

KARDAN N.V.
AMSTERDAM, THE NETHERLANDS

Condensed Interim Consolidated Financial Statements
As of March 31, 2007

CONTENTS

	page
Condensed Interim Consolidated Financial Statements	
Condensed Interim consolidated balance sheet	1
Condensed Interim consolidated income statement.....	4
Condensed Interim consolidated statement of changes in equity	4
Condensed Interim consolidated cash flow statement	7
Notes to the Condensed Interim consolidated financial statements.....	12
The page number of the last page is.....	20

CONDENSED INTERIM CONSOLIDATED BALANCE SHEET**A s s e t s**

	March 31,		December
	2007	2006	31, 2006
	€'000	€'000	€'000
Non-current assets			
Property, plant and equipment	42,353	26,142	34,874
Real estate under construction	237,077	94,793	188,595
Investment properties	656,611	700,181	638,349
Intangible assets	123,401	72,938	116,477
Investment in associates	109,983	100,261	108,425
Available-for-sale financial assets	61,305	41,305	55,509
Long-term loans and receivables	117,135	49,652	97,724
Deferred acquisition costs (insurance companies)	7,649	11,777	6,327
Deferred income tax assets	4,557	4,235	4,387
	<u>1,360,071</u>	<u>1,101,284</u>	<u>1,250,667</u>
Current assets			
Inventories and contract work and buildings inventory in progress	157,626	54,219	160,174
Current maturities of long-term loans and receivables	91,309	60,516	94,125
Loans to bank customers	115,643	-	120,825
Trade receivables	47,512	25,330	42,158
VAT and income tax receivables	21,311	14,764	16,187
Other receivables and prepayments	64,155	27,604	43,807
Insurance premiums receivables	16,874	21,884	11,739
Reinsurance receivables and insurance companies	20,380	16,951	15,932
Short-term investments	55,047	41,200	60,424
Cash and cash equivalents	595,264	311,404	408,561
	<u>1,185,121</u>	<u>573,872</u>	<u>973,932</u>
Assets held for sale	-	73,290	-
Total assets	<u><u>2,545,192</u></u>	<u><u>1,748,446</u></u>	<u><u>2,224,599</u></u>

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

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

	March 31,	December
	2007	31,
	2006	2006
	€'000	€'000
Equity attributable to equity holders of the parent		
Issued and paid-in capital	16,045	13,510
Share premium	160,789	81,895
Foreign currency translation reserve	10,015	(6,528)
Property revaluation reserve	63,138	65,102
Revaluation reserve, other	(183)	214
Retained earnings	18,289	11,649
	<u>268,093</u>	<u>163,418</u>
Minority Interest	<u>495,477</u>	<u>447,877</u>
Total equity	<u>763,570</u>	<u>611,295</u>
Non-current liabilities		
Interest-bearing loans and borrowings	662,434	513,420
Other long-term liabilities	4,356	3,185
Warrants and options	87,421	53,871
Convertible debentures	42,821	63,190
Debentures	334,605	83,558
Insurance provisions	94,132	108,545
Deferred income tax liabilities	66,654	48,434
Accrued severance pay, net	1,450	1,064
	<u>1,293,873</u>	<u>875,267</u>
Current liabilities		
Advances from customers in respect of contracts	17,885	21,714
Banking customers accounts	141,472	-
Other payables and accrued expenses	99,209	63,801
Income tax payable	15,985	7,150
Trade payables	47,567	24,869
Interest-bearing loans and borrowings	165,631	102,691
	<u>487,749</u>	<u>220,225</u>
Liabilities held for sale	-	41,659
Total liabilities	<u>1,781,622</u>	<u>1,137,151</u>
Total equity and liabilities	<u>2,545,192</u>	<u>2,224,599</u>

