

PRESS RELEASE**Amsterdam/Tel Aviv, March 24, 2013****Number of pages: 20**

**KARDAN: EUR 32 MILLION LOSS FOR 2012 (2011: EUR 148 MILLION):
Deleveraging and improvement of result from operations
Negative revaluations particularly in South Eastern Europe**

*Highlights segments full year and Q4 of 2012:*Kardan N.V.

2012:

- EUR 43 million financial income through repurchase of debentures;
- EUR 32 million loss attributable to equity holders (2011: EUR 148 million loss);

Q4 – 2012:

- EUR 27 million loss attributable to equity holders;

Real Estate Asia

2012:

- Revenue up by 46% y-o-y to EUR 67 million;
- 2,272 residential apartments handed over (2011: 1,767 apartments);
- EUR 14 million profit attributable to Kardan (2011: EUR 24 million profit, including the sale of 50% of Galleria Chengdu);

Q4 – 2012:

- Sale of SOHO apartments Europark Dalian started: 104 sold at year end;
- Increase in sale of apartments (554 versus 423 in Q3 – 2012);
- Fewer deliveries of apartments (455 versus 704 in Q3 – 2012);

Real Estate Europe

2012:

- GTC SA: improvement of financial position through sale of assets, rights issue and restructuring of debt;
- Result before tax but excluding revaluations and provision for share based payments increased to EUR 5 million (2011: loss of EUR 22 million);
- EUR 33 million loss attributable to Kardan (2011: EUR 84 million loss);

Q4 – 2012:

- Sale by GTC S.A. of Platinum Business Park(I-IV) in Warsaw completed;
- Devaluation of investment properties and impairment of inventory totaling EUR 78 million at GTC S.A. mainly for assets in Bulgaria, Romania and Croatia;

Water Infrastructure Assets

2012:

- Break even result attributable to Kardan (2011: profit of EUR 3 million);

Q4 – 2012:

- Expansion and construction of water facilities completed;

Water Infrastructure Projects

2012:

- Decrease in SG&A expenses following reorganization;
- Backlog position at year-end of USD 411 million (2011: USD 400 million);
- EUR 7 million loss attributable to Kardan (2011: EUR 14 million loss);

Q4 – 2012:

- Substantial y-o-y increase (51%) in revenue recognized due to projects in Africa;

Banking and Retail Lending

2012:

- Less provisioning, substantial cost savings and deleveraging;
- EUR 19 million loss attributable to Kardan (2011: EUR 53 million loss)

Q4 – 2012:

- Branch license for TBI Bank in Romania obtained;
- Strong growth in deposit taking in Bulgaria.

Shouky Oren, CEO of Kardan N.V. stated: “As anticipated 2012 was not easy for Kardan, struggling in difficult markets with a global macro-economy not showing signs of recovery, particularly in Central and Eastern Europe where we still faced substantial revaluations of assets and goodwill mostly in the real estate sector. As planned, we focused on the operational results and our financial position. As can be seen in the consolidated income statement, all the sectors have shown major improvements in their operations through cost reduction, which was accompanied by an increase in revenue resulting in a gain before fair value adjustments, whereas this was a loss last year.

Dealing with our debt was our second challenge. GTC SA, the Central and Eastern European real estate company in which we hold a 28% stake, raised EUR 100 million through a rights issue, in which we participated for our full pro rate share. That, together with sale of assets and with the restructuring of their debentures brings GTC SA, even considering the substantial revaluation losses, to a much better and more robust position to face both the difficult markets and to deal with the new developments.

We also saw the necessity to deleverage on our holding level, and therefore we initiated repurchasing programs for our outstanding debentures. In the third quarter of the year we reported that we had successfully executed the repurchase plans of Kardan debentures, spending nearly EUR 100 million from existing resources whilst reducing the corresponding liability by EUR 144 million. Just recently we came to an understanding with the Debenture holders on certain concessions in order to underpin our commitment regarding our obligations to them.

It is our expectation that markets will remain challenging also in 2013 for our CEE real estate operations. We believe that our real estate activities in China will grow stronger. In addition, we expect that the improvement in the results in our water infrastructure and our financial services operations will continue to show a real turnaround. Our main priority at the holding level is deleveraging and servicing our debt. We remain committed to making Kardan stronger and more valuable to our stakeholders”.

The 2012 quarterly results of Kardan N.V. are presented in the table below.

Condensed consolidated income statement 2012
Kardan NV by Quarter

	Q1/2012	Q2/2012	Q3/2012	Q4/2012	2012
Total revenues	85	91	115	92	383
Total expenses	79	79	95	94	347
Profit (loss) from operation before fair value adjustments, disposal of assets and financial expenses	6	12	20	(2)	36
Profit (loss) from fair value adjustments and on disposal of assets and investments	5	(12)	(33)	(56)	(96)
Result from operations before finance expenses	11	-	(13)	(58)	(60)
Financing income (expenses), net	(25)	(18)	18	(31)	(56)
Share of profit of associates accounted for using the equity method	(1)	(4)	(1)	(4)	(10)
Profit (Loss) before income tax	(15)	(22)	4	(93)	(126)
Income tax (expenses)/benefit	2	(8)	(3)	(4)	(13)
Profit (Loss) from continuing operations	(13)	(30)	1	(97)	(139)
Profit (Loss) from discontinued operations	-	1	-	-	1
Profit (Loss) for the period	(13)	(29)	1	(97)	(138)

Attributable to:

Non-controlling interest
Equity holders
Profit (Loss) for the period

1	(18)	(19)	(70)	(106)
(14)	(11)	20	(27)	(32)
<u>(13)</u>	<u>(29)</u>	<u>1</u>	<u>(97)</u>	<u>(138)</u>

The 2012 condensed consolidated income statement split into the different segments of Kardan N.V., is shown in the table below. Management analyses the segment performance based on result from operations before finance expenses (in note 28 of the consolidated financial statements called "Segment result"). In this press release, additional segment information is provided for information purposes.

Following the overall analysis, the Q4 and 2012 results of every individual segment is analyzed in more detail.

Condensed Consolidated Income Statement Kardan N.V.

