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AMSTERDAM, THE NETHERLANDS

Condensed Interim Consolidated Financial Statements

As of September 30, 2010

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CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

A s s e t s

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

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

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

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

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

CONDENSED INTERIM CONSOLIDATED INCOME STATEMENT

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

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CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

- (1) Foreign currency translation differences for the nine months period ended September 30, 2010 include the release of €1 million to profit and loss due to the first time consolidation of a previously held joint venture, refer to Note 6A and 6F.
- (2) The tax amount included in the change in hedge reserves is as follows: €1.2 million for the year ended December 31, 2009; €5.4 million and €1.2 million for the nine and three months periods ended September 30, 2010, respectively; and €1.6 million and less than €1 million for the nine and three months period ended September 30, 2009, respectively.
- (3) Net of tax amounting to less than €1 million in all presented periods.

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

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CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

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

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

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CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

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

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

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CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

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

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

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CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

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

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

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

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CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

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

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

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

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CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT

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

(*) Reclassified according to IAS 7

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

CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT (CONT.)

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

(*) Reclassified according to IAS 7

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

CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

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

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

CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

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

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

CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

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

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

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

1. Corporate information

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

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

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

2. Basis of presentation and preparation

A. Basis of preparation

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

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

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

B. Changes in accounting policies

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

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

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

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

IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items

The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situations.

The Company believes that the new interpretation will not have a material impact on its financial statements, as the Group has not entered into any such hedges.

IFRIC 17 Distribution of Non-cash Assets to Owners

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

Improvements to IFRSs (issued May 2008)

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

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

Improvements to IFRSs (issued April 2009)

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

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

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

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

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

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

IFRS 9 Financial Instruments

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

IAS 24 Related Party Disclosures (Revised)

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

IAS 32 Financial Instruments: Presentation – Classification of Rights Issues

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

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

IFRIC 14 – Prepayments of a Minimum Funding Requirement

The practical implication of IFRIC 14 has revealed some unintended and counterintuitive results in case of prepayments of future minimum funding requirements. As a result the IASB issued a limited amendment to fix this problem. The amendment allows the recognition of the prepayment as an asset and then to apply the normal IFRIC 14 rules as if no prepayment had been made.

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

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

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

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

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

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

Improvements to IFRSs (Issued May 2010)

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

IAS 1 - Presentation of Financial Statements

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

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

IFRS 3 (Revised) - Business Combinations

Measurement of non-controlling interests:

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

Share-based payment awards in a business combination:

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

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

IFRS 7 - Financial Instruments: Disclosure

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

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

IAS 34 - Interim Financial Reporting

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

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

Transitional provisions

There are separate transitional provisions for each standard:

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

C. Reclassifications

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

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

D. Foreign currency translation

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

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

3. Segment information

A. Segments revenue:

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

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

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

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

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

B. Segments results and reconciliation to net result

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

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

4. Share capital

A. Composition

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

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

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

5. Investment properties

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

A. Investment properties can be split up as follows:

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

B. Fair value adjustments comprise:

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

C. Significant assumptions

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

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

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

6. Significant transactions, business combinations and commitments

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

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

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

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

As a result of the transaction, the Company recognized a net loss amounting to €6 million, including the release of the accumulated foreign currency translation reserve in the amount of €2 million relating to the investment in VAB Bank. The loss is included in 'Gain (loss) on disposal of assets and other income'.

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

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

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

In the period from March 31 till September 30, 2010, the full consolidation of the bank contributed additional revenues amounting to €(1), and additional net loss of to €(9).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

a) Increase total assets by €27 million

b) Increase interest bearing loans and borrowings by €32 million

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

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

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

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

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

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

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

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

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

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

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

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

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

In accordance with the requirements of IAS27 TBIF revaluated the investment in the Bank to its fair value, estimated at €15 million for the 50% stake. The transaction resulted in goodwill in the amount of €68 million which reflects the excess of the fair value of the investment over the carrying amount. The excess value was allocated to goodwill on a provisional basis pending final purchase price allocation.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- J. In May 2010, GTC SA (which is included in the Group's real estate segment) signed a letter of intent with an international investor for sale of Topaz and Nefryt office buildings in Warsaw. The transaction is subject to due diligence and approval of statutory organs. As of September 30, 2010 the two buildings are presented as "Assets held for sale" and comprise the majority of "Assets held for sale" in these condensed consolidated financial statements. The related loans and hedges are presented within current liabilities. An expense of €4 million representing the hedge related to the assets held for sale was recycled from equity and recognized as expense in the period (including the release of capital reserves that were included in OCI). Subsequent to the balance sheet date, in October 2010, GTC SA finalized the sale transaction. The transaction resulted in an inflow of €22 million.
- K. In June 2010 Kardan Communications (which is included in the Group's "others" segment) has completed a transaction to sell its 45% interest in Teledata Networks Ltd. ('Teledata') to Enablence Technologies Ltd. ('Enablence'), a Canadian listed company. Kardan Communications and the other major shareholders in Teledata sold their shares in Teledata to Enablence in total consideration of USD 50 million (approximately €40 million) paid in cash, non-tradable bonds and listed shares of Enablence. The total consideration to Kardan Communications amounted to USD 13 million (approximately €1 million). Following the completion of the transaction the Company recorded a gain amounting to €6 million which was included in 'Gain (loss) on disposal of assets and other income' in the income statement
- L. Cease of joint control of the investment and subsequent agreement to sell TBIH (the holding company of the Group's insurance and pension segment)

