KARDAN N.V.
AMSTERDAM, THE NEDERLANDS

Condensed Interim Consolidated Financial Statements
As of June 30, 2007

CONTENTS

CONDENSED INTERIM CONSOLIDATED BALANCE SHEET

A s s e t s

	June 30, 2007	June 30, 2006	December 31, 2006
	€'000	€'000	€'000
Non-current assets			
Property, plant and equipment	62,714	28,818	34,874
Real estate under construction	215,975	100,835	188,595
Investment properties	816,029	780,501	638,349
Intangible assets	223,886	86,970	116,477
Investment in associates	121,806	84,575	108,425
Available-for-sale financial assets	62,489	43,834	55,509
Loans to bank customers	180,089	37,419	82,234
Long-term loans and receivables	181,099	62,881	97,724
Deferred acquisition costs (insurance companies)	5,528	5,638	6,327
Deferred income tax assets	5,373	4,031	4,387
	1,874,988	1,235,502	1,332,901
Current assets			
Inventories and contract work and buildings inventory in progress	191,325	78,616	160,174
Current maturities of long-term loans and receivables	173,478	59,546	94,125
Loans to bank customers	72,716	67,925	38,591
Trade receivables	54,312	31,327	42,158
VAT and income tax receivables	20,672	15,558	16,187
Insurance premiums receivables	31,618	13,324	11,739
Reinsurance receivables and insurance companies	33,470	16,496	15,932
Other receivables and prepayments	87,263	25,683	43,807
Short-term investments	62,163	37,232	60,424
Cash and cash equivalents	778,870	367,584	408,561
	1,505,887	713,291	891,698
Assets held for sale	-	37,743	-
Total assets	3,380,875	1,986,536	2,224,599

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

Equity and liabilities

	June 30, 2007	June 30, 2006	December 31, 2006
	€'000	€'000	€'000
Equity attributable to equity holders of the parent			
Issued and paid-in capital	16,175	15,919	17,445
Share premium	169,079	165,139	166,378
Foreign currency translation reserve	4,675	(5,245)	(11,169)
Property revaluation reserve	76,821	72,960	65,111
Revaluation reserve, other	3,607	(2,933)	214
Retained earnings	33,737	9,161	28,761
	304,094	255,001	266,740
Minority Interest	562,204	448,666	490,825
Total equity	866,298	703,667	757,565
Non-current liabilities			
Interest-bearing loans and borrowings	786,931	571,188	470,575
Banking customers accounts	115,633	4,556	52,997
Other long-term liabilities	5,227	4,324	4,684
Warrants and options	131,247	103,185	134,166
Convertible debentures	39,549	45,453	43,485
Other debentures	550,426	84,735	80,497
Insurance provisions	118,118	83,740	84,249
Deferred income tax liabilities	84,368	56,128	62,573
Accrued severance pay, net	1,360	1,071	1,340
	1,832,859	954,380	934,566
Current liabilities			
Advances from customers in respect of contracts	17,398	19,556	16,277
Banking customers accounts	175,649	62,519	89,538
Income tax payable	9,136	6,081	27,325
Dividend payable	9,408	-	-
Trade payables	56,648	30,640	57,807
Interest-bearing loans and borrowings	271,100	114,821	235,049
Other payables and accrued expenses	142,379	57,286	106,472
	681,718	290,903	532,468
Liabilities held for sale	-	37,586	-
Total liabilities	2,514,577	1,282,869	1,467,034
Total equity and liabilities	3,380,875	1,986,536	2,224,599