For the **full year** ended December 31, 2012 (in EUR million)

	Real Estate		Infrastructure		Banking and Retail lending	Other	Total		
	Asia	Europe	Assets	Projects			2012	2011*	2010*
Total revenues	67	150	38	108	20	-	383	332	377
Total expenses	59	102	31	113	34	8	347	391	337
Profit (loss) from operation before fair value adjustments, disposal of assets and financial expenses	8	48	7	(5)	(14)	(8)	36	(59)	40
Profit (loss) from fair value adjustments and on disposal of assets and investments	13	(105)	-	(1)	(3)	-	(96)	(214)	50
Result from operations before finance expenses	21	(57)	7	(6)	(17)	(8)	(60)	(273)	90
Financing income (expenses), net	-	(65)	(5)	(2)	(3)	19	(56)	(123)	(125)
Share of profit of associates accounted for using the equity method	-	(10)	-	-	-	-	(10)	(3)	6
Profit (Loss) before income tax	21	(132)	2	(8)	(20)	11	(126)	(399)	(29)
Income tax (expenses)/benefit	(7)	(7)	(2)	1	-	2	(13)	(28)	(22)
Profit (Loss) from continuing operations	14	(139)	-	(7)	(20)	13	(139)	(427)	(51)
Profit (Loss) from discontinued operations	-	-	-	-	1	-	1	18	22
Profit (Loss) for the period	14	(139)	-	(7)	(19)	13	(138)	(409)	(29)
Attributable to:									
Non-controlling interest	-	(106)	-	-	-	-	(106)	(261)	(2)
Net result for the segment	14	(33)	-	(7)	(19)	13	(32)	(148)	(27)
Profit (Loss) for the period	14	(139)	-	(7)	(19)	13	(138)	(409)	(29)

* The results of Sovcombank in 2012, 2011 and 2010 have been classified as discontinued operations. Additional reclassification of comparatives has been done to conform to current period presentation.

Overall 2012 review

If developments are specifically attributable to Q4 these are mentioned separately.

Total consolidated **result from continuing operations** in 2012 arrived at a loss of EUR 139 million, compared to a loss of EUR 427 million in the corresponding period last year, similarly to last year in particular due to losses in Real Estate Europe and in Banking and Retail lending:

The result from continuing operations of Real Estate Asia was a profit of EUR 14 million, including a EUR 11 million revaluation profit (net of tax) on the retail center in Europark Dalian and the shopping mall in Chengdu. In 2011, the EUR 24 million profit included a EUR 17 million revaluation profit on the sale of 50% of the shopping mall in Chengdu as well as a gain mainly on the sale of the stake in Chengdu (EUR 12 million). 2012 showed a notable increase in revenues following a significant number of deliveries of apartments as well as an improvement in gross profit. SG&A expenses in 2012 decreased: although sales and marketing expenses increased mainly due to the new mixed-use project Europark Dalian, for which construction started in May and the sale of Small Office Home Office apartments in October, general and administrative expenses decreased compared to those in 2011 which included a one-off expense for a share option plan.

Real Estate Europe recorded a loss from continuing operations of EUR 139 million, of which 27.75% is attributable to Kardan, compared to a loss of EUR 346 million in 2011. Revenues in 2012 decreased y-o-y by 6%, mainly the result of substantially lower revenue from the delivery of apartments and slightly lower property rental and service recharge revenues despite the sale by GTC SA of its 50% stake in Galeria Mokotow in Q3 2011 and the sale of the Platinum office buildings (I-IV) in Q3 2012. As a result of cost optimization measures and lower financing expenses at GTC SA, the direct result (i.e. gross profit from operations, excluding impairments on inventory - recorded under "Other expenses, net"- and deducting SG&A and finance expenses) in 2012 is positive: EUR 4 million whereas this was a loss of EUR 15 million in 2011. The largest impact, however, on the loss from continuing operations in both years was the negative revaluation result and impairments on real estate assets (2012: EUR 122 million, 2011: EUR 299 million). GTC SA strengthened its financial position in 2012 by raising EUR 100 million through a rights issue, in which Kardan participated for its 27.75% pro rata share, prolonging EUR 73 million bonds and repayment of other loans and liabilities (including repayment of bonds and related hedges in the amount of EUR 46 million). Consequently, the loan to value ratio of GTC SA improved to 53% at year end (from 60% year end 2011).

A EUR 7 million loss from continuing operations was recorded in 2012 for Water infrastructure (2011: loss of EUR 12 million). Following a significant increase in revenues, tight cost control and less financing expenses, Tahal Projects could decrease its loss to EUR 7 million, compared to a loss of EUR 14 million in 2011.

Tahal "Assets" reported a break even result (2011: EUR 2 million profit), following a decrease in the gross profit mainly resulting from construction and expansion of facilities (particularly in China).

The Banking and Retail Lending segment improved its results from a loss from continuing operations of EUR 61 million in 2011 to a loss of EUR 20 million in 2012. Revenues improved significantly following lower provisioning (which is deducted from revenues). The majority of the provisions in 2012 were taken in the first quarter of the year on mainly legacy portfolio's; the subsequent quarters indicated an improving and stabilizing trend and improvement in the quality of the portfolios. In addition, cost cutting measures and deleveraging contributed to the improvement in results. Impairment losses on goodwill were EUR 4 million (2011: EUR 19 million).

Included in "Other" are the expenses and finance costs of the holding companies Kardan N.V. and GTC Real Estate Holding B.V. In 2012 the result was a profit of EUR 13 million (2011: loss of EUR 22 million), primarily due to the result of financing income (EUR 43 million) recognized on the repurchase plans of debentures during the reporting period.

The **profit from discontinued operations** in 2012 is the effect of the closing of the sale of Sovcombank in Russia. In 2011 the result also reflects the Israeli activities, which were spun-off in Q4 – 2011 as well as the completion of the sale of VAB bank in Ukraine.

The **net result** for equity holders of Kardan N.V. amounted to a loss of EUR 32 million (2011: loss of EUR 148 million and 2010: loss of EUR 27 million).

The result in 2010 is mostly attributed to the holdings in VAB Bank which contributed a loss of EUR 97 million, mitigated by the sale of 16% of Sovcombank and the sale of TBIH which contributed a gain of EUR 31 million.

Equity

Kardan N.V. – balance sheet (company only, in EUR million)	December 31, 2012	December 31, 2011
Total Assets	644	864
Total Equity	169	203
Equity/Total assets (%)	26%	23%

Shareholder's equity of Kardan N.V. decreased from EUR 203 million as of December 31, 2011 to EUR 169 million as of December 31, 2012, mainly due to the result in the period.

Covenants

As at reporting date, December 31, 2012, the Company and its intermediate holding companies meet the majority of their covenants.

On the operating subsidiary level a few loans exist for which not all the financial covenants were met as at December 31, 2012.

For additional information on covenants, see note 27 in the 2012 Financial Statements.

Highlights per segment:

Every segment result for 2012 is analyzed separately below. It is noted that only if the development in Q4 – 2012 significantly differs from the general trend during the year, the last quarter of 2012 is discussed separately.

REAL ESTATE

Kardan is active in development and management of Real Estate through two segments: 1) Asia, which includes its 100% subsidiary Kardan Land China, and 2) Europe, which includes GTC SA, of which it holds 28%, and a relatively small investment in Germany (49% holding in GTC Investments) which it intends to sell in the near future.

