KARDAN N.V.
AMSTERDAM, THE NETHERLANDS

Financial Statements (non-statutory)

For the year ended December 31, 2010

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
Assets

	Note	**December 31, 2010**	December 31, 2009
		€ in millions	
Non-current assets			
Tangible fixed assets	6	105	109
Rental vehicles	7	245	201
Investment properties	8	2,344	2,156
Investments in associates	9	157	146
Other financial assets		26	14
Loans to bank customers	10	96	189
Long-term loans and receivables	11	171	258
Deferred acquisition costs (insurance companies)	12	-	7
Derivatives	46	120	48
Intangible assets and goodwill	13	184	257
Long term inventory	14	231	160
Deferred income tax assets	44	22	24
		3,701	3,569
Current assets			
Inventories, contract work and buildings inventory in progress	14	384	308
Derivatives	46	2	1
Current maturities of long-term loans and receivables	11	159	195
Loans to bank customers	10	159	358
Trade receivables	15	111	96
Income tax receivable		6	6
Insurance premium receivables	16	-	27
Other receivables and prepayments	17	140	168
Reinsurance assets	18	-	26
Short-term investments	19	254	388
Cash and cash equivalents	20	498	474
		1,713	2,047
Assets held for sale	5	585	17
Total current assets		2,298	2,064
Total assets		5,999	5,633

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

Equity and liabilities

	Note	**December 31, 2010**	December 31, 2009
		€ in millions	
Equity attributable to equity holders of the parent			
Issued and paid-in capital	21	23	23
Share premium		235	235
Foreign currency translation reserve		9	(52)
Property revaluation reserve		114	93
Revaluation reserve, other		-	(14)
Non controlling interest holders transactions reserve		(1)	-
Treasury shares		(27)	(21)
Retained earnings (accumulated deficit)		(19)	29
		334	293
Non controlling interests		733	695
Total equity		1,067	988
Non-current liabilities			
Interest-bearing loans and borrowings	23	1,582	1,698
Banking customers accounts	24	76	144
Derivatives	46	55	64
Other long-term liabilities	25	26	19
Options and warrants	26	29	28
Convertible debentures	27	15	-
Other debentures	28	1,016	866
Insurance provisions	29	-	71
Deferred income tax liabilities	44	182	153
Accrued severance pay, net		2	2
		2,983	3,045
Current liabilities			
Advances from customers in respect of contracts	14	17	23
Banking customers accounts	24	302	483
Trade payables	30	120	125
Interest-bearing loans and borrowings	31	509	640
Income tax payables		8	9
Advances from apartment buyers	14	158	88
Derivatives	46	16	18
Other payables and accrued expenses	32	232	191
		1,362	1,577
Liabilities associated with assets held for sale	5	587	23
Total current liabilities		1,949	1,600
Total liabilities		4,932	4,645
Total equity and liabilities		5,999	5,633

The accompanying Notes are an integral part of these financial statements

CONSOLIDATED INCOME STATEMENT

		For the year ended December 31,		
		2010	2009	2008
	Note	€ in millions		
Sale of goods	35	109	145	91
Contract revenues		203	173	149
Retail lending activities	36	35	40	45
Property rental and service recharge revenues		134	105	80
Revenues from renting vehicles		113	108	-
Revenues from sale of rental vehicles		71	58	-
Services and management fees		2	2	3
Total revenues		667	631	368
Cost of goods sold	37	96	114	70
Contract costs		162	138	126
Costs of retail lending activities	38	47	41	43
Costs of property rental operations		32	24	20
Cost of renting vehicles		83	78	-
Cost of sale of rental vehicles		65	54	-
Other expenses, net	39	9	24	1
Total expenses		494	473	260
Gross margin		173	158	108
Selling and marketing expenses	40	32	24	20
General and administration expenses	41	78	62	27
Profit from operations before fair value adjustments, disposal of assets and financial expenses		63	72	61
Adjustment to fair value (impairment) of investment properties	8	73	(179)	196
Impairment losses on goodwill		(28)	(1)	(32)
Gain on issuance of shares in associated companies and subsidiaries to third parties		-	1	2
Gain on disposal of assets and other income	42	16	12	86
Profit (loss) from fair value adjustments and on disposal of assets and investments		61	(167)	252
Profit (loss) from operations before finance expenses and income taxes		124	(95)	313
Other financial income	43	26	52	116
Other financial expenses	43	(178)	(171)	(183)
Adjustment to fair value of other financial instruments		3	3	58
Total financial expenses, net		(149)	(116)	(9)
Profit (loss) from operations		(25)	(211)	304
Share of profit of associates accounted for using the equity method	9	13	7	4
Profit (loss) before income taxes		(12)	(204)	308
Income tax expenses (benefit)	44	25	(24)	82
Profit (loss) for the period from continuing operations		(37)	(180)	226
Net profit (loss) from discontinued operations	5	8	4	(51)
Net profit (loss) for the period		(29)	(176)	175
Attributable to:				
Equity holders		(27)	(92)	52
Non-controlling interest holders		(2)	(84)	123
		(29)	(176)	175
Earnings (loss) per share attributable to shareholders	45			
Basic from continuing operations		(0.34)	(0.96)	1.26
Basic from discontinued operations		0.07	0.05	(0.63)
		(0.27)	(0.91)	0.63
Diluted from continuing operations		(0.34)	(0.97)	0.89
Diluted from discontinued operations		0.07	0.05	(0.61)
		(0.27)	(0.92)	0.28

The accompanying Notes are an integral part of these financial consolidated

STATEMENT OF COMPREHENSIVE INCOME (EXPENSE)

	For the year ended December 31,		
	2010	2009	2008
		€ in millions	
Result for the period	(29)	(176)	175
Foreign currency translation differences (1)	73	(12)	(12)
Change in hedge reserve, net of tax (2)	11	21	(65)
Unrealized revaluations, net of tax (3)	1	(1)	-
Other comprehensive income (expense) for the period (4)	85	8	(77)
Total comprehensive income (expense)	56	(168)	98
Attributable to:			
Equity holders	48	(80)	4
Non controlling interests	8	(88)	94
	56	(168)	98

(1) Foreign currency translation differences for the year ended December 31, 2010 include release of €31 million to the income statement, refer to Note 5.

(2) Presented net of tax which amounted to €3, €1.2 and €7.7 million for the years ended December 31, 2010, 2009 and 2008, respectively.

(3) The tax effect amounted to less than €1 million in all presented periods.

(4) Other comprehensive income (expenses) include the following amounts resulting from associates: for the years ended on December 31, 2010, 2009 and 2008 - €(1), €(2.1) and €(8.8) million, respectively.

The accompanying Notes are an integral part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent									
	Issued and paid-in capital	Share premium	Property revaluation reserve (*)	Revaluation reserve, other (*)	Foreign currency translation Reserve(*)	Treasury Shares (**)	Retained Earnings (**)	Total	Non-controlling interest	Total equity
	€ in millions									
Balance as of January 1, 2008	17	176	109	(5)	(25)	-	71	343	730	1,073
Other comprehensive income (loss)	-	-	-	(30)	(18)	-	-	(48)	(29)	(77)
Net result for the period	-	-	-	-	-	-	52	52	123	175
Comprehensive income /loss	-	-	-	(30)	(18)	-	52	4	94	98
Issuance Company's shares to non controlling shareholders	6	51	-	-	-	(21)	-	36	(112)	(76)
Share-based payment	-	1	-	-	-	-	-	1	4	5
Exercise of warrants and options	-	2	-	-	-	-	-	2	-	2
Shares purchased in consolidated and newly consolidated subsidiaries	-	-	-	-	-	-	-	-	29	29
Dividend distributed	-	-	-	-	-	-	(18)	(18)	-	(18)
Dividend paid to non controlling shareholders	-	-	-	-	-	-	-	-	(1)	(1)
Reclassification according to the Netherlands Civil Code requirements (*)	-	-	31	-	-	-	(31)	-	-	-
Balance as of December 31, 2008	23	230	140	(35)	(43)	(21)	74	368	744	1,112

(*) 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.

The accompanying Notes are an integral part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Attributable to equity holders of the parent									
	Issued and paid-in capital	Share premium	Property revaluation reserve (*)	Revaluation reserve, other (*)	Foreign currency translation reserve (*)	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)	-	-	-	21	(9)	-	-	12	(4)	8
Net result for the period	-	-	-	-	-	-	(92)	(92)	(84)	(176)
Comprehensive income /expense for the	-	-	-	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.

The accompanying Notes are an integral part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Attributable to equity holders of the parent										
	Issued and paid-in capital	Share premium	Property revaluation reserve (*)	Revaluation reserve, other (*)	Foreign currency translation Reserve(*)	Non controlling interest holders transactions reserve	Treasury Shares	Retained Earnings	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)	-	-	-	14	61	-	-	-	75	10	85
Net result for the period	-	-	-	-	-	-	-	(27)	(27)	(2)	(29)
Total comprehensive income /loss	-	-	-	14	61	-	-	(27)	48	8	56
Share-based payment	-	-	-	-	-	-	-	-	-	10	10
Issuance of shares to non-controlling interest holders	-	-	-	-	-	1	-	-	1	22	23
Shares purchased in consolidated and newly consolidated subsidiaries	-	-	-	-	-	-	-	-	-	29	29
Deconsolidation of a subsidiary (Note 5C)	-	-	-	-	-	-	-	-	-	(31)	(31)
Deconsolidation of proportionally consolidated group companies (Note 5C)	-	-	-	-	-	-	-	-	-	(2)	(2)
Other transactions with non-controlling shareholders (Note 5C)	-	-	-	-	-	(2)	-	-	(2)	4	2
Dividend paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	(2)	(2)
Purchase of treasury shares	-	-	-	-	-	-	(6)	-	(6)	-	(6)
Reclassification according to the Netherlands civil code requirements (*)	-	-	21	-	-	-	-	(21)	-	-	-
Balance as of December 31, 2010	23	235	114	-	9	(1)	(27)	(19)	334	733	1,067

(*) 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.

The accompanying Notes are an integral part of these financial statements

CONSOLIDATED CASH FLOW STATEMENT

For the year ended December 31

	2010	2009	2008
		€ in millions	
Cash flow from operating activities			
Net profit (loss) from continuing operations before taxes on income	(12)	(204)	308
Profit (loss) from discontinued operations before taxes on income	2	2	(52)
Adjustments required to present cash flow from operating activities (**see A below**)	8	253	(448)
Net cash provided by (used in) operating activities	(2)	51	(192)
Cash flow from investing activities			
Acquisition of tangible fixed assets and investment properties	(196)	(313)	(422)
Investments in companies and partnerships	(14)	(27)	(45)
Collecting (granting) of loans to associated companies, net	5	(9)	(2)
Proceeds from sale of assets and investments	237	16	6
Granting of long-term loans and receivables	(1)	(141)	(502)
Change in loans to bank customers	(124)	(175)	(48)
Collecting of long-term loans and receivables	36	318	341
Change in short-term investments	12	(256)	(3)
Acquisition of newly consolidated subsidiaries, net of cash acquired (**see B below**) (**see Note 5C**)	(3)	3	(30)
Disposal of formerly consolidated subsidiaries, net of cash disposed (**see C below**)	69	24	7
Change from proportional consolidation to full consolidation (**see D below**) (**see Note 5C**)	28	-	-
Change from proportional consolidation to equity method (**see Note 5C**)	(30)	- -	-
Change in deferred brokerage fees	(1)	(2)	(2)
Change in other assets	(34)	(6)	(1)
Net cash used in investing activities	(16)	(568)	(701)

CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

For the year ended December 31

	2010	2009	2008
	€ in millions		
Cash flows from financing activities			
Dividend paid to non-controlling interests	(2)	(1)	-
Proceeds from issuance of shares in subsidiaries to third parties	23	5	5
Dividend distributed	-	-	(18)
Issuance of debentures	70	22	103
Repayment of debentures	(83)	(92)	(77)
Change in loans from bank customers	275	95	(44)
Change in deposits from tenants	-	1	1
Proceeds from long-term loans	464	886	921
Repayment of long-term loans	(448)	(585)	(384)
Change in short-term loans and borrowings, net	(184)	178	25
Purchase of treasury shares	(6)	-	-
Sale of hedge instruments	29	-	-
Acquisition of non controlling interests	(13)	(76)	-
Proceeds from sale of investments to non controlling interest holders	-	44	-
Cost related to issuance of debt and shares	(5)	(5)	(3)
Net cash provided by financing activities	120	472	529
Foreign exchange differences relating to cash and cash equivalents	18	(23)	17
Increase (decrease) in cash and cash equivalents	120	(68)	(347)
Decrease of cash of assets held for sale (refer to note 5D)	(96)	2	(6)
Cash and cash equivalents at the beginning of the period	474	540	893
Cash and cash equivalents at the end of the period	498	474	540

CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

For the year ended December 31

	2010	2009	2008
	€ in millions		
A. Adjustments to reconcile net profit before tax 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	(13)	(7)	(3)
Dividend from associated companies	9	6	9
Gain on issuance and sale of shares in associated companies and subsidiaries to third parties, net	(9)	(5)	(2)
Gain from release of negative goodwill		(5)	(78)
Impairment of goodwill	28	1	83
Loss (gain) on disposal of assets and investments, net	(85)	2	(27)
Share-based payment	14	6	5
Depreciation and amortization	66	74	16
Fair value adjustments of investment properties	(73)	179	(196)
Financial expense (income) and exchange differences, net	94	99	33
Change in fair value of options and share appreciation rights	11	(14)	(94)
Decrease (increase) in fair value of securities held for trading, and hedge instruments, net	3	(20)	43
Increase in provision for bad debts in the financial services segment	118	116	45
Gain (loss) from early repayment of loans	(9)		(15)
Impairment of assets	3	19	-
Changes in operating assets and liabilities:			
Change in insurance provisions and deferred acquisition costs, net	5		7
Change in outstanding insurance premiums, reinsurance receivables and insurance companies		(1)	(11)
Change in trade and other receivables	(271)	(42)	(47)
Change in inventories and in contract work in progress, net of advances from customers	(59)	(2)	(152)
Change in trade and other payables	262	(99)	(116)
Acquisition of rental vehicles	(121)	(79)	-
Proceeds from sale of rental vehicles	65	54	-
Interest paid	(286)	(246)	(175)
Interest received	279	230	232
Income taxes paid	(23)	(13)	(5)
Total adjustments to reconcile net profit (loss)	**8**	**253**	**(448)**

CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

For the year ended December 31

	2010	2009	2008
		€ in millions	
B. Acquisition of newly consolidated subsidiaries, net of cash acquired			
Cash	-	1	-
Working capital (excluding cash)	1	73	19
Non-current assets	(5)	(279)	(104)
Goodwill on acquisition	(1)	(1)	(38)
Gain on disposal of investment	-	-	3
Non controlling interests	-	20	-
Long-term liabilities	1	192	-
Capital reserve	-	(2)	-
Total purchase price	(4)	4	(120)
Less – cash in subsidiaries acquired	-	(1)	-
Payable on account of investment	1	-	90
Cash used in acquisition, net of cash acquired	**(3)**	**3**	**(30)**
C. Disposal of formerly consolidated subsidiaries, net of cash disposed			
Cash	22	29	-
Working capital (excluding cash)	135	30	(30)
Non-current assets	253	10	21
Investment properties	-	9	-
Goodwill	(40)	16	19
Non controlling interests	(31)	(7)	-
Long-term liabilities	(307)	(49)	(3)
Gain on disposal of investment	59	19	-
Total consideration	91	57	7
Cash of subsidiary which ceased to be consolidated	(22)	(29)	-
Release of capital reserves	-	(1)	-
Other receivables from disposal of investments	-	(3)	-
Cash flows from disposal, net of cash disposed	**69**	**24**	**7**
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	28	-	-

CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

For the year ended December 31

	2010	2009	2008
		€ in millions	
E. Significant non-cash transactions			
Acquisition of shares of subsidiary from non controlling shareholders against issuance of Company's shares	-	-	33
Conversion of debentures into shares in subsidiaries	-	-	6
Exercise of options into Company's shares	-	-	3
Conversion of debentures into Company's shares	-	3	-
Purchase shares of subsidiary from non controlling shareholders against assignment of loans	-	7	-
Purchase of subsidiary shares against contribution – in kind of assets	-	17	-

With respect to cash flows of discontinued operations, please refer to Note 5C.

The accompanying Notes are an integral part of these financial statements

NOTES TO THE CONSOLIDATED IFRS FINANCIAL STATEMENTS
December 31, 2010

(1) GENERAL

A. Introduction
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 active investment company which is engaged in the development of real estate, banking and retail lending, infrastructure projects, infrastructure assets, rental of vehicles and sale of vehicles and others through its subsidiaries, joint ventures and associated companies. During 2010, the Company sold its insurance and pension segment.

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

The total number of employees in the Company and its subsidiaries was 10,332 as of December 31, 2010 (December 31, 2009 - 12,140).

The registered office address of the Company is located at Claude Debussylaan 30, Amsterdam, The Netherlands.

These financial statements were approved by the Management Board and Supervisory Board of the Company on March 30, 2011.

These financial statements are not meant to be statutory financial statements of Kardan N.V. The statutory financial statements will differ from these financial statements as they will include a directors' report, company only financial statements and other information.

For additional information included in the Barnea report as required by the Israeli Securities Authority regulation, reference is made to the website of the Company (www.kardan.com).

(2) BASIS OF PREPARATION

A. Basis of preparation
The consolidated financial statements have been prepared on a historical cost basis, except for investment properties, derivative financial instruments; cash settled share-based payment liabilities and other financial assets that have been measured at fair value.

The consolidated financial statements are presented in Euros and all values are rounded to the nearest million (€ in millions) except when otherwise indicated.

The consolidated financial statements have been prepared on the assumption that the Group will continue as a going concern in the foreseeable future. As of the date of authorization of these consolidated financial statements, Kardan's Management Board is not aware of any material facts or circumstances that would indicate a threat to the continued activity of the Group.

The Company has elected to present the comprehensive income in two statements – the income statement and the statement of comprehensive income. The income statement is presented according to the function of expense method.

B. Statement of compliance

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union ('EU').

The Group does not apply the carve out and consequently, these IFRS financial statements also comply with IFRS as issued by the IASB.

C. Basis of consolidation

Basis of consolidation from January 1, 2010

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at December 31, 2010.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control. The Group adopted the Effective Control approach. Under such approach effective control is present when the Group has the power, directly and indirectly, to govern the financial and operational policies of an entity so as to obtain benefits from its activities. In determining control, the effects of potential voting rights existing as of the balance sheet date are taken into account.

Subsidiaries continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Non controlling interests ('NCI') represent the portion of profit or loss and net assets not held by the Group and are presented separately in the income statement and within equity in the consolidated statement of financial position, separately from equity attributable to the equity holders of the parent. Losses within a subsidiary are attributed to the NCI even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction and is presented in a separate reserve named 'Non controlling interest-holders transactions reserve'. In addition, any directly attributable incremental transaction costs incurred to acquire outstanding NCI in a subsidiary or to sell NCI in a subsidiary without loss of control are deducted from equity. The Group also reattributes Other Comprehensive Income ('OCI') in transactions that do not result in the loss of control of a subsidiary.

Upon partial disposal of a subsidiary without loss of control, the adjustment of NCI comprises a portion of the net assets of the subsidiary. Furthermore, a proportion of the goodwill is reallocated between the controlling and the non-controlling interest.

If the Group loses control over a subsidiary, it:

- Derecognizes all assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the entire carrying amount of any NCI
- Derecognizes amounts deferred in OCI
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in the income statement
- Reclassifies the parent's share of components previously recognized in other comprehensive income to the income statement or retained earnings, as appropriate.
- Reclassifies the related balance of 'Non controlling interest-holders transactions reserve' to retained earnings.

Basis of consolidation prior to January 1, 2010

Certain of the above-mentioned requirements were applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Acquisitions of non-controlling interests, prior to January 1, 2010, were accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired were recognized in goodwill.
- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributed to the parent, unless the non-controlling interest had a binding obligation to cover these. Losses prior to January 1, 2010 were not reallocated between NCI and the parent shareholders.
- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying value of such investments at January 1, 2010 has not been restated.

D. Changes in accounting policies and disclosures

New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations effective as of January 1, 2010:

- IFRS 2 Share-based Payment: Group Cash-settled Share-based Payment Transactions effective January 1, 2010.
- IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended) effective 1 July 2009, including consequential amendments to IFRS 2, IFRS 5 IFRS 7, IAS 7, IAS 21, IAS 28, IAS 31 and IAS 39.
- IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items effective July 1, 2009.
- IFRIC 17 Distributions of Non-cash Assets to Owners effective July 1, 2009
- Improvements to IFRSs (May 2008).
- Improvements to IFRSs (April 2009).

The adoption of the standards or interpretations is described below:

IFRS 2 Share-based Payment (Revised)

The IASB issued an amendment to IFRS 2 that clarified the scope and the accounting for group cash-settled share-based payment transactions. The Group adopted this amendment as of January 1, 2010. It did not have an impact on the financial position or performance of the Group.

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

IFRS 3 (Revised) introduces significant changes in the accounting for business combinations. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages.

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 it give rise to a gain or loss. 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) affect acquisitions or loss of control of subsidiaries and transactions with non-controlling interests after January 1, 2010.

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 Group has concluded that the amendment will have no impact on the financial position or performance of the Group, as it 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 has no effect on either, the financial position nor performance of the Group.

Improvements to IFRSs
In May 2008 and April 2009, the IASB issued omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the group.

Issued in May 2008

- *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations*: clarifies that 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 has no impact on the financial position nor financial performance of the Group.

Issued in 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. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Group.

- *IFRS 2 Share-based Payment*: Clarifies that the contribution of a business on the formation of a joint venture and combinations under common control are not within the scope of IFRS 2 even if they are out of scope of IFRS 3.
- *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations*: Clarifies that the disclosures required in respect of non-current assets and disposal groups classified as held for sale or discontinued operations are only those set out in IFRS 5. The disclosure requirements of other IFRSs only apply if specifically required for such non-current assets or discontinued operations.

- *IFRS 8 Operating Segment Information*: Clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker. As the Group's chief operating decision maker does review segment assets and liabilities, the Group has continued to disclose this information in Note 34.
- *IAS 1 Presentation of Financial Statements*: Clarifies that the terms of a liability that could result, at anytime, in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification.
- *IAS 7 Statement of Cash Flows*: Explicitly states that only expenditure that results in recognising an asset can be classified as a cash flow from investing activities. This amendment will impact the presentation in the statement of cash flows of the contingent consideration on the business combination completed in 2009 upon cash settlement.
- *IAS 17 Leases*: Removes the specific guidance on classifying land as an operating lease so that only the general lease classification guidance remains. The Group has concluded that the amendment does not have any impact on the financial position or the performance of the Group.
- *IAS 18 Revenue*: The IASB has added guidance (which accompanies the standard) to determine whether an entity is acting as a principal or as an agent. The features to consider are whether the entity:
  Has primary responsibility for providing the goods or service
  Has inventory risk
  Has discretion in establishing prices
  Bears the credit risk

- *IAS 36 Impairment of Assets*: Clarifies that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in IFRS 8 before aggregation for reporting purposes. This amendment has no impact on the Group as the annual impairment test is performed before aggregation.

- *IAS 38 Intangible Assets*:
  Clarifies that if an intangible assets acquired in a business combination is identifiable only with another intangible asset, the acquirer may recognize the group of intangible assets as a single assets provided the individual assets have similar useful lives. The Group has concluded that the amendment does not have any impact on the financial position or the performance of the Group.
  Clarifies that valuation techniques presented for determining the fair value of intangible assets acquired in a business combination that are not traded in active markets are only examples and are not restrictive in the methods that can be used.
- *IAS 39 Financial Instruments: Recognition and Measurement*:
  Clarifies that a prepayment option is closely related to the host contract when the exercise price of a prepayment option reimburses the lender up to the approximate present value of lost interest for the remaining term of the host contract.
  Clarifies that the scope exemption for contracts between an acquirer and a vendor in a business combination to buy or sell an acquiree at a future date, applies only to binding forward contracts, and not derivative contracts where further actions by either party are still to be taken.

Clarifies that gains or losses on cash flow hedges of forecast transactions that subsequently results in the recognition of a financial instrument or on cash flow hedges of recognized financial instruments should be reclassified in the period that the hedged forecast cash flows affect the income statement.

- *IFRIC 9 Reassessment of Embedded Derivatives*: Clarifies that IFRIC 9 does not apply to possible reassessment, at the date of acquisition, of embedded derivatives in contracts acquired in a combination between entities or businesses under common control or the formation of a joint venture.

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

IFRIC 16 Hedges of a Net Investment in a Foreign Operation

In addition, IFRIC 12 and 15 became effective in 2010. The Group's accounting policies were compliant with these interpretations before the effective date. Hence, there is no impact on the financial position or the perfomance of the Group.

E. Reclassifications

Certain amounts in the statement of financial position and income statement were reclassified, within the same group of accounts, in order to conform to current period presentation. The reclassifications were not material.

(3) SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

A. Judgments, estimates and assumptions

The preparation of the financial statements necessitates the use of judgments, estimates and assumptions. These judgments, estimates and assumptions affect the reported amounts of the assets and liabilities and the amounts of the contingent liabilities disclosed in the Notes as of the financial position date as well as reported income and expenses for the period.