The accompanying notes are an integral part of these financial statements

CONDENSED INTERIM CONSOLIDATED INCOME STATEMENT

	Three months ended		Year ended
	March 31,		December 31,
	2007	2006	2006
	€'000	€'000	€'000
Revenues			
Sales and services	12,996	12,727	49,687
Contract revenues	15,441	13,111	64,529
Insurance activities	13,317	19,108	60,962
Financing activities	9,106	4,076	24,736
Rental revenues	13,318	17,292	71,781
Equity in net earnings of associated companies	936	1,861	7,025
Management fees	404	345	1,232
Gain on issuance of shares in associated companies and subsidiaries to third parties	1,046	40,191	52,070
Adjustment to fair value of investment properties	11,424	82,450	209,544
Financial income	8,105	4,163	27,283
Gain on disposal of assets and other income	1,577	513	19,193
	<u>87,670</u>	<u>195,837</u>	<u>588,042</u>
Expenses			
Cost of sales and services	9,851	10,113	40,757
Contract costs	11,960	9,522	48,625
Operating expenses of insurance activities	12,598	19,625	63,015
Costs of financing activities	8,268	3,214	21,148
Costs of rental operations	3,148	4,817	20,390
Selling and marketing expenses	4,141	3,448	14,709
General and administration expenses	7,498	9,049	39,771
Share based payments	1,378	197	4,565
Financing expenses	24,924	39,463	125,652
Other expenses, net	2,037	894	6,367
	<u>85,803</u>	<u>100,342</u>	<u>384,999</u>
Net result before income taxes	1,867	95,495	203,043
Income taxes	5,347	17,011	45,988
Net result for the period	<u>(3,480)</u>	<u>78,484</u>	<u>157,055</u>
Attributable to:			
Equity holders	(4,486)	25,276	41,081
Minority interest holders	1,006	53,208	115,974
	<u>(3,480)</u>	<u>78,484</u>	<u>157,055</u>
Earning (loss) per share:			
Basic	(0.06)	0.37	0.55
Diluted	(0.06)	0.32	0.47

The accompanying notes are an integral part of these financial statements

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent						Minority interests	Total equity	
	Issued and paid-in capital	Share premium	Property revaluation reserve	Revaluation reserve, other	Foreign currency translation reserve	Retained earnings			Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	
Balance at December 31, 2006	17,445	166,378	65,111	214	(11,169)	28,761	266,740	490,825	757,565
Impact of change in measurement currency	(1,513)	(12,232)	(4,767)	237	21,467	(3,192)	-	-	-
Balance at January 1, 2007	15,932	154,146	60,344	451	10,298	25,569	266,740	490,825	757,565
Change in fair value of hedge instrument	-	-	-	(627)	-	-	(627)	(11)	(638)
Change in unrealized revaluation reserve	-	-	-	(7)	-	-	(7)	-	(7)
Currency translation differences	-	-	-	-	(283)	-	(283)	431	148
Total income and expense for the period recognized directly in equity	-	-	-	(634)	(283)	-	(917)	420	(497)
Net result for the period	-	-	-	-	-	(4,486)	(4,486)	1,006	(3,480)
Total income /expense for the period	-	-	-	(634)	(283)	(4,486)	(5,403)	1,426	(3,977)
Share based payments	-	635	-	-	-	-	635	743	1,378
Issuance of shares in subsidiaries	-	-	-	-	-	-	-	2,483	2,483
Exercise of warrants into Company's shares	113	6,008	-	-	-	-	6,121	-	6,121
Reclassification for statutory purposes	-	-	2,794	-	-	(2,794)	-	-	-
Balance at March 31, 2007	<u>16,045</u>	<u>160,789</u>	<u>63,138</u>	<u>(183)</u>	<u>10,015</u>	<u>18,289</u>	<u>268,093</u>	<u>495,477</u>	<u>763,570</u>