Real Estate Asia

General developments China and Kardan Land China

The fourth quarter of 2012 showed a year-end growth spurt for China; GDP grew by 7.9% y-o-y, an increase after seven straight quarters of slow down. This was largely supported by a strong December month: industrial output in the month increased y-o-y by 10.3%, retail sales which grew by 15.2% y-o-y and exports showed a surprising 14.1% increase y-o-y. Full year 2012 GDP growth arrived at 7.8%, ahead of the targeted 7.5% by the Chinese Government, but still making 2012 the weakest year of economic expansion since 1999. Shifting the focus of the Chinese economy to internal consumption and away from the investment and export model is the main aim of the Chinese Government. However, the global economic slowdown has impacted foreign demand for Chinese products, whilst the increasing purchasing power of the Chinese population cannot yet mitigate the effect of generally diminishing export. Consequently, the focus of the new leaders, who have recently taken office, is to keep employment high, inflation low and to increase spending on infrastructure.

Real estate investment, which accounted for 13.8% of China's GDP in 2012, rose by 16.2% y-o-y in 2012 and remains a key component of overall fixed asset investment, one of the cornerstones of Beijing's growth strategy.

Kardan Land China ("KLC") mainly focuses on mixed-use projects, combining shopping centers with residential and small office home office apartments, and is active in the sale of residential apartments for own use in Tier 2 and Tier 3 cities. As purchasing power and internal consumption are stimulated, the urbanization continues and the middle class expands, the underlying fundamentals for shopping centers and for low to mid-end residential real estate in Tier 2 and Tier 3 cities remains.

The construction of the large mixed-use project in Dalian, which was started in Q2 of 2012, is progressing according to plan. At the end of October, 2012, the sale of the SOHO (Small Office Home Office) apartments commenced and up to December 31, 2012, 104 such apartments were sold. Europark Dalian is a project combining a shopping center with SOHO as well as residential apartments. The project is expected to be completed at the end of 2014.

KLC also manages a large shopping center in Chengdu, which it initiated and developed and of which it now owns 50%. The cities Dalian and Chengdu reported over 9% and over 12% y-o-y 2012 GDP growth respectively, underpinning the strategy of KLC to develop malls in places where GDP growth is above country average.

Results Real Estate Asia

	Real Estate Asia			
	For the year ended December 31		For the three months ended December 31	
	In EUR million			
	2012	2011	2012	2011*
Property rental and service recharge revenues	7	6	3	1
Delivery of apartments	60	40	11	23
<i>Total revenues</i>	67	46	14	24
Costs of property rental and service recharge operations	3	2	1	-
Cost of delivery of apartments	43	31	5	18
Other expenses, net	-	1	-	-
<i>Gross profit</i>	21	12	8	6
SG&A expenses	13	16	4	4
Adjustment to fair value (impairment) of investment properties	13	17	10	-
Gain on disposal of assets and other income	-	16	-	-
Result from operations before finance expenses	21	29	14	2
<i>Financing income (expenses), net</i>	-	3	-	3
Income tax (expenses) / benefit	(7)	(8)	(4)	(1)
Net profit (loss)	14	24	10	4
Attributable to:				
Equity holders (Kardan N.V.)	14	24	10	4
	14	24	10	4

*Reclassified in line with 2012 presentation

Additional information Real Estate Asia	2012 (31.12)	2011 (31.12)
Balance sheet (in EUR million)		
Completed investment property	69	68
Investment Property Under Construction	82	54
Inventory	245	231
Cash & short term investments	44	67
Total Assets	526	514
Loans and Borrowings	54	43
Advance payments from buyers	120	136
Total Equity	258	247

Other

Apartments sold in period *	1,194	1,883
Apartments delivered in period *	2,272	1,767
Total apartments sold, not yet delivered *	4,037	5,115

* reflects number of apartments 100%; Kardan Land China holds 50%; numbers relate to nine months 2012, 2011 and 12 months 2011. 2012: 9% and 2011: 3% of units in reservation (i.e. deposit paid but no signed contract received by Kardan Land China)

Revenues

“Property rental and service recharge revenues”, attributable to the 50% owned shopping center in Chengdu, increased by 3% in 2012 vis-a-vis 2011 despite the fact that until September 1, 2011, Kardan Land China owned 100% of the mall. As of that date Kardan Land China is entitled to 50% of the rental income, but still to 100% of the asset management fees. As at December 31, 2012, Galleria Chengdu is fully occupied.

Residential revenue is recognized when apartments are handed over. In 2012, revenue from the delivery of apartments increased by 50% compared to the same period last year on the back of a larger number of deliveries and a higher average price per apartment. From the start of 2012 until end of December 2012, 2,272 apartments were handed over, compared to 1,767 in the full year 2011. These deliveries represent 100%; Kardan Land China has a stake of approximately 50%, consequently the revenue shown represents 50% of the total revenues booked on these deliveries.

In Q4 – 2012, the effect of the slowdown in the sale of apartments which occurred in 2011 started to show in the decreasing pace of the deliveries of apartments: 455 apartments were handed over (Q3: 704, Q2: 601, Q1: 512), leading to a noticeable lower revenue than in the corresponding period last year.

Gross margin

The gross margin on rental and service recharge revenues in 2012 increased to 61% compared to 57% in 2011, mainly due to one-off items, such as a bonus which was received by Galleria Chengdu on meeting certain operational targets.

The gross margin on delivery of apartments in 2012 was 28% (2011: 19%), largely due to a different mix of, and on average higher priced, apartments.

The high gross margin on delivery of apartments in Q4 of 2012 (50% versus 19% in Q4 – 2011) is to be explained mainly by the delivery of commercial space (part of the residential projects) with higher margins.

Sales & Marketing, and General & Administrative expenses (SG&A)

SG&A expenses in 2012 were 16% lower than in 2011 to be explained as follows. G&A expenses in 2011 included a one off expense of EUR 5 million relating to employee options. Sales & Marketing expenses, however, notably increased following higher commission costs in line with the larger number of deliveries of apartments which were recorded in 2012. And finally, as the mixed-use project Dalian was initiated in the beginning of 2012, additional marketing expenses were incurred in 2012 in comparison to last year.

Adjustment to fair value of investment properties

The positive adjustment to fair value in 2011 relates fully to the shopping mall in Chengdu. In 2012, the valuation profit relates to both Chengdu and to the shopping mall in Europark Dalian.

Gain on disposal of assets and other income

The gain in 2011 reflects the sale of a land plot in Hangzhou (EUR 4 million) and the sale of 50% of the shopping mall in Chengdu (EUR 12 million).

Financing Income/expenses

Net financing income decreased in 2012 compared to 2011. In 2012, this was mainly due to the fact that Kardan Land China repaid an intercompany loan of EUR 25 million. In 2011, a positive translation effect of the RMB compared to the Euro contributed EUR 5 million to the financing income, whereas there was no material translation effect in 2012.