The key Judgments, estimates and assumptions concerning the future and other key sources of estimation uncertainty at the financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Revaluation of investment properties and of investment properties under construction
Investment property includes investment property under construction and completed investment property. Completed investment property comprises real estate (land or building or both) held by the Company or leased under a finance lease in order to earn rentals or for capital appreciation, or both, rather than for use in the production or supply of goods or services or for administrative purposes or in the ordinary course of business.

Completed investment properties are measured at fair value as at the balance sheet date. Any changes in the fair value are included in the income statement. Change in fair value is usually determined by independent real estate valuation experts in accordance with recognized valuation techniques. These techniques comprise both the Income Approach to value, the Residual approach and the discounted cash flow method and include estimating future cash flows from assets and estimates of discount rates applicable to those assets. In some cases the fair values are determined based on recent real estate transactions with similar characteristics and location to those of the company's assets.

Investment property under construction is also valued at fair value, except if such values cannot be reliably determined. In the cases when a fair value cannot be reliably determined, such properties are presented at the lower at cost or recoverable amount. The fair value of investment properties under construction is determined using either the Discounted Cash Flow Method or the Residual Method. In assessing whether the fair value of investment property under construction can be reliably measured, management considers factors such as zoning and construction permits, the percentage complete and the percentage pre-let.

Fair value of investment properties is based on independent appraisal values. Independent appraisal values are however on its turn subject to judgments, estimates and assumptions and do not take into account estimation uncertainty, if any, about key assumptions concerning the future as property valuations are based on market conditions in effect as at balance sheet date.
Starting December 31, 2008, when the Group early adopted the improvements to IAS 40 as enacted in the IFRS Improvements Standard (May 2008), also investment property under construction is valued at fair value if and when such value can be reliably determined.

Definitions used for valuing investment properties
The Income Approach to value converts anticipated future benefits in the form of rental income into present value. This approach requires careful estimation of future benefits and application of investor yield or return requirements. One approach to value the property on this basis is to capitalize net rental income on the basis of net initial yields, generally referred to as the yield method.

The discounted cash flow analysis, as an accepted methodology within the income approach to valuation involves the projection of a series of periodic cash flows either to an operating property or a development property. To this projected cash flow series, an appropriate, market-derived discount rate is applied to establish an indication of the present value of the income stream associated with the property. For development properties the calculated periodic cash flow is typically estimated as gross income less vacancy and collection losses and less operating expenses/outgoings. The series of periodic net operating incomes, along with an estimate of the reversion/terminal value, anticipated at the end of the projection period, is then discounted. The aggregation of the net present values leads to the market value of the property.

The residual approach is a combination of the income and cost approaches. The residual method is defined according to "Approved European Property Valuation Standards" of the TEGoVA (The European Company of Valuers' Associations), as:" A method of determining the value of a property which has potential for development, redevelopment or refurbishment. The estimated total cost of the work, including fees and other associated expenditures, plus allowance for interest, developer's risk and profit, is deducted from the gross value of the completed project. The resultant figure is then adjusted back to the date of valuation to give the residual value". Elements of the cost approach (as completed) were used in order to estimate the construction costs of the subject property.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable risk-adjusted discount rate in order to calculate the present values of those cash flows. Generally, the Group uses the Weighted Average Cost of Capital of the applicable cash-generating units. The carrying amount of goodwill as of December 31, 2010 was €147 million (2009 - €199 million), of which €16 million is allocated to real estate activities (2009 - €12 million), €103 million (2009 - €160 million) is allocated to financial services activities, and €36 million (2009 - €26 million) is allocated to the infrastructure activities. With respect to the real estate segment, where goodwill was paid (prior to January 1, 2010) in compensation for future project development profit, the goodwill is reduced commensurate with the amount of development profits subsequently realized. Such goodwill is either capitalized as part of investment properties under construction, or as the case may be, separately classified as goodwill.

Assets held for sale

In connection with the sale of VAB Bank as described in Note 5E, the management classified it as a disposal group held for sale. The management board considered the subsidiary met the criteria to be classified as held for sale as of December 31, 2010 for the following reasons:

- The Company had a plan to sell VAB Bank and had entered into negotiations with a potential buyer.
- The transaction was completed in January 2011.

Service concession arrangements

The Group measures the total investment of the concession agreements based on the investments during the construction and operational period, taking into account an estimated gross margin. The estimated gross margin has been initially determined during the acquisition of the project and will be evaluated continuously during the period of the project. The carrying amount of the service concession arrangements as of December 31, 2010 amounted to a total of €11 million (2009- €27 million).

Deferred tax assets

Deferred tax assets are recognized for all unused tax losses to the extent it is probable that taxable profit will be available against which the losses can be utilized. Management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon likely timing and level of future taxable profits together with future tax planning strategies. The carrying amount of the deferred tax assets as of December 31, 2010 was €22 million (2009 - €24 million).

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the balance sheet cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input for these models is taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of liquidity and model inputs such as correlation and volatility for longer dated derivatives (see Note 46).

Fair value of equity instruments

Fair value of equity instruments, primarily put options granted to non controlling shareholders, phantom options and conversion components of convertible debentures, have been valued, in most cases, by independent external appraisers, using applicable valuation models, or based on the value of the respective companies as assigned in transactions with third parties. The valuations are necessarily and inevitably based on certain assumptions, and hence they are subject to estimation uncertainty. The assumptions and models used are disclosed in Note 26. The fair value of such equity instruments as of December 31, 2010 was € 29 million (December 31, 2009 – €28 million).

Share-based payments

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they were granted. Estimating fair value requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility and dividend yield, and making assumptions about them. The assumptions and models used are disclosed in Note 22. For cash-settled share based payment transactions, the Group re-measures the liability at the fair value at each reporting date.

Impairment losses on loans and advances

The Group reviews its problem loans and advances at each reporting date to assess whether an allowance for impairment should be recorded in the income statement. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors including assessments of delinquencies and default risks, and actual results may differ, resulting in future changes to the allowance.

In addition to specific allowances against individually significant loans and advances, the Group also makes a collective impairment allowance against exposures, in connection with those loan classes which, although not specifically identified as requiring a specific allowance, are considered to have a greater risk of default than when originally granted. These take into consideration factors such as any deterioration in country risk, industry and technological obsolescence, as well as identified structural weaknesses or deterioration in cash flows. See also Note 10.

Impairment losses on inventory

Inventory is stated at the lower of cost and net realizable value (NRV). NRV is assessed with reference to market conditions and prices existing at the reporting date and is determined by the Group having taken suitable external advice and in the light of recent market transactions. In connection with residential units under construction which classify as inventory, impairment is tested by comparing the estimated selling price per unit and the expected cost per unit on completion.

The carrying amount of inventory as of December 31, 2010 was €615 million (December 31, 2009 - €468 million (see Note 14).

Future interest payable

Under IFRS 7 an entity has to provide a maturity table of financial liabilities including future interest due. In cases where interest is variable, future interest is estimated based on currently known variables (see Note 46).

Depreciation of rental vehicles

The rental vehicles fleet is depreciated over its expected useful life. The depreciation rate is examined for each homogenised group of vehicles separately. The depreciation is calculated based on the residual value and the useful life of the vehicle (see Note 7).

Provision for legal claims

In estimating the chances of lawsuits filed against the Group and its investee companies, the Group relies on the opinion of its legal councils. These estimates are based on the legal advisers' best professional judgment, considering the stage which proceedings are in, and the legal experience gained on the various issues. Since the results of the claims will be determined in the courts, these results may differ from theses estimates.

Valuation assumptions of insurance claims

Claims provisions of insurance companies were calculated using various assumptions, including but not limited to mortality / morbidity in life assurance and numerous other assumptions in general and health insurance. In general insurance, the main assumption was that past claims patterns will continue in the future. Especially in the countries in which the Group operated this assumption may be incorrect as the "insurance culture" has not always stabilized and local courts had not always gained sufficient experience and accordingly built appropriate legislation benchmarks for dealing with legal matters related to insurance. The Group's assumptions underlying their claims provision reflect the Group's past best estimates of the outstanding claims in 2009, whether reported or whether incurred but not reported (see Note 29). The Group's insurance and pension segment was sold during 2010.

(4) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

On the basis of the aforementioned presentation and estimation techniques applied, a summary of significant accounting policies is presented below:

A. INTEREST IN JOINT VENTURES

The Group has interest in joint ventures that are jointly controlled entities. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest. The Group accounts for its interest in the joint venture using proportionate consolidation. The Group combines its share of each of the assets, liabilities, income and expenses of the joint ventures with similar items in the consolidated financial statements on a line-by-line basis. The financial statements of the joint ventures are prepared for the same reporting year (December 31) as the Company, using consistent accounting policies.

The joint ventures are proportionately consolidated until the date on which the Group ceases to have joint control over the joint ventures. When the Group ceases to have joint control over an entity, it shall account for any remaining investment according to IAS 28 or IAS 39. In addition, upon loss of joint control, the Group measures at fair value any investment retained in the former jointly controlled entity. The Group recognizes in the income statement any difference between the fair value of any retained investment and any proceeds from disposing of the part interest in the jointly controlled entity and the carrying amount of the investment at the date when joint control is lost.

Adjustments are made in the Group's financial statements to eliminate the Group's share of unrealized gains and losses on transactions between the Group and its jointly controlled entities. Losses on transactions are recognized immediately if the loss provides evidence for impairment.

B. NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Non-current assets and disposal groups classified as held-for-sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held-for-sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition.

Discontinued operations is defined as a component of an entity that either has been disposed of or is classified as held for sale and: a. represents a major separate line of business or geographical area of operations. b. is a part of a single cooperated plan to dispose of a separate major line of business or geographical area of operations or c. is a subsidiary acquired with a view to resale.

In the consolidated income statement of the reporting period, and of the comparable periods of the previous years, income and expenses from discontinued operations are reported separate from normal income and expenses down to the level of profit after taxes, even when the Group retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss is reported separately in the income statement. The cash flow effect of the discontinued operation is separately disclosed in Note 5.

Tangible fixed assets and intangible assets once classified as held-for-sale are not depreciated / amortized.

Investment property held for sale

Investment property is transferred to Assets held for sale when it is expected that the carrying amount will be recovered principally through sale rather than from continuing use. For this to be the case, the property must be available for immediate sale in its present condition subject only to terms that are usual and customary for sale of such property and its sale must be highly probable.

For the sale to be highly probable:

- The Board must be committed to a plan to sell the property, and an active program to locate a buyer and complete the plan must have been initiated.
- The property must be actively marketed for sale at a price that is reasonable in relation to its current fair value.
- The sale should be expected to qualify for recognition as completed sale within one year from the date of classification.

On reclassification, investment property that is measured at fair value continues to be so measured.

C. FOREIGN CURRENCY TRANSLATION

The consolidated financial statements are presented in Euros, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using the functional currency. Transactions in foreign currencies are initially recorded at the foreign currency exchange rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the foreign currency rate of exchange ruling at the financial position date. All differences are taken to the income statement with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity, and for which hedge accounting requirements are met. These are recognized in OCIuntil the disposal of the net investment, at which time they are recognized in the income statement. Tax charges and credits attributable to exchange differences on those borrowings are also recognized in OCI. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates ruling on the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

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As of the reporting date, the assets and liabilities of the subsidiaries are translated into the presentation currency of the Company at the rate of exchange ruling on the balance sheet date, and their income statements are translated at weighted average exchange rates for the year. The exchange differences arising on the translation are recognized in OCI. On disposal of a foreign entity, the deferred cumulative amount recognized in OCI relating to that particular foreign operation is recognized in the income statement.

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

	USD	NIS	CPI
December 31, 2010	0.75	0.21	125.4
December 31, 2009	0.69	0.184	122.6
December 31, 2008	0.72	0.189	117.9
December 31, 2007	0.68	0.177	113.6
Change in 2010	8.0%	14.9%	2.3%
Change in 2009	(3.5%)	(2.6%)	3.9%
Change in 2008	5.6%	6.8%	3.8%

D. TANGIBLE FIXED ASSETS

Tangible fixed assets, which do not qualify as investment property, are stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment losses. Such cost includes the cost of replacing part of such plant and equipment when that cost is incurred, providing the recognition criteria are met. Land is not depreciated.

The initial cost of property and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Depreciation is computed from the moment the asset is ready for use on a straight-line basis over the following estimated useful lives of the assets:

Office furniture and equipment	3-16 years (mainly 10 years)
Property, plant and equipment	10-20 years (mainly 10 years)
Motor vehicles	2-7 years (mainly 5 years)
Buildings (not including land)	25-50 years (mainly 50 years)
Leasehold improvements	over the term of the lease (mainly 5 years)

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

Any item of tangible fixed assets is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognized.

E. INVESTMENT PROPERTIES

Investment properties comprises a land plot or a building or a part of a building held to earn rental income and/or for capital appreciation and property that is being constructed or developed for future use as investment property (investment property under construction).

Investment properties are stated at fair value according to the fair value model, which reflects market conditions at the balance sheet date. Gains or losses arising from a change in the fair value of the investment properties are included in the income statement in the year in which they arise.

Both completed investment properties and investment properties under construction, where management deemed that fair value can be reliably measured (see Note 3), are externally valued (in most cases) based on open market values. Completed properties are either valued on the basis of Discounted Cash Flow or - as deemed appropriate – on basis of the Income Capitalization or Yield method. Investment properties under construction are either valued on the basis of Discounted Cash Flow or - as deemed appropriate – on basis of the Residual approach. Investment property under construction that cannot be reliably measured is valued at cost or lower recoverable amount. For a description of these valuation techniques and assumptions, see Note 3.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the income statement in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation or commencement of an operating lease. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale.

Lease origination costs / deferred brokerage fees

The costs incurred to originate a lease (mainly broker fees) for available rental space are added to the carrying value of investment property until the date of revaluation of the related investment property to its fair value. Upon measurement of investment property to its fair value, these balances are released as part of a fair value adjustment.

F. CONTRACT WORK AND BUILDING INVENTORY IN PROGRESS

Costs relating to the construction of the residential properties are stated at the lower of cost and net realizable value (Inventory is stated at the lower of cost and NRV. NRV is assessed with reference to market conditions and prices existing at the reporting date and is determined by the Group having taken suitable external advice and in the light of recent market transactions'.). Costs relating to the construction of a project are included in inventory as follows:

i. costs incurred relating to phases of the project that are not available for sale; and
ii. costs incurred relating to units unsold associated with a phase of the project that is available for sale.

Costs related to the phase of the project that is not available for sale may include:

i. leasehold rights for land, construction costs paid to subcontractors for the construction of housing units; and
ii. capitalized costs which include borrowing costs, planning and design costs, construction overheads and other related costs.

The carrying amounts are tested for impairment as of each reporting date. Impairment is assessed to have occurred if the estimated future selling price of the residential units falls below the estimated cost per unit. Impairment is subsequently calculated on a discounted cash flow basis.

Commissions paid to sales or marketing agents on the sale of pre-completed real estate units, which are not refundable, are expensed in full when payable.

Receivables for contract work is separately calculated for each contract and presented in the statement of financial position at the aggregate amount of costs incurred and recognized profits less recognized losses and progress billings. Progress billings are amounts billed for work performed up to the financial position date, whether settled or not settled. If the amount balance is positive, it is recorded in the statement of financial position as an asset under receivables for contract work. If it is negative, it is recorded in the statement of financial position as a liability for contract work.

Costs of projects based on contract work are recognized at cost that includes identifiable direct costs, joint indirect costs and borrowing costs. Joint indirect costs are allocated between the projects based on various burden keys.

The Company classifies cost of building in progress as current or non-current based on the operating cycle of the related projects. Ongoing projects are presented as current. Projects where the construction date has not yet been determined are presented as non-current.

G. MERCHANDISE INVENTORIES

Merchandise inventories are stated at the lower of purchase cost or net realizable value, cost being determined by the "first-in, first-out" method.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

H. BUSINESS COMBINATIONS AND GOODWILL

Business combinations from January 1, 2010
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date at fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the NCI in the acquiree either at fair value or at the proportionate share of the fair value of the acquiree's identifiable net assets. Other equity instruments not entitled to a proportionate share of net assets should be measured at FV on the acquisition date unless another measurement basis is required by IFRS such as IFRS 2. Acquisition costs incurred are expensed and included in ‘Other expenses’

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. If the business combination is achieved in stages, the fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through the income statement. Amounts deferred in OCI are reclassified to the income statement or transferred directly to retained earnings.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with IAS 39 either in the income statement or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for NCI over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in the income statement. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The carrying value of goodwill is annually tested for impairment or more frequently when events or changes in circumstances indicate that the carrying value may not be recoverable. Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Business combinations prior to January 1 2010

In comparison to the above-mentioned requirements, the following differences applied:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets. Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognized goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract. Contingent consideration was recognized if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognized as part of goodwill.

I. SERVICE CONCESSION ARRANGEMENTS

Introduction
Service concession arrangements are arrangements where an entity (the Concession Operator) may enter into an arrangement with another entity (the Concession Provider or the Grantor) to provide services that give the public access to major economic and social facilities.

Service concession arrangements which contractually oblige the Group, acting as operator, to provide the services to the public on behalf of the public sector entity are accounted for in accordance with the accounting policies mentioned below. Service concession arrangements which do not meet that criterion, for instance where the asset is either derecognized by the grantor or is an asset constructed for the concession that the grantor never controls, are dealt with by other accounting policies adopted by the Group. This may apply to:

Public-to public arrangements; or
The treatment of existing assets of the Group; or
Situations in which the Group leases assets from the grantor; or
The Group only performs specific tasks e.g. maintenance or debt collection.

If these exceptions do not apply and the Group acts as an operator and provides construction or upgrade services in accordance with service concession arrangements that meet the above-mentioned definition, the considerations received or receivable by the Group are recognized at its fair value. These considerations are then considered either rights to:
A financial asset, or
An intangible asset.

Financial assets
A financial asset is recognized to the extent that the Group has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for the construction services; the grantor has little, if any, discretion to avoid payment, usually because the agreement is enforceable by law. The Group has an unconditional right to receive cash if the grantor contractually guarantees to pay the Group (a) specified or determinable amounts or (b) the shortfall, if any, between amounts received from users of the public service and specified or determinable amounts, even if payment is contingent on the operator ensuring that the infrastructure meets specified quality or efficiency requirements.

The financial asset is measured on initial recognition at its fair value, and interest is calculated on the balance using the effective interest rate method. Revenue is recognized when the contract work is performed using the percentage of completion method. This means that the financial asset will be recognized from the beginning of contract activity.

Operating and maintenance costs, which are deemed executory, will be accounted for as incurred. Contractual obligations, including obligations to maintain, replace or restore infrastructure, are recognized and measured at the best estimate of the expenditure required to settle the present obligation at the financial position date. These may include obligations to restore infrastructure to a specified condition before it is returned to the grantor at the end of the concession. These do not include any upgrade elements as these are treated as an additional construction service.

Intangible assets
The Group recognizes an intangible asset to the extent that it receives a right (a license) to charge users of the public service. A right to charge users of the public service is not an unconditional right to receive cash because the amounts are contingent on the extent that the public uses the service.

The Group recognizes the intangible asset at deemed cost, i.e. the fair value of consideration transferred to acquire the asset, which is the fair value of the consideration received or receivable for the construction services delivered. During the construction phase of the arrangement the Group's asset (representing its accumulating right to be paid for providing construction services) is classified as an intangible asset (license to charge users of the infrastructure). The Group estimates the fair value of its consideration received to be equal to the forecast construction costs plus applicable margin and additionally capitalizes the borrowing costs during the construction phase of the arrangement.

The intangible asset is subsequently amortized on a systematic basis over its useful life, whereby the Group adopts the straight-line method. Revenue recognition and cost accounting for the operation services are recognized as described under the financial asset model.

Mixed assets
If the Group is paid for the construction services partly by a financial asset and partly by an intangible asset it accounts separately for each component of the consideration. The consideration received or receivable for both components is recognized initially at the fair value of the consideration received or receivable. The nature of the consideration given by the grantor to the Group is determined by reference to the contract terms and, when applicable to relevant contract law.

Revenue recognition
Both under intangible and financial asset models the Group accounts for revenue and costs relating to construction or upgrade services in accordance with the stage of completion method provided that the outcome can be measured reliably. The Group accounts for revenue and costs relating to operation services in accordance with the criteria it has adopted for revenue recognition, i.e. when the outcome of a transaction involving the rendering of services can be estimated reliably, and revenue associated with the transaction is recognized by reference to the stage of completion of the transaction at the financial position date.
If the Group performs more than one service (i.e. construction or upgrade services and operation services) under a single contract or arrangement, consideration received or receivable is allocated by reference to the relative fair values of the services delivered, when the amounts are separately identifiable.

Impairment
The Group assesses potential impairments of the concession assets at each reporting date.

J. OTHER INTANGIBLE ASSETS

Other intangible assets acquired separately or identified separately as part of a purchase price allocation, on initial recognition are measured at cost. The cost of intangible assets acquired in a business combination is the estimated fair value as of the date of acquisition. Following initial recognition, other intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

Other intangible assets are amortized commensurate to their estimated economic life. The carrying value of other intangible assets is reviewed for impairment at each reporting date and when events or changes in circumstances indicate that the carrying value may not be recoverable.

K. INVESTMENT IN ASSOCIATES

The Group's investment in its associates is accounted for using the equity method. An associate is an entity in which the Group has significant influence.

Under the equity method, the investment in the associate is carried in the statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to associates is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The income statement reflects the share of the results of operations of the associate. Where there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes and discloses this, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The share of profit of an associate is shown on the face of the income statement. This is the profit attributable to equity holders of the associate and therefore is profit after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an additional impairment loss on the Group's investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the 'Share of profit of associates accounted for using the equity method' in the income statement.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in the income statement. Amounts deferred in OCI are reclassified to the income statement or transferred directly to retained earnings.

L. IMPAIRMENT OF NON-FINANCIAL ASSETS

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining the fair value less costs to sell, an appropriate valuation model is used.

Impairment losses of continuing operations are recognized in the income statement in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the income statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

Goodwill

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized. Impairment losses recognized in relation to goodwill are not reversed for subsequent increases in its recoverable amount.

M. FINANCIAL ASSETS

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition, when they are measured at fair value, plus, in the case of investments not carried at fair value through profit or loss, directly attributable transaction costs.

All regular way purchases and sales of financial assets are recognized on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss
Financial assets classified as held for trading are included in the category "financial assets at fair value through profit or loss".
Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognized in profit or loss as part of the financing income or expenses.

Held-to-maturity investments
Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement held-to-maturity investments are measured at amortized cost. This cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initially recognized amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. Gains and losses are recognized in income when the investments are derecognized or impaired, as well as through the amortization process. Under the requirements of IFRS the Group will not be able to classify any financial instruments in the held-to-maturity portfolio until the end of 2012 due to the sale of held to maturity securities.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortized cost using the effective interest method.
Gains and losses are recognized in income statement when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Available-for-sale financial assets
Available-for-sale financial assets are non-derivative financial assets that are not classified in one of the three categories above. After initial measurement, available-for-sale financial assets are measured at fair value. Unrealized profits or losses are recognized as OCI in the revaluation reserve. When such assets are derecognized or impaired any accumulated profit or loss recognized as OCI in the revaluation reserve in the past is reclassified to the income statement. Interest income and expenses are recorded on the effective interest basis. Dividends received for these investments are allocated to the income statement when the Company has the right to receive them.

N. CASH AND CASH EQUIVALENTS

Cash and short-term deposits in the statement of financial position comprise cash at banks and at hand and short-term deposits with an original maturity of three months or less. Unless otherwise disclosed, cash is unrestricted and is subject to an insignificant risk of changes in value.

O. INSURANCE RECEIVABLES

Insurance receivables were recognized when due and measured at amortized cost, using the effective interest rate method. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the income statement. The Group's insurance and pension segment was sold during 2010.

P. IMPAIRMENT OF FINANCIAL ASSETS

The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

Assets carried at amortized cost
If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred (such as financial hardship of the borrower), the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account. The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit-risk characteristics, and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the income statement, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Assets carried at cost
If there is objective evidence that an impairment loss on assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Assets carried at cost relate to an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument.

Available-for-sale financial assets
If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from the revaluation reserve to the income statement. Reversals in respect of equity instruments classified as available-for-sale are not recognized in the income statement. Reversals of impairment losses on debt instruments are reversed through the income statement if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in the income statement.

Q. TREASURY SHARES

Own equity instruments which are reacquired (treasury shares) are recognized at cost and are presented in the statement of financial position as a deduction from shareholders' equity. No gain or loss is recognized in the income statement on the sales, issuance, or cancellation of treasury shares.
Shares of the parent company purchased by subsidiaries are also accounted for as treasury shares.
Any difference between the carrying amount and the consideration, if reissued, is recognized in share premium. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively.

R. BORROWING COSTS

Borrowing costs are accrued and expensed in the period in which they are incurred. Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset.

Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded. Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds, including exchange differences arising from foreign currency borrowings used to finance these projects to the extent that they are regarded as an adjustment to interest costs.

Borrowing costs are either based on the actual borrowing costs incurred for the purchase of a qualifying asset or at a capitalization rate representing the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs that the Group capitalizes during any period will not exceed the amount of borrowing costs it incurred during that period.