The accompanying notes are an integral part of these financial statements

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Attributable to equity holders of the parent						Minority interests	Total equity	
	Issued and paid-in capital	Share premium	Property revaluation reserve	Revaluation reserve, other	Foreign currency translation reserve	Retained earnings			Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	
Balance at January 1, 2006	13,323	78,554	45,728	(2,073)	(4,862)	5,747	136,417	299,535	435,952
Change in fair value of hedge instrument	-	-	-	53	-	-	53	109	162
Amounts recognized directly in equity relating to assets held for sale	-	-	-	(186)	186	-	-	-	-
Currency translation differences	-	-	-	-	(1,840)	-	(1,840)	(3,941)	(5,781)
Total income and expense for the period recognized directly in equity	-	-	-	(133)	(1,654)	-	(1,787)	(3,832)	(5,619)
Net result for the period	-	-	-	-	-	25,276	25,276	53,208	78,484
Total income /expense for the period	-	-	-	(133)	(1,654)	25,276	23,489	49,376	72,865
Share based payments	-	-	-	-	-	-	-	197	197
Issuance of shares in subsidiaries	-	-	-	-	-	-	-	98,952	98,952
Exercise of warrants into Company's shares	187	3,341	-	-	-	-	3,528	-	3,528
Release of capital reserve	-	-	-	(4)	(12)	-	(16)	(183)	(199)
Reclassification for statutory purposes	-	-	19,374	-	-	(19,374)	-	-	-
Balance at March 31, 2006	13,510	81,895	65,102	(2,210)	(6,528)	11,649	163,418	447,877	611,295

The accompanying notes are an integral part of these financial statements

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Attributable to equity holders of the parent						Minority interests	Total equity	
	Issued and paid-in capital	Share premium	Property revaluation reserve	Revaluation reserve, other	Foreign currency translation reserve	Retained earnings			Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	
Balance at January 1, 2006	13,323	78,554	45,728	(2,073)	(4,862)	5,747	136,417	299,535	435,952
Currency translation differences	-	-	-	-	(1,960)	-	(1,960)	(21,262)	(23,222)
Change in fair value of hedge instrument	-	-	-	194	-	-	194	263	457
Change in unrealized revaluation reserve	-	-	2,077	(744)	-	-	1,333	248	1,581
Put options granted to minority shareholders in subsidiaries	-	-	-	-	-	(761)	(761)	(1,881)	(2,642)
Total income and expense for the year recognized directly in equity	-	-	2,077	(550)	(1,960)	(761)	(1,194)	(22,632)	(23,826)
Net result for the year	-	-	-	-	-	41,081	41,081	115,974	157,055
Total income /expense for the year	-	-	2,077	(550)	(1,960)	40,320	39,887	93,342	133,229
Share base payments	-	425	-	-	-	-	425	4,140	4,565
Issuance of shares in subsidiaries	-	-	-	-	-	-	-	94,011	94,011
Issuance of shares	2,292	78,562	-	-	-	-	80,854	-	80,854
Exercise of warrants and options into Company's shares	320	7,763	-	-	-	-	8,083	-	8,083
Sale of shares held by subsidiary	-	1,074	-	-	-	-	1,074	-	1,074
Dividend distributed by subsidiaries	-	-	-	-	-	-	-	(203)	(203)
Reclassification according statutory requirements	1,510	-	17,306	2,837	(4,347)	(17,306)	-	-	-
Balance at December 31, 2006	17,445	166,378	65,111	214	(11,169)	28,761	266,740	490,825	757,565

