of developments which differ from those anticipated.

May 30, 2012

Management Board:

A. Ickovics

W. van Damme

E. Oz-Gabber

J. Slootweg

KARDAN N.V.
AMSTERDAM, THE NETHERLANDS

Condensed Interim Consolidated Financial Statements
As of March 31, 2012

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CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

A s s e t s

	March 31, 2012	March 31, 2011	December 31, 2011
	€ in millions		
Non-current assets			
Tangible fixed assets	77	101	103
Rental vehicles	-	407	-
Investment properties (Note 6)	1,903	2,359	1,885
Investments in associates	54	144	54
Other financial assets	7	13	6
Loans to bank customers	12	101	189
Long-term loans and receivables	157	193	172
Derivatives	56	106	57
Intangible assets and goodwill	60	193	94
Long term inventory	107	231	106
Deferred income tax assets	19	23	20
	2,452	3,871	2,686
Current assets			
Inventories, contract work and buildings inventory in progress	350	383	364
Derivatives	12	1	1
Current maturities of long-term loans and receivables	90	131	115
Loans to bank customers	18	172	241
Trade receivables	39	100	37
Income tax receivables	3	3	4
Other receivables and prepayments	80	267	102
Short-term investments	87	288	259
Cash and cash equivalents	297	388	407
	976	1,733	1,530
Assets held for sale	847	33	139
Total current assets	1,823	1,766	1,669
Total assets	4,275	5,637	4,355

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

Equity and liabilities

	March 31, 2012	March 31, 2011	December 31, 2011
		€ in millions	
Equity attributable to equity holders of the parent			
Issued and paid-in capital	23	23	23
Share premium	208	235	208
Foreign currency translation reserve	-	(8)	7
Property revaluation reserve	55	60	52
Revaluation reserve, other	15	11	5
Non-controlling interest holders transaction reserve	20	20	19
Treasury shares	(3)	(27)	(3)
Retained earnings (accumulated deficit)	(127)	37	(108)
	191	351	203
Non-controlling interests	550	909	537
Total equity	741	1,260	740
Non-current liabilities			
Interest-bearing loans and borrowings	945	1,545	972
Banking customers accounts	-	53	270
Derivatives	67	44	81
Other long-term liabilities	25	34	24
Options	6	23	16
Convertible debentures	-	15	-
Other debentures	755	1,063	811
Deferred income tax liabilities	145	187	149
Accrued severance pay, net	2	2	2
	1,945	2,966	2,325
Current liabilities			
Advances from customers in respect of contracts	11	13	13
Banking customers accounts	16	312	250
Trade payables	60	164	79
Current maturities of other debentures	87	-	21
Interest-bearing loans and borrowings	476	501	542
Income tax payables	4	4	5
Advances from apartment buyers	129	174	144
Derivatives	23	12	22
Other payables and accrued expenses	142	217	214
	948	1,397	1,290
Liabilities associated with assets held for sale	641	14	-
Total current liabilities	1,589	1,411	1,290
Total liabilities	3,534	4,377	3,615
Total equity and liabilities	4,275	5,637	4,355

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

CONDENSED INTERIM CONSOLIDATED INCOME STATEMENT

	For the three months ended March 31,		For the year ended December 31,
	2012	2011	2011
		€ in millions	
Sales of goods	20	7	67
Contract revenues	31	30	114
Retail lending activities (Note 4)	(3)	5	5
Property rental and service recharge revenues	35	33	142
Other revenues	2	2	6
Total revenues	85	77	334
Cost of goods sold	17	7	57
Contract costs	25	20	92
Costs of retail lending activities	8	8	35
Costs of property rental and service recharge operations	10	10	40
Other expenses, net	2	2	88
Total expenses	62	47	312
Gross margin	23	30	22
Selling and marketing expenses	4	4	21
General and administration expenses	13	12	61
Profit (loss) from operations before fair value adjustments, disposal of assets and financial expenses	6	14	(60)
Adjustment to fair value of investment properties, net (Note 6)	4	16	(205)
Impairment losses on goodwill	-	-	(30)
Gain on disposal of assets and other income	1	-	21
Profit (loss) from fair value adjustments and on disposal of assets and investments	5	16	(214)
Profit (loss) from operations before finance expenses and income tax	11	30	(274)
Other financial income	8	10	21
Other financing expenses	(33)	(33)	(141)
Adjustment to fair value of other financial instruments	-	-	(3)
Total financial expenses, net	(25)	(23)	(123)
Profit (loss) from operations	(14)	7	(397)
Share of loss of associates accounted for using the equity method, net	(1)	-	(3)
Profit (Loss) before income taxes	(15)	7	(400)
Income tax expenses (benefit)	(2)	6	27
Profit (loss) for the period from continuing operations	(13)	1	(427)
Net profit (loss) for the period from discontinued operations (Note 7)	-	3	18
Net profit (loss) for the period	(13)	4	(409)
Attributable to:			
Equity holders	(14)	-	(148)
Non-controlling interest holders	1	4	(261)
	(13)	4	(409)
Earnings (loss) per share attributable to shareholders			
Basic from continuing operations	(0.12)	(0.03)	(1.34)
Basic from discontinued operations	-	0.03	0.16
	(0.12)	-	(1.18)
Diluted from continuing operations	(0.12)	(0.03)	(1.36)
Diluted from discontinued operations	-	0.03	0.16
	(0.12)	-	(1.2)