S. FINANCIAL LIABILITIES

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition. Financial liabilities are recognized initially at fair value, less, in the case of loans and borrowings, directly attributable transaction costs.

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading, and financial liabilities designated upon initial recognition at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognized in profit or loss.

Loans and borrowings
After initial recognition, all interest-bearing loans and borrowings are subsequently measured at amortized cost. Amortized cost is calculated by taking into account premiums paid at initiation of the loans and using the effective interest method.

Gains and losses are recognized in the the income statement when the liabilities are derecognized as well as through the amortization process.

Financial guarantee liabilities
Financial guarantee liabilities issued by the Group, primarily by the financial services segment, are those contracts that require a payment to be made to reimburse the holder for a loss incurred because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantees are initially recognized in the financial statements (within "Other payables") at fair value, being the premium received. Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of the amount initially recognized less, when appropriate, cumulative amortization recognized in the income statement, and the best estimate of expenditure required settling any financial obligation arising as a result of the guarantee. Any increase in the liability relating to financial guarantees is recorded in the income statement in"costs of banking and retail lending activities". The premium received is recognized in the income statement in "income from banking and retail lending activities" on a straight line basis over the life of the guarantee.

Convertible debentures
Convertible debentures which contain both a liability and a conversion element are separated into two components on initial issuance, and each is accounted for separately. The portion of the proceeds allocated to the liability component is determined based on the present value of the debentures' cash outflows using a market rate for an equivalent non-convertible bond. The remainder of the proceeds is allocated to the conversion component. Issue costs are apportioned between the liability and the conversion components of the convertible debentures, based on the respective carrying amounts of the liability and conversion components on the issuance date.

The conversion component is accounted for in equity if the convertible debentures are denominated in the entity's functional currency. If the convertible debentures are denominated in foreign currency, the conversion component is allocated to other financial liabilities.

After initial recognition, the liability component is subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any premium or discount on settlement.

After initial recognition, the conversion component, if recorded as a financial liability, is measured according to IAS 39 and is presented at fair value. Gains or losses are recognized in the income statement. If the conversion component is recognized in equity, it is not remeasured subsequently.

Debentures

Debentures are initially recognized at fair value net of costs associated with the issuance of the debentures. After initial recognition, the debentures are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the consideration, and using the effective interest method.

The proceeds received in consideration for the issuance of debentures and detachable warrants are allocated between the debentures and warrants based on their relative fair value.

T. OFFSETTING OF FINANCIAL INSTRUMENTS

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

U. INSURANCE LIABILITIES

The Group's insurance and pension opearting segment was sold during 2010. The following accounting policy was applied for periods prior to the sale.

General insurance contracts liabilities

General business contract liabilities were based on the estimated ultimate cost of all claims incurred but not settled at the financial position date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Significant delays could have been experienced in the notification and settlement of certain type of general insurance claims, particularly in respect of liability business, therefore the ultimate cost could not have been known with certainty at the financial position date.

Claims and loss adjustment expenses were charged to income as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by contract holders. They included direct and indirect claims settlement costs and arose from events that have occurred up to the financial position date even if they have not been reported to the Group. The Group did not discount its liabilities for unpaid claims. Liabilities for unpaid claims were estimated using assessments for individual cases reported to the Group as inputs and statistical analyses for claims incurred but not yet reported, and to estimate the expected ultimate cost of more complex claims that may be affected by external factors such as court decisions.

Provision for unearned premiums

The proportion of written premiums, gross of commission payable to intermediaries, attributable to subsequent periods, was deferred as unearned premium. The change in the provision for unearned premium was taken to the income statement in order to recognize revenue over the period of risk.

Liability adequacy test
At each financial position date, a liability adequacy test was performed, to ensure the adequacy of unearned premiums net of related deferred acquisition cost ('DAC') assets. In performing the test, best estimates of future contractual cash flows, claims handling and policy administration expenses, as well as investment income from assets backing such liabilities, were used.

The test used is to calculate the present value of expected future claims and related direct and indirect expenses, and compare this to the liability carried, for each line of business. This is done separately for the outstanding claims and the future claims, where the latter is compared to the unearned premium provision net of DAC. If the expected value of claims and expenses is higher, then the DAC is decreased (if the deficiency is in respect of future claims) and/or the liability is increased, accordingly.

Product classification:

Insurance contracts
Insurance contracts were defined as those containing significant insurance risk, or those where at the inception of the contract there was a scenario with commercial substance where the level of insurance risk might have been significant. The significance of insurance risk was dependant on both the probability of an insured event and the magnitude of its potential effect. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk was reduced significantly during the period. There were no investment contracts within the Group, and all the contracts were insurance contracts as described above.

V. DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

Financial assets
A financial asset is derecognized when:

- The rights to receive cash flows from the asset have expired;
- The Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a pass-through arrangement; and
- The Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from the asset and has neither transferred nor retained substantially all the risks and rewards of the asset, but retains control, the asset is recognized to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the income statement.

W. PROVISIONS

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

X. SHARE-BASED PAYMENT TRANSACTIONS

Employees (including senior executives) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ('equity-settled transactions'). Some employees are granted share appreciation rights, which can only be settled in cash ('cash-settled transactions'). In situations where equity instruments are issued and some or all of the goods or services received by the entity as consideration cannot be specifically identified, the unidentified goods or services received (or to be received) are measured as the difference between the fair value of the share-based payment transaction and the fair value of any identifiable goods or services received at the grant date. This is then capitalized or expensed as appropriate.

Equity-settled transactions
The cost of equity-settled transactions with employees for awards granted after 7 November 2002 is measured by reference to the fair value at the date on which they are granted. The fair value is determined by using an appropriate pricing model, further details of which are given in Note 22.

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest.

The income statement expense or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.
No expense is recognized for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognized is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. All cancellations of equity-settled transaction awards are treated equally.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (further details are given in Note 45).

Cash-settled transactions
The cost of cash-settled transactions is measured initially at fair value at the grant date using mostly the binomial model, further details of which are given in Note 22. This fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The liability is remeasured to fair value at each reporting date up to and including the settlement date, with changes in fair value recognized in employee benefits expense (see Note 22 and 26).

Y. LEASES

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement

Group as a lessee
Finance leases which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the income statement.

Leased assets, which are not classified as investment properties, are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognized as an operating expense in the income statement on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rental income.

Contingent rents are recognized as revenue in the period in which they are earned.

Z. REVENUE RECOGNITION

General

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and other sales taxes or duty. The following specific recognition criteria must also be met before revenue is recognized:

Contract revenues

Revenue from work performed under a contract, which qualifies as a construction contract is recognized by reference to the stage of completion when the outcome can be measured reliably. The stage of completion is measured based on engineering estimates. When the contract outcome cannot be estimated reliably, revenue is recognized only to the extent of the expenses recognized that are recoverable. In the period in which it is determined that a loss will result from the performance of the contract, the entire amount of the estimated ultimate loss is charged against income. Contract revenue is recognized within the Group's infrastructure project segment, by the subsidiary Tahal Group International B.V. and its investee companies.

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms. Costs of rental operations are recorded in the same period as rental income is recognized. The aggregate cost of rental incentives are recognized as a reduction of rental income over the lease term on a straight-line basis. Rental income is recognized within the Company's real estate segment, mainly by the subsidiary GTC Real Estate Holding B.V. and its investee companies.

Sale of apartments

Revenue from the sale of houses and apartments is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer. The risks and rewards are considered as transferred to the buyer when the houses or apartments have been substantially constructed, accepted by the customer and the vast majority of the amount resulting from the sale agreement was paid by the buyer. Revenue from the sale of apartments is recognized within the Company's real estate segment, mainly by the subsidiary GTC Real Estate Holding B.V. and its investee companies. Revenues from sale of apartments are presented in the income statements as 'Sale of goods'.

Rendering of services (including management fees)
Revenues from services are recognized as the services are provided and when the outcome of such transactions can be estimated reliably. Where the outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are eligible to be recovered.

Fees from managing pension funds were based on the contribution to the pension funds, on assets under management in the pension funds and in some instances on the yields of the fund. Contribution to the pension funds were recognized on a cash basis. Fees from managing pension funds were recognized on an accrual basis. The Group's insurance and pension sub-segment was sold during 2010, the above accounting policy was applied for periods prior to the sale.

Premium income
Non life business premiums written were recognized on policy inception and earned on a pro rata basis over the term of the related policy coverage. The premiums included automatic renewals of polices specially in motor lines of business at the date of the renewal.

Estimates of premiums written as of the financial position date but not yet received, were assessed based on estimates from underwriting or past experience and were included in premiums earned.
Premiums from life insurance contracts were recognized as revenue within the Company's insurance and pension segment through TBIH Financial Services Group N.V. and its investee companies. The Group's insurance and pension segment was sold during 2010; the above accounting policy was applied for periods prior to the sale.

Revenues from operating leasing and rental of vehicles
Rental income arising from rental and leasing is accounted for on a straight-line basis over the rental period. Costs of rental and leasing are recognized in the same period as rental income is recognized. Rental income is recognized within the Group's Rental and leasing of vehicles segment.

Sale of goods
Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer. Sale of goods in these consolidated financial statements include revenues from the sale of apartments (see herein under) and from sale of consumer goods.

Interest and dividend income
Revenue is recognized as the interest accrues (taking into account the effective yield on the asset).
Dividend income is recognized when the Group's right to receive payments is established.

AA. INSURANCE BUSINESS

General insurance business

The Group's insurance and pension segment was sold during 2010; the following accounting policy was applied for periods prior to the sale.

a. The underwriting results for general insurance business were determined on an annual basis.
b. Premiums were accounted for on an accrual basis.
c. The unearned premium reserve and the re-insurers' share in reinsurance receivable were calculated on a daily basis. The unearned premium reserve and any deferred acquisition costs in currencies other than the functional currency of the relevant subsidiary were treated as non-monetary assets for the purpose of foreign currency translation.

d. The proportion of commission and other acquisition expenses, in relation to the unearned premium, was carried forward as deferred acquisition costs. The deferred expenses were computed using actual rates at that time. In lines of business where the loss ratios did not allow for the deferral of all or any expenses the Group adjusted the deferred acquisition costs.
e. Claims comprised the settlement and handling cost of paid and outstanding claims at that time which arose from events that occurred in the reporting period and adjustments to outstanding claims reserves established in prior years. Any such adjustments were reflected in earnings.
f. Outstanding claims were included on the basis of actuarial valuations or case by case estimate if higher.
g. Business from other insurance companies and underwriting agencies were included to the extent such results were reported in statements received by the financial position date.

Reinsurance

a. The reinsurers' shares in insurance reserves and outstanding claims were presented separately in the statement of financial position, net of an allowance for doubtful or bad debts, based on management's estimate.
b. The reinsurers' liabilities to the subsidiaries did not release the subsidiaries from their obligation to their policyholders insured under the insurance policies. A reinsurer who will not fulfill his future obligations under the reinsurance treaties may cause the Group losses in the future.
c. In order to reduce the insurance risks the company utilized a reinsurance program. The majority of reinsurance business ceded is placed on a quota share / excess (in the aviation line of business the company wrote business only with facultative cover with no significant retention) of loss basis with retention limits varying by product line and territory. Amounts recoverable from reinsurers were estimated in a manner consistent with the assumptions used for ascertaining the underlying policy benefits and were presented in the statement of financial position as reinsurance assets. Although the Group had reinsurance arrangements, it was not relieved of its direct obligations to its policyholders, and thus a credit exposure existed with respect to reinsurance ceded, to the extent that any reinsurer was unable to meet its obligations assumed under such reinsurance agreements. Reinsurance was placed with high-rated counter-parties and concentration of risk was avoided by following policy guidelines in respect of counterparties' limits that were set each year and were subject to regular reviews. At each period-end, management performed assessments of creditworthiness of reinsurers to update reinsurance purchase strategy and ascertaining suitable allowance for impairment of reinsurance assets.

BB.TAXES

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted at the balance sheet date.

Current income tax relating to items recognized outside the income statement is recognized in OCI or equity, in correlation to the underlying transaction, and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to the situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary difference, except:

- Where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be used except:

- Where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax relating to items recognized outside the income statement is recognized outside the income statement. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority and expected to settle net or simultaneously.

At each balance sheet date, the Group companies re-assess unrecognized deferred tax assets and the carrying amount of deferred tax assets. The companies recognize a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Conversely, the companies reduce the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or that entire deferred tax asset to be utilized.

CC. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted market bid prices for assets and offer prices for liabilities, at the close of business on the balance sheet date. If quoted market prices are not available, reference can also be made to broker or dealer price quotations.
For financial instruments where there is no active market, the estimated fair value is determined by the Group by using valuation models.

If the fair value cannot be measured reliably, these financial instruments are measured at cost, being the fair value of the consideration paid for the acquisition of the investment or the amount received on issuing the financial liability. All transaction costs directly attributable to the acquisition are also included in the cost of the investment.

The Group has estimated that the fair value of some of the financial instruments does not differ significantly from their current carrying amounts. This is valid for cash items, receivables from banks, customers' loans, and other receivables and liabilities. The Group believes that the current carrying amount of these assets and liabilities approximates their fair value, especially when they are short term or their interest rates are changing together with the change in the current market conditions.

DD. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING

The Group uses derivative financial instruments such as forward currency contracts and interest rate swaps to hedge its risks associated with interest rate and foreign currency fluctuations. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive, and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to the income statement.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by independent valuators using agreed-upon valuation models.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability;
- Cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a forecast transaction; or

A hedge of the foreign currency risk of a firm commitment is accounted for as a cash flow hedge.
At the inception of the hedge relationship the Group classifies and documents the type of hedge it wishes, the use for the purpose of financial reporting and its strategic goals for risk management relating to the specific hedging relationship. The documentation includes identification of the hedging instrument, the hedged item, and the nature of the hedged risk and how the Group assesses hedge effectiveness.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Fair value hedges

Fair value hedges are hedges of the Group's exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect the income statement. For fair value hedges, the carrying amount of the hedged item is adjusted for gains and losses attributable to the risk being hedged, the derivative is remeasured at fair value and gains and losses from both are taken to the income statement.

For fair value hedges relating to items carried at amortized cost, the adjustment to carrying value is amortized through the income statement over the remaining term to maturity. Amortization may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedged item is derecognized, the unamortized fair value is recognized immediately in the income statement.

When an unrecognized firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognized as an asset or liability with a corresponding gain or loss recognized in the income statement. The changes in the fair value of the hedging instrument are also recognized in the income statement.

The Group discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the Group revokes the designation.

Cash flow hedges

Cash flow hedges are a hedge of the exposure to variability in cash flow that is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction that could affect the income statement. The effective portion of the gain or loss on the hedging instrument is recognized in OCI through the hedge reserve, while the ineffective portion is recognized in the income statement.

Amounts taken to OCI are transferred to the income statement when the hedged transaction affects the income statement, such as when hedged financial income or financial expense is recognized or when a forecast sale or purchase occurs. Where the hedged item is the cost of a non-financial asset or liability, the amounts taken to OCI are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction is no longer expected to occur, amounts previously recognized in OCI are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognized in OCI remain in equity until the forecast transaction occurs. If the related transaction is not expected to occur, the amount is taken to the income statement.

EE.PUT OPTION GRANTED TO NON CONTROLLING SHAREHOLDERS

From January 1, 2010

The Group recognizes a financial liability under such contract at its fair value. The non controlling interest reported in the financial statements is subsequently reclassified as a financial liability. Any changes in the fair value of that financial liability in subsequent periods are taken to the income statement or to equity if the put option can be classified as an IFRS 3-like transaction (business combination).

Prior *to January 1, 2010*
The Group has granted to several key executives an option (put option) to sell any or all of their shares in certain subsidiaries within a certain period.

The Group recognizes a financial liability under the above contract at its fair value. The Non controlling interest reported in the financial statements is subsequently reclassified to a financial liability. Any changes in the fair value of that financial liability in subsequent periods are taken to the income statement or to goodwill if the put option can be classified as a non-controlling interest holder transaction.

FF. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit for the period attributable to the equity holders of the parent by the weighted average number of ordinary shares outstanding during the period (after adjusting for treasury shares).
Diluted earnings per share amounts are calculated by dividing the net profit attributable to the equity holders of the parent (after adjusting for interest on convertible debentures and options classified as derivative instruments) by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. In addition, securities that were converted during the period are included in the diluted earnings per share calculation to the date of conversion, and from that date they are included in the basic earnings per share. Potential ordinary shares are only included in diluted earnings per share when their conversion would decrease earnings per share (or increase loss per share) from continuing operations. Options and warrants are dilutive when they would result in the issue of ordinary shares for less than the average market price of ordinary shares during the period.

GG. PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS

Pensions and other post-employment benefits are either classified as defined contribution or defined benefit plans. Under defined contribution plans, contributions during the period are expensed when incurred.

Defined contribution plans
Defined contribution plans are funded through independent pension funds or similar organizations. Contributions fixed in advance (e.g., based on salary) are paid to these institutions, and the beneficiary's right to benefits exists against the pension fund. The employer has no legal or constructive obligation beyond payment of the contributions.

Under retirement plans in the form of defined contribution plans, the entity pledges to pay the beneficiary benefits at a predefined level. This effectively releases the entity from any further obligations beyond the contributions payable and at the same time precludes the entity from participating in the investment success of the contributions.

HH. PERIOD OF OPERATIONAL BUSINESS CYCLE

The period of the operational cycle of the Group exceeds one year, especially in connection with real estate and infrastructure construction projects that may last for 2-4 years. Accordingly, assets and liabilities derived from the construction works include items that may be realized within the abovementioned operational business cycle.

II. FUTURE CHANGES IN ACCOUNTING POLICIES

Standards issued but not yet effective:

Standards issued but not yet effective up to the date of issuance of the Group's financial statements are listed below:

- IFRS 7 Financial Instruments: Disclosures – Amendment to Disclosures, effective July 1, 2011
- IFRS 9 Financial Instruments, effective January 1, 2013
- IAS 12 Income Taxes – Recovery of Tax Assets, effective January 1, 2012
- IAS 24 Related Party Disclosures (Revised), effective January 1, 2011
- IAS 32 Financial Instruments: Presentation – Classification of Rights Issues, effective February 1, 2010.
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments, effective July 1, 2010
- Improvements to IFRSs (Issued May 2010) 2, effective January 1, 2011

IFRS 7 *Financial Instruments: Disclosures*

The amendments to IFRS 7 are effective for annual periods beginning on or after July 1, 2011 and will improve the understanding of transfer transactions of financial assets including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. The Group does not expect any impact on its financial position or performance.

IFRS 9 *Financial Instruments*

IFRS 9 as issued reflects the first and second phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets and liabilities as defined in IAS 39. The standard is effective for annual periods beginning on or after January 1, 2013. In subsequent phases, the IASB will address hedge accounting, derecognition and asset and liability offsetting. The completion of this project is expected in early 2011. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

IAS 12 *Income Taxes*

The amended standard is effective for annual periods beginning on or after January 1, 2012. The amendment provides a practical solution to the difficult and subjective assessment whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40 Investment Property, by introducing a presumption that recovery of the carrying amount will, normally be through sale. The Group expects some impact on its financial position or performance.

IAS 24 *Related Party Disclosures (Revised)*

The amended standard is effective for annual periods beginning on or after January 1, 2011. It clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government related entities. The Group does not expect any impact on its financial position or performance.

IAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*

The amendment to IAS 32 is effective for annual periods beginning on or after February 1, 2010 and amended the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. This amendment will have no impact on the Group after initial application.

IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*

IFRIC 19 is effective for annual periods beginning on or after July 1, 2010. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognized immediately in the income statement. The adoption of this interpretation is expected to have no effect on the financial statements of the Group.

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. 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 27 Consolidated and Separate Financial Statements
Transition requirements for amendments made as a result of amended IAS 27 to IAS 21, IAS 28 and IAS 31
· IAS 34 Interim Financial Reporting
Significant events and transactions
· IFRIC 13 Customer Loyalty Programs
Fair value of award credit
The Group has studied the improvements and is currently assessing its impact.

JJ. DEFINITIONS

The following definitions are used throughout these financial statements:

Kardan or the Company – Kardan N.V.
The Group or Kardan Group – Kardan N.V. and its subsidiaries, joint ventures and associates
GTC Holding – GTC Real Estate Holding B.V.
GTC Group – GTC Holding and its subsidiaries, joint ventures and associates
GTC SA – Globe Trade Centre S.A.
GTC SA Group - GTC SA and its subsidiaries, joint ventures and associates
KFS – Kardan Financial Services B.V.
KFS Group – KFS and its subsidiaries, joint ventures and associates
TBIF – TBIF Financial Services B.V.
TBIF Group – TBIF and its subsidiaries, joint ventures and associates– Part of the KFS Group
TBIH – TBIH Financial Services Group N.V.
TBIH Group – TBIF and its subsidiaries, joint ventures and associates – Part of the KFS Group
Kardan Israel or KIL – Kardan Israel Ltd.
KIL Group – KIL and its subsidiaries, joint ventures and associates
TGI – Tahal Group International B.V.
TGI Group – TGI and its subsidiaries, joint ventures and associates
Dan Vehicle/AVIS - Dan Vehicle & Transportation D.R.T Ltd. (AVIS) – Part of the KIL Group

(5) BUSINESS COMBINATIONS AND INVESTMENT IN SUBSIDIARIES AND JOINT VENTURES

A. Principal directly held subsidiaries

The consolidated financial statements include the financial statements of the Company and its subsidiaries. Following is a list of the Company's principal directly held subsidiaries:

Name of subsidiary	Country of incorporation	% equity interest and voting rights as of December 31		
		2010	2009	
Kardan Financial Services B.V. [1]	Netherlands	100	98.6	Subsidiary
GTC Real Estate Holding B.V.	Netherlands	100	100	Subsidiary
Tahal Group International B.V.	Netherlands	100	100	Subsidiary
Kardan Israel Ltd.	Israel	73.67	73.85	Subsidiary

[1] In 2009, due to put options granted to non controlling shareholders, the Company consolidated 100% of KFS instead of 98.6%.

Additional information regarding directly held subsidiaries:

	Investment in shares	Credit facilities provided by the Company to its subsidiaries		Total investment in the subsidiary (*)	Goodwill included in the investment
		Loans	Collaterals		
	€ in millions				
2010					
Kardan Financial Services B.V.	124	77	62	201	1
GTC Real Estate Holding B.V.	348	163	-	511	7
Tahal Group International B.V.	56	42	60	98	-
Kardan Israel Ltd.	73	-	-	73	-
	601	282	122	883	8
2009					
Kardan Financial Services B.V.	113	95	100	208	8
GTC Real Estate Holding B.V.	316	79	-	395	6
Tahal Group International B.V.	19	88	63	107	-
Kardan Israel Ltd.	71	-	-	71	-
	519	262	163	781	14

(*) The total investment in a subsidiary includes investment in shares and loans granted by Kardan N.V.