The accompanying notes are an integral part of these financial statements

CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT

	Three months ended		Year ended
	March	March	December
	31, 2007	31, 2006	31, 2006
	€'000	€'000	€'000
Cash flow from operating activities			
Net result before taxes on income	1,867	95,495	203,043
Adjustment to reconcile net result to net cash			
Charges/(credits) to profit/loss not affecting operating cash flows:			
• Equity earning of associated companies	(936)	(1,861)	(7,025)
• Dividend received from associated companies	1,690	-	3,374
• Gain on issuance of shares in associated companies and subsidiaries to third parties, net	(1,046)	(40,191)	(52,070)
• Gain on disposal of investments in companies, property, plant and equipment and investment properties, net	(49)	97	(15,831)
• Share based payments	1,378	197	4,565
• Depreciation and amortization	1,651	1,154	4,361
• Fair value adjustments of investment properties	(11,424)	(82,450)	(209,544)
• Exchange differences, net	6,889	52	37,872
• Change in fair value of options and share appreciation rights	9,521	31,627	82,598
• Decrease (increase) in fair value of securities held for trading and hedge instruments, net	(830)	175	489
• Gain from early repayment of loans	(1,328)	-	-
• Increase in accrued severance pay, net	110	(83)	171
Adjusted net result	<u>7,493</u>	<u>4,212</u>	<u>52,003</u>
Changes in operating assets and liabilities			
• Change in insurance provisions and deferred acquisition costs, net	8,562	330	11,330
• Change in outstanding insurance premiums, reinsurance receivables and insurance companies	(9,583)	5,979	(7,390)
• Change in trade and other receivables	(28,848)	16,514	(1,131)
• Change in inventories and in contract work in progress, net of advances from customers	2,548	(6,943)	(54,858)
• Change in trade and other payables	<u>(14,000)</u>	<u>(1,067)</u>	<u>140,301</u>
Net cash (used in) generated from operations	(41,321)	14,813	88,252
Income taxes paid	<u>(1,358)</u>	<u>(4,241)</u>	<u>(3,690)</u>
Net cash (used in) provided by operating activities	<u>(35,186)</u>	<u>14,784</u>	<u>136,565</u>

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

CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

	Three months ended		Year ended
	March	March	December
	31, 2007	31, 2006	31, 2006
	€'000	€'000	€'000
Cash flow from investing activities			
Acquisition of property, plant and equipment and investment properties	(66,835)	(17,831)	(137,126)
Investments in companies and partnerships	(4,744)	(30,529)	(64,359)
Collecting (granting) of loans to associated companies, net	1,266	2,904	(17,306)
Proceeds from disposal of property, plant and equipment and investment properties	206	54	218,015
Granting of long-term loans	(94,008)	(9,384)	(347,746)
Collecting of long-term loans and receivables	84,473	11,974	245,776
Change in short-term investments	(3,753)	(6,286)	(42,017)
Acquisition of newly-consolidated subsidiaries, net of cash acquired (see A below)	389	-	(53,836)
Increase in cash resulting from sale of investments in formerly proportionately consolidated subsidiaries (see B below)	-	-	44,240
Increase in cash resulting from sale of investments in formerly proportionately consolidated subsidiaries (see C below)	-	-	20,616
Change in deferred brokerage fees	(600)	(1,362)	(1,205)
Income tax paid	(12,017)	-	2,972
Change in other assets	-	(4)	(100)
Net cash used in investing activities	(95,623)	(50,464)	(132,076)
Cash flows from financing activities			
Proceeds from exercise of warrants of issuance of Company's shares	113	187	81,176
Proceeds from issuance of shares in associated companies and subsidiaries to third parties, net	2,027	126,252	132,959
Treasury shares sold	-	-	1,074
Dividend to minority shareholders in subsidiaries	-	-	(203)
Issuance of debentures	253,836	-	4,114
Repayment of debentures	-	-	(32,502)
Change in deposits from tenants	(149)	-	(751)
Receipts of long-term loans	147,025	66,628	263,248
Repayment of long-term loans	(76,494)	(8,523)	(167,613)
Costs related to issuance of debt and shares	(1,417)	-	(2,537)
Purchase of option rights	-	-	(2,269)
Change in short-term loans and borrowings, net	(6,260)	4,318	(13,849)
Net cash provided by financing activities	318,681	188,863	262,846

The accompanying notes are an integral part of these financial statements

CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

	Three months ended		Year ended
	March	March	December
	31, 2007	31, 2006	31, 2006
	€'000	€'000	€'000
Foreign exchange differences relating to cash and cash equivalents	<u>(1,169)</u>	<u>564</u>	<u>(16,433)</u>
Increase in cash and cash equivalents	<u>186,703</u>	<u>153,746</u>	<u>250,903</u>
Cash and cash equivalents at the beginning of the period	<u>408,561</u>	<u>157,658</u>	<u>157,658</u>
Cash and cash equivalents at end of the period	<u><u>595,264</u></u>	<u><u>311,404</u></u>	<u><u>408,561</u></u>