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

CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the three months ended March 31,		For the year ended December 31,
	2012	2011	2011
	€ in millions		
Result for the period	(13)	4	(409)
Foreign currency translation differences	(5)	(20)	(9)
Change in hedge reserve, net of tax (1)	7	17	3
Unrealized revaluations, net of tax (2)	-	(1)	(1)
Other comprehensive income for the period (3)	2	(4)	(7)
Total comprehensive expense	(11)	-	(416)
Attributable to:			
Equity holders	(13)	(11)	(150)
Non-controlling interest holders	2	11	(266)
	(11)	-	(416)

(1) Net of tax amounting to €3 million for the period ended March 31, 2012, €2 million for the period ended December 31, 2011, and € (1) million for the period ended March 31, 2011.
(2) Net of tax which amounted to less than €1 million for all the reported periods.
(3) Including impact resulted from associates of less than €1 million for all the reported periods.

The accompanying notes are an integral part of these interim condensed 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 (accumulated deficit)	Total	Non-controlling interest	Total equity
	€ in millions										
Balance as of January 1, 2012	23	208	52	5	7	19	(3)	(108)	203	537	740
Other comprehensive income (loss)	-	-	-	8	(7)	-	-	-	1	1	2
Net result for the period	-	-	-	-	-	-	-	(14)	(14)	1	(13)
Total comprehensive income /loss	-	-	-	8	(7)	-	-	(14)	(13)	2	(11)
Share-based payment	-	-	-	-	-	-	-	-	-	1	1
Shares purchased in consolidated subsidiaries	-	-	-	-	-	1	-	-	1	10	11
Reclassification according to the Netherlands civil code requirements and Chinese law(*)	-	-	3	2	-	-	-	(5)	-	-	-
Balance as of March 31, 2012	23	208	55	15	-	20	(3)	(127)	191	550	741

(*) In accordance with the Netherlands civil code, part of the retained earnings is restricted for distribution.
(**) A portion of the retained earnings of the Group's jointly-controlled entities, which were established in China is restricted for distribution.

The accompanying notes are an integral part of these interim condensed 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(*)	Non controlling interest holders transactions reserve	Treasury shares	Retained Earnings (accumulated deficit)	Total	Non-controlling interest	Total equity
	€ in millions										
Balance as of January 1, 2011	23	235	114	-	9	(1)	(27)	(19)	334	733	1,067
Other comprehensive income (loss)	-	-	-	5	(16)	-	-	-	(11)	7	(4)
Net result for the period	-	-	-	-	-	-	-	-	-	4	4
Total comprehensive income /loss	-	-	-	5	(16)	-	-	-	(11)	11	-
Share-based payment	-	-	-	-	-	-	-	-	-	2	2
Issuance of shares to non-controlling interest holders	-	-	-	6	(1)	22	-	-	27	161	188
Shares purchased in consolidated and newly consolidated subsidiaries	-	-	-	-	-	1	-	-	1	11	12
Deconsolidation of a subsidiary	-	-	-	-	-	(2)	-	2	-	(6)	(6)
Dividend paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	(3)	(3)
Reclassification according to the Netherlands civil code requirements (*)	-	-	(54)	-	-	-	-	54	-	-	-
Balance as of March 31, 2011	23	235	60	11	(8)	20	(27)	37	351	909	1,260

(*) In accordance with the Netherlands civil code, part of the retained earnings is restricted for distribution.

The accompanying notes are an integral part of these interim condensed 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(*)	Other reserves(*)	Foreign currency translation reserve (*)	Non controlling interest holders transactions reserve	Treasury Shares	Retained Earnings (accumulated deficit)	Total	Non-controlling interest	Total equity
	€ in millions										
Balance as of January 1, 2011	23	235	114	-	9	(1)	(27)	(19)	334	733	1,067
Other comprehensive income (expenses)	-	-	-	(1)	(1)	-	-	-	(2)	(5)	(7)
Loss for the year	-	-	-	-	-	-	-	(148)	(148)	(261)	(409)
Total comprehensive loss for the year	-	-	-	(1)	(1)	-	-	(148)	(150)	(266)	(416)
Share-based payment	-	-	-	-	-	-	-	-	-	8	8
Issuance shares to non-controlling shareholders	-	-	-	6	(1)	22	-	-	27	166	193
Shares purchased in subsidiaries and first time consolidation of subsidiary	-	-	-	-	-	(2)	-	-	(2)	6	4
Purchase of treasury shares	-	-	-	-	-	-	(3)	-	(3)		(3)
Deconsolidation of proportionally consolidated entities	-	-	-	-	-	-	-	-	-	(35)	(35)
Dividend paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	(4)	(4)
Distribution of a subsidiary as dividend in kind	-	(27)	-	-	-	-	27	(3)	(3)	(71)	(74)
Reclassification according to the Netherlands civil code requirements (*)	-	-	(62)	-	-	-	-	62	-	-	-
Balance as of December 31, 2011	23	208	52	5	7	19	(3)	(108)	203	537	740

(*) In accordance with the Netherlands civil code, part of the retained earnings is restricted for distribution.