The accompanying notes are an integral part of these financial statements

CONDENSED INTERIM CONSOLIDATED INCOME STATEMENT

	Six months ended June 30, 2007	Six months ended June 30, 2006	Three months ended June 30, 2007	Three months ended June 30, 2006	The year ended December 31 2006
	€'000	€'000	€'000	€'000	€'000
Revenues					
Sales and services	20,942	24,633	7,946	11,906	49,687
Contract revenues	34,828	30,952	19,387	17,841	64,529
Insurance activities	23,334	36,076	10,017	16,968	60,962
Banking and retail lending activities	30,362	8,124	21,256	4,048	24,736
Rental revenues	27,316	34,827	13,998	17,535	71,781
Equity in net earnings of associated companies	2,905	2,341	1,969	480	7,025
Management fees	915	545	511	200	1,232
Gain on issuance of shares in associated companies and subsidiaries to third parties	3,037	39,794	1,991	(397)	52,070
Adjustment to fair value of investment properties	101,842	112,765	90,418	30,315	209,544
Gain on disposal of assets and other income	29,897	8,069	28,320	7,556	19,193
Other financial income	16,444	15,493	8,339	11,330	27,283
	291,822	313,619	204,152	117,782	588,042
Expenses					
Cost of sales and services	16,154	19,483	6,303	9,370	40,757
Contract costs	25,661	22,866	13,701	13,344	48,625
Operating expenses of insurance activities	22,429	37,962	9,831	18,337	63,015
Costs of banking and lending activities	26,095	6,681	17,827	3,467	21,148
Costs of rental operations	6,025	9,104	2,877	4,287	20,390
Selling and marketing expenses	8,591	7,006	4,450	3,558	14,709
General and administration expenses	20,478	24,178	11,602	14,902	44,336
Other financing expenses	51,447	57,102	26,523	17,639	125,652
Other expenses, net	2,130	864	93	-	6,367
	179,010	185,246	93,207	84,904	384,999
Net result before income taxes	112,812	128,373	110,945	32,878	203,043
Income taxes	24,642	25,947	19,295	8,936	45,988
Net result for the period	88,170	102,426	91,650	23,942	157,055
Attributable to:					
Equity holders	34,053	31,407	38,539	6,131	41,081
Minority interest holders	54,117	71,019	53,111	17,811	115,974
	88,170	102,426	91,650	23,942	157,055
Earning (loss) per share:					
Basic	0.42	0.45	0.48	0.08	0.55
Diluted	0.42	0.33	0.48	0.02	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	€'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 functional 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	-	-	-	4,146	-	-	4,146	852	4,998
Change in unrealized revaluation reserve	-	-	-	(419)	-	-	(419)	-	(419)
Release of capital reserves	-	-	-	(571)	(939)	-	(1,510)	-	(1,510)
Currency translation differences	-	-	-	-	(4,684)	-	(4,684)	(782)	(5,466)
Total income and expense for the period recognized directly in equity	-	-	-	3,156	(5,623)	-	(2,467)	70	(2,397)
Net result for the period	-	-	-	-	-	34,053	34,053	54,117	88,170
Total income /expense for the period	-	-	-	3,156	(5,623)	34,053	31,586	54,187	85,773
Share based payments	-	1,277	-	-	-	-	1,277	1,654	2,931
Issuance of shares in subsidiaries	-	-	-	-	-	-	-	25,086	25,086
Purchase of shares in consolidated companies	-	-	-	-	-	-	-	(9,385)	(9,385)
Exercise of warrants into Company's shares	243	13,656	-	-	-	-	13,899	-	13,899
Dividend declared	-	-	-	-	-	(9,408)	(9,408)	-	(9,408)
Dividend to minority shareholders	-	-	-	-	-	-	-	(163)	(163)
Reclassification for statutory purposes	-	-	16,477	-	-	(16,477)	-	-	-
Balance at June 30, 2007	16,175	169,079	76,821	3,607	4,675	33,737	304,094	562,204	866,298

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	Total
	Issued and paid-in capital	Share premium	Property revaluation reserve	Revaluation reserve, other	Foreign currency translation reserve	Retained earnings	Total	interests	equity
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Balance at April 1, 2007	16,045	160,789	63,138	(183)	10,015	18,289	268,093	495,477	763,570
Change in fair value of hedge instrument	-	-	-	4,773	-	-	4,773	863	5,636
Change in unrealized revaluation reserve	-	-	-	(412)	-	-	(412)	-	(412)
Release of capital reserves	-	-	-	(571)	(939)	-	(1,510)	-	(1,510)
Currency translation differences	-	-	-	-	(4,401)	-	(4,401)	(1,213)	(5,614)
Total income and expense for the period recognized directly in equity	-	-	-	3,790	(5,340)	-	(1,550)	(350)	(1,900)
Net result for the period	-	-	-	-	-	38,539	38,539	53,111	91,650
Total income /expense for the period	-	-	-	3,790	(5,340)	38,539	36,989	52,761	89,750
Share based payments	-	642	-	-	-	-	642	911	1,553
Issuance of shares in subsidiaries	-	-	-	-	-	-	-	22,603	22,603
Purchase of shares in consolidated companies	-	-	-	-	-	-	-	(9,385)	(9,385)
Exercise of warrants into Company's shares	130	7,648	-	-	-	-	7,778	-	7,778
Dividend declared	-	-	-	-	-	(9,408)	(9,408)	-	(9,408)
Dividend to minority shareholders	-	-	-	-	-	-	-	(163)	(163)
Reclassification for statutory purposes	-	-	13,683	-	-	(13,683)	-	-	-
Balance at June 30, 2007	16,175	169,079	76,821	3,607	4,675	33,737	304,094	562,204	866,298