The accompanying notes are an integral part of these financial statements

CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

	Three months ended		Year ended
	March	March	December
	31, 2007	31, 2006	31, 2006
	€'000	€'000	€'000
A. Acquisition of newly-consolidated subsidiaries, net of cash acquired			
Cash	-	-	7,924
Working capital (excluding cash)	(220)	-	(74,449)
Non-current assets	(1,080)	-	(33,817)
Goodwill on acquisition	-	-	(17,314)
Minority interests	-	-	38,783
Long-term liabilities	1,689	-	2,923
Total purchase price	389	-	(75,950)
Less – cash in subsidiaries acquired	-	-	7,924
Payable on account of investment	-	-	2,072
Reclassification from investment in associates	-	-	12,118
Cash used in acquisition, net of cash acquired	389	-	(53,836)
B. Disposal of formerly-consolidated subsidiaries, net of cash disposed			
Cash	-	-	4,213
Working capital (excluding cash)	-	-	(29,151)
Non-current assets	-	-	83,329
Minority interests	-	-	(535)
Long-term liabilities	-	-	(35,392)
Gain on disposal of investment	-	-	17,518
Total consideration	-	-	39,982
Cash of subsidiary which ceased to be consolidated	-	-	4,213
Change in capital reserves	-	-	(1,395)
Other receivables from disposal of investments	-	-	1,440
Cash flows from disposal, net of cash disposed	-	-	44,240

	Three months ended		Year ended
	March	March	December
	31, 2007	31, 2006	31, 2006
	€'000	€'000	€'000
C. Increase in cash resulting from sale of investment in formerly proportionately consolidated subsidiary			
Cash	-	-	16,202
Working capital (excluding cash)	-	-	(42,320)
Non-current assets	-	-	(2,197)
Minority interests	-	-	(8,030)
Long-term liabilities	-	-	(17,985)
Total consideration	-	-	(54,330)
Cash of subsidiary which ceased to be consolidated	-	-	16,202
Payable on account of investment	-	-	55,473
Release of long-term payable	-	-	3,271
Cash flows from disposal, net of cash disposed	-	-	20,616

Significant non-cash transactions

Investment in real estate under construction against payables	11,530	2,526	17,270
Acquisition of land against long-term payable	-	-	1,350
Exercise of options to Company's shares	6,008	3,341	7,763
Receivable on sale of land	-	-	1,898

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**March 31, 2007****1. Corporate information**

Kardan N.V. ('the Company' or 'Kardan') having its legal seat in Amsterdam, The Netherlands, was incorporated on May 2, 2003, and acts as an investment company engaged in development of real estate, insurance and pension, infrastructure, technology and communications and consumer goods through its subsidiaries and associated companies. The registered office address of the Company is located at Prins Hendriklaan 52, Amsterdam.

The Company's shares are traded on the Euronext Amsterdam and on the Tel Aviv Stock Exchange ('TASE').

These condensed interim financial statements were authorized for issuance by the management board on May 29, 2007.

2. Basis of presentation and preparation**Basis of preparation**

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

The condensed interim consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto for the year 2006.

Effective the first quarter of 2007 the financial statements of the Company which are published in Israel are also prepared in accordance with IFRS. These financial statements are also presented in accordance with the Israeli Securities Regulations and accordingly present as well comparative figures of the income statement, cash flow statement and segments information for the year ended December 31, 2006. In order to provide equal information to all the readers of the financial statements, the Company has included such comparative information in these condensed interim consolidated financial statements.

For the condensed interim consolidated financial statements for the period ended on March 31, 2007 the Company applied the same accounting principles and methods of computation as compared with the consolidated financial statements for the year 2006, except for the changes described below.