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

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

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

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

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

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

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

As of September 30, 2010 the investment in TBIH amounts to €27.2 million (including the value of the put option). As a result of the abovementioned agreements the Company recognized a net gain of approximately €24 million (including the revaluation of the put option, recognition of deferred gain and release of related goodwill and capital reserves), the gain is included in "Gain (loss) on disposal of assets and other income".

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

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

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

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

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

- (a) USD 250 million increased by 5% annually (subject to certain adjustments, as detailed in the Agreement) or;
- (b) In case of an exit event such as an IPO, merger or loss of control at a 25% discount from the valuation of Tahal at such exit event date.

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

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

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

O. In August 2010, the Board of Kardan Israel approved, pending the required allocation approval of the Audit Committee, a share option plan for Kardan Israel's executives and employees. According to the plan 1.5 million options exercisable to up to 1.5 million ordinary shares of Kardan Israel of NIS 1 par

value each during the five years from the date of issuance, The exercised shares will constitute 1.82% of Kardan Israel's issued and paid share capital (about 1.76% on fully diluted basis). From the assigned amount of options, 215,000 options were granted after the balance sheet date to interested parties and relatives of holders of control of Kardan Israel and 360,000 options were granted senior officers.

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

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

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

- P. In August 2010, Kardan Israel purchased 1,248,700 par value shares Dan Vehicle & Transportation D.R.T Ltd. (AVIS) shares in the amount of €8 million and increased its direct stake from 5.8% to stake of 13.8% directly. The total direct and indirect stake of Kardan Israel in AVIS is 40.9%. After the balance sheet date Kardan Israel acquired additional 37,769 shares of AVIS in consideration of €0.2 million. Following the additional purchase Kardan Israel holds 14% in AVIS
- Q. On 16 September, 2010, an agreement for the sale of Hydro Caisan (which is included in the group's Infrastructure assets sub segment) was signed for a consideration of €2.5 million for the sale of the shares and shareholders loan. The profit which amounted to €2.5 million was included in "Gain (loss) on disposal of assets and other income" in the income statement.
- R. In September 2010, VAB Bank repaid loans with a carrying amount of €20 million prior to the date of their contractual maturity in exchange for €1 million. Due to the early repayment, the liability was settled at a discount and accordingly a gain of €9 million was recognized.

7. Subsequent events

- A. In October 2010, Kardan N.V. acquired additional stakes (0.83%) from a non controlling shareholder of KFS bringing its stake to 99.9% in consideration of €2 million.
- B. In connection to the auction to purchase a land in Dalian in consideration of RMB 870 million (approximately €100 million) a subsidiary of GTC China (which is included in the Group's real estate segment) won in December 2008, subsequent to the balance sheet date, the subsidiary has signed an agreement to purchase the said land. The land will be developed into a mixed residential – commercial project.

To the management and shareholders of Kardan N.V.

Review report

Introduction

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

Scope

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

Opinion

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

Amsterdam, November 30, 2010

Ernst & Young Accountants LLP

Signed by: W. C. Van Hoeven

ADDITIONAL INFORMATION

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

KARDAN N.V.

Presentation of separate financial data included annexed to the

Consolidated financial statements related to the company

As of September 30, 2010

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

September 30, 2010

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

ADDITIONAL INFORMATION FROM THE COMPANY'S INCOME STATEMENT

Period ended September 30, 2010

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

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

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

ADDITIONAL INFORMATION FROM THE COMPANY'S CASH FLOW STATEMENT

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

Significant non-cash transactions:

Conversion of loans to shares of a subsidiary	<u>41</u>	<u>-</u>	<u>41</u>	<u>-</u>	<u>-</u>
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1. General

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

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

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

2. Additional Information

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

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