Income tax (expenses) / benefit

Income tax expenses in 2012 mainly included the deferred tax charge on the valuation gain on Europark Dalian. In 2011, the tax expenses related mainly to the sale of the Hangzhou project and the 50% stake in Galleria Chengdu, as well as to positive valuation gains on Galleria Chengdu.

Additional Information

At year end 2012 “Loans and Borrowings” had increased by EUR 11 million when compared to end of 2011, as the result of the loan for Europark Dalian (year end 2012: EUR 36 million) and mitigated by the repayment of the shareholder loan of EUR 25 million to GTC Real Estate Holding during 2012.

“Advance payments from buyers” at December 31, 2012, was lower than at end of 2011 in line with a high number of deliveries of apartments and a lower number of apartments sold (y-o-y) during the year. Kardan Land China sold 450 residential apartments in the fourth quarter of 2012 (Q3 2012: 423) due to successful marketing efforts and a slightly better buyers' sentiment. In addition, in Q4 – 2012, 104 SOHO small home offices were sold of the large mixed-use project Europark Dalian. This brings the total number of sold apartments in 2012 to 1,194 (2011:1,883), reflecting the effect of the measures – until mid year 2012 approximately - of the Chinese government to cool down the property markets.

Kardan Land China aligns the pace of construction to match the market conditions and to keep the percentage of completed unsold apartments in the inventory low (December 31, 2012: 4%).

Real Estate Europe

General developments Central and Eastern Europe (CEE) and GTC S.A.

The economic development in Central and (South) Eastern Europe during 2012 was affected by the European sovereign debt crisis through weaker exports and reduced capital inflows. In May and June 2012 the Euro crisis re-ignited, leaving consumer confidence very subdued and in some of the CEE countries even diminished the purchasing behavior to the bare minimum. This has had its effect on real estate markets particularly in South Eastern European countries and on some assets situated in secondary locations. Mortgage availability deteriorated in many of the CEE countries, negatively affecting the residential market. GTC SA has consequently implemented a strategic re-orientation, which includes focusing on its large scale shopping centers, selling selected assets to generate free cash flow and improving its operating results.

Although Poland continued to show a positive GDP growth in 2012 y-o-y (2.0%), a slowdown in GDP growth was noticeable during the year, resulting from among other a lower domestic demand and less gross value added in industry and construction. Among Polish cities, Warsaw still features one of the lowest retail saturation levels, which, when combined with high purchasing power values displayed by its residents, suggests room for new retail projects. GTC SA plans to develop two shopping centers in the rapidly growing residential clusters Wilanów and Bialoleka in Warsaw, with a combined Net Rentable Area of 140,000 sqm, which are expected to be completed in 2015. Gross demand for office space (i.e. including renewals) was 6% higher (y-o-y) than the record breaking 2011. Most of the transactions took place in Q4 of 2012. GTC SA benefited from this demand as it completed the sale of four offices of Platinum Business Park in Warsaw in the fourth quarter of 2012.

In Romania, household consumption appeared to have revived in Q2 of 2012 but the economy retracted again as of the third quarter leading to a near break-even GDP development for the full year 2012. Consumer price inflation was 4.95% in 2012, due to surging food prices (following the poor harvest), higher energy prices and administered price increases. Besides by the lagging consumer confidence, the real estate market was also impacted by the political instability in the country in the third quarter of 2012. The parliament which was chosen in December last year has expressed its intention to honor the country's commitments to its international creditors and to maintain its pro-EU and pro-US policy, thereby attempting to improve the reliability externally and to boost consumer sentiment internally.

Bulgaria's 2012 GDP growth arrived at 0.6% (y-o-y), mainly due to weak export resulting from low demand from its key trading partners. At the end of the year, however, there were slight signs that households are starting to spend more due to, among other, reduced household debts and lower inflation. It must be noted though that the level of purchasing power is still low. Retail centers, particularly in secondary locations, are still suffering from lack of footfall and buying behavior.

Results Real Estate Europe

Real Estate Europe comprises GTC SA which operates in Central and (South) Eastern Europe, as well as the small entity GTC Investments, in which Kardan holds 49%. As the 28% that Kardan holds in GTC SA is a controlling stake as of December 31, 2012, the results of GTC SA are 100% consolidated in the financial statements of Kardan. The results of GTC Investments are not included as of July 2012, as the investment in GTC Investments was classified as held for sale. Consequently, the results of Real Estate Europe for the full year 2012 mainly reflect the results of GTC SA. For Q4 – 2012 the results only reflect GTC SA.

	Real Estate Europe			
	For the year ended December 31,		For the three months ended December 31	
	in EUR million			
	2012	2011	2012	2011
Property rental and service recharge revenues	131	136	30	34
Delivery of apartments	19	25	3	4
<i>Total revenues</i>	150	161	33	38
Costs of property rental and service recharge operations	39	38	11	10
Cost of delivery of apartments	19	23	4	3
Operational Gross Profit	92	100	18	25
Other expenses, net	21	77	16	24
<i>Gross profit</i>	71	23	2	1
SG&A expenses	23	29	4	8
Adjustment to fair value (impairment) of investment properties	(101)	(222)	(62)	(96)
Gain on disposal of assets and other income	(4)	1	-	1
Impairment losses on goodwill	-	(11)	-	(1)
Result from operations before financing expenses	(57)	(238)	(64)	(103)
<i>Financing income (expenses), net</i>	(65)	(86)	(19)	(19)
Equity in net earnings of associated companies	(10)	(4)	(4)	(3)
Income tax (expenses) / benefit	(7)	(18)	(2)	(11)
Profit (loss) from continuing operations	(139)	(346)	(89)	(136)
Net profit (loss) from discontinued operations	-	-	-	-
Net profit (loss)	(139)	(346)	(89)	(136)
Attributable to:				
Non-controlling interest holders	(106)	(262)	(70)	(104)
Equity holders (Kardan N.V.)	(33)	(84)	(19)	(32)
	(139)	(346)	(89)	(136)

Additional information GTC S.A.	2012 (31.12)	2011 (31.12)
<i>Balance sheet (in EUR million)</i>		
Inventory & residential land bank	155	182
Investment property	1,614	1,704
Assets held for sale	42	134
Cash & short term investments	254	179
Total Assets	2,153	2,310
Total bank debts and financial liabilities	1,205	1,395
Total Equity	741	724

Other

Loan to Value*	53%	60%
Completed commercial space(sqm)**	576,221	579,856
Value completed commercial space (EUR million)**	1,308	1,395
Average occupancy	91%	87%
Average yield completed assets	8.3%	8.1%

* LTV = Loans net of cash and deposits / Investment Property, inventory and assets held for sale

** Excludes Czech Republic and Ukraine, excludes assets held for sale

Revenues

In 2012, “Property rental and service recharge revenues” decreased by 3% compared to the same period last year, mainly due to the sale in Q3 – 2011 of 50% of the GTC SA retail center Galeria Mokotow and to the sale of Platinum Business Park (I-IV) in Q4 2012. The opening of new offices and retail centers in Poland and Bulgaria, as well as new leases partially mitigated the effect of the sale of mentioned two assets. On a like-for-like basis, rental and service revenue at GTC SA increased in 2012 by 3% compared to 2011. Average occupancy of completed properties at GTC SA has improved from 87% as at year-end 2011 to 91% at December 31, 2012.