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	Total
	Issued and paid-in capital	Share premium	Property revaluation reserve	Revaluation reserve, other	Foreign currency translation reserve	Retained earnings	Total	interests	equity
	€'000	€'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	-	-	-	122	-	-	122	196	318
Revaluation of available-for-sale financial assets	-	-	-	(792)	-	-	(792)	-	(792)
Amounts recognized directly in equity relating to assets held for sale	-	-	-	(186)	186	-	-	-	-
Put options granted to minority shareholders in subsidiaries	-	-	-	-	-	(761)	(761)	(1,881)	(2,642)
Currency translation differences	-	-	-	-	(557)	-	(557)	(18,475)	(19,032)
Total income and expense for the period recognized directly in equity	-	-	-	(856)	(371)	(761)	(1,988)	(20,160)	(22,148)
Net result for the period	-	-	-	-	-	31,407	31,407	71,019	102,426
Total income /expense for the period	-	-	-	(856)	(371)	30,646	29,419	50,859	80,278
Share based payments	-	-	-	-	-	-	-	1,191	1,191
Issuance of shares in subsidiaries	-	-	-	-	-	-	-	97,264	97,264
Issuance of shares	2,295	79,171	-	-	-	-	81,466	-	81,466
Exercise of warrants into Company's shares	301	7,180	-	-	-	-	7,481	-	7,481
Sale of shares held by subsidiary	-	234	-	-	-	-	234	-	234
Release of capital reserve	-	-	-	(4)	(12)	-	(16)	(183)	(199)
Reclassification for statutory purposes	-	-	27,232	-	-	(27,232)	-	-	-
Balance at June 30, 2006	15,919	165,139	72,960	(2,933)	(5,245)	9,161	255,001	448,666	703,667

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	Total
	Issued and paid-in capital	Share premium	Property revaluation reserve	Revaluation reserve, other	Foreign currency translation reserve	Retained earnings	Total	interests	equity
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Balance at April 1, 2006	13,510	81,895	65,102	(2,210)	(6,528)	11,649	163,418	447,877	611,295
Change in fair value of hedge instrument	-	-	-	69	-	-	69	87	156
Revaluation of available-for-sale financial assets	-	-	-	(792)	-	-	(792)	-	(792)
Put options granted to minority shareholders in subsidiaries	-	-	-	-	-	(761)	(761)	(1,881)	(2,642)
Currency translation differences	-	-	-	-	1,283	-	1,283	(14,534)	(13,251)
Total income and expense for the period recognized directly in equity	-	-	-	(723)	1,283	(761)	(201)	(16,328)	(16,529)
Net result for the period	-	-	-	-	-	6,131	6,131	17,811	23,942
Total income /expense for the period	-	-	-	(723)	1,283	5,370	5,930	1,483	7,413
Share based payments	-	-	-	-	-	-	-	994	994
Sale of shares in subsidiaries	-	-	-	-	-	-	-	(1,688)	(1,688)
Issuance of shares	2,295	79,171	-	-	-	-	81,466	-	81,466
Exercise of warrants into Company's shares	114	3,839	-	-	-	-	3,953	-	3,953
Sale of shares held by subsidiary	-	234	-	-	-	-	234	-	234
Reclassification for statutory purposes	-	-	7,858	-	-	(7,858)	-	-	-
Balance at June 30, 2006	15,919	165,139	72,960	(2,933)	(5,245)	9,161	255,001	448,666	703,667

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	€'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