B. Principal indirectly held subsidiaries (fully consolidated into the Group) and joint ventures

The consolidated financial statements include the financial statements of the Company, its subsidiaries and its joint ventures. Following is a list of the Company's principal indirectly held subsidiaries (consolidated into the Group) and joint ventures (proportionally consolidated into the Group). The classification as a "Subsidiary" or a "Joint venture" relates to the direct entity which holds the investee company and relates to the status as of December 31, 2010:

Holding company	Name of subsidiary or joint venture	Country of incorporation	% equity interest by the direct holding as of December 31		
			2010	2009	
Kardan Financial Services B.V.	TBIH Financial Services Group N.V.	Netherlands	-	40	Joint venture
	TBIF Financial Services B.V. [(1)]	Netherlands	90.6	90.4	Subsidiary
TBIF Financial Services B.V.	TBI Credit IFN SA	Romania	99.99	99.99	Subsidiary
	TBI Leasing SA	Romania	99.99	99.99	Subsidiary
	VAB Bank [(2)]	Ukraine	83.91	48.91	Subsidiary
	VAB Leasing	Ukraine	100	100	Subsidiary
	SovcomBank [(3)]	Russia	50	65.96	Joint venture
TBIF – Dan Leasing Ltd.	VIP Rent Foreign Enterprise	Ukraine	100	100	Subsidiary
TBIF Bulgaria EAD and subsidiaries	TBI Leasing EAD	Bulgaria	100	100	Subsidiary
	TBI Credit EAD	Bulgaria	100	100	Subsidiary
GTC Real Estate Holding B.V.	Globe Trade Centre S.A. [(4)]	Poland	43.14	43.14	Subsidiary
	GTC Real Estate China Ltd.	Hong Kong	100	100	Subsidiary
	GTC Investment B.V.	Netherlands	46.25	46.25	Joint venture
Globe Trade Centre SA	GTC Hungary Real Estate Development Company Ltd.	Hungary	100	100	Subsidiary
	GTC Real Estate Investments Romania B.V.	Netherlands	100	100	Subsidiary
	GTC Real Estate Investments Serbia B.V.	Netherlands	100	100	Subsidiary
	GTC Real Estate Investments Croatia B.V.	Netherlands	100	100	Subsidiary
	GTC Real Estate Investments Slovakia B.V.	Netherlands	100	100	Subsidiary
	GTC Real Estate Investments Bulgaria B.V.	Netherlands	100	100	Subsidiary
GTC Real Estate China Ltd.	Shenyang Taiyling Real Estate Development Ltd.	China	50	50	Joint venture
	Shenyang GTC Palm Garden Development Co. Ltd	China	50	50	Joint venture
	Shanxi GTC Lucky Hope Real Estate Development Ltd.	China	50	50	Joint venture
	GTC Lucky Hope Suzy Real Estate Development Ltd.	China	50	50	Joint venture
	GTC Chengdu Real Estate Development Ltd.	China	100	100	Subsidiary
	GTC Dalian Galleria Real Estate Ltd.	China	100	100	Subsidiary
	Hangzhou International Financial Center Co. Ltd.	China	50	50	Joint venture
GTC Investment B.V.	Blitz Portfolio GmbH	Germany	85	85	Subsidiary
	Durango Switzerland B.V.	Netherlands	85	80	Subsidiary

Holding company	Name of subsidiary or joint venture	Country of incorporation	% equity interest of the direct holding as of December 31		
			2010	2009	
Tahal Group International B.V.	Tahal Group B.V.	Netherlands	100	100	Subsidiary
	Tahal Group Assets B.V.	Netherlands	100	100	Subsidiary
Tahal Group B.V.	Tahal Consulting Engineers Ltd.	Israel	100	100	Subsidiary
	Sitahal 'Hagal' (Talia) Partnership	Israel	100	100	Subsidiary
	Palgey Maim Ltd.	Israel	55.5	55.5	Subsidiary
	Eko-Wark Sp. ZOO	Poland	100	72	Subsidiary
	Fideco DOO	Serbia	100	100	Subsidiary
	Tahal Angola Ltd.	Angola	70	70	Subsidiary
Tahal Group Assets B.V.	Kardan Water International Group Limited	Hong Kong/Cayman Islands	100	100	Subsidiary
	Perilla Water Group Ltd.	China	100	100	Subsidiary
	Tri-River Water Group Ltd.	China	100	100	Subsidiary
	Dazhou Tianhe Water Supply and Drainage Co., Ltd.	China	100	100	Subsidiary
	Task Water B.V.	Netherlands	100	100	Subsidiary
	TASK SU Kanalizasyon SU	Turkey	50	50	Joint venture
	Milgam Municipal Services Ltd.	Israel	98.68	98.68	Subsidiary
	Agri Products N.V.	Netherlands	51	51	Subsidiary
Kardan Israel Ltd.	Kardan Real Estate Enterprise and Development Ltd.	Israel	71.94	100	Subsidiary
	Kardan Motors Ltd.	Israel	100	100	Subsidiary
	Kardan Technologies Ltd.	Israel	62.3	62.3	Subsidiary
	Kardan Communications Ltd.	Israel	100	100	Subsidiary
	Kardan Emed Properties Ltd.(6)	Israel	100	100	Subsidiary
	Dan Vehicle and Transportation D.R.T Ltd (AVIS Israel) (7)	Israel	14	5.78	Joint venture
Kardan Real Estate Enterprise and Development Ltd.	Nofei Hashemesh B.S. Ltd.	Israel	50	50	Joint venture
	El-Har Engineering and Construction Ltd. (5)	Israel	50	50	Subsidiary
Kardan Motors Ltd.	Taldan Motors Ltd.	Israel	90	90	Subsidiary
	S.F.D.I. Ltd.	Israel	100	100	Subsidiary
Kardan Emed Properties Ltd.	Emed Real Estate and Investments Development Ltd.	Israel	50	50	Joint venture
Emed Real Estate and Investments Development Ltd.	Dan Vehicle and Transportation D.R.T Ltd (AVIS)	Israel	54.25	54.25	Subsidiary

Comments:

(1) Due to existing Put options for Non controlling interest holders, , TBIF Financial Services B.V. ("TBIF") is effectively 100% consolidated by KFS.

(2) Fully consolidated from March 31, 2010 and proportionally up to that date.

(3) Proportionally consolidated from September 30, 2010 and fully consolidated up to that date.

(4) Despite the fact that as of December 31, 2010 the Company holds less than 50% of the shares of GTC S.A., the Company had, as of that date, effective control. Refer to Note 48 – Subsequent events for additional information.

(5) Although the Company holds only 50% in the share capital of El-Har, as a result of a put option granted to a non controlling shareholder of El-Har, which was considered IFRS 3 like transaction, the Company effectively holds 66.6% of El-Har and consolidates accordingly.

(6) Please refer to Note 5C.

(7) Due to the fact that Kardan Israel is holding AVIS Israel shares also through, Emed which it is joint venture, AVIS Israel is proportionally consolidated too.

C. Significant transactions and business combinations

1. Significant transactions and business combinations in 2010:

KFS

A. TBIH (the holding company of the Group's insurance and pension segment) - Cease of joint control and sale of the investment.

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, 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.

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:

	June 30, 2010
	€ in millions
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)
	(202)
Liabilities and Equity:	
Non controlling interests	2
Interest bearing loans and borrowings	47
Options	7
Insurance provisions	79
Other payables and accrued expenses	17
	152
Net assets deconsolidated	(50)

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

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). Due to the sale of TBIH, as described below, the gain is included in "Net (loss) profit from discontinued operations" (see section D below).

As KFS revalued its investment in TBIH to its fair value following the cease of control, as described above, the sale transaction (see below) did not result in a significant gain or loss.

In addition to the sale transaction and upon its closing, KFS acquired 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 (2011-2013) and €160 million for the last two years (2014-2015). The call option will be exercisable subject to receipt of required regulatory approvals. For the purchase of the call option, KFS received a €10 million loan from VIG.

As a result of the sale transaction, the Company is presenting the results of TBIH as discontinued operations, as the Company effectively sold its insurance and pension business here by disposing a major line of business.

B. Sovcom bank – From full to joint control

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 the non-controlling shareholder to purchase shares in Sovcombank so that TBIF would decrease its holding to 50% holding of the Bank's shares, that he intended 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. Subsequent to the transaction, 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 financial statements on a proportionate basis. The results of the Bank for the periods before September 30, 2010 are presented as discontinued operations ,as the sale is considered a disposal of a major geographical area according to IFRS 5.

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 IAS27R, TBIF revaluated the investment in Sovcombank to its fair value, provisionally estimated at €115 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 is allocated to goodwill on a provisional basis pending final purchase price allocation, in accordance with IFRS3R.

The provisional amounts of assets and liabilities of Sovcombank (pending final purchase price allocation) were proportionally consolidated in the TBIF statement of financial position as per September 30, 2010 are as follows (representing 50% of the balance sheet items of the bank):

	Provisional amounts
	September 2010
	€ in millions
Property, plant and equipment	11
Deferred tax assets	2
Bank loans granted	237
Goodwill and intangibles	72
Investment properties	1
Financial assets at fair value through profit/loss	147
Trade and other receivables	11
Balances with central banks	2
Cash and cash equivalents	22
	505
Loans and deposits from banks	(56)
Deposits from companies and individuals	(299)
Other liabilities	(35)
	(390)
Net assets consolidated (*)	115

(*) The assets and liabilities deconsolidated equals the amounts consolidated with the exception of goodwill and non controlling interests.

As a result of the transaction, the accumulated foreign currency translation reserve and revaluation reserve relating to the investment in Sovcombank were released, contributing a loss of in total €9 million. The gain on the sale of the stake and on the revaluation to fair value of the investment in the Bank amounted to € 59 million (of which €46 million relates to the revaluation of the existing share).
In accordance with the requirements of IFRS 5, and as management considers Sovcombank operations as a major geographical area, the current and past results of the bank up and including the nine months ended September 30, 2010, including the capital gain which totalled to €50 million are included in 'Net profit for the period from discontinued operations' in the consolidated income statement (see also section D below).

C. **Disposal of the investment in VAB Bank and VAB Leasing**

On December 9, 2010 TBIF entered into a series of agreements with international entities ("the Purchaser"), whereby it was agreed that TBIF would sell its stake in VAB Bank (the "Sale Transaction") to the Purchaser. As part of the Sale Transaction, it was agreed that the Purchaser would pay a purchase price, which would be equal to the amount placed in the capital increase (UHA 550 million, € 52 million). Following the capital increase, TBIF's shares in the Bank (84%) were transferred to the Purchaser and the Sale Transaction was completed on January 28, 2011. Subsequently, the results of VAB Bank are presented as discontinued operations, as it is a disposal of a major geographical area, and its assets and liabilities are presented as 'assets held for sale' and 'liabilities held for sale'. For additional details, please refer to section E below.

In addition, on December 9, 2010, TBIF also entered into an agreement with VAB Bank to sell to the Bank its 100% holdings in VAB Leasing for a consideration of $4.5 million (€3.4 million). The transaction was completed on February 2, 2011.

The Company estimates that the completion of both transactions will not result in a significant gain or loss.

D. During 2009 non controlling shareholders in KFS exercised part of their put options and sold the Company a total of 7.3% of their shares in KFS in consideration of €17.6 million. During 2010 non controlling shareholders in KFS exercised the rest of their put options and sold the Company a total of 1.4% of their shares in KFS in consideration of €3 million. Following these acquisitions, the Company now holds a 100% interest in KFS.

Kardan Israel

A. 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.

B. 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 €11 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.

C. In August and October 2010, Kardan Israel purchased 1,286,469 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 14%. The total direct and indirect stake of Kardan Israel in AVIS is 41.1%. For additional acquisition of AVIS shares subsequent to the balance sheet date, please refer to Note 48.

GTC

In March 2010, GTC Real Estate Investments Romania B.V. (‘GTC Romania’) signed an agreement with its joint venture partner in relation with its holdings in companies which develop shopping centers in Romania (‘the Project Companies’). The agreement regulates conversion of GTC Romania's over-financing into additional shares in the Project Companies. As result of the agreement, GTC Romania increased its holding in NCC from 50% to 52%.

Following the execution of the above mentioned agreement, the Company started consolidating most of the projects companies instead of applying the proportionate consolidation method used in previous periods.

As result of the transaction, the Company recognized € 2.7 million of goodwill, decreased the non-controlling shareholder's interest by € 5.2 million, and took over liabilities to non-controlling party in the amount of € 0.2 million. Management believes that the goodwill is supported by a mix of operational synergies, future projects’ potential and gaining control.

GTC Romania did not recognized gain or loss neither from fair value adjustment interest acquired nor to the interest which, directly or indirectly, already owned due to the fact that the carrying value of the net assets which obtained were approximated in fair value

The fair values of the identifiable assets and liabilities of NCC and its subsidiaries as at the acquisition date was:

	€ in millions
Investments properties	126
Cash and cash equivalents	2
Trade and Other receivables	5
Interest bearing loans and borrowing	(146)
Trade and Other payables	(4)
Net assets (100%)	**(17)**
Equity interest at fair value immediately before acquisition date	9
Non controlling interest proportional share of net assets	5
Goodwill arising on acquisition	**3**

From the date of acquisition as result from full consolidated instead of proportional consolidation, NCC and its subsidiaries has contributed € 5.8 million loss for the period (before allocation to NCI) and € 0.9 million revenues to rental revenues.

In November 2010, GTC Romania has signed an additional agreement with Non controlling interest holders in NCC (with respect to the first agreement, please refer to section B above). The agreement sets the conversion of GTC Romania's financing into additional shares in the project companies, Mercury Commercial Center S.R.L. ('Mercury') and Cefin Galati Real Estate S.R.L. ('Cefin'). Following the execution of the agreement, GTC Romania holds a 100% interest in Mercury (Arad shopping centre) and 85% interest in Cefin (Cefin shopping centre).

TGI

A. On July 12, 2010 Tahal Group International B.V. ("TGI", 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 at the total amount of € 82 million.

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 (€2.1 million), based on an external valuation, the residual of the consideration was allocated to the loan element. 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%. As of December 31, 2010 the fair values of the financial instruments described above remained the same.

B. 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 is included in "Gain (loss) on disposal of assets and other income" in the income statement.

2. Significant transactions and business combinations in 2009:

KFS

A. In March 2009, the Company has reached an agreement with Israel Discount Bank ("IDB") to buy back the 11% stake IDB holds in KFS. The purchase price amounts to €38.5 million and was payable in two installments. The first installment amounting to €30 million was paid upon closing; the second installment of €8.5 million is due after 7 years and bears no interest.

Within the framework of the agreement the Company has granted IDB an option to repurchase a 5% stake in KFS for a period of six years from closing, at a price changing gradually reflecting a valuation of KFS of €386 million plus 5% interest from the third year. Furthermore IDB approved new credit facilities for Kardan Group. The agreements were signed on March 30, 2009. In addition, on March 30, 2009 an agreement was signed with IDB according to which, amongst others, KFS early repaid IDB an amount of €50 million, and some of the financial covenants that were agreed between the parties in the past were changed. In addition, the Company and one of its subsidiaries received additional loans from IDB.

The fair value of the amounts paid to IDB in consideration for the shares plus the fair value of the option were estimated by the Company at €37 million. The excess of the purchase price over the carrying value of the acquired shares amounted to €28 million. The part of the excess purchase price related to the difference between the fair value of the acquired shares, as estimated as of December 31, 2008 and the carrying value of the shares, amounting to €14 million, was allocated to goodwill. The remainder, amounting to €14 million, was allocated to financing cost, which will be amortized over the different terms of the loans. Although in principal the share purchase transaction was discussed separately from the additional financing and changes in covenants, and each transaction was discussed separately by the Company, the abovementioned amount was allocated to financing costs.

B. In December 2008, the shareholders of TBIH agreed on reorganization, aimed at supporting the equity basis of TBIH and providing liquidity for ongoing purposes. Agreements were signed between the shareholders of TBIH, Vienna Insurance Group ("VIG") and KFS and with TBIH regarding this reorganization transaction as follows:

(i) Croatia - TBIH sold all of its holdings in Kvarner Vienna Insurance Group and Helios to VIG.

(ii) Albania - TBIH sold all of its holdings in Sigma Sh.a and Sigma Skopje AD to VIG.

(iii) Bulgaria - TBIH sold all of its direct and indirect holdings in TBI Bulgaria AD ("TBIB"), other than Pension Assurance Doverie ("Doverie") to VIG. Subsequently, Doverie was transferred to TBIH and became a direct subsidiary of TBIH and all the insurance companies in Bulgaria are held by VIG.

(iv) Russia - the rights and obligations under the agreements between TBIH and Veskotir were assigned to KFS and terminated such that TBIH deconsolidated and fully impaired its investment in RIC in December 2008.

(v) TBIH used the proceeds from the sale of assets as described in (i) through (iii) above, amounting to approximately €200 million, to repay shareholder loans from VIG, in the amount of approximately €100 million. The receipt of proceeds and repayments of loans occurred in December 2008 and early January 2009.

The transactions relating to the activities in Croatia, Russia and the transfer of 49% of the Bulgarian insurance holdings were finalized in 2008. Accordingly a capital gain of €37.9 million was recognized in TBIH (€9.4 million for the Company). The finalization of the sale of the remaining 51% of the insurance holdings in Bulgaria, the holdings in Albania and the Romanian pension activities were completed in 2009 following the receipt of all regulatory approvals.

In 2008, in accordance with IFRS 5, the assets and liabilities of the companies that were sold in 2009 were presented as assets and liabilities held for sale on the face of the statement of financial position.

The financial results of all subsidiaries subject to the above-mentioned reorganization are presented as discontinued operations in the consolidated income statement of the Company for the years 2009 and 2008.

Kardan Israel

A. In November 2008, KIL acquired 20% in Kardan Kardan Emed Properties Ltd ('Nichsei Emed') and the seller's rights over a shareholders loan to Nichsei Emed for the amount of NIS 12 million, the carrying amount of the loan was NIS 18 million. The acquisition increased KIL's percent of ownership to 50% of the company's equity, furthermore, KIL signed over an agreement with the seller to acquire an additional 10% of the company's equity and an additional shareholder's loan to in the amount of NIS 6 million, the carrying amount of the loan was NIS 6 million. The second part of the agreement was subject for an approval from the Israeli Antitrust Authority. In January 2009, after receiving all the required approvals KIL has acquired an additional 10% in Kardan Kardan Emed Properties Ltd ('Nichsei Emed'), such way that following the acquisition KIL holds 60% of the shares, and started consolidating the financial statements of Nichsei Emed from the first quarter of 2009.

Nichsei Emed holds 50% of the shares of Emed Real Estate Developments and Investments Ltd. ('Emed Real Estate'). Emed Real Estate which is proportionately consolidated and is engaged in real estate activities in Israel also holds 54% of the shares of AVIS Israel. In 2009, KIL also directly held 5.78% of the equity of AVIS Israel (in 2010 KIL acquired an additional 8.2% stake in AVIS Israel, as mentioned above).

KIL recognized an equity reserve of €2 million as a result of the change in fair value of the recognized assets and liabilities of the acquired company.

As a result of the acquisition the Company recognized a profit in the amount of €2 due to negative goodwill.

The fair value and carrying amount of the recognized assets and liabilities of Nichsei Emed were as follows:

	Fair Value	Carrying amount
	€ in millions	
Cash and cash equivalents	6	6
Trade receivables	16	16
Other accounts receivables	5	5
Goods and vehicles held for sale	6	6
Short term investments	1	1
Rental vehicles	209	209
Investment property and fixed assets, net	48	48
Intangible assets	3	3
Goodwill in the acquired company	-	11
Other non-current assets	2	2
	296	307
Current liabilities (not including current maturities of long term bank loans or debentures)	47	47
Long term bank loans (including current maturities)	87	87
Debentures (including current maturities)	99	121
Deferred tax liabilities	23	18
Other long term liabilities	7	7
Non controlling interest	27	18
	290	298
Net assets	6	9
Percent of acquired equity (10%)	1	1
Goodwill resulted from the acquisition	-*	
Consideration, paid in cash	1	

* Less than €1 million.

Net cash increase generated from the increase in equity

	€ in millions
Cash and cash equivalents of the acquired company	6
Cash paid	(1)
Net cash	5

The effect of the business combination would not materially change the Company's revenues and result of the Company if it would have taken place on January 1, 2009.

In July 2009, KIL has acquired the remaining 40% of the shares of Nichsei Emed and became the sole shareholder of that company. In consideration for the shares, KIL has paid the nominal value of the shares and released the seller from a guarantee it has provided in connection with a NIS 120 million (€22 million) bank loan. As part of the transaction, KIL has acquired shareholders' loans of €7 million and has granted the seller an option to receive 5 apartments in one of the residential projects it owns at cost price, as stipulated in the agreement. As a result of the transaction, KIL recognized a gain of €1.7 million representing the difference between the fair value of the acquired shares and the consideration paid. For additional information refer to note 48C.

GTC

A. In January 2009, GTC SA and a non controlling shareholder in its subsidiaries signed an agreement according to which the non controlling shareholder realized his right and sold all his shares in GTC SA's subsidiaries to GTC SA, in consideration of €17.6 million. The related put options were previously accounted for as share appreciation rights. As the option was, as of December 31, 2008, valued at the agreed upon exercise price, the effect on the income statements for the reported period was nil.

B. In September 2009 GTC Holding sold 6.7 million shares of GTC SA in consideration for approximately €38 million. The capital gain from the sale amounts to approximately €3 million. As of December 31, 2010, the Company indirectly holds 43.14% in GTC SA and still remains the controlling shareholder.

D. Discontinued operations

Discontinued operations include the following transactions, as described in Note 5B and 5C above:

- Disposal of VAB Bank
- Disposal of TBIH
- 9 months 2010 results of Sovcom bank
- Disposal of pension and insurance subsidiaries (2009), included in TBIH figures for 2009 and 2008.

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

2010

	TBIH	SovCom	VAB	**Total**
Total income	35	87	(58)	64
Total expenses	(35)	(56)	(46)	(137)
Profit (loss) before tax	-	31	(104)	(73)
Income tax expenses	(1)	(7)	14	6
Net profit (loss) from discontinuing operations before capital gains	(1)	24	(90)	(67)
Revaluation of put option	(11)	-	-	(11)
Capital gain (loss) from sale	25	59	22	106
Release of capital reserves	2	(9)	(22)	(29)
Release of goodwill/deferred gain	17	-	(8)	9
Net profit (loss) from discontinued operations	32	74	(98)	8

2009

	TBIH (*)	SovCom	VAB	**Total**
Total income	90	70	(3)	157
Total expenses	(102)	(73)	(21)	(196)
loss before tax	(12)	(3)	(24)	(39)
Income tax expenses	(3)	-	5	2
loss from discontinuing operations before capital gain	(15)	(3)	(19)	(37)
Revaluation of put option	13	-	-	13
Capital gain (loss) from sale	28	-	5	33
Release of goodwill	(5)	-	-	(5)
Net profit (loss) from discontinued operations	21	(3)	(14)	4

2008

	TBIH (*)	SovCom	VAB	**Total**
Total income	134	88	24	246
Total expenses	(154)	(101)	(30)	(285)
Profit (loss) before tax	(20)	(13)	(6)	(39)
Income tax expenses	(1)	1	1	1
Net profit (loss) from discontinuing operations before capital gains	(21)	(12)	(5)	(38)
Capital gain (loss) from sale	47	-	-	47
Release/impairment of goodwill	(20)	(14)	(26)	(60)
Net profit (loss) from discontinued operations	6	(26)	(31)	(51)

(*) In 2009 and 2008 information regarding TBIH includes the insurance and pension activities that were disposed in 2009.

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

	For the year ended December 31,		
	2010	2009	2008
	€ in millions		
Net cash flow from operating activities	(55)	(139)	(54)
Net cash flow from investing activities	148	48	3
Net cash flow from financing activities	44	(18)	(1)
Net cash flows from discontinued operations	137	(109)	(52)

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

	For the year ended December 31,		
	2010	2009	2008
	€ in millions		
Foreign currency translation differences	2	(6)	(17)
Revaluation reserve	1	-	(1)
	3	(6)	(18)

Transactions in VAB Bank shares in 2010:

VAB Bank – Share purchase and capital increase

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 on March 31, 2010. Following the completion of the transaction, TBIF held 63% of the shares of VAB Bank and accordingly became the controlling 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 31, 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.
As a result of the transaction, the Company recognized a net loss amounting to €16 million, including the release of the accumulated foreign currency translation reserve in the amount of €22 million, relating to the investment in VAB Bank. The loss, together with the entire results of VAB Bank, is included in 'Net profit (loss) from discontinued operations`, following the sale transaction described in section C above.

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

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

As a result of continuous losses incurred by the Bank, the Group examined the need to recognize an impairment of goodwill. As of December 31, 2010, the Group has recognized a full impairment of €20 million of goodwill and intangible assets related to VAB Bank and the financial services segment operations. Which are included in 'Impairment losses on goodwill' in the income statement. 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.

In September 2010 the shareholders of VAB Bank agreed to increase the capital of the Bank by €52 million (UAH 550 million). The capital increase was finalized by December 31, 2010. The capital increase resulted in an increase of TBIF's stake in the Bank from 71.26% to 83.91%. The excess of purchase price over the carrying value of the acquired stake, amounting to € 10 million, was allocated to the investment in VAB Bank as part of assets held for sale. This amount was not allocated to a decrease in equity as it was considered to be directly linked to the Sale Transaction.

E. Assets and liabilities held for sale

Assets and liabilities held for sale as of December 31, 2010 represent the assets and liabilities of VAB Bank, in relation to the sale transaction as described in section C. Please see below composition of main groups of these assets and liabilities:

	December 31, 2010
	€ in millions
Assets	
Property, plant and equipment	27
Investment properties	20
Intangible Assets	10
Deferred tax assets	28
Bank loans granted	360
Other loans and long-term receivables	2
Financial assets at fair value through profit/loss	2
Available for sale financial assets	19
Trade and other receivables and other assets	9
Balances with central banks	12
Cash and cash equivalents	96
Total assets	**585**
Liabilities	
Loans and deposits from banks	19
Deposits from companies and individuals, Bank activities	410
Non-convertible debentures	66
Other interest-bearing borrowings	33
Other payables	59
Total liabilities	**587**

The assets and liabilities presented in the consolidated statement of financial position (amounting to €17 million assets and €23 million liabilities) as held for sale as of December 31, 2009, relate to certain investment properties sold in 2010, as described in Note 8.

F. The following shares are used as collateral by the Group:

As described in Note 33, the Group has pledged shares as collateral for certain loan agreements. The main shares pledged are as follows:

1. Shares of GTC SA
2. Shares of Kardan Israel
3. Shares of KFS
4. GTC SA pledged shares of its subsidiaries for several construction loans
5. Shares of UMI.

G. Investments in joint ventures

Following are main statement of financial position and profit and loss items of companies and joint ventures accounted for under the proportionate consolidation method as presented in these consolidated financial statements:

Group share in the companies' statement of financial position according to holding percentage:

	December 31, 2010	December 31, 2009
	€ in millions	
Current assets	684	505
Non-current assets	914	733
Current liabilities	(725)	(469)
Long term liabilities	(521)	(614)
Assets, net	352	155

Group share in the operating results of the joint ventures according to holding percentage:

	December 31, 2010	December 31, 2009
	€ in millions	
Revenues	364	370
Expenses	(337)	(414)
Non controlling share in profit (loss)	-	(2)
Net profit (loss)	27	(46)

Refer to Note 5B for a list of material joint ventures.

The material increase in assets and liabilities is mainly due to the proportionate consolidation of Sovcom bank. See Note 5C

For additional information regarding commitments and contingent liabilities related to the joint ventures please refer to Note 33.