Residential revenues (recognized on deliveries of apartments), declined in 2012 by 22%. The residential market in CEE/SEE remains weak as consumer sentiment is low and mortgage availability is scarce.

Operational Gross profit

The operational gross profit margin in 2012 (62%) was at the same level as in 2011.

The gross profit margin in 2012 of GTC SA on property rental and service recharge revenues decreased y-o-y to 70% (2011: 72%), due to the sale of Galeria Mokotow and Platinum Business Park, as mentioned above, which could not as yet be balanced out by the gross profit margins of the newly opened and younger assets.

“Other expenses, net” relates to an impairment of inventory, reflecting the weak market. When compared to 2011, impairment of inventory was substantially less in 2012 (2011: EUR 77 million; 2012: EUR 21 million). Whereas in the first three quarters of the year only small impairments were recognized, in Q4 2012 EUR 16 million impairment was recognized mainly with respect to Romania due to a delay in the projected start date and a decrease of the future expected sales prices relating to the continued weak economies and mortgage scarcity.

Sales & Marketing, and General & Administrative expenses (SG&A)

The quarterly decreasing trend of SG&A expenses in 2012 is mainly to be explained by less sales and marketing activities following completion of leasing activities in newly completed assets and improved occupancy. Also on a like for like basis (i.e. excluding a one-off cost in 2011 which related to the sale of Galeria Mokotow and excluding the value of the share based payments in both years) the administrative expenses decreased significantly during 2012 compared to 2011.

In the last quarter of 2012, SG&A expenses were notably lower than in the same period last year, due to the sale of Galeria Mokotow in Q3 of 2011.

Adjustment to fair value of investment properties and other income (loss)

Although substantially lower than in 2011 (EUR 222 million), a total amount of EUR 101 million of negative adjustment to fair value of investment properties at GTC SA had to be recognized in 2012, of which the majority (EUR 62 million) in the fourth quarter. Devaluations took place particularly in Bulgaria, Romania and Croatia and mainly with respect to retail centers following a decrease in the expected rental values on the back of the lagging economies. In Poland, valuation gains were recognized mainly on Platinum Business Park.

In addition, following the reclassification of GTC Investments to “Assets Held for Sale” as of July 1, 2012, EUR 4 million impairment loss was recognized in Q3 – 2012 as other expenses.

Financing Income /expense

Net financing expenses in 2012 decreased by 25% in comparison to 2011 particularly on the back of a decrease in the average debt balance of GTC SA, following the sale of Galeria Mokotow and of Platinum Business Park (I-IV) (Platinum generating free cash of approximately EUR 44 million) and repayment of other loans and liabilities (including repayment of bonds and related hedges in the

amount of EUR 46 million). In addition, it should be noted that in 2011, a hedge related amount of EUR 8 million related to the sale of Galeria Mokotow was reclassified to the income statement. The average interest rate (including hedges) on GTC SA's loans remained stable during 2012 at 5% p.a.

Equity in net earnings of associated companies

The negative contribution in 2012 mainly includes the negative revaluation results which were recorded in the Czech Republic and Ukraine by associated companies of GTC SA.

Direct result

The direct result (i.e. gross profit from operations, excluding impairments on inventory (recorded under "Other expenses, net", and deducting SG&A and finance expenses) in 2012 is positive: EUR 4 million, largely due to substantially lower net financing expenses as well as a reduction in SG&A expenses following cost optimization measures at GTC SA. In 2011 the direct result was negative, a loss of EUR 15 million.

Income tax

The income tax expense is largely the result of a change in deferred taxes at GTC SA. In 2011, GTC SA in Poland recognized a tax income largely relating to the sale of retail center Galeria Mokotow in Warsaw.

Net profit / (loss) attributable to Equity holders

The contribution to the equity holders of Kardan from the Real Estate Europe segment in 2012 was a loss of EUR 33 million (2011: loss of EUR 84 million).

Additional Information GTC SA

Total Equity of GTC SA increased to EUR 741 million (December 31, 2012) from EUR 724 million as of year-end 2011, mainly resulting from the rights issue amounting to EUR 100 million (net), which was placed successfully in Q2 of 2012, combined with the recorded results (EUR 132 million loss) and other equity movements.

Following the capital raised through the rights issue and repayment of bond and loans, the loan to assets value ratio arrived at 53% as at December 31, 2012 (December 31, 2011: 60%). GTC SA also successfully extended the maturity of EUR 73 million bonds until 2017 – 2018. The short term loans (including derivatives) amount to EUR 253 million (September 30, 2012: EUR 359 million). As at December 31, 2012, EUR 99 million relates to bonds (including hedges) to be redeemed by May 2013. After balance sheet date, EUR 10 million has been repaid on the completion of the sale of Platinum V, which took place at end of February 2013 and which generated approximately EUR 16 million of free cash.

GTC SA is listed on the Warsaw Stock Exchange. For full details on the GTC SA 2012 results, which were published on March 11, 2013, reference is also made to the company website: www.gtc.com.pl.

WATER INFRASTRUCTURE

Tahal Group International ("TGI"), the fully owned water infrastructure company of Kardan, focuses on developing water assets (e.g. wastewater and water treatment plants) and on executing water related projects worldwide. Tahal Assets is mainly active in China but also in Turkey, whilst Tahal Projects is mostly involved in projects in Africa, Central and Eastern Europe, Latin America as well as in Israel.

General developments water infrastructure and Tahal

The necessity for clean water, as a pre requisite for economic and social development, is recognized throughout the world. In many emerging markets, access to (treated) water is a focal point, as is addressing the pollution resulting from industrialization.

In China, for instance, more than half of the water is polluted, over 300 million people use contaminated water supplies and a third of China's waterways are below the Government's own safety standards. Among 32 of China's big cities, 30 face water shortage. Moreover, the urban population percentage is expected to increase from 45.7% in 2010 to 75% in 2050 or earlier, putting a heavy burden on water accessibility. The Chinese Government acknowledges the country's environmental deficit as an ongoing challenge and has identified it as one of its focal points in their

Five Year Plan. They have therefore embraced a Public Private Partnership (“PPP”) policy, making it possible for (non) Chinese companies, such as Tahal Assets, to initiate and execute infrastructure projects.