	Six months ended June 30		Three months ended June 30		Year ended December
	2007	2006	**2007**	2006	31, 2006
	€'000	€'000	€'000	€'000	€'000
Cash flow from operating activities					
Net result before taxes on income	112,812	128,373	110,945	32,878	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	(2,905)	(2,341)	(1,969)	(480)	(7,025)
• Dividend received from associated companies	3,054	1,141	1,364	1,141	3,374
• Gain on issuance of shares in associated companies and subsidiaries to third parties, net	(3,037)	(39,794)	(1,991)	397	(52,070)
• Gain on disposal of investments in companies, property, plant and equipment and investment properties, net	(25,868)	(4,483)	(25,819)	(4,580)	(15,831)
• Share based payments	2,931	1,191	1,553	994	4,565
• Depreciation and amortization	3,881	2,210	2,230	1,056	4,361
• Fair value adjustments of investment properties	(101,842)	(112,765)	(90,418)	(30,315)	(209,544)
• Exchange differences, net	(660)	9,455	(7,549)	9,403	37,872
• Change in fair value of options and share appreciation rights	23,373	35,091	13,852	3,464	82,598
• Decrease (increase) in fair value of securities held for trading and hedge instruments, net	(114)	(3,116)	716	(3,291)	489
• Gain from early repayment of loans	(1,328)	-	-	-	-
• Increase in accrued severance pay, net	39	(117)	(71)	(34)	171
	10,336	14,845	2,843	10,633	52,003
Changes in operating assets and liabilities					
• Change in insurance provisions and deferred acquisition costs, net	10,597	13,289	2,035	12,959	11,330
• Change in outstanding insurance premiums, reinsurance receivables and insurance companies	(9,978)	(10,112)	(395)	(16,091)	(7,390)
• Change in trade and other receivables	(37,270)	(116)	(8,422)	(16,630)	(1,131)
• Change in inventories and in contract work in progress, net of advances from customers	(14,761)	(14,882)	(17,309)	(7,939)	(54,858)
• Change in trade and other payables	(54,041)	4,250	(40,041)	5,587	140,301
Net cash (used in) generated from operations	(95,117)	7,544	(61,289)	(11,481)	88,252
Income taxes paid	(2,605)	(12,641)	(1,247)	(8,400)	(3,690)
Net cash (used in) provided by operating activities	(97,722)	(5,097)	(62,536)	(19,881)	136,565

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

CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

	Six months ended June 30,		Three months ended June 30,		Year ended December
	2007	2006	2007	2006	31, 2006
	€'000	€'000	€'000	€'000	€'000
Cash flow from investing activities					
Acquisition of property, plant and equipment and investment properties	(91,032)	(44,703)	(24,197)	(26,872)	(137,126)
Investments in companies and partnerships	(19,805)	(27,828)	(15,061)	2,701	(64,359)
Collecting (granting) of loans to associated companies, net	(2,001)	1,176	(3,267)	(1,728)	(17,306)
Proceeds from disposal of property, plant and equipment and investment properties	15,515	54	15,309	-	218,015
Granting of long-term loans	(125,148)	(38,318)	(31,140)	(26,233)	(347,746)
Change in loans to bank customers	(41,807)	-	(89,719)	-	-
Collecting of long-term loans and receivables	105,445	23,721	68,884	11,747	245,776
Change in short-term investments	(4,300)	(5,684)	(547)	602	(42,017)
Acquisition of newly-consolidated subsidiaries, net of cash acquired (see A below)	(43,833)	(29,658)	(44,222)	(29,856)	(53,836)
Increase in cash resulting from sale of investments in formerly consolidated subsidiaries (see B below)	-	37,593	-	37,593	44,240
Increase in cash resulting from reorganization of proportionately consolidated companies (see C below)	-	20,616	-	20,616	20,616
Increase in cash due to transaction in the financial services segment (see D below)	17,613	-	17,613	-	-
Change in deferred brokerage fees	(735)	(150)	(135)	(150)	(1,205)
Income tax paid	(9,588)	(9,385)	2,429	(9,385)	2,972
Change in other assets	-	(261)	-	(257)	(100)
Net cash used in investing activities	(199,676)	(72,827)	(104,053)	(22,363)	(132,076)

The accompanying notes are an integral part of these financial statements

CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

	Six months ended June 30, 2007	Six months ended June 30, 2006	Three months ended June 30, 2007	Three months ended June 30, 2006	Year ended December 31, 2006
	€'000	€'000	€'000	€'000	€'000
Cash flows from financing activities					
Proceeds from exercise of warrants and issuance of Company's shares	243	81,767	130	81,580	81,174
Proceeds from issuance of shares in associated companies and subsidiaries to third parties, net	6,145	126,774	4,118	522	132,959
Treasury shares sold	-	234	-	234	1,074
Dividend to minority shareholders in subsidiaries	(163)	-	(163)	-	(203)
Issuance of debentures	465,261	1,893	211,425	1,893	4,114
Repayment of debentures	(2,871)	(18,020)	(2,871)	(18,020)	(32,502)
Change in loans from bank customers	32,550	-	33,028	-	-
Change in deposits from tenants	245	227	394	227	(751)
Proceeds from long-term loans	319,992	153,253	172,967	86,625	263,246
Repayment of long-term loans	(136,642)	(29,340)	(60,148)	(20,817)	(167,613)
Costs related to issuance of debt and shares	(2,497)	(467)	(1,080)	(467)	(2,269)
Purchase of option rights	-	(287)	-	(287)	(2,537)
Change in short-term loans and borrowings, net	(14,635)	(5,283)	(8,853)	(9,601)	(13,849)
Net cash provided by financing activities	667,628	310,751	348,947	121,889	262,846
Foreign exchange differences relating to cash and cash equivalents	79	(22,901)	1,248	(23,465)	(16,433)
Increase in cash and cash equivalents	370,309	209,926	183,606	56,180	250,903
Cash and cash equivalents at the beginning of the period	408,561	157,658	595,264	311,404	157,658
Cash and cash equivalents at end of the period	778,870	367,584	778,870	367,584	408,561