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

CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT

	Three months period ended March 31, 2012	Three months period ended March 31, 2011	For the year ended December 31, 2011
	€ in millions		
Cash flow from operating activities			
Net profit (loss) from continuing operations before taxes on income	(15)	7	(400)
Profit from discontinuing operations before taxes on income	-	5	31
Adjustments required to present cash flow from operating activities (see A below)	(18)	(73)	421
Net cash provided by (used in) operating activities	(33)	(61)	52
Cash flow from investing activities			
Acquisition of tangible fixed assets and investment properties	(26)	(69)	(264)
Collecting (granting) of loans from (to) associated companies and joint ventures, net	-	(1)	(1)
Investment in companies and joint ventures	-	-	(1)
Proceeds from sale of assets and investments	-	2	4
Granting of long-term loans	-	(1)	(1)
Change in loans to bank customers	(4)	(27)	(175)
Change in long-term loans and receivables	15	25	33
Change in short-term investments, net	(1)	(48)	(50)
Acquisition of newly consolidated subsidiaries, net of cash acquired (see B below)	-	(3)	(13)
Deconsolidation of a joint venture (see appendix C below)	-	-	160
Disposal of formerly consolidated subsidiaries, net of cash disposed (see D below)	-	-	26
Change from proportional consolidation to full consolidation (see E below)	-	10	10
Change from full consolidation to proportional consolidation (see appendix F below)	-	-	46
Tax paid on disposal of investment properties	-	(17)	(27)
Change in deferred brokerage fees	-	-	(1)
Change in other assets	(2)	(15)	(23)
Net cash used in investing activities	(18)	(144)	(277)

CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

	Three months period ended March 31,		For the year ended December 31,
	2012	2011	2011
		€ in millions	
Cash flows from financing activities			
Dividend paid to non-controlling interest holders	-	(3)	(4)
Cash distributed as dividend in kind	-	-	(19)
Proceeds from sale of shares in subsidiary to non controlling interest holders	-	188	189
Issuance of debentures	1	18	83
Repayment and repurchase of debentures	(9)	(7)	(71)
Change in loans from bank customers	6	(19)	132
Proceeds from long-term loans	44	75	333
Repayment of long-term loans	(61)	(205)	(525)
Change in short-term loans and borrowings, net	2	61	(12)
Costs related to issuance of debt and shares	(1)	-	(4)
Proceeds from sale of hedge instruments	-	-	45
Purchase of treasury shares	-	-	(3)
Investments in companies	-	-	(12)
Transaction with non controlling interest holders	-	-	(3)
Net cash provided by (used in) financing activities	(18)	108	129
Foreign exchange differences relating to cash and cash equivalents	-	(10)	5
Decrease in cash and cash equivalents	(69)	(107)	(91)
Decrease of cash of assets held for sale	(41)	(3)	-
Cash and cash equivalents at the beginning of the period	407	498	498
Cash and cash equivalents at the end of the period	297	388	407

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

CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

	Three months period ended March 31,		For the year ended December 31,
	2012	2011	2011
		€ 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 associated companies accounted for using the equity method	1	(1)	(3)
Dividend from associated companies	-	2	7
Impairment of goodwill	-	-	68
Loss (gain) on disposal of assets and investments, net	-	4	(6)
Share-based payment	1	2	4
Depreciation and amortization	2	19	77
Fair value adjustments of investment properties	(4)	(21)	273
Financial expenses and exchange rate differences, net	20	28	88
Change in fair value of options and share appreciation rights	(8)	(3)	(4)
Decrease (increase) in fair value of securities held for trading, and hedge instruments, net	(1)	6	8
Increase in provision for bad debts in the financial services segment	8	13	47
Impairment of assets	-	-	2
Changes in operating assets and liabilities			
Purchase of rental vehicles	-	(26)	(125)
Proceeds from sale of rental vehicles	-	23	75
Change in trade and other receivables	(28)	(113)	(91)
Change in inventories and in contract work in progress, net of advances from customers	(3)	(16)	(58)
Change in trade and other payables	11	40	111
Interest paid	(53)	(61)	(184)
Interest received	40	36	147
Income taxes paid	(4)	(5)	(15)
	(18)	(73)	421

CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

	Three months period ended March 31,		For the year ended December 31,
	2012	2011	2011
		€ in millions	
B. Acquisition of newly consolidated subsidiaries, net of cash acquired			
Working capital (excluding cash)	-	(18)	8
Non-current assets	-	21	(58)
Goodwill on acquisition	-	(6)	(10)
Long-term liabilities	-	-	33
Total purchase price	-	(3)	(27)
Less – cash in subsidiaries acquired	-	-	14
Cash used in acquisition, net of cash acquired	-	(3)	(13)
C. Deconsolidation of a joint venture net of cash disposed			
Working capital (excluding cash)	-	-	34
Non-current assets	-	-	238
Goodwill	-	-	2
Long-term liabilities	-	-	(108)
Change in capital reserves	-	-	(2)
Gain on disposal of investment	-	-	4
Total consideration	-	-	168
Cash of joint ventures which ceased to be proportionally consolidated	-	-	(8)
Cash flows from disposal, net of cash disposed	-	-	160
D. Disposal of formerly consolidated subsidiaries, net of cash disposed			
Working capital (excluding cash)	-	-	(7)
Non-current assets	-	-	(30)
Intangible assets on acquisition	-	-	13
Rental vehicles	-	-	395
Non-controlling interests	-	-	(30)
Long-term liabilities	-	-	(323)
Gain on disposal of investment	-	-	8
Cash flows from disposal, net of cash disposed	-	-	26

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

CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

	Three months period ended March 31,		For the year ended December 31,
	2012	2011	2011
	€ in millions		
E. Change from proportional consolidation to full consolidation			
Working capital	-	(3)	(3)
Investment property	-	55	55
Other non-current assets	-	(185)	(185)
Goodwill on acquisition	-	(4)	(4)
Gain on disposal of investment	-	(3)	(3)
Non-controlling interests	-	11	11
Long-term liabilities	-	139	139
Cash flow from acquisition, net of cash acquired	-	10	10
F. Change from full consolidation to proportional consolidation			
Working capital	-	-	(2)
Investment property	-	-	60
Goodwill on acquisition	-	-	(3)
Gain on disposal of joint venture	-	-	12
Long-term liabilities	-	-	(21)
Total purchase price	-	-	46
Foreign currency translation on cash	-	-	1
Less – cash of disposed joint venture	-	-	(1)
	-	-	46

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

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, infrastructure projects, infrastructure assets and banking and lending 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 May 30, 2012.

In March 2012 the Company received a letter from the Israeli Securities Authority (hereafter – the ISA) regarding sampling audit that was conducted by the ISA and included, inter alia, the examination of the values of five real estate assets owned by a consolidated subsidiary in the financial statements as of December 31, 2009 (refer to Note 8 in December 31, 2011 financial statements). The Company sent a response letter to the ISA, and is currently in discussions with ISA.

Going concern

During 2011 the Company incurred losses (attributable to equity holders of the Company) in an amount of €148 million mainly due to complex uncertain macroeconomic conditions existing in world markets and especially in Europe, which affected the Company primarily by a decrease in the valuations of its investment properties and inventory as well as the need to take additional provisions on its loans and credit portfolios. This loss has contributed to a decline of the Company's equity to €203 million as of December 31, 2011 and a breach of financial covenants (refer to Note 8 for additional information).

In the first quarter of 2012 the Company incurred additional losses in the amount of €14 million, which contributed to a further decline of equity to €191 million.
As of March 31, 2012, the Company (on a standalone basis) has a working capital deficiency of €54 million, mainly due to current maturities of debentures which are due to be paid in February 2013. In addition, the Group (on a consolidated basis) had negative cash flows from operations of €33 million in the three months ended March 31, 2012.

The Company's condensed interim consolidated financial statements as of March 31, 2012 have been prepared on the assumption the Company will continue as a going concern. This is based, among others, on the current cash balances and its available assets as well as considering cash from future operations and transactions. In Q1/2013 and Q1/2014 the first installments of the Company's debentures mature in the respective amounts of €74 million and €115 million (including interest). These repayments will be funded through existing cash balances, cash generated from the repayment of certain shareholder's loans by some of the Company's subsidiaries, and cash generated mainly through sale of certain assets. The realization of the Company's plans depends on factors that are not wholly within the Company's control, however the Company believes that it will be able to repay its liabilities as they mature in the foreseeable future.

Liquidity risk management

Liquidity risk is defined as the risk that the Company will encounter difficulties in meeting short and long term obligations associated with financial liabilities that are settled by delivering cash or other financial assets. The Company prepared a two year liquidity analysis as part of its normal course of business which addresses the required liquidity to be able to repay the debentures in Q1 2013 and Q1 2014 and all other loans and to finance its investments and operating activities, and believes that it will be able to repay its liabilities as they mature in the foreseeable future.

2. Basis of presentation and preparation

A. Basis of preparation

The interim condensed consolidated financial statements for the three months ended March 31, 2012 have been prepared in accordance with International Accounting Standard (IAS) 34 as defined by the International Accounting Standards Board and as endorsed by the European Union to be used for the preparation of interim consolidated financial statements.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual statutory financial statements as at December 31, 2011.

The accounting policies adopted in the preparation of these interim condensed consolidated financial statements are consistent with those followed in the preparation of the Company's annual statutory financial statements for the year ended December 31, 2011 - except for the adoption of new standards and interpretations as of January 1, 2012:

- IFRS 7 Financial Instruments: Disclosures – Transfers of Financial Assets
- IAS 12 Income Taxes – Recovery of Tax Assets

When the adoption of the standard or interpretation is deemed to have an impact on the financial statements or the performance of the Group, its impact is described below:

IFRS 7 Financial Instruments: Disclosures – Transfers of Financial Assets
The amendment requires additional disclosure about financial assets that have been transferred but not derecognized. In addition, the amendment requires disclosures about continuing involvement in derecognized assets. The amendment will affect disclosure only and will have no impact on the Group's financial position or performance.