For Tahal Projects, availability of funding for the execution of projects is crucial. In recent times, funding generally needs to be arranged through banks and international financial institutions – such as the European Bank for Reconstruction and Development. This has increasingly become the situation as governments tend to allocate less funds to infrastructure projects because of the overall savings they need to enforce, due to the macro-economic situation. In order to deal with this problem, Tahal Projects includes the organization of funding, as part of their tender offers.

Results Infrastructure Assets*

	Tahal Assets*			
	For the year ended December 31		For the three months ended December 31	
	in EUR million			
	2012	2011	2012	2011
Contract revenues	38	29	10	7
Contract cost	23	18	6	7
Other expenses, net	-	1	-	-
Gross profit	15	10	4	-
SG&A expenses	8	5	3	1
Gain (loss) on disposal of assets and other income	-	2	(1)	-
Result from operations before financing expenses	7	7	-	(1)
Financing income (expenses) net	(5)	(5)	-	1
Income tax (expenses) / benefit	(2)	(2)	-	-
Profit (loss) from continuing operations	-	-	-	-
Net profit (loss) from discontinued operations	-	2	-	(1)
Net profit (loss)	-	2	-	(1)
Attributable to:				
Non-controlling interest holders	-	(1)	-	-
Equity holders (Kardan N.V.)	-	3	-	(1)
	-	2	-	(1)

(*) Finance expenses of Tahal Group International have been allocated to Tahal Assets

Additional Information Assets (in EUR million)	2012 (31.12)	2011 (31.12)
Cash & short term investments	5	17
Total Assets	170	171
Net Debt (excl shareholder loans)**	57	45
Equity*	95	91
Equity*/ Assets	56%	53%

* Group equity including shareholder loan

** Bank loans net of cash and cash equivalents

Revenues

The revenue of Tahal Assets is mainly generated by Kardan Water in China. Tahal Assets recorded a 30% higher revenue in 2012 than in the corresponding period last year. The increase can largely be attributed to revenue which is recognized during construction of plants in China as well as to capacity expansion following the acquisition in 2011 of a new waste water treatment plant in Xuanhua with a capacity of 120,000 m3 a day.

Gross Profit

The gross profit margin increased slightly to 38% in 2012 from 36% in 2011.

Sales & Marketing, and General & Administrative expenses (SG&A)

SG&A expenses increased during 2012 following a one off expense relating to the change in management in China as well as following the growth of the Chinese operations.

Financing income (expenses) net

Net financing costs in 2012 includes the valuation of the warrant and call option related to a USD 25 million loan (signed in 2010) which was provided by private equity investor FIMI. This was offset by slightly increased expenses related to new loans received by Kardan Water in China to invest in new facilities and upgrade current ones.

Net profit/(loss) from discontinued operations

The discontinued operations in 2011 mainly concern Milgam, an Israeli company that was sold as part of the spin-off of Kardan Yazamut (the Israeli activities) which was affected in October 2011.

Results Infrastructure Projects*

	Tahal Projects*			
	For the year ended December 31		For the three months ended December 31	
	in EUR million			
	2012	2011**	2012	2011
Contract revenues	108	85	29	19
Contract cost	100	81	27	19
Other expenses, net	-	3	-	-
Gross profit	8	1	2	-
SG&A expenses	13	14	2	6
Gain (loss) on disposal of assets and other income	(1)	1	(1)	-
Result from operations before financing expenses	(6)	(12)	(1)	(6)
Financing income (expenses), net	(2)	(3)	(1)	-
Income tax (expenses) / benefits	1	1	1	-
Net profit (loss)	(7)	(14)	(1)	(6)
Attributable to:				
Equity holders (Kardan N.V.)	(7)	(14)	(1)	(6)
	(7)	(14)	(1)	(6)

(*) General and Administrative expenses of Tahal Group International have been allocated to Tahal Projects

(**) Reclassification of comparatives has been done to conform to current period presentation.

Additional Information Projects	2012 (31.12)	2011 (31.12)
<i>Balance sheet (in EUR million)</i>		
Cash & short term investments	23	29
Total Assets	142	118
Net debt (excl. shareholder loans)**	(18)	(22)
Equity*	33	34
Equity* / Assets	23%	29%
<i>Other (in EUR million)</i>		
Backlog	312	316

* Group equity including shareholder loan

** Bank loans net of cash and cash equivalents

Revenues

Revenues in 2012 increased significantly by 27% y-o-y. The growth is mainly attributable to new projects in Africa, which started in 2012. In addition, there was a slight positive impact following the strengthening of the US dollar vis-a-vis the euro: the majority of the projects are in denominated in US dollars.

In the fourth quarter of 2012, as a result of the materialization of new projects, revenue increased by 51% compared to Q4 of 2011.

Only when the first down payment of a new project has been received does Tahal Projects recognize the full value of the project into its backlog. Revenue starts to be recognized on these projects according to the relevant agreements, which is generally after the first invoice has been sent or the first agreed upon phase of the project has been completed.

Gross profit

The gross profit margin in 2012 is 8% and includes a one-off provision (EUR 2 million) regarding an older project. Reorganization costs of EUR 2.5 million were recognized in 2011 (reported under "other expenses, net"). The improvement in gross profit in Q4 2012 versus the same quarter last year is following the significant improvement in revenue.

Sales & Marketing, and General & Administrative expenses (SG&A)

In 2011, Tahal initiated a reorganization, among other things, to bring down SG&A costs: in 2012, these expenses decreased by more than 10% y-o-y.

SG&A expenses in Q4 2012 were significantly lower than in Q4 2011, due to the departure of a number of managers and other employees.

Gain (loss) on disposal of assets and other income

In 2011, this included the participation in an Israeli desalination company that was sold in H2 – 2011.

Financing income /(expenses) net

These expenses decreased, reflecting successful hedging, as well as less use of credit facilities following receipt of outstanding debts and advance payments on projects.

Additional information Tahal Projects

The new business in 2012 amounted to USD 147 million (EUR 114 million), leading to a backlog position of USD 411 million (EUR 312 million) as at year end 2012. The main contract was the 3K project with the National Water Company of Ghana to design, construct, expand and upgrade the drinking water systems in the Kumawu, Konongo and Kwahu region of Ghana. The estimated revenues for this project are USD 97.5 million (approximately EUR 73 million); the project will take approximately three years from commencement.

Furthermore, contracts were signed for 2 projects in Russia and Ukraine with an average revenue value of USD 28 million (approximately EUR 21 million) and an average duration of 2 years.

BANKING AND RETAIL LENDING

Kardan operates in the financial services sector through its 100% holding in Kardan Financial Services (KFS), which owns 100% of TBIF (banking and retail lending), mainly in Bulgaria and Romania. In addition, KFS is active in Ukraine with rental and leasing activities through its 66% holding in Avis Ukraine. In July 2011, TBIF completed the acquisition of the Bulgarian bank TBI Bank, to upgrade its operation in Bulgaria into a full banking operation focused on retail and SME banking to be funded by deposit taking. In May, 2012, TBIF closed the sale of its 50% in the Russian Sovcombank to its co-shareholder in the bank.