The accompanying notes are an integral part of these financial statements

CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

	Six months ended June 30, 2007	Six months ended June 30, 2006	Three months ended June 30, 2007	Three months ended June 30, 2006	Year ended December 31, 2006
	€'000	€'000	€'000	€'000	€'000
A. Acquisition of newly-consolidated subsidiaries, net of cash acquired					
Cash	(23,750)	(2,019)	(23,750)	(2,019)	(7,924)
Working capital (excluding cash)	(53,040)	(17,580)	(52,820)	(17,580)	(58,601)
Non-current assets	(36,984)	(23,598)	(35,904)	(23,598)	(33,817)
Goodwill on acquisition	(21,785)	(13,741)	(21,785)	(13,741)	(17,314)
Minority interests	2,112	340	2,112	340	38,783
Long-term liabilities	65,864	5,734	64,175	5,734	2,923
Total purchase price	(67,583)	(50,864)	(67,972)	(50,864)	(75,950)
Less – cash in subsidiaries acquired	23,750	2,019	23,750	2,019	7,924
Payable on account of investment	-	7,380	-	7,380	2,072
Reclassification from investment in associates	-	11,807	-	11,807	12,118
Cash used in acquisition, net of cash acquired	(43,833)	(29,658)	(44,222)	(29,658)	(53,836)

	Six months ended June 30, 2007	Six months ended June 30, 2006	Three months ended June 30, 2007	Three months ended June 30, 2006	Year ended December 31, 2006
B. Disposal of formerly-consolidated subsidiaries, net of cash disposed					
Cash	-	1,054	-	1,054	4,213
Working capital (excluding cash)	-	417	-	417	(20,725)
Non-current assets	-	70,071	-	70,071	83,329
Goodwill on acquisition	-	-	-	-	-
Minority interests	-	-	-	-	(535)
Long-term liabilities	-	(32,777)	-	(32,777)	(35,392)
Gain on disposal of investment	-	1,329	-	1,329	17,518
Total consideration	-	40,094	-	40,094	48,408
Cash of subsidiary which ceased to be consolidated	-	(1,054)	-	(1,054)	(4,213)
Change in capital reserves	-	(1,447)	-	(1,447)	(1,395)
Other receivables from disposal of investments	-	-	-	-	1,440
Cash flows from disposal, net of cash disposed	-	37,593	-	37,593	44,240

CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

	Six months ended June 30,		Three months ended June 30,		Year ended December 31, 2006
	2007	2006	2007	2006	
	€'000	€'000	€'000	€'000	€'000
C. Increase in cash due to reorganization in proportionately consolidated companies					
Cash	-	(16,202)	-	(16,202)	(16,202)
Working capital (excluding cash)	-	(9,916)	-	(9,916)	(9,916)
Non-current assets	-	10,861	-	10,861	10,861
Goodwill on acquisition	-	(13,058)	-	(13,058)	(13,058)
Minority interests	-	(8,030)	-	(8,030)	(8,030)
Long-term liabilities	-	(17,985)	-	(17,985)	(17,985)
Total purchase price	-	(54,330)	-	(54,330)	(54,330)
Less – cash in subsidiaries	-	16,202	-	16,202	16,202
Payable on account of investment	-	55,473	-	55,473	55,473
Elimination of long term payable	-	3,271	-	3,271	3,271
	-	20,616	-	20,616	20,616
D. Increase in cash due to transaction in the financial services segment					
Cash	84,328	-	84,328	-	-
Working capital (excluding cash)	100,483	-	100,483	-	-
Non-current assets	(157,999)	-	(157,999)	-	-
Goodwill on acquisition	(27,152)	-	(27,152)	-	-
Minority interests	13,829	-	13,829	-	-
Long-term liabilities	70,250	-	70,250	-	-
Total consideration	83,739	-	83,739	-	-
Change in cash	(84,328)	-	(84,328)	-	-
Change in capital reserves	(1,510)	-	(1,510)	-	-
Gain on disposal	19,712	-	19,712	-	-
Cash flows from disposal, net of cash disposed	17,613	-	17,613	-	-
E. Significant non-cash transactions					
Investment in real estate under construction	21,144	12,077	9,614	9,551	17,270
Acquisition of land against long-term payable	-	-	-	-	1,350
Exercise of options into Company's shares	13,656	7,180	7,648	3,839	7,763
Receivables on sale of land	-	-	-	-	1,898
Dividend declared	9,408	-	9,408	-	-

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
June 30, 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 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 August 30, 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 June 30, 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.*

IFRIC 12 has been adopted by the Company in 2006. The other 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 six month period ended on June 30, 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 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.