Changes in accounting policies

With the effect from January 1, 2007 International Financial Reporting Standards have been revised. There are the following new or revised standards and interpretations:

- IFRIC 7 - "*Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies*"
- IFRIC 8 - "*Scope of IFRS 2*"

- IFRIC 9 - *“Reassessment of Embedded Derivatives”*
- IFRIC 10 - *“Interim Financial Reporting and Impairment”*
- IFRS 7 - *“Financial Instruments: Disclosures”*
- IAS 1 - *“Presentation of Financial Statements”*

There are other changes in International Financial Reporting Standards, which should be applied in the period commencing after January 1, 2007, but earlier application are encouraged:

- IFRIC 11 - *IFRS 2: “Group and Treasury Share Transactions is effective from March 1, 2007*
- IFRIC 12 – *“Service Concession Arrangements” is effective for annual periods beginning on or after January 1, 2008. Earlier application is permitted.*
- IFRS 8 – *“Operating Segments” is effective for annual periods beginning on or after January 1, 2009. Earlier application is encouraged.*

The amendments have been analyzed by the Company. The changes in the standards and interpretations have no impact on the financial data presented in these condensed interim consolidated financial statements. The risks and the extent of the financial instruments used by the Company remained unchanged during the three month period ended on March 31, 2007 in comparison with the position as at December 31, 2006. Therefore, the Management of the Company believes that full disclosure of financial instruments in accordance with the IFRS 7 is not required in these interim condensed financial statements. Full disclosure of IFRS 7 will be presented in the full financial statements of the Group.

Change in measurement and presentation currency

On January 1, 2007 the Company has changed its measurement and presentation currency from the USD to Euro, as the Company believes, based on the relative amounts of cash flows denominated in Euro that effective January 1, 2007 the Euro reflects in a more appropriate manner the Group’s underlying events and transactions.

The Company applied the translation procedures applicable to the new functional currency prospectively from 1 January 2007. All assets and liabilities were translated using the exchange rate in effect at the date of the change. The resulting translated amounts for non monetary items are treated as their historic cost. A new currency translation adjustment has been calculated for subsidiaries with a functional currency different than Euro.

For comparative figures, the presentation currency has also been changed. The comparable results and financial position of the company was translated from USD into Euro using the following procedures:

1. Assets, liabilities and minority interests for each balance sheet presented were translated at the closing rate at the date of that balance sheet.
2. Income and expenses for each income statements were translated at exchange rates at the dates of the transactions. Equity components other than income for the period were translated using historic rates.
3. Share capital is denominated in EUR and thus presented at EUR par value; the difference between the share capital as presented in USD as at December 31, 2006, recalculated to EUR at closing rates and the EUR par value, is posted to the share premium account.

4. All other resulting exchange differences cumulate into and are recognized as a separate component in equity.

For practical reasons, a rate that approximates the exchange rates at the dates of the transactions, like an average rate, was often used to translate income and expenses items.

The functional currency of some of the Company's subsidiaries is a currency other than Euro. As at the reporting date, the assets and liabilities of these subsidiaries are translated into the presentation currency of the Company at rate of exchange ruling at the balance sheet date and their income statements are translated at weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to a separate component of equity without affecting earnings. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

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

	<u>USD</u>	<u>NIS</u>	<u>CPI</u>
March 31, 2007	1.3318	5.534	184.4
March 31, 2006	1.2104	5.662	186.1
December 31, 2006	1.317	5.564	184.9
Change in 2007 (3 months)	1.1%	(0.5)%	(0.2)%
Change in 2006 (3 months)	2.5%	3.9%	0.6%
Change in 2006 (12 months)	11.9%	2.2%	(0.1)%

3. Segment information

	Financial services €'000	Real estate €'000	Infrastructure €'000	Automotive & Consumer goods €'000	Communications & technology €'000	Other €'000	Total (1) €'000
For the three months ended March 31, 2007							
Segment Revenues	23,230	32,211	15,489	8,502	(392)	525	79,565
Segment Results	1,278	16,897	110	2,645	(618)	173	20,485
Unallocated expenses							(1,799)
Profit from operations							<u>18,686</u>
For the three months ended March 31, 2006							
Segment Revenues	24,469	147,435	13,162	5,979	196	433	191,674
Segment Results	(433)	130,670	586	2,025	88	(292)	132,644
Unallocated expenses							(1,849)
Profit from operations							<u>130,795</u>
For the year ended December 31, 2006							
Segment Revenues	103,523	358,241	64,537	21,973	7,920	4,565	560,759
Segment Results	5,411	284,928	2,602	5,134	6,446	2,537	307,058
Unallocated expenses							(5,646)
Profit from operations							<u>301,412</u>

(1) Excludes financing income and expenses and income tax expenses

5. Significant transactions and commitments

- A. In January 2007 GTC Real Estate N.V. ('GTC RE') has issued debentures (series B) to institutional investors in Israel in consideration of NIS 550 million (approximately EUR 100 million).