H. The Group's investments in subsidiaries whose shares are publicly traded:

	December 31, 2010	December 31, 2009
	€ in millions	
Kardan Technologies (*)		
Carrying value	2	2
Market value	2	2
GTC SA (**)		
Carrying value	427	409
Market value	583	591
Kardan Israel (*)		
Carrying value	74	71
Market value	111	84
Kardan Real Estate (*)		
Carrying value	55	31
Market value	53	N/A
Dan Vehicle & Transportation D.R.T Ltd. (AVIS) (*)		
Carrying value	46	28
Market value	48	23

(*) Traded on the Tel Aviv Stock Exchange.
(**) Traded on the Warsaw Stock Exchange.

I. The Group has received the following dividend amounts in the reporting period:

	2010	2009
	€ in millions	
From subsidiaries	43	43
From joint ventures	75	3
From associated companies	9	9

For Liens, Contingent Liabilities and commitments of investees please refer to Note 33.

(6) TANGIBLE FIXED ASSETS

	Freehold Land, buildings And asses under construction	Property, plant and equipment	Motor vehicles	Office furniture and equipment	Leasehold improvements	Total
	€ in millions					
Cost:						
Balance as of January 1, 2009	46	65	24	16	3	154
Additions (1)	14	38	7	10	3	72
Disposals (2)	(4)	(38)	(8)	(2)	-	(52)
Exchange differences	(1)	-	3	(1)	-	1
Balance as of December 31, 2009	55	65	26	23	6	175
Additions (1)	47	20	6	8	6	87
Transfers from investment properties	6	-	-	-	-	6
Disposals (2)	(40)	(54)	(8)	(13)	-	(115)
Exchange differences	7	3	(6)	3	-	7
Balance as of December 31, 2010	75	34	18	21	12	160
Accumulated depreciation:						
Balance as of January 1, 2009	4	22	8	9	-	43
Depreciation for the year (1)	3	8	6	7	3	27
Eliminated on disposals (2)	-	(6)	(3)	(2)	-	(11)
Impairment (3)	2	5	-	-	-	7
Balance as of December 31, 2009	9	29	11	14	3	66
Depreciation for the year (1)	5	12	4	6	1	28
Eliminated on disposals (2)	(10)	(18)	(5)	(8)	-	(41)
Exchange differences	-	1	(1)	2	-	2
Balance as of December 31, 2010	4	24	9	14	4	55
Net book value December 31, 2009	46	36	15	9	3	109
Net book value December 31, 2010	71	10	9	7	8	105

Freehold land and buildings are related to owner-occupied property.

(1) Includes additions resulting from newly consolidated subsidiaries: December 31, 2010 cost – €24 million; accumulated depreciation – €9 million (December 31, 2009 - €30 million and €4 million, respectively).

(2) Includes disposals resulting from deconsolidation of subsidiaries: December 31, 2010 cost – €16 million; accumulated depreciation – €5 million, (December 31, 2009 - €0 thousand and €0 thousand, respectively).

(3) In 2009 the impairment loss in the amount of €7 represents a write down of certain property in the infrastructure segment to its recoverable amount, based on value in use. This has been recognized in the income statement in the line item 'Other expenses' (refer to Note 39).

(7) RENTAL VEHICLES

	2010 € in millions	2009 € in millions
Cost		
Balance as of January 1	265	-
First time consolidation	-	292
Increase in proportional consolidation	21	-
Purchases	109	79
Reclassification to Inventory	(120)	(106)
Exchange rate differences	40	-
Balance as of December 31	315	265
Accumulated depreciation		
Balance as of January 1	64	-
First time consolidation		70
Increase in proportional consolidation	5	-
Depreciation	44	43
Reclassification to inventory	(53)	(49)
Exchange rate differences	10	-
Balance as of December 31	70	64
Net book value	**245**	**201**

This activity is primarily generated via AVIS Israel.
AVIS Israel acquires most of its rental vehicles mainly from 2 suppliers.

Please refer to Note 33 regarding vehicles held as collateral.

(8) INVESTMENT PROPERTIES

A. General

As of December 31, 2010, investment properties owned by the Group include office and commercial space and comprise both completed properties and investment properties under construction.

B. The movement in investment properties, which are valued at fair value, unless specified otherwise, is as follows:

	2010	2009
	€ in millions	
Opening balance	2,156	1,965
Capitalized subsequent expenditure and transfers from investment property under construction	143	324
Additions of newly consolidated subsidiaries	77	42
Investment property sold (3)	(97)	(18)
Adjustment to fair value (1)	73	(165)
Transfer from (to) cost of building in progress	(36)	28
Foreign currency translation differences	18	(10)
Transfer to property and equipment	2	(1)
Deferred brokerage fees	1	1
	2,337	2,166
Transfer from/(to) assets held for sale (2)	7	(10)
Closing balance	2,344	2,156
Includes:		
Investment properties on freehold land	1,045	867
Investment properties on leasehold land	1,299	1,299
	2,344	2,166

(1) As a result of revaluation of investment properties under construction and completion of construction of investment properties, the goodwill allocated to these properties was deducted from the adjustment to fair value. In 2010, the goodwill deduction amounted to nil (2009: €15 million). Accordingly, the consolidated income statement shows net fair value adjustments of € 73 million (2009: €179 million devaluation).

(2) In January 2010, Durango Switzerland B.V. sold two office buildings properties in Uster and Zurich in consideration of €4.3 million (CHF 6.3 millions), being the fair value of these investment properties at year end 2009.

(3) In October 2010, GTC S.A. finalized, among others transactions, the sale of Topaz and Nefryt office buildings in Warsaw for the total price of € 78.9 million. GTC S.A. repaid the financial liabilities (bank loans and hedges) in relation with the two buildings in the amount of €50 million. An accumulative expense of €4 million representing the hedge related to the assets held for sale was recycled from OCI and recognized as expense in the period.

Investment properties financed by external debt are pledged as securities for the according long-term loans in favor of the lending banks.

C. Fair value adjustments comprise:

	For the year ended December 31,	
	2010	2009
	€ in millions	
Adjustment to fair value of newly completed properties, net of goodwill released	25	17
Adjustment to fair value of newly properties completed in prior years	35	(142)
Adjustment to fair value of investment property under construction, net of goodwill released	11	(14)
Cancellation of impairment of investment properties under construction measured at cost	2	(40)
Total fair value adjustments for the year	73	(179)

D. Investment properties can be split up as follows:

	December 31, 2010	December 31, 2009
	€ in millions	
Completed investment properties	1,876	1,580
Investment properties under construction carried at fair value	201	158
Investment properties under construction carried at cost	267	418
	2,344	2,156

E. During 2010 the following projects were completed and classified as completed investment properties:

Completion date	Property name	Fair value adjustment	Value at completion
		€ in millions	
Fourth quarter 2010	Galleria Chengdu, China	29	110
Second quarter 2010	GTC Metro, Hungary	(1)	34
Fourth quarter 2010	Galeria Stara Zagora, Bulgaria	3	62
Second quarter 2010	University BP 1, Poland	(7)	22
Second quarter 2010	Francuska, Poland	-	27
		24	**255**

The vacancy in the completed properties is considered insignificant relative to any remaining property risks and has been taken into account in the external appraisal valuations.

F. Significant assumptions:

Investment properties of the Group are presented based on the fair value model. Appraisal of investment properties and IPUC by independent valuators is based on their market value periodically or estimated by using the residual method or discounting future cash flows.

Significant assumptions used in the valuations are presented below on the basis of weighted averages:

	China		Western Europe		CEE	
	December 31, 2010	December 31, 2009	**December 31, 2010**	December 31, 2009	**December 31, 2010**	December 31, 2009
Completed investment properties						
Average rental rate per sqm per month (in €) (*)	17	-	9.8	9.8	19.7	20.2
Yield	9.5%	-	6.4%	6.1%	7.8%	7.8%
ERV per sqm per month (in €) (*)	20	-	9.3	9.8	19.1	19.9
Vacancy	5%	-	3.8%	7.3%	17%	10.9%
Assets under construction (only assets at fair value)						
Average risk adjusted yield used in capitalizing the net future income stream	-	-	-	-	9%	9.3%
Average % complete	-	-	-	-	62%	75%
Estimated average development profit (1-(Total expected costs/Fair value upon completion))	-	-	-	-	7.6%	6%
Effective average development profit (1-(Total spent costs/Current fair value))	-	-	-	-	n/a	2%

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

G. Sensitivity analysis:

The table below presents the sensitivity of profit (loss) before tax due to changes in the following parameters: (the values are presented in absolute numbers as a change can either be positive or negative):

	China		Western Europe		CEE	
	December 31, 2010	December 31, 2009	**December 31, 2010**	December 31, 2009	**December 31, 2010**	December 31, 2009
Completed investment property						
Change of 25 bp in reversionary yield	N/A	-	6	5	52	47
Change of 5% in estimated rental income	N/A	-	8	14	81	73
Investment property under construction						
Change of 5% in total construction costs	-	-	-	-	18	9
Change of 5% in estimated rental income	-	-	-	-	10	5

The Company has not disclosed main assumptions and sensitivity analysis of investment properties located in Israel, as they are not material for the Group and possible changes in yields or in rental income will not have a significant effect on the financial position of the Company.

H. Investment property under construction:

As of December 31, 2010 includes the following main projects:

Country	Property	Value (€ in millions)	Details
Croatia	Galleria Osijek	47	Shopping mall in Osijek
Bulgaria	Galleria Varna	66	Shopping mall in Varna
Romania	Mercury	43	Shopping mall in Arad
Russia	Saint Petersburg	32	Office project in Saint Petersburg

Completed assets were revalued based on discounted cash flow or - as deemed appropriate - on basis of the Income Capitalization or Yield method approach, assets under construction and impaired assets were revalued based on Residual approach.

Certain properties under construction are carried at cost, as pre-letting and / or construction has not yet started. Accordingly, those assets are not yet qualified as assets to be presented at fair value. For those assets, an impairment test was performed. Impairment test conducted on the basis of the residual value method, whereby an average exit yield of 7%-9.75% (2009-7.5%-9.1%) was applied and a developers' profit of 20% (2009-20%) was assumed. There is no reason to believe that any further impairment has arisen.

(9) INVESTMENTS IN ASSOCIATES

A. Principal associates

Holding Company	Name of direct associate	% of ownership of the direct holding **December 31, 2010**	 December 31, 2009	Country	Carrying value (€ in millions) **December 31, 2010**	 December 31, 2009
Taldan Motors Ltd.	Universal Motors Israel Ltd.	45	45	Israel	53	44
Kardan Communications Ltd	Lidan Investment Agencies(1994) Ltd.	49	49	Israel	3	7
	RRSat Communication Network Ltd.	24.4	24.4	Israel	15	14
Kardan Real Estate Ltd.	Holyland Park Ltd	30	30	Israel	3	7
Globe Trade Centre S.A[(1)]		35	35	Luxembourg	11	8
Other associated companies and loans to associates					72	66
					157	146

Comments:

(1) GTC SA has several associates all located in Luxembourg and are all 35% owned. All these associates hold Czech subsidiaries which are active in the development in real estate in the Czech Republic.

B. Composition:

	December 31, 2010	December 31, 2009
	€ in millions	
Total of equity investments	79	69
Loans and other long-term balances	78	77
Total investment in associates	157	146
These investments include goodwill as follows:		
Goodwill arising from acquisition:		
Cost	9	7
Carrying amount as of the statement of financial position date	8	6

Impairment testing revealed no impairment of these goodwill amounts.

The amount of equity investment includes the existence of capital reserves due to currency translation differences.

C. Movement in the equity investments in associates is as follows:

	2010	2009
	€ in millions	
Balance as of January 1	146	152
Additions, net	1	(9)
Change in loans, net	(3)	7
Equity earnings	13	7
Dividend distributed	(9)	(6)
Reclassification of investment in associated company to financial assets	-	(1)
Impairment	-	(1)
Foreign currency translation differences	9	(3)
Balance as of December 31	157	146

D. Loans:

The investment in associated companies includes loans as follows:

	Interest rate	**December 31, 2010**	December 31, 2009
		€ in millions	
In NIS (linked to the CPI)	0%-5%	33	36
In EUR	4.5%	29	40
In USD	2.5%-7.5%	16	1
		78	77

For most loans repayment dates have not been determined yet.

E. Below is a summary of financial data from the statement of financial positions of the Group's associated companies:

	December 31, 2010	December 31, 2009
	€ in millions	
Current assets	161	148
Non-current assets (*)	228	160
Current liabilities	(151)	(126)
Non-current liabilities	(159)	(113)
Assets, net	79	69

(*) Including goodwill

Share of the Group in the results of associated companies proportionate to the holding rate for the period:

	For the year–end December 31,		
	2010	2009	2008
	€ in millions		
Revenues	305	235	260
Net profit (*)	13	7	4
(*) Including goodwill impairment:	-	(1)	(2)

F. Additional information regarding investments in associates whose shares are publicly traded:

	December 31,			
	2010		2009	
	Carrying amount	Market value	Carrying amount	Market value
	€ in millions			
RRSat Communication Network Ltd.	15	24	14	33

For contingent liabilities related to associate companies refer to Note 33.

(10) LOANS TO BANK CUSTOMERS

A. Composition:

	December 31, 2010	December 31, 2009
	€ in millions	
Loans and advances to individuals	143	229
Mortgage loans	6	56
Other loans and advances to banks	3	33
Credit cards	-	2
	152	320
Corporate loans	118	315
Total loans and advances gross	270	635
Less - allowance for impairment losses (1)	(15)	(88)
	255	547

(1) Movements in allowance for impairment losses are:

	2010	2009
	€ in millions	
Balance as per January 1	88	31
First time consolidation	48	-
Assets transferred as held for sale (refer to note 5D)	(150)	-
Deconsolidation	(16)	
Allowance for the period	98	65
Recognized written off uncollectible debts	(64)	(58)
Reclassification of portfolios to Sovcombank (1)	-	52
Foreign currency exchange differences	11	(2)
Balance as per December 31	15	88

(1) Due to restructuring of the banking activities in Russia in 2009, part of the consumer credit portfolio was redefined as banking portfolio.

B. Maturities:

	December 31, 2010	December 31, 2009
	€ in millions	
Presented as current assets	159	358
Presented as non-current assets	96	189
	255	547

During 2010, TBIF repossessed assets with a carrying value of €12 million (€16 million in 2009). TBIF is in the process of selling the repossessed assets.

In the first quarter of 2011 it has come to the attention of the management of Sovcombank that a € 12 million loan might be in default. It is expected that a provision of approximately € 1.9 million with respect to this loan will be recorded in the first quarter of 2011.

(11) LONG-TERM LOANS AND RECEIVABLES

A. Composition:

	December 31, 2010	December 31, 2009
	€ in millions	
In USD (1)	18	33
In EUR (2)	195	266
In NIS	11	7
In other currencies (3)	36	89
	260	395
Less – current maturities	(159)	(195)
	101	200
Value of put option granted to the Group in relation to sale investment in a joint venture (4)	-	48
Service concessions (5)	29	4
Related parties and NCI (6)	55	16
Advances to government authorities	8	4
Long term deposits	-	1
Other	15	10
Capital Note issued by related party (7)	1	1
Provision for doubtful debts (8)	(38)	(26)
	171	258

(1) As of December 31, 2010 and 2009, the balance includes €12 million and €19 million, respectively, relating to leasing activities.

(2) As of December 31, 2010 the balance includes: an amount of €155 million (2009: €180 million) for leasing operations, retail credit and mortgage; €19 million (2009: €26 million) loans granted to non controlling shareholders and partners in companies consolidated in GTC Group and in the KFS Group. The loans bear fixed interest at an annual rate of 14%, and some bear a variable annual interest rate of Euribor + 3%. In addition, the balance includes loans to proportionally consolidated companies, amounting to €29 million (2009: €61 million), mostly bearing an annual interest rate of Euribor + 3%.

(3) The balance includes mainly leasing and retail lending denominated primarily in Russian Rubbles and Romanian Lei .

(4) In the TBIH shareholders agreement between KFS and VIG dated April 16, 2007 and December 22, 2008, KFS was granted a put option relating to its holdings in TBIH (40%). In 2010, the option was exercised refer to Note 5C.

(5) As of January 1, 2010 BOT concession agreements have been reclassified as financial assets. The concession agreements are based on guaranteed volumes and tariffs, which in accordance with IFRIC 12 are accounted for as concession financial receivables. According to the relevant concession agreements, the Company has an unconditional right to receive cash as the grantor contractually guarantees to pay at specified amounts or the shortfall between the actual and the guaranteed water volume for certain projects. The reclassification in 2010 had an impact of €18 million transfer from intangible assets to financial assets and a positive immaterial impact on the income statement. Comparative figures are not adjusted based on materiality.

(6) Primarily includes loans to partners in joint ventures.

(7) A capital Note in the amount of NIS 6.5 million par value (€1.2 million), was issued by a related party. The capital Note does not bear interest and is repayable in December 2011. The capital Note is included at its present value computed at an annual discount rate of 11.5%.

(8) Provision for doubtful debts primarily includes provision for impairment losses relating to consumer credit and mortgage activities.

B. Long-term loans and receivables are further specified as follows:

	December 31, 2010	December 31, 2009
	€ in millions	
Financial leases (*)	83	115
Consumer credits and mortgages	111	131
Other long-term loans and receivables	66	149
	260	395

(*) Net investments in financial leases are further specified as follows:

	December 31, 2010	December 31, 2009
	€ in millions	
Not later than one year	67	80
Later than one year and not later than five years	45	61
Later than five years	4	5
Gross receivables from financial leases	116	146
Less – gross earnings allocated to future periods	(19)	(21)
Less – allowance for impairment losses	(14)	(10)
Net investment in financial leases	83	115
Not more than one year	46	61
Later than one year and not later than five years	34	50
Later than five years	3	4
	83	115

Financial leases include mainly agreements with corporate and private costumers for vehicles and production equipment.

C. Movement in the provision for doubtful debts:

	December 31, 2010	December 31, 2009
	€ in millions	
Balance as per January 1	26	36
Decrease due to change from full to proportionate consolidation	(9)	-
Change due to first time consolidation of newly acquired subsidiaries	-	9
Reclassification of portfolios in Sovcom bank	-	(50)
Allowance for the period	28	37
Recognized written off uncollectible debts	(7)	(3)
Foreign currency exchange differences	-	(3)
Balance as per December 31	38	26

D. Maturities

	December 31, 2010	December 31, 2009
	€ in millions	
First year – current maturities	159	195
Second year	65	75
Third year	16	91
Fourth year	7	11
Fifth year	2	5
Sixth year and thereafter	11	18
	260	395

(12) DEFERRED ACQUISITION COSTS (INSURANCE COMPANIES)

A. Composition:

	December 31, 2010	December 31, 2009
	€ in millions	
General insurance	-	7

B. Movement in deferred acquisition costs relating to general insurance:

	2010	2009
	€ in millions	
Balance as per January 1	7	6
Expenses deferred	(4)	5
Amortization for the year	5	(4)
Deconsolidation of TBIH	(8)	-
Balance as per December 31	-	7

(13) INTANGIBLE ASSETS AND GOODWILL

A. Movement in goodwill, service concession and other intangible assets is as follows:

	Goodwill	Service concessions (2)	Other intangibles (5)	Total
	€ in millions			
Balance as of January 1, 2009	191	23	27	241
Additions (1)	33	4	19	56
Change due to disposal of investments	(5)	-	-	(5)
Decrease due to completion of projects and revaluation of assets	(16)	-	(1)	(17)
Impairment and amortization	(1)	(1)	(13)	(15)
Foreign currency exchange differences	(3)	-	-	(3)
Balance as of December 31, 2009	199	26	32	257
Additions (1)	117	4	4	125
Change due to disposal of subsidiaries (4)	(150)	-	(4)	(154)
Reclassification of intangible assets (3)	-	(19)	(4)	(23)
Impairment and amortization (6)	(19)	-	(2)	(21)
Balance as of December 31, 2010	147	11	26	184
As of December 31, 2009 -				
Total cost	363	27	50	440
Accumulated amortization and impairment losses	(164)	(1)	(18)	(183)
	199	26	32	257
As of December 31, 2010 -				
Total cost	314	30	36	382
Accumulated amortization and impairment losses	(167)	(19)	(10)	(198)
	147	11	26	184

(1) Including goodwill and other intangible assets resulting from first-time consolidation of newly acquired subsidiaries in the amount of €81 million primarily generated from the transaction with Sovcom bank (See Note 5) (2009 - €7 million).

(2) The remaining useful life of service concession intangible assets ranges between 14-28 years.

(3) As of January 1, 2010 BOT concession agreements have been reclassified as financial assets. The concession agreements are based on guaranteed volumes and tariffs, which in accordance with IFRIC 12 are accounted for as concession financial receivables. According to the relevant concession agreements, the Company has an unconditional right to receive cash as the grantor contractually guarantees to pay at specified amounts or the shortfall between the actual and the guaranteed water volume for certain projects. The reclassification did not result in a material impact.

(4) Relates mostly to change from proportionate consolidation to equity at TBIH and the change from full consolidation to proportionate consolidation of Sovcom, refer to Note 5 for additional information.

(5) Other intangible assets include excess cost allocated to loan benefits, client relationship, backlog, brands etc.

(6) Please refer to' impairment of goodwill' section, further in this note.

B. As of December 31, 2010, and 2009, goodwill is allocated to groups of cash-generating units as follows:

	December 31, 2010	December 31, 2009
	€ in millions	
GTC Holding and its subsidiaries	16	12
KFS and its subsidiaries	103	160
Tahal Group and its subsidiaries	26	26
Kardan Israel and its subsidiaries	2	1
	147	199

Goodwill acquired through business combinations has been allocated to the relevant cash-generating units, in each reportable segment, and is primarily allocated to anticipated future benefits arising from synergies. Relevant cash generating units within the reportable segments could be individual subsidiaries, activities in a certain country, or total segments. Reference is made to Note 3H.

The recoverable amount of the goodwill has been determined based on the values used for valuations of each reportable segment, according to methods and assumptions applicable to such segments. The Company annually assesses impairment, or more frequently if deemed required.

As of December 31, 2010 the Company has no internally generated intangible assets.

C. Information regarding goodwill at the level of the different subsidiaries:

	December 31, 2010	December 31, 2009
	€ millions	€ millions
GTC SA	9	9
GTC Romania	3	-
GTC China	4	4
Romania - consumer credit and leasing	11	10
Bulgaria - lending and asset management	14	19
Ukraine - leasing	7	7
Russia - banking	71	34
Bulgaria - pension	-	28
Turkey - insurance	-	31
Ukrainian – insurance	-	20
Real estate – Kardan Israel	1	1
Vehicles segment – Kardan Israel	1	1
Tahal Ltd	8	8
Fideco	1	1
MILGAM	6	5
KWIG	3	3
Dahzou Tianhe Water Supply	1	1
Tianjin Huanke water Development Co., Ltd	4	4
TASK Turkey	1	1
Other subsidiaries and effect of translation differences	2	12
	147	199

Impairment of goodwill

KFS

The overall reduction in the goodwill balance can be mainly attributed to the deconsolidation of amount relating to TBIH (the holding company of the discontinued pension and insurance segment). The increase in the goodwill related to the banking operations in Russia as a result of the change of control caused by the sale transaction of 16% of the stake in the bank. For more details regarding this transaction refer to Note 5C.

Impairment charges recognized

During 2010, KFS recognised an impairment charge of € 13 million (2009: € 0.6 million): approximately € 10 million related to goodwill and intangibles resulting from increasing stake in VAB (created in the first quarter of 2010 and fully written off in the third quarter of 2010) and approximately € 3.5 million in respect of Bulgarian lending and asset management operations.

The reduction of the recoverable amounts in Bulgaria in 2010 can be attributed to the estimated decrease in valuations of the Bulgarian activities. The decrease in fair value of the asset management activity was based a on an actual sale transaction signed in November 2010. The decrease in fair value of the lending operations was based on valuations that reflected the decrease in the scope of the operations compared to 2009.

Timing of impairment testing

Goodwill is tested for impairment at least once a year and whenever there is an indication that goodwill may be impaired. Goodwill has been tested for impairment as at December 31, 2010 (Excluding Russia)

Basis of the recoverable amount for December 31, 2010

Recoverable amounts have been determined based on valuations using the Discounted Cash Flow (DCF) method, applying assumptions specific to markets in which the CGUs operate. In specific cases where recent transactions have occurred the derived valuation was used as a benchmark.

For each significant CGU, the value is calculated by discounting management's cash flow projections, for a period of 5 years. The long-term growth rate is used to extrapolate the cash flows in perpetuity because of the long-term perspective of KFS' business strategy.

Discount rates and long term growth rates

The discount rate used to discount the cash flows derived from the Capital Asset Pricing Model ('CAPM'). The CAPM depends on inputs reflecting a number of financial and economic variables including the risk-free rate in the country concerned and a premium to reflect the inherent risk of the business being evaluated. The rates used as of December 31, 2010:

Country	**Discount rate for forecast period**	**Discount rate for residual**	**Long term growth rate**
Ukraine	15%	15%	4%
Russia (1)	14%	14%	4%
Bulgaria	12%	12%	3%
Romania	13.5%	13.5%	3%

(1) As of 30, September 2010.

Management's judgment in estimating the cash flows of a CGU:

The cash flow projections for each CGU are based on long term plans prepared by the management. These account for local market conditions and management's judgment of local future trends. The key assumptions in addition to the discount rates and the long-term growth rate for each significant CGU are: the level of impairment charges; the timing and scope growth trend of the portfolios and the returns that will be achieved on the portfolio; operational efficiencies.