In addition, IAS 23 (Revised) “Borrowing Costs” is applicable for the financial years starting on January 1, 2009. According to IAS 23 (Revised) an entity must capitalize borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. The possibility to recognize such costs as an expense in the period in which they are incurred has been cancelled.
The Company estimates that IAS 23 (Revised) will not have a significant impact on its financial position, results and cash flows as the Company’s policy is to capitalize borrowing costs to qualifying assets.

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.

For comparative figures, the presentation currency has also been changed. A change in presentation currency basically requires retrospective recalculation of the Currency Translation Adjustment, unless deemed impractical. The comparable results and financial position of the company were therefore translated from USD into Euro using the following procedures:

A. Assets, liabilities and minority interests for each balance sheet presented were translated at the closing rate at the date of that balance sheet.

B. 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.
C. 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.
D. 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:

	USD	**NIS**	**CPI**
June 30, 2007	1.344	5.7132	186.7
June 30, 2006	1.271	5.6435	187.9
December 31, 2006	1.317	5.5643	184.9
Change in the period:			
June 30, 2007 (6 months)	2.0%	2.7%	1,0%
June 30, 2007 (3 months)	0.1%	3.2%	1.2%
June 30, 2006 (6 months)	7.8%	3.6%	1.5%
June 30, 2006 (3 months)	4.5%	(0.3)%	1.0%
Change in 2006 (12 months)	11.6%	2.2%	(0.1)%

3. Segment information

	Financial Services - Banking & lending €'000	Financial Services - Insurance & Pension €'000	Real Estate €'000	Infrastructure €'000	Automotive & Consumer goods €'000	Communication & Technologies €'000	Other €'000	Adjustment (2) €'000	Total (1) €'000
For the six months ended June 30, 2007									
Segment Revenues	32,845	45,130	137,591	34,911	15,950	(633)	9,584	16,444	291,822
Segment Results	6,472	18,583	113,874	1,920	5,771	(2,029)	7,871		153,972
Unallocated expenses									(6,157)
Profit from operations									147,815
For the three months ended June 30, 2007									
Segment Revenues	23,661	31,084	105,380	19,422	7,448	(241)	9,059	8,339	204,152
Segment Results	5,556	19,731	96,977	1,810	3,126	(1,411)	7,698		133,487
Unallocated expenses									(4,358)
Profit from operations									129,129
For the six months ended June 30, 2006									
Segment Revenues	8,414	41,303	206,088	31,008	884	9,522	907	15,493	313,619
Segment Results	1,733	(391)	168,008	1,810	650	2,135	(249)		173,696
Unallocated expenses									(3,714)
Profit from operations									169,982
For the three months ended June 30, 2006									
Segment Revenues	4,233	21,015	58,663	17,847	689	3,543	462	11,330	117,782
Segment Results	766	1,009	37,338	1,224	562	110	43		41,052
Unallocated expenses									(1,865)
Profit from operations									39,187

	Financial Services - Banking & lending €'000	**Financial Services - Insurance & Pension** €'000	**Real Estate** €'000	**Infrastructure** €'000	**Automotive & Consumer goods** €'000	**Communication & Technologies** €'000	**Other** €'000	**Adjustment** €'000	**Total (1)** €'000
Segment Revenues	25,027	78,496	358,241	64,537	21,973	7,920	4,565	27,283	588,042
Segment Results	(624)	6,035	284,928	2,602	5,134	6,446	2,537		307,058
Unallocated expenses									(5,646)
Profit from operations									301,412

(1) Profit before taxes and finance expenses
(2) Finance income

(*) Following the completion of the transaction described in note 5A, the Company is presenting its financial services – banking and retail lending separate from financial services – insurance and pension

4. Share capital

A. Composition

	June 30, 2007		December 31, 2006	
	Authorized	Issued and Paid-in	Authorized	Issued and Paid-in
	Number of shares		Number of shares	
Ordinary shares with nominal value of EUR 0.20 each	225,000,000	80,871,183	225,000,000	79,658,263

B. Changes in share capital:

(1) During the six months period ended on June 30, 2007 the Company has issued 1,212,920 ordinary shares as a result of the exercise of 1,499,940 options (route 1). As a result, the shareholders' equity of the Company has increased with EUR 13,899 thousand. Following this exercise, the outstanding balance of the options (route 1) amounts to 1,919,923.