IAS 12 Income Taxes – Deferred Tax: Recovery of Underlying Assets
The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. This amendment was not yet endorsed by the EU

as per March 31, 2012. The amendment is not expected to have impact on the Group’s financial position or performance once endorsed and adopted by the EU.

B. Hedging

The fair value of swap contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by independent valuators using agreed-upon valuation models. For March 31, 2012 valuation , the independent valuators used an updated measurement.
The “Basis Swap” curve is based on inter-bank interest rate and includes liquidity premium that compensate on liquidity differences between currencies. Also, the maturity table was linked to the actual change in the CPI from the date of transaction until the date of valuation, and the maturity table was linked to the future CPI based on inflation expectations derived from the difference from the Government curve linked to the NIS.

C. Foreign currency translation

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

	USD	NIS	RMB	CPI
March 31, 2012	0.750	0.202	8.4191	129.1
March 31, 2011	0.703	0.202	9.2343	126.7
December 31, 2011	0.774	0.203	8.2253	128.6
Change in 2012 (3 months)	(3.1)%	-	2.4%	0.4%
Change in 2011 (3 months)	(6.3)%	(4.3)%	5.7%	0.7%
Change in 2011 (12 months)	3.0%	(4.1)%	(5.8%)	2.2%

3. Segment information

Segments results

For three months ended March 31, 2012:

	Real Estate		Banking and Retail lending	Infrastructure		
	Asia	Europe		Projects	Assets	Total
Revenue	17	38	(1)	22	9	85
Other income/expense (*)	2	2	-	-	-	4
Total Income	19	40	(1)	22	9	89
Segment result	4	18	(10)	(2)	2	12
Unallocated expenses						(2)
Profit from operations and share in profit of associates companies before finance expenses, net						10
Finance expenses, net						(25)
Loss before income tax						(15)
Income tax benefit						2
Loss from continuing operations						(13)
Profit from discontinued operations						-
Loss for the period						(13)

For three months ended March 31, 2011:

	Real Estate		Banking and Retail lending	Infrastructure		
	Asia	Europe		Projects	Assets	Total
Revenue	5	36	7	23	6	77
Other income/expense (*)	3	13	(1)	-	-	15
Total Income	8	49	6	23	6	92
Segment result	2	29	(3)	1	2	31
Unallocated expenses						(1)
Profit from operations and share in profit of associates companies before finance expenses, net						30
Finance expenses, net						(23)
Profit before income tax						7
Income tax expenses						(6)
Profit from continuing operations						1
Profit from discontinued operations						3
Profit for the period						4

For the year ended December 31, 2011:

	Real Estate		Banking and Retail	Infrastructure		
	Asia	Europe	lending	Projects	Assets	Total
Revenue	49	161	10	85	29	334
Other income/expense (*)	33	(235)	(18)	1	2	(217)
Total Income	82	(74)	(8)	86	31	117
Segment result	28	(242)	(50)	(12)	7	(269)
Unallocated expenses						(8)
Loss from operations and share in profit of associates companies before finance expenses, net						(277)
Finance expenses, net						(123)
Loss before income tax						(400)
Income tax expenses						(27)
Loss from continuing operations						(427)
Profit from discontinued operations						18
Loss for the year						(409)

(*) Other income/expense includes fair value adjustments of investment properties, goodwill impairment, equity earnings, gains from disposal of assets and investments and other adjustments.

Following the distribution of Kardan Yazamut, the Company’s reportable segments include 5 segments (for additional information refer to Note 5 in the Company’s annual statutory financial statements as at December 31, 2011)

As a result of the sale of 50% of Sovcom Bank, (see Note 7), the comparative numbers classified as ' profit from discontinued operations'.

4. Revenues from retail lending activities

In the first quarter of 2012 TBIF’s management evaluated it’s consumer credit portfolio and following their evaluation recognized and additional provision for doubtful debt for impairment losses in the amount of €6 million, presented net of ‘Revenues from retail lending activities’.

5. Share capital

A. Composition

	March 31, 2012		December 31, 2011	
	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 three month period ended on March 31, 2012 there were no changes to the share capital of the Company.

6. Investment properties

Further to Note 8 to the Company's annual financial statements as at December 31, 2011, below we present updated information regarding investment properties:

A. Investment properties can be split up as follows:

	March 31,		December 31,
	2012	2011	2011
	€ in millions		
Completed investment properties	1,480	1,901	1,477
Investment properties under construction carried at fair value	79	168	64
Investment properties under construction carried at cost	344	290	344
	1,903	2,359	1,885

B. Fair value adjustments comprise:

	For the three months ended March 31,		For the year ended December 31,
	2012	2011	2011
	€ in millions		
Adjustment to fair value of newly completed investment properties	1	-	(48)
Adjustment to fair value of investment properties completed in prior years	(1)	21	(60)
Adjustment to fair value of investment property under construction, net of goodwill released	5	(5)	(3)
Impairment of receivables and accruals	-	-	(5)
Impairment adjustments to investment properties under construction measured at cost	(1)	-	(89)
	4	16	205

During the first quarter of 2012 most of the all investment properties were subject to an internal evaluation and if required, an update was done to the December 31, 2011 external valuation.