Sensitivity analysis:

A sensitivity analysis regarding the effect using a different discount rate for the long term was carried out for all operations. Increasing the discount rate in the long term by 1% (equivalent to decease of the assumption for long term growth rate by 1%) would have resulted in an additional impairment charge of € 3.5 million: € 3.0 million relating to Bulgarian operations and € 0.5 million relating to Romanian operations. This sensitivity analysis results in no additional potential impairment charges relating to Ukrainian and Russian operations due to the surplus of fair value over book value.

TGI

The recoverable amount of goodwill has been determined based on the values used for valuations of each cash generating unit, according to methods and assumptions applicable for such segments. The Company annually assesses impairment, or more frequently if deemed necessary.

The recoverable amount has been determined based on a value in use calculation. The method used for calculating the value in use is the Discounted Cash Flow ('DCF') method. This approach is based on the estimation of future returns on an investment in terms of cash flows, and the calculation of the present value of the expected cash flows by discounting them according to the required rate of Weighted Average Cost of capital (WACC). The period used in the DCF method is 5 years, which is based on the nature of the operations of the cash generating units, whereas the operational business cycles is 0-3 years.

The assumptions regarding the fair value evaluation can be presented as follows:

	WACC	Annual growth rate	Gross profit margin	operating income margin
Projects segment:				
2010	12 %	2 %	18.5 %	8.5 %
2009	12 %	3 %	18.5 %	7.6 %
Asset segment:				
2010	8 %-11 %	(1)	(2)	10 %-15 %
2009	7 %-11 %	(1)	(2)	10 %-15 %

(1) The majority of the asset companies have revenues which are based on contractual fixed incomes, as part of the concession agreements. The growth rate is not an element in the fair value evaluation. For those asset companies that have no contractual fixed incomes the annual growth rate is 2% on average.

(2) For the asset segments, only the operating income margin is used for fair value evaluation.

Sensitivity analysis

With regard to the assessment of value in use of goodwill, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

GTC

The recoverable amount of the goodwill has been determined based on the values used for valuations of each reportable segment, according to methods and assumptions applicable for such segment.. As all goodwill is directly attributable to property projects and such projects are all deemed profitable, no impairment has deemed to have arisen.

Service concession agreements:

The Service concession agreements included in the other financial fixed assets commenced during 2010 and can be presented as follows:

Project	Carrying value 2010 € millions	Remaining operational period (years)	Carrying value 2009
Tianjin Jinnan Huanke Sewage Treatment	3	14	-
Tianjin Dagang Huanke Lantian Sewage Treatment	5	19,5	-
Tianjin Baodi Huanke Bishui Sewage Treatment	1	15,5	-
Zibo Huantai Huanke Sewage Treatment	9	22	-
Zibo Boshan Huanke Sewage Treatment	5	24	-
Dingzhou City kardan Water Co., Ltd	5	28	4
Dilovasi project – Turkey	7	26	4
Bafra - Cyprus	3	7	2
Closing balance 31 December	38		10

The movement in the concession financial receivables is as follows:

	2010 € millions	2009 € millions
At January 1	10	3
Reclassification (1)	18	-
Accrued interest	3	-
Repayment	(7)	(1)
Receivables granted	12	7
Translation difference	2	1
At December 31	38	10
Non current	29	9
Current	9	1
Total	38	10

(1) Reference made to Note 11.

The average duration of amounts of finance receivables is between 14-28 years. The annual interest on the finance receivables varies between 5.58% - 7.74%. In the event of failure to supply the appropriate quantity, in accordance to the agreement, fines will be deducted from the payments received.

D. Information regarding other intangible assets:

Other intangible assets were primarily created from purchase price allocations of business combinations in the financial services segment. These intangible assets are amortized over a period of 5-10 years.

E. Amortization and impairment expenses:

Amortization expenses of intangible assets are included in the following line items in the income statement:

- Cost of goods sold;
- Contract costs;
- Operating expenses of insurance activities;
- Costs of banking and retail lending activities;
- Costs of rental vehicles;
- Selling and marketing expenses;
- General and administration expenses; and
- Finance expenses
- Net profit (loss) from discontinued operations
- Impairment of goodwill

(14) INVENTORIES, CONTRACT WORK AND BUILDINGS INVENTORY IN PROGRESS

A. Composition:

	December 31, 2010	December 31, 2009
	€ in millions	
Building inventory in progress (1)	560	417
Contract work in progress (2)	22	20
Merchandise inventories (3)	19	10
Vehicles	14	8
Other	-	13
	615	468

(1) Building inventory in progress:

a. The balance as of December 31, 2010, includes capitalized financing expenses amounting to €8 million (December 2009 - €8 million).

b. Composition of cost of buildings in progress

	December 31, 2010	December 31, 2009
	€ in millions	
Current:		
Completed	94	49
Under construction	235	201
In design stage	-	7
	329	257
Non-current:		
Land and inventory in design stage (*)	231	160
	231	160
	560	417

(*) Land and Building in progress in design stage amounting to €231 million (2009 - €160 million) are presented as long-term inventory as starting date of the respective projects have not been determined yet.

c. Building inventory is stated in gross figures. Customer advances are presented under other liabilities and amount to €158 million as of December 31, 2010 (December 31, 2009- €88 million).

d. Cost of buildings in progress are presented as inventories of . Revenues for sale are accounted for under the completed contract method.

e. Management has conducted an impairment test for each of the residential projects in CEE. The estimated sales prices and project costs were discounted at a rate of 8.5%-10% (2009- 8.5%-10%). The time of completion was assumed to be 2-5 years.

f. During the past year the Group entered into 2,047 sales contracts of apartments, for which the total consideration is estimated at €162 million. The aggregated number of signed contracts of existing projects amounts to 7,056 contract for which the aggregated consideration is estimated at €497 million.

(2) Contract work in progress:

Contract work in progress relates to infrastructure projects, which are not considered service concession arrangements. Details are as follows:

	December 31, 2010	December 31, 2009
	€ in millions	
Contract costs incurred	393	260
Recognized profits	14	(14)
	407	246
Less - revenues from customers	(402)	(249)
	5	(3)
Presented in statement of financial position		
Current assets – contract work in progress costs	22	20
Current liabilities – advance payments from customers	(17)	(23)
	5	(3)

(3) Merchandise inventory primarily relates to the consumer goods activities and mainly includes electrical appliances and white goods products (included in the `others` segment).

Residential projects financed by external debt are in most cases pledged as security in favor of the lending banks.

B. Additional information concerning long term construction works:

	December 31, 2010			
	Residential construction		Infrastructure works	
	For the year ended	Cumulative up to the end of the reporting period	For the year ended	Cumulative up to the end of the reporting period
	€ in millions			
Revenues recognized	107	336	95	366
Cost recognized	95	229	75	291

	December 31, 2009			
	Residential construction		Infrastructure works	
	For the year ended	Cumulative up to the end of the reporting period	For the year ended	Cumulative up to the end of the reporting period
	€ in millions			
Revenues recognized	117	188	71	238
Cost recognized	93	150	57	189

(15) TRADE RECEIVABLES

A. Composition:

	December 31, 2010	December 31, 2009
	€ in millions	
Trade receivables (1)	92	64
Checks and credit card receivables	19	17
Accrued income from work performed (2)	-	15
	111	96

(1) Net of provision for doubtful debts amounting to €7million (2009 - €4 million). The movement in the provision during the year was insignificant.

(2) The accrued income from work performed relates to the revenue realized on long term projects in the infrastructure segment, accounted for against the percentage of completion method.

For terms and conditions relating to receivables, refer to Note 46.

Trade receivables are non-interest bearing and are generally on 30-120 days' terms.

B. As of December 31 the aging analysis of trade receivables is as follows:

		Past due but not provided					
	Neither past due nor impaired	< 30 days	30 – 60 days	60 – 90 day	90 – 120 day	>120 days	Total
	€ in millions						
2010	66	3	2	3	1	24(*)	99
2009	50	2	6	2	1	7	68

(*) The majority of the amount was collected subsequent to the balance sheet date.

(16) INSURANCE PREMIUM RECEIVABLES

	December 31, 2010	December 31, 2009
	€ in millions	
Due from policy holders	-	9
Due from reinsurers	-	3
Due from agents and insurers receivables	-	15
	-	27

Due from policy holders – related to the part of premium receivables that is due to direct contracts with the policy holders.
Due from reinsurers – This was the current account with the reinsurers.
Due from agents and insurers receivables - related to the part of premium receivables that was due to contracts with agents.

During 2010, the holding company of the insurance and pension segment of the company for which the following assets relate, was sold, please refer to Note 5C for additional information.

(17) OTHER RECEIVABLES AND PREPAYMENTS

	December 31, 2010	December 31, 2009
	€ in millions	
Financial:		
Central banks in Ukraine and Russia (1)	3	10
Loan to partner in a joint venture	14	-
Other	17	-
Non-Financial:		
Prepaid expenses and accrued income	18	27
Advances to suppliers	19	16
Advances for land	32	45
VAT receivable (2)	25	37
Other	12	33
	140	168

(1) Sovcombank and VAB Bank (relevant in 2009; in 2010 the balance is presented as assets held for sale) are required to maintain, in the form of non-interest earning cash deposits, certain cash reserves with the local central banks (obligatory reserve), which are computed as a percentage of certain liabilities of the bank less cash on hand and other eligible balances. There are no restrictions on the withdrawal of funds from the central banks, however, if minimum average reserve requirements are not met, the banks could be subject to certain penalties. The Banks were obligated to and maintained the minimal cumulative average reserve calculated on a daily basis over a monthly period. The banks meet the obligatory reserve requirements for the whole year 2010 and 2009. The balance of central banks in 2010 is fully attributed to banks in Russia,

(2) Two Romanian subsidiaries of GTC S.A. filed a VAT reimbursement claim. The VAT authorities in Romania rejected an amount of € 8.2 million. Based on the fiscal code, both companies filed an appeal against the VAT authorities' decision claiming to full reimbursement of the VAT receivables. In December 2010, the VAT authorities sent a related letter to both companies stating that they canceled the initial decision and will re-audit the related invoices during 2011. The subsidiaries believes, based on their legal and tax advisers that the entire amount will be recovered, and accordingly the receivables is recorded in its entirety.

(18) REINSURANCE ASSETS

A. Composition:

	December 31, 2010	December 31, 2009
	€ in millions	
Provision for outstanding claims - reinsured	-	14
Provision for unearned premiums - reinsured	-	12
	-	26

B. Movement in provision for outstanding claims:

	2010	2009
	€ in millions	
Balance at January 1	14	10
Claims incurred in the current accident year	13	3
Movement in claims incurred in prior accident years	(7)	15
Claims paid during the year	(6)	(14)
Sale of TBIH(*)	(16)	-
Foreign currency exchange differences	2	-
Balance at December 31	-	14

C. Movement in provision for unearned premiums:

	2010	2009
	€ in millions	
Balance at January 1	12	15
Reinsurance premium written in the year	11	12
Premiums earned during the year	(12)	(15)
Sale of TBIH (*)	(12)	-
Foreign currency exchange differences	1	-
Balance at December 31	-	12

(*) During 2010, the holding company of the insurance and pension segment for which the following assets relate, was sold, please refer to Note 5C for additional information.

(19) SHORT-TERM INVESTMENTS

	December 31, 2010		December 31, 2009	
	Average interest rate	€ in millions	Average interest rate	€ in millions
	%		%	
Bank deposits in NIS	1.95%	19		0
Bank deposits in other currencies	11%	4	15.6%	3
Restricted bank deposits (1)	0.5%-2%	56	0.9%- 3.8%	57
Securities held for trading (2)		175		328
		254		388

(1) The majority of the balance as of December 31, 2010 and 2009, is comprised of deposits pledged in connection with purchase of land. The majority of the balance is in Euro

(2) Debt securities as of December 31, 2009 and 2010 consist mostly of a bond portfolio held by Sovcombank. The major parts of the portfolio are bonds issued by the Russian government and by some major facility provider companies in the Russian Federation.

The decrease in 2010 is due to proportional consolidation of Sovcombank as of December 31, 2010.

(20) CASH AND CASH EQUIVALENTS

	December 31, 2010	December 31, 2009
	€ in millions	
Cash at bank and in hand	192	95
Short-term deposits	306	379
	498	474

As of December 31, 2010 the average annual interest rate earned on short term deposits was 0.5-2.5% (December 31, 2009 – 2.8%).

(21) ISSUED AND PAID-IN CAPITAL

A. Composition:

	December 31, 2010		December 31, 2009	
	Authorized	Issued and paid-in	Authorized	Issued and paid-in
	Number of shares		Number of shares	
Ordinary shares with nominal value of € 0.20 each	225,000,000	111,824,638	225,000,000	111,824,638

B. Movement in issued and paid-in shares:

	Number of shares	par value in €
Balance as of January 1, 2009	110,976,911	22,195,382
Conversion of options to shares	88,475	17,695
Issue of shares as part of merger	759,252	151,850
Balance as of December 31, 2009	111,824,638	22,364,927
Balance as of December 31, 2010	111,824,638	22,364,927

C. Changes in share capital:

During 2009 the Company issued 759,252 ordinary shares as a result of the conversion of NIS 13,575,424 (€2.5 million) par value of convertible debentures. The remaining 2,328,668 NIS (€0.4 million) par value were paid to the debentures holders.

The conversion of the debentures resulted in an addition of approximately €3 million to the Company's shareholders' equity

D. Movement in treasury shares:

	Number of shares	par value in €
Balance as of January 1, 2010	10,506,111	2,101,222
Treasury shares repurchased	1,794,217	358,843
Balance as of December 31, 2010	12,300,328	2,460,065

During 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. Previously, the treasury shares held by Kardan Israel derived from GTC merged transaction in 2008.

E. Dividend:

In June 2008 the annual general meeting of shareholders approved distribution of dividend for the year 2007 in a total amount of €18 million, which amounted to €0.22 per share. The dividend was paid in July 2008. There are some dividend restrictions within the Group which relate mainly to loan agreements.

(22) SHARE-BASED PAYMENTS

A. The expense recognized during the year is shown in the following table:

	For the year ended	
	December 31, 2010	December 31, 2009
	€ in millions	
Expense arising from equity-settled share-based payment transactions of the Company	-	1
Expense arising from equity-settled share-based payment transactions of subsidiaries	10	3
Expense arising from cash-settled share-based payment transactions of the Company and subsidiaries	4	-
	14	4

The expenses are presented as part of "Payroll and related expenses" within the General and administrative expenses.

B. Option plans:

Below is a description of the principle option plans granted by the Company and its subsidiaries:

(1) Kardan N.V.

A. In October 2006, the Management Board, the Supervisory Board and the General Meeting of Shareholders of the Company approved a stock-option plan according to which the Company will grant to members of the Management Board, employees of the Company, and employees of the Kardan Group, without consideration, 1,099,327 options (of which 716,927 options were granted to members of the Management Board) exercisable into up to 1,099,327 ordinary shares of the Company each having par value of €0.20 (subject to adjustments). The exercise price of each option is equal to €8.6 (NIS 46.512). The options can be exercised during a period of five years from the date of grant. One third of the options can be exercised one year following the date of grant, one third two years following the date of grant, and one third – three years from the date of grant.

Upon exercise of the options the Supervisory Board of the Company will determine whether to allocate the full number of shares deriving from exercise of the options or the number of shares reflecting only the benefit component inherent in the options, as calculated at the exercise date, or alternatively, the Supervisory Board may elect to pay that benefit in cash.

The total value of the options at date of grant was estimated at €4 million.

In June 2008 the Annual General Meeting of shareholders of the Company approved the grant of additional 325,000 options to two members of the Management Board as follows:
(1) 150,000 options exercisable for into up to 150,000 ordinary shares in the capital of the Company at an exercise price of €6.615 per option, reflecting a price of 90% of the closing price of the Company's share on Euronext as of the date of grant, being April 1, 2008.
(2) 175,000 options exercisable into up to 175,000 ordinary shares in the capital of the Company at an exercise price per option of €9.22 reflecting 90% of the closing price of Kardan's share on Euronext on the date of grant.
The options were granted under the terms and conditions of the Company's Employees Option Plan with the following exceptions for the 175,000 options granted: the options will be granted in three equal portions over three years, with the vesting period commencing at the end of two years from the date of grant. The options will be exercisable as follows: up to two thirds of the options are first exercisable at the end of three years after the date of grant. The balance will be exercisable at the end of the fourth year after the date of grant. The options will be exercisable from the end of their vesting period until six years after the date of grant.

B. In 2009 the Management Board of the Company approved the grant of 30,000 phantom options to an employee of the Company. The phantom options are exercisable only as cash settlement at an exercise price of €6 per option. The options can be exercised in 3 equal tranches starting on May 1, 2009. The phantom options will expire after 5 years from date of grant.

C. In May 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 3 years 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 (that was adopted by the Annual General Meeting of shareholders in May 2009) 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 be 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.

D. The fair value of the majority of the option grants was calculated by an independent external valuator using the Merton and adjusted Black & Scholes model under the following assumptions:

Number of options	150,000	175,000	770,724	30,000
Exercise price (in €)	6.62	9.22	8.2	6
Risk free interest rate	3.68%	4.26%	4%	1.53%
Expected term of the options (in years)	5	6	5	5
Standard deviation	40.5%	40.4%	31%	66.9%
Valuation	External	External	External	Internal

The Company accounts for the options granted in accordance with IFRS 2, assuming equity payments will be affected. For the 2009 phantom options, IFRS 2 is implemented assuming cash payment will be affected.

Movement in the year

The following table illustrates the number and weighted average exercise prices ("WAEP") of, and movement in, share options issued by the Company during the year:

	2010		2009	
	No.	WAEP	No.	WAEP
		€		€
Outstanding at January 1	1,230,715	8.3	1,240,525	8.4
Granted during the year	-		30,000	6
Exercised during the year	-		-	
Expired during the year	(105,000)	8.4	(39,810)	8.4
Outstanding on December 31	1,125,715	8.3	1,230,715	8.3
Exercisable on December 31	997,391		914,356	

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

(2) GTC Holding and its subsidiaries

A. GTC SA

GTC SA has granted certain key management personnel Phantom Shares. The Phantom Shares grant the entitled persons a right for a settlement from GTC S.A in the amount equal to the difference between the average closing price for GTC S.A shares on the Warsaw Stock Exchange during the 30–day period prior to the date of delivery to GTC S.A of the exercise notice, and settlement price ("strike") amount per share (adjustable for dividend).

The settlement of the phantom shares (cash or equity) is the decision of the Supervisory Board of GTC S.A.

Movement in number of phantom shares for the years ended December 31, 2010 and 2009 was as following:

	2010		2009	
	No.	WAEP	No.	WAEP
		PLN		PLN
Outstanding at January 1	3,700,000	19	3,700,000	19
Granted during the year	7,500,000	23	-	
Exercised during the year	(198,000)	19	-	
Expired during the year	-		-	
Outstanding on December 31	11,002,000	22	3,700,000	19
Exercisable on December 31	2,292,000		2,000,000	

Scheme 1- As at December 31, 2010 phantom shares issued were as follows:

Grant Date (*)	Lst.Ex.Date	Strike (PLN/share)		Total units
		18.15	22.50	
17/03/2009	31/12/2012	1,200,000	700,000	1,900,000
17/03/2009	31/12/2014	225,000	225,000	450,000
05/01/2009	31/12/2015	1,152,000	-	1,152,000
	Total	2,577,000	925,000	3,502,000

(*) Original grant date was 2007, however, in 2009 there were changes in the scheme.

As of December 31, 2010, 2,292,000 shares were vested. The remaining shares are blocked.

The Phantom shares (as presented in above mentioned table) have been provided for assuming equity payments will be effected, accordance to GTC S.A. assessments that it will be settled in equity.

In August 2010, GTC S.A. signed an agreement with a key management personnel who exercised his options. According to the agreement, 198,000 shares will be redeemed in cash. The payment was made in January 2011. GTC S.A. assesses that this case of cash settlement does not qualify the entire plan as cash settled. Based on that, the remaining phantom shares (as presented in above table) have been provided for assuming equity payments will be effected.

The Whaley model was used considering the following parameters, volatility of 52.7%, risk free interest rate of 5.1%, 0% dividend yield, expected term of 3.2 years to calculate the value of options as of the granting date with half year volatility. As of the granting date, the average fair value of shares options amount to € 4.40 per option.

Scheme 2- As at December 31, 2010, phantom shares issued were as follows:

During 2010, GTC S.A. issue new phantom shares.

Grant Date	Lst.Ex.Date	Strike (PLN/share)			Total units
		20.00	22.00	22.50	
15/08/2010	31/12/2013			100,000	100,000
29/11/2010	30/06/2014		621,000		621,000
15/11/2010	31/12/2014		3,192,000		3,192,000
29/11/2010	31/12/2014		1,325,000		1,325,000
09/11/2010	31/12/2015	200,000			200,000
29/11/2010	31/12/2015		2,062,000		2,062,000
	Total	200,000	7,200,000	100,000	7,500,000

As of December 31, 2010, 1,200,000 shares were vested. The remaining shares are blocked.

The Phantom shares (as presented in above table) have been provided for assuming cash payments will be effected, as GTC S.A. assesses that Scheme 2 is more likely to be settled in cash.

The Whaley model was used to calculate the value of options considering the following parameters half year volatility of 28.0%, risk free interest rate of 6.2%, 0% dividend yield and expected term of 4.3 years. As of December 31, 2010 the average fair value of shares options amount to € 2.2 per option.

B. GTC China

During 2010 GTC China adopted an Employee Share Option Plan ('ESOP'). According to the ESOP, 1,468 share options of GTC China are granted to eligible employees of GTC China. The exercise price of the share options is calculated based on total capital injected plus interest of Libor/Euribor + 3%. The share options vest according to the following schedule: 50%, 25% and 25% of the share options shall be vested on the third, fourth and fifth anniversary of the date of commencement of services of the relevant option holder to GTC China, respectively.

The fair value of the share options is estimated at the grant date using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the share options were granted.

The contractual term of each option granted is seven years. There are no cash settlement alternatives in the ESOP.

Movements in the year

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of, and movements in, share options during the year:

	2010	
	No.	WAEP
		€
Outstanding at January 1	-	-
Granted during the year	1,468	4,394.48
Exercised during the year	-	
Expired during the year	-	
Outstanding on December 31	1,468	4,394.48
Exercisable on December 31	979	

The weighted average remaining contractual life for the share options outstanding as at December 31, 2010 is 6.83 years.

The weighted average fair value of options granted during the year was € 2,836.54.

The following table lists the inputs to the models used for the Employee Share Option Plan for the year 2010:

	2010
Dividend yield (%)	0.00
Expected volatility (%)	61.20
Risk-free interest rate (%)	2.02
Expected life of share options (years)	5.59
Weighted average share price (€)	4,885.03
Model used	Black-Scholes

The expected life of the share options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may also not necessarily be the actual outcome.

(3) Kardan Israel and its subsidiaries

A. Kardan Israel Ltd.

In August 2010, the Board of Directors of Kardan Israel approved a share option plan for Kardan Israel's executives and employees. The plan relates to 1.5 million options exercisable to up to 1.5 million ordinary shares of Kardan Israel of NIS 1 par value each, constituting 1.82% of the issued and paid-in capital of Kardan Israel (1.76% on a fully diluted basis). The options can be exercised during five years from the date of grant. From the assigned amount of options, 215,000 options were granted to related parties of Kardan Israel (including family members of controlling shareholders) and 360,000 options were granted senior officers.

The exercise price (as was amended in October 2010) of each option is NIS 7 (subject to adjustments). The options will be vested over a three year period from the date of grant, a third in each year.

The fair value of the grant is estimated at about €1 million. The benefit was estimated based on the binomial model taking into account the standard deviation of 44.2% (44.4% to related parties), risk free rate of 3.44% (3.67% to related parties), the expected term of 5 years, and a share price of 7.055 NIS.

B. Kardan Real Estate Ltd.

In February 2010, the Board of Directors of Kardan Real Estate approved an option plan to Kardan Real Estate's executives and employees ('the recipients') which will follow the listing its shares in the Tel Aviv Stock Exchange, which took place in March 2010. According to the plan, a maximum of 12,570,306 options exercisable to up to 12,570,306 ordinary shares of Kardan Real Estate will be granted. Upon exercise, the recipients can choose to either receive all shares or shares reflecting the benefit.

The exercise price of the options (as was amended in July 2010) is NIS 2.58 linked to CPI (subject to adjustments).

From the total options which granted, 3,352,082 were granted to the chairman of the board of directors of Kardan Real Estate which can be exercised two years from the date of grant; 2,933,071 options were granted to the CEO of Kardan Real Estate, exercisable in four yearly equal portions starting November 1, 2010; the remaining options were granted to other recipients and are exercisable up to four years from the date of grant.

The fair value of the grant is estimated by Kardan Real estate at about €1.9 million. The benefit was estimated based on the binomial model taking into account range of a standard deviation between 48%-55% the range of a risk free rate between 0.9%-2%, the expected term between 3.7-7 years and company value according to which the shares allocated to institutional investors.

C. In addition to the options described above, Kardan Israel and its subsidiaries granted employee options to senior managers in the various companies during the years 2006 – 2010. In 2010, 2009 and 2008, the consolidated companies of Kardan Israel incurred a total expenses amount of €1.1 million, €0.3 million and €0.5 million, respectively, arising from such options..