General developments Bulgaria and Romania and TBIF

The economic development in Bulgaria and Romania during 2012 was affected by the European sovereign debt crisis, leaving consumer confidence very subdued. This has impacted the lending activities in both countries, particularly in the SME sector, whereas credits to individuals slowly improved during the year.

In Bulgaria, in light of the economic situation, households tended to prefer putting their money on deposit than to borrowing money. At the end of 2012, there were slight signs that households were starting to spend a little more due to, among other, reduced household debts and lower inflation. The unemployment rate has, however, risen to above 12% and spending levels remain low.

In Romania, the political instability in the third quarter of 2012 did no good for consumer confidence. Although the employment rate recovered slightly during the year, both retail clients as small and medium sized corporate clients were cautious in taking on new loans or credits. The parliament which was chosen in December last year has expressed its intention to honour the country's commitments to its international creditors and to maintain its pro-EU and pro-US policy, thereby attempting to improve the reliability externally and to boost consumer sentiment internally.

Results Banking & Retail Lending

	For the year ended December 31		For the three months ended December 31	
	2012	2011*	2012	2011*
	in EUR million		in EUR million	
Banking and retail lending activities	13	5	4	(9)
Other revenues	7	6	2	1
Total revenues	20	11	6	(8)
Costs of banking and lending activities	30	35	8	11
Other expenses, net	3	6	-	1
Gross profit	(13)	(30)	(2)	(20)
SG&A expenses	1	3	-	-
Gain on disposal of assets and other income	1	2	-	-
Impairment losses on goodwill	4	19	2	18
Result from operations before financing expenses	(17)	(50)	(4)	(38)
Financing income (expenses), net	(3)	(12)	2	(7)
Income tax (expenses) / benefits	-	1	-	-
Profit (loss) from continuing operations	(20)	(61)	(2)	(45)
Net profit (loss) from discontinued operations	1	8	-	(1)
Net profit (loss)	(19)	(53)	(2)	(46)
Attributable to:				
Non-controlling interest holders	-	-	-	-
Equity holders (Kardan N.V.)	(19)	(53)	(2)	(46)
	(19)	(53)	(2)	(46)

* The results of Sovcombank in 2011 have been classified as discontinued operations.

Additional Information KFS Banking & Retail Lending	2012 (31.12)	2011* (31.12)
<i>Balance sheet (in EUR million)</i>		
Net loan portfolio	141	158
Cash	33	28
Total Assets	244	979
Deposits	67	11
Total Equity	45	63
<i>Other</i>		
Provisions	34%	32%

* Amounts for 2011 exclude Sovcombank, which has since been sold.

General

In the first half of 2011, Kardan signed the agreement to sell its remaining 50% in the Russian Sovcombank for a fixed transaction price. The transaction was completed in May 2012. Consequently, both the 2011 as well as the 2012 results of Sovcombank are presented as discontinued operations.

It should also be noted that the results of TBI Bank are not included in H1 – 2011 results, as TBI Bank was acquired in Q3 of 2011. The results of TBI Bank are fully consolidated in the 2012 results.

Revenues

During 2012, quarterly reported revenues showed an increasing trend, as a result of less provisioning during the year (approximately EUR 5 million less than in 2011), which are deducted from revenues. In addition, “other revenues” which relates largely to the revenue from rental and leasing activities at Avis in the Ukraine improved by 9% y-o-y.

Gross profit

The improvement in revenues led to a better 2012 “Gross Profit” amounting to a loss of EUR 13 million (2011: a loss of EUR 30 million). In addition, costs of banking and lending activities combined with other expenses decreased by 18% following, among other, decrease in operational expenses, mainly in Romania, reflecting optimization of the cost structure which was adjusted in line with lower portfolio levels.

Sales & Marketing, and General & Administrative expenses (SG&A)

These expenses comprise of employee and other expenses such as amortization of intangible assets of KFS, the holding company of the banking & retail lending activities. The decrease in 2012 compared to the same period last year is the result of efficiency measures taken in 2012. In 2011 some one-off severance costs were incurred resulting from the sale of activities. SG&A expenses of the operating companies of KFS are allocated in costs of banking.

Impairment losses on goodwill

In 2011 impairment losses on goodwill were attributable mostly to the consumer finance and leasing operations in Bulgaria and in Romania. In 2012, the amounts relate to the Romanian operations, to reflect the development of the macro-economic situation and the effect this has on the value in use of these operations to TBIF.

Financing income (expenses), net

In 2012, significantly less financing expenses were recognized following steps taken to deleverage the operations as well as a net income in 2012 relating to the settlement of an option, for which its revaluation in 2011 resulted in net expenses.

Net profit (loss) from discontinued operations

The amounts relate to operations sold: Sovcombank (2012 and 2011), as well as to VAB bank (2011 only).

Additional Information

At December 31, 2012, the total portfolio of KFS showed a 10% decrease in comparison to December 31, 2011, mainly due to write offs of fully provided legacy portfolios in the first half of 2012 which were not yet fully compensated by new loan generation

In Bulgaria, where TBI Bank is active in deposit taking, the strong growth in deposits throughout the year continues. At December 31, 2012, deposits amounted to EUR 67 million, more than 6 times the amount as at December 31, 2011. The growth derives mostly from retail clients.

“Other”

	For the year ended December 31		For the three months ended December 31	
	2012	2011	2012	2011
	in EUR million		in EUR million	
General and administration expenses	(8)	(8)	(3)	(4)
	19	(20)		

Financing income (expenses), net			(13)	(6)
Income tax (expenses) / benefit	2	(2)	1	3
Profit (loss) from continuing operations	13	(30)	(15)	(7)
Net profit (loss) from discontinued operations	-	8	-	8
Net profit (loss)	<u>13</u>	<u>(22)</u>	<u>(15)</u>	<u>(1)</u>
Attributable to:				
Non-controlling interest holders	-	(2)	-	(3)
Equity holders (Kardan N.V.)	<u>13</u>	<u>(20)</u>	<u>(15)</u>	<u>4</u>
	<u>13</u>	<u>(22)</u>	<u>(15)</u>	<u>(1)</u>

General

The results under “Profit (loss) from continuing operations” relate to the holding and finance expenses of Kardan N.V. and its direct subsidiary GTC Real Estate Holding BV (GTC RE).

General and Administrative expenses

These expenses decreased in 2012 by 10% in comparison to 2011, following a decrease in management at Kardan holding, no bonus payments and a reduction in other professional service costs.

Financing income (expenses), net

The financing expenses in 2012 were substantially positively impacted by a profit of EUR 43 million related to the repurchase of debentures issued by Kardan N.V. In Q4 of 2012, EUR 8 million financing expenses were recognized due to foreign exchange differences relating to the strengthening of the Israeli Shekel (NIS) compared to the Euro.