C. Significant assumptions

Significant assumptions used in the valuations as of March 31, 2012 and December 31, 2011 are presented below on the basis of weighted averages:

	Asia		Europe	
	March 31,2012	December 31, 2011	**March 31,2012**	December 31, 2011
Completed investment properties				
Average rental rate per sqm per month (in €) (*)	20	19	16.1	15.9
Average Yield	9.5%	9.5%	7.9%	8.1%
ERV per sqm per month (in €) (*)	24	21	16.2	16.2
Current Vacancy	2.5%	2.5%	16%	13%
Long term vacancy	2%	5%	0%-5%	0%-5%
Vacancy duration assumed in valuations (months)	0-12	n/a	24	24
Assets under construction (only assets at fair value)				
Yield	n/a	n/a	8.7%	8.7%
Average % completed	n/a	n/a	62%	53%

*) Apart from basic rent, includes income from parking, add on factors and other income.

7. Significant transactions

A. Kardan N.V.

1. Purchase of Debentures

In January 2012 GTC Holding purchased NIS 40,711,000 par value Debentures Series A issued by the Company in 2007 at an average price of NIS 1.1 per debenture, for a consideration of €9.1 million (approximately NIS 44.8 million). The Company accounted for these transactions as an early repayment of debentures. The repurchase resulted in a gain of €1 million which was included as 'finance income' in the income statement.

Subsequent to the balance sheet date, in May 2012, GTC Holding purchased additional NIS 34,466,200 par value Debentures Series A at an average price of NIS 1 for a consideration of €6.9 million (approximately NIS 34.5 million). As a result of the purchase the Company will recognize a profit from early repayment of debentures amounting to €1.3 million.

2. Share plan

In March 2012, the Supervisory Board of the Company approved a grant of 148,419 new non-listed shares of the Company ('the Unreleased Shares') under the 2010 share plan of the Company to four Management Board members and one former member.
According to the share plan, the Unreleased Shares will be held by the Company as custodian for two years, and will be released for trade at the moment the participant has accumulated (at least) five consecutive years of service with the Company since January 1, 2009.

The participants may 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. The grant is pending the final approval of the Annual General meeting.

The grant was accounted for assuming equity settlement and the total expenses booked in the period were immaterial and included in the 'General and administration expenses'.

3. Discontinued operation - Israeli activities

In 2011, the Company distributed its shares of Kardan Yazamut (2011) Ltd. as dividend in kind. As a result of the distribution, Kardan Yazamut's results for the comparative periods are presented as discontinued operations (see Note 5 in December 31, 2011 financial statements)

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

	For the three months ended March 31		For the year ended December 31,
	2012	2011	2011
		€ in millions	
Total income	-	90	286
Total expenses	-	(96)	(273)
Profit (loss) before tax	-	(6)	13
Income tax expenses	-	1	2
Net profit (loss) from discontinued operations	-	(7)	11
Attributable to:			
Equity holders	-	(5)	10
Non-controlling interest holders	-	(2)	1
	-	(7)	11

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

	For the three months ended March 31		For the year ended December 31,
	2012	2011	2011
		€ in millions	
Net cash flow from operating activities	-	6	15
Net cash flow from investing activities	-	5	(61)
Net cash flow from financing activities	-	(1)	40
Net cash flows from discontinued operations	-	10	(6)

3) Composition of other comprehensive income items related to discontinued operations:

	For the three months ended March 31		For the year ended December 31,
	2012	2011	2011
	€ in millions		
Change in hedge reserves, net of tax	-	-	6
Foreign currency translation differences	-	(2)	(15)
	-	(2)	(9)

B. KFS

<u>Discontinued operations in KFS</u> (VAB Bank, Sovcom Bank)

The discontinued operation in the Banking and Retail lending includes capital gain from the sale of VAB in Q1 2011(see Note 5 in the December 31, 2011 financial statements) and the operating results of Sovcom Bank

<u>Sale of 50% of Sovcom Bank</u>

In June 2011 TBIF signed an agreement with Sovco Capital Partners B.V. (TBIF's partner in Sovcom bank) to sell the shares in Sovcom bank owned by TBIF (a total of 50% of the share capital of the bank) in consideration of €123 million.

In the beginning of 2012, after receiving the approval from the Bank of Russia with regards to the closing of the transaction, the sale is considered highly probable. Accordingly, under the requirements of IAS 31 and IFRS 5 and because the results of January 2012 were deemed insignificant, as of January 1, 2012 TBIF has stopped applying proportionate consolidation to the investment in Sovcom bank from the same date.
The assets of Sovcom Bank were classified as 'Assets held for sale' and the liabilities were classified as 'Liabilities associated with assets held for sale'.
In accordance with the requirements of IFRS 5, and as management considers Sovcom bank operations as a major geographical area, past results of the bank were included in 'Net profit for the period from discontinued operations' in the consolidated income statement

With the completion on the transaction, the accumulated foreign translation reserve relating to investment in Sovcom Bank in the amount of €(1) million will be classified to the income statement.