(4) KFS and its subsidiaries

In 2010 and 2009 consolidated companies in the financial services sector incurred a total expenses amount of €1.4 million and €0.5 million, respectively, arising from options granted to senior managers in those companies.
Value of options granted by these companies was estimated at the date of grant at an amount of €5.6 million.

(5) Tahal Group International and subsidiaries

A. TGI

In 2008, the management board, the supervisory board and the general meeting of shareholders of the TGI approved stock option plan according to which TGI has granted key management members of TGI 1,253 options exercisable to up to 1,253 shares of TGI, constituting approximately 6.5% of the shares of the TGI, post-issuance. The exercise price of the options has a range of € 869 to € 1,717. The options can be exercised until December 31, 2012 and has different vesting periods for each of the offerees.

The total value of the options at date of grant was estimated at € 1.2 million. This fair value was determined by an independent external valuer. The options were accounted for in accordance with IFRS 2, assuming equity payments will be affected. Following conversion of shareholder's loans granted by the Company to TGI into shares, the options now represent, upon exercise, 5.03% of the shares of TGI, post issuance. There were no other changes to the terms of the options.

The following table illustrates the number and weighted average exercise price ('WAEP') of, and movement in, share options during the year:

	2010		2009	
	No.	WAEP	No.	WAEP
		€		€
Outstanding at January 1	1,253	1,190	1,253	1,190
Granted during the year	-		-	-
Exercised during the year	-		-	
Expired during the year	-		-	-
Outstanding on December 31	1,253	1,190	1,253	1,190
Exercisable on December 31	1,040	1,190	933	1,190

The following table lists the inputs to the models used to determine the fair value of the equity-settled share-based payments at the date of grant:

Expected volatility (%)	50.52%
Risk-free interest rate (%)	2.68%
Expected term of options (years)	3
Weighted average share price (€)	1.758,24
Model used	Black & Scholes

B. Kardan Water International Group Ltd.

During 2010, the management board of Kardan Water International Group Ltd. ('KWIG') formally approved the grant of 1, 600 shares to KWIG eligible employees
The granting constituting to 3.4% of the total issued share capital of KWIG. Under this plan, the eligible employees have the right to acquire 50% of the granted option shares on the 3rd anniversary of the date of commencement of services, 25% on the 4th anniversary, and 25% on the 5th anniversary. The option period will be expired at the 5th anniversary for the first 50% of the vested options and at the 7th anniversary for the remaining 50%.

The fair value of the share options is estimated at the grant date using a binomial option pricing model, taking into account the terms and conditions upon which the share options were granted.

The following tables illustrate the number (No.) and weighted average exercise prices (WAEP) of, and movements in, share options during the year:

	No.	WAEP
Outstanding at 1 January 2010	-	-
Granted during the year	1,600	€ 1,061
Outstanding at 31 December 2010	1,600	€ 1,061
Exercisable at 31 December 2010	776	€ 1,061

The following table lists the inputs to the models used to determine the fair value of the equity-settled share-based payments:

Expected volatility (%)	39.45%
Risk-free interest rate (%)	1.22%
Expected term of options (years)	2.54
Weighted average share price (€)	1,112
Model used	Binomial

(23) NON CURRENT INTEREST BEARING LOANS AND BORROWINGS

A. Composition:

	December 31, 2010		December 31, 2009	
	Weighted interest rate as of %	€ in millions	Weighted interest rate as of %	€ in millions
Banks:				
In USD	4.0	54	3.47	64
In EUR	2.5 -6.6	1,298	2.9	1,307
In NIS	4 -5.5	197	6.47	77
Linked to other currencies	4 -8.5	115	2.8	89
Others – in NIS	7.5	28	4.7	78
Others – in USD	9	10	5.1	48
Others – in EUR	4.5	159	3.9	197
		1,861		1,860
Less:				
- Deferred debt issuance costs		12		12
- Current maturities		267		150
		1,582		1,698

B. Maturities:

	December 31, 2010	December 31, 2009
	€ in millions	
First year – current maturities	267	150
Second year	177	165
Third year	158	134
Fourth year	211	135
Fifth year	82	298
Thereafter	966	978
	1,861	1,860

For details regarding covenants, please refer to Note 33.

(24) BANKING CUSTOMERS ACCOUNTS

A. Composition:

	December 31, 2010	December 31, 2009
	€ in millions	
Deposits from corporate clients	84	140
Deposits from individual clients	294	487
	378	627

B. Maturities:

	December 31, 2010	December 31, 2009
	€ in millions	
First year – current maturities	302	483
Second year	67	60
Third year	7	82
Fourth year	1	1
Fifth year and thereafter	1	1
	378	627

Under normal circumstances, banking customers accounts which can be redeem on demand are considered covered by the banks' financial assets.

(25) OTHER LONG TERM LIABILITIES

	December 31, 2010	December 31, 2009
	€ in millions	
Deposits from tenants	6	5
Deferred purchase price for shares in subsidiary	6	5
Long-term advances from buyers	9	6
Other	5	3
Total other long term liabilities	26	19

(26) OPTIONS AND WARRANTS

	December 31, 2010	December 31, 2009
	€ in millions	
Options on Group companies' shares Kardan Israel	3	2
Warrants and call options granted to third parties (1)	7	3
Put options granted to Non controlling shareholders Kardan Israel	1	1
Put options granted to Non controlling shareholders KFS Group (2)	17	21
Put options granted to Non controlling shareholders GTC Group (3)	1	1
	29	28

(1) In March 2009, the Company has reached an agreement with Israel Discount Bank ("IDB") to buy back the 11% stake IDB holds in KFS (for details please refer to Note 5C).
Within the framework of the agreement the Company has granted IDB an option to repurchase a 5% stake in KFS during the next six years, at a price changing gradually reflecting a valuation of KFS of €386 million plus an annual interest of 5% from the third year.

In 2010 the balance includes the fair value of warrants granted to FIMI (which can be exercisable to TGI shares) in the amount of €6.2 million, the amount is offset with the fair value of a Call Option in the amount of €2.1 million, refer to Note 5C for additional information regarding the FIMI transaction.

(2) The balance includes the follows:
€16 million (December 31, 2009 - €15 million) put option granted to Cavebrook, a non controlling shareholder in TBIF. As of December 31, 2010 Cavebrook holds approximately 9.4% in TBIF shares (December 31, 2009 - 9.62%).

In 2009, €5 million put options granted to non controlling shareholders in insurance companies. During 2009 TBIH has acquired additional stakes in the insurance companies, thus decreasing the put options liabilities. During 2010, the insurance segment was sold.

The fair value of the put options was determined based on external valuation reports used by the Group, among others uses, for goodwill impairment testing. For details regarding the underlying assumptions, please refer to Note 13.

(3) The balance includes the following put options:
€1 million put option granted to non controlling shareholders in GTC Investments (December 31, 2009 - €1 million).

(27) CONVERTIBLE DEBENTURES

A. Composition:

	Par value as of December 31, 2010	**Balance as of December 31, 2010, net**	Balance as of December 31, 2009, net	Interest rate	Currency and linkage	Maturities principal	Conversion rate
	€ in millions			%			
Kardan Israel – (June 2005) – conversion to Kardan Israel shares	-	-	28	6%	In NIS linked to CPI	2010	(1)
Kardan Israel - (March 2010) – conversion to Kardan Real Estate shares	17	15	-	5.7%	In NIS linked to CPI	2014	(2)
Less – current maturities	-	-	(28)				
	17	15					

(1) Each 11.9 NIS par value were convertible into one ordinary share of NIS 1 par value of Kardan Israel.

(2) During March 2010, Kardan Real Estate issued 80,867 NIS convertible debentures. Each 3.884 NIS par value is convertible into one ordinary share of NIS 1 par value of Kardan Real Estate.

Maturities:

	December 31, 2010	December 31, 2009
	€ in millions	
First year	-	28
Second year	-	-
Third year	15	-
Total	15	28

For share collaterals – see Note 33

(28) OTHER DEBENTURES

A. Composition:

	Par value as of December 31, 2010	Balance as of December 31, 2010, net	Balance as of December 31, 2009, net	Interest rate	Currency and linkage	Maturities principal
		€ in millions		%		
Issuer:						
The Company – 2007 (5)	251	283	213	4.45	(1)	2013-2016
The Company – 2008	282	317	268	4.9	(1)	2014-2020
GTC SA – 2007	290	290	279	7.45	PLN (2)	2012-2014
Kardan Israel – 2009 (3)	44	49	21	7.9	(1)	2013-2015
Dan Vehicle and Transportation D.R.T Ltd	75	82	89	4.9-5.3	(1)	2006-2018
Other subsidiaries (4)	-	25	61	4.6-9	In or linked to €, or USD	2008- 2015
		1,046	931			
Less – current maturities		(28)	(63)			
Debentures issuance expenses		(2)	(2)			
		1,016	866			

(1) In NIS linked to the Israeli CPI.

(2) Following the issuance of the debenture , GTC SA has entered into several swap transactions which converted the cash received in PLN into Euro. Refer to Note 46 for additional information regarding swap transactions.

(3) In June 2009 KIL issued to the public NIS 110 million (€20 million) par value debentures (series D) in consideration for their nominal value. The debentures bear annual interest rate of 7.9% and are linked (principal and interest) to the Israeli CPI. The principal will be repaid in three equal annual installments in the years 2013-2015. In February 2010, Kardan Israel has raised an additional NIS 118 million (€22 million) par value debentures (series D), by extending the series. For additional extending of this series.

(4) Related to TBI Credit EAD, Hypocredit and VAB bank. As of December 31, 2010 the Debentures related to VAB have been transferred to liabilities associated with assets held for sale.

(5) 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.

B. Maturities:

	December 31, 2010	December 31, 2009
	€ in millions	
First year – current maturities	28	63
Second year	37	25
Third year	201	34
Fourth year	325	166
Fifth year	147	280
Sixth year onwards	308	363
Total	1,046	931

C. Additional information:

(1) Regarding swap transactions in relation to the abovementioned debentures please refer to Note 46

(29) INSURANCE PROVISIONS

	December 31, 2010	December 31, 2009
	€ in millions	
General insurance:		
Unearned premium reserves	-	40
Outstanding claims	-	31
Total	-	71

(*) The Life Assurance companies were sold (Helios and Bulstrad), as of December 31, 2009.

During 2010, the Group sold its shares in TBIH, which was the Holding company of the Group's Insurance and pension segment, Refer to Note 5C for additional information.

A. Movement of outstanding claims in general insurance (gross):

	2010	2009
	€ in millions	
Balance as of January 1	31	27
Claims incurred in the current accident year	34	56
Movement on claims incurred in prior accident years	(8)	-
Claims paid during the year	(27)	(52)
Disposal of proportional consolidation	(34)	-
Foreign exchange adjustment	4	-
Balance as of December 31	-	31

B. Movement of unearned premium reserves in general insurance (gross):

	2010	2009
	€ in millions	
Balance at January 1	40	44
Premium written in the year	30	42
Premium earned during the year	(31)	(46)
Disposal of proportional consolidation	(44)	-
Foreign exchange adjustment	5	-
Balance as of December 31	-	40

(*) During 2010, the holding company of the insurance and pension segment for which the following liabilities relate, was sold, please refer to NoteNote 5C and 5D for additional information.

(30) TRADE PAYABLES

	December 31, 2010	December 31, 2009
	€ in millions	
Trade payables	100	109
Checks payables	20	16
	120	125

Trade payables are non-interest bearing and are generally aged in between current and 60 days overdue.

(31) CURRENT INTEREST-BEARING LOANS AND BORROWINGS

	Weighted average annual interest rate	December 31, 2010	Weighted average annual interest rate	December 31, 2009
	%	€ in millions	%	€ in millions
Short-term credit from banks:				
In NIS	4.45	76	3.3	58
In USD	3.67-4	24	4.2	15
In EUR	4.31-6.17	5	7	15
In other currencies	3.67-4.55	57	6.4	224
Short term credit from others		1	5.5	5
		163		317
Long-term interest bearing loans related to current cost of buildings in progress		51		82
Current maturities of long-term liabilities:				
Loans (see Note 23)		267		150
Debentures (see Note 28)		28		91
		509		640

Collateral – see Note 33

(32) OTHER PAYABLES AND ACCRUED EXPENSES

	December 31, 2010	December 31, 2009
	€ in millions	
Financial:		
Accrued expenses	87	78
Insurance companies	-	5
Promissory Notes	25	15
Put option (1)	7	5
Non Financial:		
Payroll and related expenses	14	11
Advances from customers	18	11
Unearned revenues	2	4
VAT payable	26	7
Related companies	15	12
Other	38	43
	232	191

(1) Includes the settlement price agreed on the put option granted to a non-controlling shareholder in GTC SA. For details regarding this option, please refer to Note 26.

(33) LIENS, CONTINGENT LIABILITIES AND COMMITMENTS

A. Liens and collaterals:

(1) In connection with loan agreements signed with banks and financial institutions for loans amounting to approximately €53 million as of December 31, 2010 (€64 million as of December 31, 2009) the Company has undertaken to maintain certain financial covenants and has pledged certain assets, including, amongst others the following:

a. Maintain control over Kardan Israel;
b. Maintain unpledged holdings of at least 51% in KFS;
c. Maintain holdings of 35% in TBIH and 51% in TBIF (prior to the sale transaction of TBIH it was resolved with the relevant bank to waive the requirements related to TBIH);
d. Maintain holdings of 51% in GTC Holding;
e. Commitment of the Company not to pledge all its assets;
f. Maintaining equity to stand-alone Company’s balance sheet ratio at 25%-30%; and 10%-12% with respect to consolidated balance sheet and total equity;
g. Shareholders' equity will not be less than €260 million;
h. Pledge over 29% of KFS shares;
i. Pledge over Kardan Israel shares at a value of 120%-125% of the outstanding loans (€ 11.8 million and €16.4 million as of December 31, 2010 and 2009, respectively);
j. Prior approval of one of the lenders for any change in control, reorganization, capital reduction or de-listing.
k. The Company's shares should be traded on TASE during a certain loan period.

As of December 31, 2010 and throughout the year 2010, the Company has met the abovementioned requirements.

It should be noted that subsequent to the balance sheet, the Group has early repaid €58 million out of the outstanding debt mentioned above.

(2) To secure the repayment of debentures (series D) issued by Kardan Israel amounting to approximately €49 million as of December 31, 2010, KIL has pledged shares of Kardan that it holds at a value of 100% of the nominal value of the debentures.As of the balance sheet date, the pledged shared are at a value of 110% of the value of the debentures.

(3) To secure the repayment of loans, a subsidiary of Kardan Israel pledged 40.5% of the shares of UMI.

As of December 31, 2010 and throughout the year 2009, Kardan Israel has met the aforementioned requirements.

(4) In connection with a loan received by Kardan Israel, it has committed to meet certain financial covenants, as follows:

a. The shareholders' equity to stand-alone balance less cash ratio of Kardan Israel will be at least 35%;
b. The shareholders' equity of Kardan Israel will be at least NIS 300 million;
c. The financial debt to equity ratio of Kardan Israel on a stand-alone basis will not be more than 1.5;
d. The tangible shareholders' equity of UMI will be at least NIS 375 million and will not fall below 25% of total consolidated balance sheet; and
e. The shareholders' equity of UMI will be at least 15% of its consolidated balance sheet.

As of December 31, 2010 and throughout the year, Kardan Israel and UMI have met their financial covenants.

(5) Kardan Real Estate has committed towards banks to meet certain financial covenants in connection with future loans to finance projects. Amongst others, Kardan Real Estate has committed to maintain tangible equity of at least 30% of the stand-alone balance sheet and not to distribute dividend that will lead to not meeting its obligations towards the banks.

As of December 31, 2010 and throughout the year, Kardan Real Estate met its financial covenants.

(6) Kardan Real Estate and some of its investee companies has pledged in favor banks land, investment properties, rental revenues, real estate under construction, shares, and rights in different contracts. The loans secured by those pledges amount to €55 million as of December 31, 2010 (€34.5 million as of December 31, 2009).

(7) To secure credit granted to Dan Vehicle and Transport, it made the following commitments towards the lending banks and debenture holders:

a. First rank fixed pledges over 8,800 vehicles (29% of its fleet);
b. Shareholders' equity will not fall below 15% of its balance sheet;
c. Certain limitations over dividend distribution;
d. To continue being a publicly listed company; and
e. To maintain at least a BBB rating.

As of December 31, 2010 Dan meets its financial covenants.

(8) Kardan Communications has committed towards a lending bank to maintain a shareholders' equity to balance sheet ratio of at least 30% and that the shareholders' equity will be at least NIS 300 million. In addition, Kardan Communications has pledged its entire holdings in an associate (RR) and other consolidated companies.

As of December 31, 2010 Kardan Communications meets its financial covenants.

(9) Kardan Israel and it's subsidiaries pledged rights and assets to secure loans and commitments to banks and other financial institutions, amounting to €320 million as of December 31, 2010 (December 31, 2009 - €249 million)

(10) In connection with a €173 million credit facility from a bank, GTC Holding has committed towards the lending bank to maintain certain financial covenants, including minimal shareholders' equity of €240 million and minimal group equity of €500 million, an equity to total stand-alone balance sheet ratio of 40% and 20% ratio for consolidated balance sheet, maintaining effective control over GTC S.A. of at least 25%. In addition, GTC Holding has pledged shares of GTC S.A. in value equal to 150% of the outstanding loans. Moreover, the Company has committed as well to maintain certain financial covenants in connection with this loan. As of December 31, 2010 GTC Holding has withdrawn approximately €173 million (December 31, 2009- €154.9 million) under this facility.

As of December 31 and throughout the year GTC Holding has met the above mentioned requirements.

(11) In most cases, in its financing agreements with banks, the GTC Group undertakes to comply with certain financial covenants that are prescribed in those agreements, the principal elements of which are: maintaining a balance for a certain amount in the bank accounts, maintaining a certain ratio between the loan and the value of the project, maintaining certain ratios between the net revenues from the lease of the financed project and the amounts of the various expenses, such as interest and commissions, maintaining certain ratios between the net revenues from the financed project and the principal and interest that the borrowing company is required to pay for a period of a quarter.

In addition, substantially, all investment properties and IPUC have been pledged to secure long-term loans from banks. The fair value of the pledged assets exceeds the carrying value of the related loans.

As of December 31, 2010 and throughout the year the borrowing companies are fulfilling their obligations in connection with the financial covenants.

(12) Under a loan agreement between KFS and Discount Bank amounting to €58 million as of December 31, 2010 (December 31, 2009 - €180 milion), 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 December 31, 2010 KFS is compliant with the all covenants. As a result of not fulfilled those covenants, TBIF classified an amount of €5 million as current liabilities.

(13) As of December 31, 2010, TBIF companies were in breach of one loan amounting to € 7.3 million. The breach related to overdue loans to customers and profitability. The KFS Group has obtained a waiver for the breach loan as of the date of issue of these consolidated financial statements.

(14) The KFS Group has pledged assets amounting to €219 million to secure liabilities amounting to €176 million as of December 31, 2010 (As of December 31, 2009 - €482 million and €381 million, respectively). The assets pledged by the KFS Group are strictly for the purpose of providing collateral for the counterparty. The pledged assets will be returned to the KFS Group when the underlying transaction is terminated but, in the event of the KFS Group's default, the counterparty is entitled to apply the collateral in order to settle the liability.

(15) For the purpose of Banks loans collaterals in the TGI Group, .the Group Company’s obligated to meet with several covenants. The covenants conditions include, inter alia, limitations on equity balances, financial debts and result of operations.

For the TGI Group as per December 31, 2010, all covenant conditions were met.

(16) In July, 2010 TGI signed an agreement with FIMI (refer to Note 5C), under the agreement, FIMI provided a loan facility of up to €40 million. The loan facility includes covenants related to the shareholders equity (including shareholder loans) of TGI and its direct subsidiaries, EBITDA and additional debt. As per December 31, 2010 all covenants were met.

(17) The Company has provided letters of support to the managements of its Kardan Israel. The letter to Kardan Israel will expire on April 1, 2011.

B. Guarantees:

Following are the guarantees provided by the Company and its Group companies as of December 31:

	2010		2009	
	Limited in amount	Not limited in amount (*)	Limited in amount	Not limited in amount (*)
	€ in millions		€ in millions	
With respect to:				
- Subsidiaries	292	-	472	-
- Associated companies	25	12	28	21
	317	12	500	21

(*) The amount of the guaranteed liabilities as of December 31

- The Kardan Israel group has issued a financial guarantee to an associated company, the amount of that guarantee is €13 millions.

- As of December 31, 2010 and 2009, GTC S.A. provided guarantees to third parties in order to secure cost overrun and loans of its subsidiaries. The guarantees granted amounted to €183 million and €216 million, respectively.

- As of December 31, 2010 and 2009 TGI provided bank guarantees in an amount aggregating to approximately €41 million and €47 million, respectively, in favor of customers in respect of advances received from them for projects and for performance and tender guarantees.

- As of December 31, 2010 and 2009 the Kardan Israel Group has provided bank guarantees to apartment buyers and performance guarantees amounting to €60 and € 52 million, respectively.

C. Legal claims and contingencies:

(1) Subsidiaries have liabilities with respect of warranty for the quality of the services and the work which they perform. In order to cover these obligations, the subsidiaries are insured with liability insurance up to the amount of €11 million for each claim. Management of the subsidiaries believes - based, among others, on estimates of the insurance companies and on prior experience - that the provisions included in the financial statements with respect to the claims filed against them in excess of the existing insurance coverage and with respect to the deductible portion of the insurance are sufficient.

(2) In February 6, 2011 the district court in Israel ruled in favor of Kardan Real Estate with respect to reimbursement of permit fees paid related to a construction project in Tel Aviv in the amount of €2 million (NIS 11 million). Upon finalization of the court ruling, Kardan Real Estate expects to recognize a gain of NIS 6 million (of which the Company's share amounts to €0.6 million).

(3) In May 2008, disputes arose between Habas H.Z. Credit (1994) Ltd ("Habas") and a subsidiary in connection with continuation of the works on a residential tower in Tel Aviv, in consequence of which the subsidiary gave notice of termination of the agreement between the parties.

On September 15, 2008 Habas H.Z. Credit (1994) Ltd and Habas Shikun-Dan Ltd ("the Plaintiffs") filed a claim against the subsidiary amounting to NIS 43.2 million (€8.2 million), out of which NIS 7.5 million (€1.4 million) was set off in respect of monies due to the subsidiary for works executed. The claim that was filed is in respect of the supposed termination of an agreement for the execution of works on a residential tower in Tel Aviv, which according to the Plaintiffs were executed contrary to the law. In accordance with an opinion of the subsidiary's legal advisors and in accordance with a statement of the subsidiary's management, at this preliminary stage it is difficult to assess the prospects of the claim; however, the subsidiary seems to have good defense pleas and the prospects of the claim are assessed at less than 50%.

On November 23, 2008 the subsidiary filed its defense, in which it denied Habas's pleas and argued that it did not breach the aforesaid contract and that it was forced to terminate it and cease the works on the project after Habas committed a fundamental breach of the contract. Simultaneously, the subsidiary any filed a counterclaim in the amount of NIS 28 million (€5.9 million) in respect of the damages supposedly caused to it. At this preliminary stage, it is difficult to assess the prospects of the counterclaim; however, it appears that the subsidiary has good pleas.

As of the date of the approval of these financial statements, mediation is underway between the parties. The subsidiary's management, in reliance, inter alia, on the opinion of its legal advisors, believes that there are good prospects of collecting the accrued income that was recorded as aforesaid, amounting to approximately €1.5 million (NIS 7.5 million).

The subsidiary’s Management, relies, among other things, on the legal advisors, and believes that it is more likely than not that this amount will be collected. As of now, the case is supposed to be discussed on the 25th of May, 2011.

(4) In February 2010 a claim was filed against Universal Motors Ltd. ("UMI"), an associated company, by Auto Line Ltd., in the amount of €4 million (NIS 20 million) for not meeting certain legal instructions. It in the opinion of UMI's legal advisors that UMI that the chances of the legal proceedings are low. Therefore, no provision was included in UMI's financial statements.

(5) In December 2008, a claim and motion to certify the claim as a class action was filed with the Tel Aviv District Court against Dan Vehicle. The argument underlying the claim was that Dan Vehicle demanded compensation from the plaintiffs for damage caused to vehicles owned by Dan Vehicle as a result of an accident in which the plaintiffs were involved, in amounts which exceeded the amounts Dan Vehicle actually expensed to repair the damage to the vehicles. The plaintiffs set the amount of their personal claim at NIS 3,000 and the amount of the class action at NIS 120 million (€25 million). In February 2009, Dan Vehicle filed a motion for summary dismissal of the motion to certify the claim as a class action. In July 2010 a settlement agreement was filed for approval of the district court for the removal of all respective claims in the total amount of €0.5 million, including costs. The approval of the settlement agreement is still pending. With respect to the motion for summary dismissal, Dan Vehicle's legal advisors believe that it has sound arguments which have a good likelihood of being accepted in a manner that would result in the summary dismissal of the class action motion, and it is more likely than not that the motion for summary dismissal will be accepted.