The debentures are linked to the Israeli CPI and bear an annual interest rate of 4.9%. The principal is repayable in 7 equal installments during the years 2014 to 2020. The interest payments will be made annually.

GTC RE intends to list the debentures for trading on the Tel Aviv Stock Exchange within 12 months from issuance. Until the listing will take place, GTC RE will pay the debenture holders an additional interest of 0.5% per annum. In the event the debentures will not be listed for trading during this period, the debenture holders will have the right of early repayment.

Following the issuance of the debentures GTC RE has entered into a swap transaction according to which it has converted the cash received in NIS into Euro, and effectively swapped the related liability into a Euro loan bearing a fixed interest rate of 5.94% per annum.

GTC RE designates the cross-currency swap as a cash flow hedge of its exposure to changes in its functional currency equivalent cash flows on the debt. Accordingly in accordance with IAS 39:

- The loan is translated at spot rate. The translation gains and losses on the foreign currency denominated debt are taken in to the income statement;
- The fair value of the cross currency swap (a liability of EUR 980 thousand as at March 31, 2007) is recorded in the balance sheet with entries for the effective part of the hedge to a separate component of equity (a loss of EUR 76 thousand) and a reclassification to income at the time the hedged risk affects profit or loss to offset retranslation of the hedged debt and interest expense.

In May 2007 GTC RE received a permit to list the debentures for trading. The trading is expected to commence in the beginning of June 2007.

- B. In January 2007 a director of Globe Trade Centre S.A. ('GTC S.A.') exercised 1,341,450 subscription warrants into 1,341,450 shares of GTC S.A. in consideration of EUR 124 thousand. As a result GTC RE's interest in GTC S.A. was diluted from 46.4% to 46.1%, and the Company recorded a loss of approximately EUR 1.2 million (after minority interests).
- C. In February 2007 the Company has issued debentures to institutional investors in Israel in consideration of NIS 840 million (approximately EUR 150 million). The debentures are linked to the Israeli CPI and bear an annual interest rate of 4.45%. The principal is repayable in 4 equal installments during the years 2013 to 2016. The interest payments will be made annually.

The Company is in the process of listing the debentures for trading on the Tel Aviv Stock Exchange. Until the listing will take place, the Company will pay the debenture holders an additional interest of 0.5% per annum. In the event the debentures will not be listed for trading during a period of 12 months from the date of issuance, the debenture holders will have the right of early repayment.

Following the issuance of the debentures, the Company has entered into several swap transactions according to which the Company has converted the cash received in NIS into Euro, and swapped the related liability into a Euro loan bearing a fixed interest rate at the range of 5.38% - 5.54% per annum.

The Company designates the cross-currency swap as a cash flow hedge of its exposure to changes in its functional currency equivalent cash flows on the debt. Accordingly in accordance with IAS 39:

- The loan is translated at spot rate. The translation gains and losses on the foreign currency denominated debt are taken in to the income statement;
 - The fair value of the cross currency swap (a liability of EUR 307 thousand as at March 31, 2007) is recorded in the balance sheet with entries for the effective part of the hedge to a separate component of equity (a loss of EUR 597 thousand) and a reclassification to income at the time the hedged risk affects profit or loss to offset retranslation of the hedged debt and interest expense.
- D. In February 2007 a Group company has signed a memorandum of understanding for the lease of a 460,000 sq.m. land in China in consideration of USD 55 million (approximately EUR 42 million), to be paid in advance for the full term of the lease. The land will be used for residential development.
- E. In February 2007 TBIF has signed a term sheet with the shareholders of a regional bank in Russia ('the Bank') to merge TBIF's lending operations in Russia with the activities of the Bank under a joint holding company. In addition, TBIF will increase the capital of the holding company by USD 39.5 million (EUR 29.7 million), through the contribution of cash and receivables from its Russian lending operations.
Following the completion of the transaction, TBIF will have a 47% interest in the Bank (indirectly, through the joint holding company) and 50% of the voting rights. The completion of the transaction is subject to certain conditions precedent, including due diligence and receipt of regulatory approvals.
- F. In March 2007 TBIH has signed an agreement to purchase a 58% stake in Ray Sigorta A.Ş. (Ray Sigorta), a Turkish insurance company, for a consideration of USD 81.5 million (EUR 61.2 million). The closing of the transaction is subject to due diligence and receipt of regulatory approvals.