1) <u>Assets and liabilities which were classified as "held for sale" as a result of the sale</u>

Most of the assets and liabilities held for sale as of March 31, 2012 represent the assets and liabilities of Sovcom Bank. Below is the composition of main groups of these assets and liabilities:

	January 1, 2012
	€ in millions
Assets	
Tangible fixed assets	25
Investment properties	1
Long-term loans and receivables	10
Intangible assets and goodwill	34
Loan to banl customers	404
Other receivables and prepayments	18
Income tax receivables	2
Short-term investments	172
Cash and cash equivalents	41
Total assets	**707**
Liabilities	
Deferred income tax liabilities	4
Interest-bearing loans and borrowings	62

Banking customers accounts	509
Other payables and accrued expenses	66
Total liabilities	**641**
	66

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

	For the three months ended December 31,		For the year ended December 31,
	2012	2011	2011
		€ in millions	
Total income	-	16	102
Total expenses	-	5	84
Profit before tax	-	11	18
Income tax expenses	-	1	11
Net profit from discontinued operations	-	10	7

Discontinued operations for comparatives periods presented include the results of VAB Bank and Sovcom bank.
The sale of VAB Bank was completed in January 2011; therefore, total income and expenses from these activities in 2011 were immaterial (for additional information refer to note 5 on December 31, 2011 financial statements).

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

	For the three months ended March 31,		For the year ended December 31,
	2012	2011	2011
		€ in millions	
Net cash flow from operating activities	-	(38)	13
Net cash flow from investing activities	-	(2)	(18)
Net cash flow from financing activities	-	-	(8)
Net cash flows from discontinued operations	-	(40)	(13)

4) Composition of other comprehensive income items related to discontinued operations:

	For the three months ended March 31,		For the year ended December 31,
	2012	2011	2011
		€ in millions	
Foreign currency translation differences	-	-	(3)

5) <u>Assets held for sale</u>

The assets held for sale presented in the balance sheet also include an investment property (Platinum Business Park 1-4) in the amount of €136 million.

8. Covenants

The Company

As stated in Note 29 in the annual financial statements, as of December 31, 2011, the Company did not meet financial covenants relating to maintaining a minimum equity level. In March 2012, the Company received a signed letter from the lending bank describing principal agreements between the Company and the bank relating to a change in required financial covenants with respect to two loans in the amount of €15 million each. According to the principal agreements, the financial covenants will be amended so that the Company is required to maintain a minimum shareholders' equity of €160 million and a ratio of equity to total stand-alone balance sheet of the Company of 21%.

In addition it was agreed to early repay an amount of €35 million from the total outstanding loans of Kardan, GTC Holding and TGA. Subsequent to balance sheet date, in April 2012, the Company, GTC Holding and TGA repaid of €35 million as agreed.

Within the Group, additional loans in the amount of €144 million were referenced in the amendment letter received by the lending bank and are with the same covenants.

According to the letter received as described above, the Company and its subsidiaries meet the new agreed upon covenants. However, since an amendment to the loan agreements hasn't been signed yet, the Company and its subsidiaries had to present loans amounting to €174 million as current liabilities.

Subsequent to balance sheet date, in May 2012, the Company and the lending bank signed an extension to the principle agreement, extending the validity of the principle agreement up to the end of June, 2012.

GTC S.A

As of March 31, 2012, a subsidiary of GTC S.A. was in a breach of covenants relating to a loan in the amount of €29 million and therefore classified the loan as short term as of March 31, 2012. The breach relates mainly to debt service coverage ratio. GTC S.A. and the subsidiary currently conduct discussions with the lending Banks for possible amendments to the loan agreement.

A. 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 March 31, 2012 and the related interim condensed consolidated income statement, statement of comprehensive income, changes in equity and cash flows for the three month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting (“IAS 34”) as adopted by the European Union. Our responsibility is to express a conclusion on these interim condensed consolidated 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 consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 as adopted by the European Union.

Amsterdam, May 30, 2012

Ernst & Young Accountants LLP

Signed by: W. 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 March 31, 2012

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

March 31, 2012

	March 31, 2012	March 31, 2011	December 31, 2011
	€ in millions		
Assets			
Non-current assets			
Long-term receivables (Mainly fair value of derivatives)	56	105	57
Financial fixed assets			
Investments in consolidated subsidiaries	464	618	482
Loans to consolidated subsidiaries	255	135	288
	719	753	770
Current assets			
Cash and cash equivalents	31	101	28
Short-term investments	7	7	6
Other receivables	15	14	3
	53	122	37
Total assets	828	980	864
Equity and liabilities			
Equity attributable to equity shareholders			
Share capital	23	23	23
Share premium	208	235	208
Property revaluation reserve	55	60	52
Revaluation reserve, other	15	11	5
Currency translation reserve	-	(8)	7
Non controlling interest holders transaction reserve	20	20	19
Treasury shares	(3)	(27)	(3)
Retained earnings	(127)	37	(108)
	191	351	203
Long-term liabilities			
Debentures	521	581	593
Loans from banks and others	-	30	-
Options and other long term liabilities	9	9	9
	530	620	602
Current liabilities			
Current maturities of long term loans and debentures	100	2	30
Other payables	7	7	29
	107	9	59
Total equity and liabilities	828	980	864