Income tax

In 2012, a tax benefit of EUR 2 million was recognized, split evenly over a tax benefit on hedge instruments and a reduction on the tax provision relating to a past sale of Kardan NV debentures by a subsidiary. In 2011, income tax expenses amounted to EUR 2 million. These amounts relate to deferred tax on hedge instruments. The same amount is recorded to shareholders' equity.

Net profit (loss) from discontinued operations and non controlling interest holders

In 2011 the amounts are attributable to Kardan Israel Ltd., the subsidiary that was spun-off in Q4 –2011.

Additional Information

In December 2011 and in July 2012, Kardan announced to repurchase its Debentures, listed on the Tel Aviv stock exchange, through its subsidiary GTC Real Estate Holding BV (“GTC RE”), for a combined total amount of at maximum EUR 100 million.

Mainly during 2012, Kardan, through GTC RE, repurchased 431.2 million Debentures Series A of Kardan for a total amount of approximately EUR 77 million and 120.2million Debentures Series B for a total amount of EUR 15.5 million.

Through the repurchases of the two plans, Kardan has reduced the corresponding liability by approximately EUR 144 million. The total profit on these two plans amounted to EUR 44 million, of which EUR 9 million was recognized in Q2 of 2012 as financial income and EUR 33 million in the third quarter. A profit of EUR 2 million was recognized in earlier periods.

As of December 31, 2012, Kardan, through its subsidiaries, held 47.5% of Debentures Series A and 12.6% of Series B.

These purchases were funded by the proceeds from the sale of cross currency swaps and own cash sources. The sale of these swaps was needed due to the change of the profile of the assets of Kardan N.V. from a predominantly Euro related company into a company with increased exposure to the Chinese RMB.

OUTLOOK 2013

Kardan N.V.

Management attention in 2013 will continue to be focused on the cash flow and bringing down the debt position of Kardan N.V. and of its intermediate holding companies mainly by selling assets. In addition, attention is on consistent improvement of operations.

A cash flow forecast for the coming two years can be found in the Directors' Report on page 15.

Real Estate Asia

Kardan Land China expects to deliver approximately 2,000 apartments during 2013, similar to the number delivered in 2012. The sale of residential apartments is dependent on the economy in China, which appears to be stabilizing, as well as on measures which the Chinese government may take to control the real estate market, in particular speculation in this market. As purchasing power is continuing to increase in China, Kardan Land China anticipates growth in revenue from the Chengdu retail center. With respect to the large project Europark Dalian, Kardan Land China anticipates to continue to sell apartments and to sign lease agreements with retailers. Completion of the mall is planned for the end of 2014. The focus of Kardan Land China will continue to be on developing mixed-use projects.

Real Estate Europe

GTC S.A management aims to continue to decrease the leverage of GTC SA (Loan to Value: 53% as at December 31, 2012), mainly through the sale of assets which should generate free cash of in total EUR 120 million by the end of 2014 and will be utilized to repay its liabilities (including bonds and project loans). In addition, despite unfavorable market conditions, GTC SA will continue to focus on active asset management and further improvement in operating margin and reducing general expenses.

Water infrastructure Assets

Tahal Assets expects to increase the capacity of its plants in China to 670,000m³/day by the end of 2013 (end of 2012: 630,000.m³/day), which will have a positive impact on its revenues.

Water Infrastructure Projects

In the Project segment the spectrum of activities is more focused on Engineering, Procurement and Construction Projects (EPC) projects in frontier countries, as well as on design and engineering activities in Israel. Revenues and profitability are expected to increase from existing and recently signed projects (y-o-y). The backlog (in USD) is expected to increase by approximately 10% (y-o-y) by the end of 2013.

In addition, Tahal expects to continue to make progress with its large Pump Storage project in Israel to build an electricity generating plant, the funding of which is expected to be largely provided by external parties in the form of project finance as well as an equity contribution.

Banking and Retail Lending

TBIF will continue to operationally merge its consumer finance and leasing activities in Bulgaria and Romania into TBI Bank, allowing the Bank to increase loan origination by raising deposits and to enjoy synergetic effects of business consolidation. TBIF plans to open at least 5 branches of TBI Bank in Romania; 3 will be new branches and 2 are conversions of existing TBI points of sale to bank branches. The consumer and leasing markets in Bulgaria and Romania are expected to remain difficult. TBI Bank Romania expects to be able to raise deposits during 2013, which is expected to positively support its activity.

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

Macro-economic reports

National Bureau of Statistics, China

International Monetary Fund, *World Economic Outlook* (January 2013)

European Commission; *Economic Forecast Winter 2013*

World Bank; *Global Economic Prospects, Managing Growth in a Volatile World, January 2013*

Real Estate:

Jones Lang LaSalle: *City Reports Q4–2012*

DTZ Research: *Property Times, China City Reports (Chengdu Q4 2012 and Dalian Q4 2012)*

CBRE: *MarketView, Warsaw Retail & Warsaw Office, February 2013*

Water Infrastructure

www.globalwaterintel.com

Water21, *Magazine of the International Water Association*, October 2012

McKinsey Quarterly: *Infrastructure productivity: how to save USD 1 trillion a year*, January 2013

Financial Services

Bulgarian National Bank, *Economic Review Summaries, Q3 – 2012*

Unicredit; *EEMEA Macro Flashes 2012 / 2013*

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

Analyst & Investor Call

An analyst and investor call will be held **tomorrow, Monday March 25, 2013 at 10.00 CET**.

To take part in the call, please use the following dial-in number:

Dial in number NL: +31 (0)45 6316902

Conference ID: 4598965

Dial in number UK: +44 (0)207 1532027

Conference ID: 4598965

Please confirm your attendance to eventmanagement@citigateff.nl.

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 and in the related "Periodic Report" (published by Kardan N.V. in Israel) published in April, 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.

About Kardan

Kardan identifies and develops assets in promising emerging markets, mainly in the CEE, CIS and China. Its activities are mainly focused on three sectors that benefit from the rising middle class: Real Estate, Water Infrastructure and Retail Lending. Company headquarters are in the Netherlands. Kardan aims at holding controlling interests in its investments and, through the development of local business platforms, is actively involved in the definition and implementation of their strategy. Total assets as of December 31, 2012 amounted to EUR 3.3 billion; revenues totaled EUR 383 million in 2012. Kardan is listed on NYSE Euronext Amsterdam and the Tel Aviv Stock Exchange.

The Director's Report including the financial reports, drawn up in accordance with the Dutch and Israeli regulations, are presented in a separate document and form an integral part of this release.

For further information please contact:

Caroline Vogelzang
Director Investor Relations
+31 (0)20 305 0010
Vogelzang@kardan.nl
www.kardan.nl

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