In addition, in March 2007, TBIH has signed a memorandum of understanding for the acquisition of 60% of Sigma Albania (Sigma), an Albanian insurance company, for a consideration of EUR 12.9 million. The final agreement and the closing of the transaction are subject to the receipt of certain regulatory approvals and the completion of due diligence.

- G. In March 2007 GTC S.A. has successfully completed the construction of the Newton office building in Krakow. As a result GTC S.A. has measured the asset to its fair market value and recorded a revaluation gain of approximately EUR 11 million. The Company's share (after taxes and minority interests) amounts to approximately EUR 2.5 million.

6. Subsequent events

- A. In April 2007, the Company has completed a transaction in the financial services segment following agreements signed in August 2006. According to the agreement, the Company has increased its interest in KFS from 55.1% to 89.5%, by acquiring WS' 40% stake in KFS. The remaining 10.5% is held by managers and employees. In addition, WS has acquire a 60% direct stake in TBIH, with the remaining 40% held by KFS.

The net effect of the transaction in terms of Kardan's holdings will be an increase in the retail lending activities from 49.3% to 80.0% and a decrease in its insurance and pension activities from 55.1% to 35.8%.

Following an evaluation of this complex transaction and its impact on the financial statements, the Company will recognize a gain of approximately EUR 18 million. In addition, the Company is evaluating the value of the put option to WS it received within the framework of the transaction, which could be added to the abovementioned gain.

- B. In April 2007 Tahal Group B.V. ('Tahal') has signed an agreement for the establishment of a joint venture that will invest in and manage, operate and maintain water related infrastructure projects in China.

Tahal will hold a 66.6% interest in the joint venture, while the local partners will hold the remaining 33.3%. Upon incorporation Tahal will invest approximately EUR 22 million in the capital of the joint company, of which half against the issuance of preferred shares. In addition, Tahal has committed to provide the joint venture loans amounting to up to EUR 41 million.

- C. In April 2007 the Company has sold approximately 3.9% of Kardan Israel Ltd. ('Kardan Israel') shares in consideration for approximately EUR 10 million. The sale resulted with a gain of approximately EUR 5.5 million. As a result, the Company's interest in Kardan Israel was decreased to approximately 74.1%.

Furthermore, in April 2007 Kardan Israel raised approximately EUR 6 million by the issuance of 2 million new shares to institutional investors. The completion of the issuance is subject to approval of the Tel-Aviv Stock Exchange. After this transaction, Kardan's interest in Kardan Israel will be diluted to 72.25% and the Company expect to realize a gain of approximately EUR 2.7 million.

- D. In April 2007, GTC S.A. has completed PLN 800 million (approximately EUR 216 million) bonds offering to Polish institutional investors. The bonds were issued in two series, of which one (90% of the proceeds) has 7-year maturity and the second series has 5-year maturity. The bonds are denominated in PLN and bear variable interest rate which will be paid every 6 months.

Following the bonds issue, GTC S.A. converted the cash received into Euro and swapped the related liability by entering into a Euro-PLN cross-currency Interest Rate Swap transaction, whereby the liability bears fixed interest at a rate of 5.745% p.a.

- E. Subsequent to the balance sheet date, in May 2007, VA Bank has raised USD 125 million (approximately EUR 92.6 million) through the issuance of dollar denominated Euro bonds. The bonds have a three year maturity with a fixed interest rate of 10.125% payable semi-annually and are unsecured.