ADDITIONAL INFORMATION FROM THE COMPANY'S INCOME STATEMENT

Period ended March 31, 2012

	For the three months ended March 31,		For the year ended December 31,
	2012	2011	2011
	€ in millions		
Net result from investments for the period	(12)	1	(124)
Other income	-	-	1
Total revenues	(12)	1	(123)
General and administrative expenses	1	1	7
Loss from operations before financing expenses	(13)	-	(130)
Financing expenses, net	(4)	(1)	(16)
Loss from operations before tax expense (benefit)	(17)	(1)	(146)
Income tax expense (benefit)	(3)	(1)	2
Loss for the period	(14)	-	(148)

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

	For the three months ended March 31,		For the year ended December 31,
	2012	2011	2011
	€ in millions		
Net result for the period	(14)	-	(148)
Foreign currency translation differences	(7)	(16)	(1)
Change in hedge reserve, net	8	6	-
Unrealized revaluations, net of tax	-	(1)	(1)
Other comprehensive income for the period	1	(11)	(2)
Total comprehensive income (expense)	(13)	(11)	(150)

ADDITIONAL INFORMATION FROM THE COMPANY'S CASH FLOW STATEMENT

	For the three months ended March 31,		For the year ended December 31,
	2012	2011	2011
	€ in millions		
Cash flow from operating activities of the Company			
Net income/(Loss) for the period	(14)	-	(148)
Adjustments to reconcile net profit to net cash of the Company			
Charges to net loss not affecting operating cash flows:			
Change in fair value of hedge instruments	(1)	(2)	12
Financial expense	2	4	35
Equity loss (earnings)	12	(1)	124
Changes in working capital of the Company			
Change in receivables	(2)	2	1
Change in payables	(1)	(3)	(1)
Cash amounts paid and received during the year			
Interest paid	(28)	(29)	(29)
Net cash used in operating activities of the company	**(32)**	**(29)**	**(6)**
Cash flow from investing activities of the company			
Short term investments, net	(1)	1	2
Granting of loans to subsidiaries, net	36	140	(18)
Investments in subsidiaries	-	-	(16)
Proceeds from sale of investee companies	-	-	41
Net cash provided by investing activities of the company	**35**	**141**	**9**
Cash flow from financing activities			
Investment in shares of a subsidiary	-	-	(4)
Transactions with Non controlling interest	-	-	(3)
Proceeds from sale of hedge instruments	-	-	45
Repayment of long-term debt	-	(21)	(23)
Net cash provided by (used in) financing activities of the company	-	**(21)**	**15**
Increase in cash and cash equivalents of the company	**3**	**91**	**18**
Cash and cash equivalents at beginning of the period of the company	28	10	10
Cash and cash equivalents at end of the period of the company	**31**	**101**	**28**

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, 2011 and the accompanying notes, and in conjunction to the consolidated interim financial statements for the three months ended March 31, 2012.

2. Going concern

During 2011 the Company incurred losses (attributable to equity holders of the Company) in an amount of €148 million mainly due to complex uncertain macroeconomic conditions existing in world markets and especially in Europe, which affected the Company primarily by a decrease in the valuations of its investment properties and inventory as well as the need to take additional provisions on its loans and credit portfolios. This loss has contributed to a decline of the Company's equity to €203 million as of December 31, 2011 and a breach of financial covenants (refer to Note 8 for additional information).

In the first quarter of 2012 the Company incurred additional losses in the amount of €14 million, which contributed to a further decline of equity to €191 million.
As of March 31, 2012, the Company (on a standalone basis) has a working capital deficiency of €54 million, mainly due to current maturities of debentures which are due to be paid in February 2013. In addition, the Group (on a consolidated basis) had negative cash flows from operations of €33 million in the three months ended March 31, 2012.

The Company's condensed interim consolidated financial statements as of March 31, 2012 have been prepared on the assumption the Company will continue as a going concern. This is based, among others, on the current cash balances and its available assets as well as considering cash from future operations and transactions. In Q1/2013 and Q1/2014 the first installments of the Company's debentures mature in the respective amounts of €74 million and €115 million (including interest). These repayments will be funded through existing cash balances, cash generated from the repayment of certain shareholder's loans by some of the Company's subsidiaries, and cash generated mainly through sale of certain assets. The realization of the Company's plans depends on factors that are not wholly within the Company's control, however the Company believes that it will be able to repay its liabilities as they mature in the foreseeable future.

3. Liquidity risk management

Liquidity risk is defined as the risk that the Company will encounter difficulties in meeting short and long term obligations associated with financial liabilities that are settled by delivering cash or other financial assets. The Company prepared a two year liquidity analysis as part of its normal course of business which addresses the required liquidity to be able to repay the debentures in Q1 2013 and Q1 2014 and all other loans and to finance its investments and operating activities, and believes that it will be able to repay its liabilities as they mature in the foreseeable future.