(2) In June 2007 the Company has declared dividend of approximately USD 0.15 (approximately EUR 0.11) per each ordinary share, totalling to USD 12.5 million (approximately EUR 9.4 million). The dividend was paid in July 2007.

5. Business combinations

A. In April 2007, the Company has completed a transaction in the financial services segment following agreements signed in August 2006. The transaction relates to the Company's and Wiener Stadtische Versicherurg AG ('WS') holdings in Kardan Financial Services B.V. ('KFS'), in TBIH Financial Services Group N.V. ('TBIH') and in TBIF Financial Services B.V. ('TBIF'). Following the completion of the transaction the Company's interest in KFS has increased from 55.12% to 92.3%.

The net effect of the transaction in terms of Kardan's holdings was an indirect increase in TBIF, which operates in the fields of banking, retail lending, leasing, mortgages and asset management in Central Eastern Europe, from 49% to 80%. Concurrently, the Company's indirect interest in its insurance and pension activities through TBIH has decreased from 55% to 36%.

Following the completion of the transaction the Company recognized a gain of approximately EUR 19.7 million (of which EUR 1.5 million as a result of release of capital reserves) as a result of the indirect decrease in its interest in TBIH.

From the date of completion of the transaction the Company is consolidating the financial statements of TBIF (which were previously proportionately consolidated). The transaction was accounted for in accordance with IFRS 3.

The price for the indirect acquisition of TBIF's shares amounted to approximately EUR 68 million. The Company has temporarily allocated the excess of purchase price over the book value of the net assets of TBIF primarily to goodwill.

The effect of the change from proportionate consolidation (approximately 55%) to full consolidation of TBIF on the financial statements of the Company is presented in C below.

The effect of the decrease in proportionate consolidation of TBIH from 55% to 36% on the financial statements of the Company is presented in D below.

B. Within the framework of the abovementioned reorganization, KFS has acquired employee options which were granted to certain key employees in TBIH in exchange for shares in KFS and cash payment.

Following the acquisition the key employees, managers and other minority shareholders have a 10.4% interest in KFS.

The Company has granted to the key employees, managers and other minority shareholders in KFS PUT options to sell their shares in KFS to the Company according to the fair value of the shares at the date of sale. The PUT options are exercisable during a period of several years as stipulated in the agreement. Some of the PUT options include a minimum price.

The Company has accounted for the PUT options granted to the minority shareholders according to IAS 39 and IAS 32. The PUT options are included in the long-term liabilities of the Company according to their fair values and the Company accounts for 100% interest in KFS.

The fair value of the liability at the date of the transaction amounted to approximately EUR 23 million. The difference between the fair value of the liability and the book value of the minority interests in KFS amounted to approximately EUR 10 million and was recorded as goodwill.

C. Following is the effect of the indirect increase in the Company's interest in TBIF on its financial statements at the date of acquisition:

	€ '000
Cash and cash equivalents	37,504
Loans to bank customers	94,155
Long-term receivables	86,011
Other current assets	49,584
Other non-current assets	39,519
Long-term loans and borrowings	(109,229)
Banking customers accounts	(115,190)
Other liabilities	(41,422)
Net assets	40,932
Excess of purchase price	27,152
Total purchase price	68,084

As of the date of the transaction, TBIF has contributed EUR 1,760 thousand to the net consolidated profit of the Company. If the transaction would have taken place in the beginning of 2007, the net consolidated profit of the Company would amount to EUR 88,234 thousand and total revenues to EUR 297,628 thousand.

D. Following is the effect of the indirect decrease in the Company's interest in TBIH on its financial statements at the date of the transaction:

	€ '000
Cash and cash equivalents	(4,093)
Receivables of insurance activities	(10,283)
Other current assets	(10,457)
Other non-current assets	(26,498)
Long-term loans and borrowings	3,620
Insurance provisions	25,463
Other liabilities	2,376

E. In June 2007 TBIH has completed the acquisition of a 58.2% stake in Ray Sigorta A.Ş. ('Ray Sigorta'), a Turkish insurance company, listed on the Istanbul Stock Exchange, for a consideration of approximately EUR 62 million. According to the agreement, during 2010 and 2011 the minority shareholder in Ray Sigorta will have the option to sell its remaining 20% holding in Ray Sigorta to TBIH in consideration for the current purchase price plus interest. In addition, TBIH agreed to increase the capital of Ray Sigorta in the amounts necessary to meet the applicable regulatory requirements, which are estimated to range between EUR 13 million and EUR 23 million. According to regulatory requirements, TBIH has made a tender offer to the holders of the remaining 21.8% of Ray Sigorta shares to acquire these shares. TBIH has recorded the PUT option granted to the minority shareholders and its commitment to make a tender offer to the public as a liability. TBIH's investment in Ray Sigorta was therefore recorded for 100% , without accounting for minority interests.

The excess of purchase price over the net assets of Ray Sigorta amounted to approximately EUR 39 million and was temporarily allocated to goodwill.

The book value of the assets of Ray Sigorta at the date of acquisition are as follows:

	€ '000
Receivables of insurance activities	36,971
Other current assets	10,882
Other non-current assets	5,830
Insurance provisions	(46,358)
Other liabilities	(4,026)
Net assets	3,299
Excess of purchase price	38,824
Total purchase price	42,123

In August 2007 approximately 16% of the shareholders of Ray Sigorta responded to the tender offer, and TBIH has paid approximately EUR 17 million. Accordingly its interest in Ray Sigorta has increased to approximately 74%.

If the transaction would have taken place in the beginning of 2007, the net consolidated profit of the Company would amount to EUR 87,234 thousand and total revenues to EUR 323,114 thousand.

6. Significant transactions and commitments

Real Estate

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 starting January 2008.

In June 2007 the debentures were listed for trade on the Tel Aviv Stock Exchange.

According to the terms of the debentures, GTC RE paid to the holders of the debentures additional interest until the date of listing at a rate of 0.1685%.

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 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.

D. 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.

E. In June 2007 a subsidiary of GTC S.A. has completed the construction of Avenue Mall in Zagreb. The opening of Avenue Mall is planned for August 2007. As a result the Company included a revaluation gain of approximately EUR 90.4 million. The value of Avenue Mall according to the independent appraiser report amounts to EUR 163.2 million, and is included in these financial statements. The Company's share (after taxes and minority interests) amounts to approximately EUR 13.7 million. Events D and E substantially explain the fair value adjustment for the period.

F. In April 2007, GTC S.A. has completed PLN 800 million (approximately EUR 212 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.

Financial Services

A. 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 transaction was completed in August 2007.

B. 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. In July 2007 a revised agreement was signed, according to which TBIH will acquire 75% of the shares of Sigma in consideration for approximately EUR 16 million. The agreement includes an option granted to the minority shareholders in Sigma to sell their remaining holdings during the next four years. The final agreement and the closing of the transaction are subject to the receipt of certain regulatory approvals and the completion of due diligence.

Infrastructure

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.

Kardan Israel

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 has realized a gain of approximately EUR 2.7 million.

Debentures

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.

In June 2007 the debentures were listed for trade on the Tel Aviv Stock Exchange.

According to the terms of the debentures, GTC RE paid to the holders of the debentures additional interest until the date of listing at a rate of 0.2214%.

Hedge transactions

Following the issuance of the debentures, the Company and GTC RE have entered into several swap transactions with banks according to which the Company and GTC RE have 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% - 5.94% per annum.

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

- The loans are 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 (liability of EUR 3.7 million as at June 30, 2007) is recorded in the balance sheet with entries for the effective part of the hedge to a separate component of equity (a gain of EUR 5.5 million) 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.

7. Subsequent events

A. Subsequent to the balance sheet date, in July 2007, the Company has issued additional NIS 350 million par value debentures. The proceeds from the issue amounted to NIS 357 million (approximately EUR 60.8 million). The debentures have the same terms as the debentures issued in February 2007. In August 2007 the Company has entered into a swap transaction having similar features as described above, bearing a fixed interest rate of 5.64% per annum.

B. Subsequent to the balance sheet date, in July 2007, GTC RE, through its subsidiary GTC China, has acquired, in a 75%/25% partnership with its local partner Lucky Hope, the ownership of the 20,000 sq.m. new development site through an auction. On the site, GTC China plans to develop a 40,000 sq.m. shopping mall over the next 3 years. The consideration for the land is approximately EUR 26 million. The total investment in the project is estimated at approximately EUR 57 million.

C. Subsequent to the balance sheet date, in July 2007, the Supervisory Board of the Company has approved acquisition of shares and convertible debentures of GTC RE up to EUR 20 million. Following the decision the Company has acquired, on the market, additional 1,231,841 shares of GTC RE in consideration of EUR 13.9 million. The goodwill resulted from the purchase amounted to approximately EUR 11 million. In addition, NIS 4,222,679 par value convertible debentures of GTC RE were purchased in consideration of approximately EUR 3.1 million. As a result the Company's direct and indirect interest in GTC RE has increased to 61.6%.