(6) In February 2009, a claim was filed against Dan Vehicle, concurrently with a motion to certify the claim as a class action. The claim was based on the argument that Dan Vehicle had charged the plaintiff an amount which exceeds the cost of gas for Dan Vehicle by 41%, for filling the gas tank in the plaintiff's rented car. The plaintiff argued, inter alia, that the clause in the rental agreement, pursuant to which Dan Vehicle charged renters a surcharge for filling the gas tank, was misleading and a discriminatory clause in a standard contract and should be nullified. The plaintiff set the class action amount at NIS 66 million (€14 million). It is in the opinion of the Dan Vehicle's legal advisors that the chance of dismissing the claim as a class action is more likely than not.

(7) In October and December 2010 two claims and motions to approve them as class actions in the total amount of NIS 21.3 million (€4 million) were filed against Dan Vehicle for not acting in line with insurance regulations. It is in the opinion of the Dan Vehicle's legal advisors that the chance of dismissing the claims and the request for class actions is more likely than not.

(8) Against Unicell (Kardan Israel subsidiary’s), submitted several claims and motions to approve them as class actions in connection with charging for content services. For several claims, the subsidiary’s Management assessment, relies on its legal advisors opinion, is that the chance of dismissing the claims as a class actions is more likely than not. As for the others claims, it is impossible at this stage to assess its likelihood. Therefore, provisions were not included in the financial statements of Unicell. As for December 31, 2010 the investment balance in Unicell is €4.6 million

(9) With respect to legal proceeding with respect to damages to third party vehicles, and in accordance to the estimation of management, a provision in the amount of €4.7 million was recorded in the financial statements of Dan Vehicles.

(10) With respect to claims filed against a subsidiary (El Har) in the amount of €0.7 million, El Har has included a provision included in the warranty provisions in its financial statements, in accordance, amongst others, with the opinion of its legal advisors.

(11) 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 December 31, 2010. The auditors also drew attention to a framework agreement with a bank which will terminate on March 31, 2011.

In April 2010, Israel Police searched the offices of Holyland, against the background of what later became known in the Israeli media as the Holyland Affair and which deals with bribes. In addition, it is known to Holyland that the Israeli Police also conducted search in the offices of Polar Investments Ltd. (the parent company of Holyland) and of Kardan Real Estate. Current and former officers of Holyland and Kardan Real Estate 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. Subsequently, the committee extended the suspension of the building permits for excavation work indefinitely, pending another decision. In February 2011, Holyland has submitted an urgent request to the district appeal committee in Jerusalem to review and handle its revised request for building permit, due to the refusal of the committee to process the request for building permits.

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 12 month period ended December 31, 2010 amounts to approximately NIS 14 million (€3 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). The accumulated provision amounts to NIS 5.7 million (about €1.1 million). In order to determine the net realizable value of its investment in Holyland, Kardan Real Estate has obtained an external valuation report. The valuation was performed according to the net residual value method. The fair value of the buildings under construction was calculated according to the discounted cash flow method, using discount rates of 8%-12%.

As at the date of approval of these financial statements, there is uncertainty with regard to all of the implications of the aforesaid, on the Project in its entirety, 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 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 December 31, 2010, the said credit balance, including guarantees and sales law guarantees, amounts to approximately NIS 361 million (€76 million of which the Company's share is approximately €12 million).

D. Commitments:

(1) To meet the financial needs of customers, the TBIF and its subsidiaries enter into various irrevocable commitments and contingent liabilities. Even though these commitments may not be recognized on the statement of financial position, they contain credit risk and are therefore part of the overall risk of the TBIF Group. The total outstanding commitments include financial guarantees, letters of credit and undrawn commitments to lend and amount to €47 million as of December 31, 2010 (December 31, 2009 - €44 million).

Letters of credit, guarantees (including standby letters of credit) commit the TBIF Group to make payments on behalf of customers in the event of a specific act. Guarantees and standby letters of credit carry the same credit risk as loans.

Commitments to extend credit represent contractual commitments to make loans and revolving credits. Commitments generally have fixed expiry dates, or other termination clauses. Since

commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements.
However, the potential credit loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific standards. The TBIF Group monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

(2) As of December 31, 2010 Kardan Israel and its group companies entered into contractual commitments (primarily with sub contractors) for future constructions of buildings in the amount of € 38 million.

(3) As of December 31, 2010 the subsidiaries of GTC Holding has commitments contracted for in relation to future building construction, amounting to approximately €184 million.

(4) As of December 31, 2010 the GTC Group has commitments for the acquisition of lands use rights of €88 million.

(5) As of December 31, 2010, TGI Group has entered into agreements with respect to infrastructure projects, having total scope of approximately €110 million.

(6) The TGI Group owns concession agreements to provide water supply and waste water treatment services in China and Turkey. The agreements have a contract period between 15-20 years. Depending on the nature of the agreement, the plant facility developed under the concession agreement will be owned by the TGI Group (BOO contracts) or transferred to the client (BOT projects). As of the date of these financial statements, there were no breaches with respect to these concession agreements.

E. Operating lease commitments:

(1) Operating lease commitments – Group as lessor

The Group has entered into various operational lease contracts with tenants related to properties in Poland, Romania, Croatia, Serbia, Hungary, Germany, Switzerland and Israel. The aggregate amount of contracted future rental income as of December 31, 2010 and 2009 amounts to approximately €612 million and €434 million, respectively, and is due according to the table below:

	2010	2009
	€ in millions	
First year	121	86
Second to fifth year	343	247
After the fifth Year	148	101
	612	434

The Group has also entered into various lease contracts with lesees related to vehicles in Israel, The aggregate amount of contracted future rental income as of December 31, 2010 and 2009 amounts to approximately €107 million and €91 million, respectively, and is due according to the table below:

	2010	2009
	€ in millions	
First year	56	52
Second to fifth year	51	39
	107	91

(2) Operating lease commitments – Group as lessee

Subsidiaries within the GTC Group have commitments to pay annual lease payments and concession tax for the leased land totaling €32 million as of December 31, 2010 (December 31, 2009 - €20 million).

(3) Financial lease commitments – Group as lessor

The TGI Group has entered into financial leases relating to the operation of plant operations. Future minimum amounts payable under non-cancelable commitments as of December 31, 2010 amount to €1 million (December 31, 2009 - €1 million), all due after 1 years but less than 5 years.

(34) SEGMENT INFORMATION

A. General:

The Group's operating businesses are organized and managed separately. Each segment represents a strategic business unit that offers different products and serves different markets. The segmentation was determined by the Company's CODM which is the management board. The Group's operating businesses included the operations of consolidated subsidiaries, joint ventures and associates. Each group company is assessed based on its sector of operations, asset base, country and contribution to Kardan and to the Group.

Financial Services

As a result of the transactions described in Note 5 (sale of VAB Bank, decrease in holding in Sovcombank and sale of TBIH), the financial services activities currently include one segment – Retail Lending. During 2010 the Company sold its insurance and pension segment, as a result the Company no longer consider it as a segment, as a result comparative information has been adjusted.

Real Estate

Primarily through the GTC Group, the Company owns investment properties and is involved in the development of office, shopping centers and residential projects primarily in Central and Eastern Europe, China and Israel. The real estate activities of the Group are presented as the Real Estate segment.

Infrastructure

The Infrastructure activities incorporated under TGI, and include the following two segments: Infrastructure Projects and infrastructure Assets.

Through its subsidiary, the Company develops and invests in infrastructure assets and provides engineering, consulting and design services. The Company undertakes projects in Latin America, Eastern Europe, Africa, China, Israel and in other countries, mainly relating to the environment, water, sewage, drainage, irrigation, energy and agriculture.

The Rental and leasing of vehicles segment

The Rental and leasing of vehicles segment includes the rental and leasing activities of AVIS under Kardan N.V's subsidiary - Kardan Israel.

Sale of vehicles

The Sale of vehicles segment includes the contribution of Universal Motors Israel Ltd, an associated company which the CODM considers as a segment. UMI is held under Kardan N.V's subsidiary - Kardan Israel.

Others

The Other lines of business are mainly included under Kardan N.V's subsidiary Kardan Israel through its investee companies include the following lines of business: Technologies and communication, consumer goods, and contract work.

The Group's segments are operating segments and are fully independent from each other. Apart from invoicing management fees or recharge of expenses, there is no material segment to segment invoicing. Allocated segment asset and liabilities are those directly linked to the segment activities in the operating companies. In most cases assets and liabilities of the holding companies are considered unallocated.

B. Segments results

For the year ended December 31, 2010:

			Infrastructure					
	Real Estate	Retail lending	Projects	Assets	Rental and leasing of vehicles	Sale of vehicles	Others	Total
Revenue	218	35	112	65	183	1	53	667
Other income/expense (*)	74	(25)	2	2	-	10	10	73
Total Income	292	10	114	67	183	11	63	740
Segment result	128	(38)	8	5	26	11	13	153
Unallocated expenses								(16)
Profit from operations and share in profit of associates companies before finance expenses, net								137
Finance expenses, net								(149)
Profit (loss) before income tax								(12)
Income tax expenses								25
loss from continuing operations								(37)
Profit from discontinued operations								8
Loss for the period								(29)

For the year ended December 31, 2009:

			Infrastructure					
	Real Estate	Retail lending	Projects	Assets	Rental and leasing of vehicles	Sale of vehicles	Others	Total
Revenue	231	41	100	52	167	-	40	631
Other income/expense (*)	(175)	(4)	1	9	2	7	-	(160)
Total Income	56	37	101	61	169	7	40	471
Segment result	(117)	(7)	7	8	26	7	4	(72)
Unallocated expenses								(16)
loss from operations and share in profit of associates companies before finance expenses, net								(88)
Finance expenses, net								116
lLoss before income tax								(204)
Income tax benefit								(24)
Loss from continuing operations								(180)
Profit from discontinued operations								4
Lloss for the period								(176)

For the year ended December 31, 2008:

			Infrastructure					
	Real Estate	Retail lending	Projects	Assets	Rental and leasing of vehicles	Sale of vehicles	Others	Total
Revenue	176	45	82	43	-	-	25	371
Other income/expense (*)	273	(20)	1	(7)	-	10	(1)	256
Total Income	449	25	83	36	-	10	24	627
Segment result	323	9	(3)	(10)	-	10	(1)	328
Unallocated expenses								11
Profit from operations and share in profit of associates companies before finance expenses, net								317
Finance expenses, net								(9)
Profit before income tax								308
Income tax benefit								(82)
Profit from continuing operations								226
Lloss from discontinued operations								(51)
Profit loss for the period								175

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

C. Segments assets

	December 31,	
	2010	2009
	€ in millions	
Retail lending	1,360	931
Real estate	3,141	2,827
Infrastructure – assets	183	113
Infrastructure - projects	146	115
Rental and leasing of vehicles	295	245
Sale of vehicles	54	44
Others	94	145
	5,273	4,420
Unallocated assets	726	1,213
	5,999	5,633

D. Segments liabilities

	December 31,	
	2010	2009
	€ in millions	
Retail lending	1,158	660
Real estate	421	518
Infrastructure – assets	73	55
Infrastructure - projects	16	18
Rental and leasing of vehicles	220	185
Sale of vehicles	70	116
	1,958	1,552
Unallocated liabilities	2,974	3,093
	4,932	4,645

E. Segments capital expenditure

	December 31,	
	2010	2009
	€ in millions	
Retail lending	24	18
Real estate	158	312
Infrastructure – assets	33	20
Infrastructure - projects	7	2
Rental and leasing of vehicles	126	101
Sale of vehicles	3	5
	351	458

F. Information about geographical areas:

(1) Revenues by geographical markets (according to location of customers):

	For the year ended December 31,		
	2010	2009	2008
	€ in millions		
Poland	98	91	56
China	51	62	26
Israel	306	286	115
Other	212	192	171
	667	631	368

(2) Non-current assets by geographical areas (according to location of assets):

	December 31, 2010	December 31, 2009
	€ in millions	
Poland	904	916
China	184	126
Israel	613	299

Non-current assets include the Investment properties, goodwill and intangible assets and property plant and equipment.

(35) SALE OF GOODS

	For the year ended December 31,		
	2010	2009	2008
	€ in millions		
From sale of merchandise	24	19	21
From selling apartments	85	126	70
	109	145	91

(36) REVENUES FROM RETAIL LENDING ACTIVITIES

	For the year ended December 31,		
	2010	2009	2008
		€ in millions	
Revenues of lending and fiduciary activities			
Interest income	69	54	57
Finance costs	(28)	(16)	(34)
	41	38	23
Commission and service fees	16	17	19
Finance advisory and fiduciary fees	1	1	10
Impairment of loans granted (*)	(23)	(16)	(7)
	35	40	45

(*) See also Note 10

After Q3, 2010 the Group decreased its stake in Sovcombank from full consolidation to proportional consolidation (50%), as a result the revenue of the first 9 months of 2010 was reclassifies to 'Net profit from discontinued operations', and for Q4 it is presented proportionally.

(37) COST OF GOODS SOLD

	For the year ended December 31,		
	2010	2009	2008
		€ in millions	
Cost of sale of merchandise	18	14	13
Cost of apartments sold	78	100	57
	96	114	70

(38) COST OF RETAIL LENDING ACTIVITIES

	For the year ended December 31,		
	2010	2009	2008
		€ in millions	
Staff costs	21	13	16
Other operating expenses	26	28	27
	47	41	43

After Q3, 2010 the Group decreased its stake in Sovcombank from full consolidation to proportional consolidation (50%), as a result the cost of revenue of the first 9 months of 2010 was reclassifies to 'Net profit from discontinued operations', and for Q4 it is presented proportionally.

(39) OTHER EXPENSES, NET

	For the year ended December 31,		
	2010	2009	2008
		€ in millions	
Impairment of properties	3	13	-
Loss on disposal of investment	-	1	4
Cost of services	-	2	2
Expenses of managing pension funds	-	-	-
Other expenses, net	6	8	(5)
	9	24	1

(40) SELLING AND MARKETING EXPENSES

	For the year ended December 31,		
	2010	2009	2008
		€ in millions	
Payroll and related expenses	9	7	5
Commissions	5	2	1
Marketing and advertising	10	6	6
Other	8	9	8
	32	24	20

(41) GENERAL AND ADMINISTRATIVE EXPENSES

	For the year ended December 31,		
	2010	2009	2008
		€ in millions	
Payroll and related expenses	30	29	25
Share-based payment (see Note 22)	14	4	(27)
Management fees	4	2	1
Office maintenance	5	5	5
Professional fees	13	10	8
Depreciation and amortization	3	3	2
Other	9	9	13
	78	62	27

(1) Payroll and related expenses are as follows:

	For the year ended December 31,		
	2010	2009	2008
		€ in millions	
Wages and salaries	27	27	23
Pension expenses	1	1	1
Unemployment contributions	1	-	1
Other social expenses	1	1	-
	30	29	25

Labor costs are included in the income statement under various expense categories.

(42) GAIN ON DISPOSAL OF ASSETS AND OTHER INCOME

	For the year ended December 31,		
	2010	2009	2008
		€ in millions	
Gain on disposal of investment in subsidiaries	10	18	6
Release of negative goodwill	-	5	77
Other	6	(11)	3
	16	12	86

(43) OTHER FINANCIAL INCOME AND EXPENSES

	For the year ended December 31,		
	2010	2009	2008
		€ in millions	
Income:			
Income from bank deposits	5	10	24
Interest income with respect to long-term loans and receivables	1	10	5
Exchange differences	13	30	84
Other	7	2	3
Total financing income	26	52	116
Expenses:			
Interest on long-term loans and borrowings	96	83	78
Interest on debentures and convertible debentures	44	42	4
Exchange differences	22	39	88
Short-term loans and borrowings	3	1	3
Other	13	6	10
Total financing expenses	178	171	183

(44) TAXES ON INCOME

A. The Company has its statutory seat in the Netherlands, and therefore is subject to taxation according to the Dutch law.

The Company benefits from the Participation Exemption ("Participation Exemption"). According to the participation exemption, all capital gains and dividends income derived from qualifying participations are exempt from Dutch corporate income tax.

Starting from 2007, the Participation Exemption applies to any shareholding of 5% or more in the paid-in capital of an active participation whose capital is divided into shares. However, holdings of a 'low taxed portfolio participation' will not allow application of the Participation Exemption. This relates to investments in passive companies which are subject to an effective tax at a rate lower than 10% (which is to be calculated according to Dutch tax law); or to participations whose assets, directly or indirectly, mainly (more than 50%) consist of free portfolio investments. An exception to this rule is shareholdings of 5% or more in companies where at least 90% of the (consolidated) assets are real estate assets. Holdings in such companies shall benefit from the Participation Exemption even if the investees have been classified as low taxed portfolio participation.

As from 2010, the Participation Exemption should apply to all participations of 5% or more if the participation is not considered to be held as a mere portfolio investment.

The enacted tax rates in the various countries were as follows:

Tax rate	**2010**	2009
Bulgaria	10%	10%
China	22%	25%
Croatia	20%	20%
Hong-Kong	17.5%	17%
Hungary	10-19%	20%
Israel	25%	26%
Poland	19%	19%
Romania	16%	16%
Russia	15.5-20%	20%
Serbia	10%	10%
Slovakia	19%	19%
The Netherlands	20-25.5%	25.5%
Turkey	20%	20%
Ukraine	25%	25%

B. Tax presented in the consolidated income statement is broken down as follows:

	For the year ended December 31,		
	2010	2009	2008
		€ in millions	
Current taxes	13	17	12
Deferred taxes	12	(41)	70
	25	(24)	82

C. The reconciliation between tax expense and the product of accounting profit multiplied by the applicable tax rate is as follows:

	For the year ended December 31,		
	2010	2009	2008
	€ in millions		
Accounting profit (loss)	(12)	(204)	308
Tax expense (tax benefit) computed at the weighted average taxable rate	10	(21)	59
Increase (decrease) in tax expense (tax benefit) due to:			
Unrecognized tax losses	10	10	8
Taxes related to prior year	2		
Equity in net earnings of associated companies and gain on issuances of shares to third parties which are not taxable	(3)	(2)	(14)
Tax effect of unrealized foreign currency related to investment property	1	(9)	24
Tax effect of revenues exempted from tax	-	(1)	3
Change in tax rates	(6)	(3)	(3)
Non deductible expenses (incomes) and others	11	2	5
	25	(24)	82
Average effective tax rate	27%	12%	27%

(*) The average weighted taxable rate differs from year to year due to different mix of revenues, costs and profits or losses generated in the various countries of operations, each subject to a different tax rate, as indicated in A above.

D. Composition of deferred taxes:

	Consolidated statement of financial position		Recorded in the income statement		
			Movement for the year ended December 31,		
	December 31, 2010	December 31, 2009	**2010**	2009	2008
	€ in millions		€ in millions		
Deferred income tax assets (deferred tax liabilities) with respect to:					
Investment properties	(151)	(131)	(17)	31	(45)
Tangible fixed assets	(18)	(16)	(1)	1	(13)
Long term inventory	1	-	1		
Contract work in progress	-	-	-	-	1
Temporary differences relating to investments in companies	(3)	-	(3)	-	2
Temporary differences relating to investments in leases and loans to customers	4	-	-	-	-
Financial assets	(1)	(2)	(1)	-	(20)
Temporary differences in reserves and allowances	(8)	3	-	3	-
Carry forwards losses available for offset against future taxable income	15	11	-	6	2
Basis differences in non-current assets	7	3	2	3	-
Financial liabilities	(5)	1	2	3	(1)
Other	(1)	2	5	(6)	4
	(160)	(129)	(12)	41	(70)

E. Loss carry-forwards and final tax assessments

The Group has tax losses of €343 million that are available for offset between five years and indefinitely. Deferred tax assets have not been recognized in respect of tax loss carry forwards amounting to €328 million as they may not be used to offset taxable profits elsewhere in the Group and the losses are of subsidiaries that have generated losses for extended periods.

The Company has received final tax assessments for the years 2003 till 2007.

F. Settlement of a contingent tax asset:

According to the Corporate Income Tax Act costs with regard to (indirect) foreign (non-EU) participation are non-deductible. The Company, upon the advice of its advisors, has decided to appeal against corporate tax assessments raised by the inspector of taxes with regards to the fiscal years 2001 - 2003 on the basis that the decision of the European Court of Justice (C-168/01), upon which the Dutch Supreme court amended the Corporate Income Tax Act should be extended to cover not only the EU and Economic European Area (EEA) but also countries who have association agreements with the EU based on article 56 EC (free movement of capital with third countries), Romania is one such country.
For the year 2001 the appeal has been made to the Tax Court, and for the years 2002 and 2003 at the Tax Authorities.

In 2010 the Company and several other Group companies have reached a settlement agreement with the Dutch tax authorities with respect to the abovementioned appeals. Accordingly, all appeals were withdrawn, the losses for the years 2001-2003 were agreed upon, and the Group received a tax refund of approximately €1.1 million.

G. Tax presented in the consolidated statement of financial position is broken down as follows:

	December 31,	
	2010	2009
	€ in millions	
Net deferred income tax asset	22	24
Net deferred income tax liability	(182)	(153)
	(160)	(129)

H. Tax regulations in Eastern Europe

Restrictive tax regulations exist in Eastern European countries regarding value-added tax, company tax and national insurance (social security) payments. Since these regulations were enacted in recent years, they often include internal contradictions that cause problems in their interpretation. Differences in interpretation of the tax regulations between various tax-related entities and tax authorities, and the taxpayers cause numerous disputes. Arrangements regarding taxation and other areas of activity (such as foreign currency transactions) may be subject to supervision by the tax authorities and by other authorities that are empowered to levy material penalties including interest on the penalties. In these circumstances, business activity in Eastern European countries includes more serious tax risks than in countries with a more stable tax base. Eastern European countries do not have a formal procedure for determining the amount of the final tax. Tax arrangements may be audited at any time during a number of years. A risk exists that the tax authorities' interpretation of the tax legislation will be different from the interpretation of the subsidiaries in Eastern Europe, a fact that may affect the tax liability of those companies.

Regulations regarding VAT, corporate income tax and social security contributions are subject to frequent changes. These frequent changes result in there being little point of reference and few established precedents that may be followed. The binding regulations also contain uncertainties, resulting in differences in opinion regarding the legal interpretation of tax regulations both between government bodies, and between government bodies and companies. Tax settlements and other areas of activity (e.g. customs or issues related to foreign currency) may be subject to inspection by administrative bodies authorized to impose high penalties and fines, and any additional taxation liabilities calculated as a result must be paid together with high interest. The above circumstances mean that tax exposure is greater in the Group's countries than in countries that have a more established taxation system.

(45) EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year, less the weighted average number of treasury shares.
Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent, after adjusting for interests on convertible shares of the Company and Group companies, by the weighted average number of ordinary shares outstanding during (less the weighted average number of treasury shares) the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares, adjusted for the effects of dilutive options and dilutive convertible debentures of the Company and of Group companies.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	2010	2009	2008
Net profit (loss) attributable to ordinary equity holders of the parent (€ in millions)	(27)	(92)	52
Effect of dilution of earnings of group companies	-	(1)	(13)
Effect of dilution of convertibles and options of the Company	-	-	(16)
	(27)	(93)	23
Weighted average number of ordinary shares for basic earnings per share (in millions)	101	101	82
Effect of dilution:			
Shares options	-	-	1
Adjusted weighted average number of ordinary shares for diluted earnings per share	101	101	83

Certain warrants, employee options and convertibles issued by the Group were excluded from the calculation of diluted earnings per share as they did not result in a dilutive effect (out of money”), as of December 31, 2010, 2009 and 2008.

The impact of the early adoption of IAS 40 Revised in 2008 on the earnings per share of the Company amounted to €0.45 on both basic and diluted earnings per share.

To calculate earnings per share amounts for discontinued operations, the weighted average number of ordinary shares for both basic and diluted amounts is as per the table above.
The profit (loss) used is €8 million, €5 million and €(51) million for the years 2010, 2009 and 2008, respectively.

(46) FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

A. Introduction

This Note deals with various disclosures required by IFRS 7 pertaining to risk management. Section B covers the Group as a whole and addresses the following:

1) Risk Management (financial and capital risk management and structuring thereof)
2) Market risk
3) Price risk
4) Political risk
5) Credit risks
6) Interest rate risk including sensitivity analysis
7) Derivatives
8) Liquidity risk including maturity profile of financial assets ,liabilities and guarantees
9) Foreign currency risk including sensitivity analysis
10) Fair value disclosures

Section C covers additional information on financial instruments in the financial services sector; Banking and insurance and addresses the following:

Banking:

1) Capital adequacy
2) Liquidity
3) Credit risk
4) Indicators of liquidity risk

Insurance:

5) Insurance risk
6) Concentration of insurance risk
7) Claims: assumptions, sensitivity and development table

B. The Kardan Group

1) Risk management

Financial risk management
The Group's principal financial instruments, other than derivatives, comprise of bank loans, debentures, convertible liabilities, cash deposits and loans granted. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

Operations of the Group expose it to various financial risks, e.g., market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group employs derivative financial instruments, principally interest rate swap transactions, to hedge certain exposures to risks.

At this moment it is uncertain as to whether the economic recovery seen in many markets is sustainable, or that the financial instability, which has affected the global markets since 2007, will return. These global economic trends could possibly have consequences for the future results of the Group, its equity base, the value of its assets, its ability to comply with the covenants agreed upon with lenders, its ability to raise financing, as well as the terms of such financing, and collection and vacancy risks.

Management is closely monitoring the financial position of the Group.

The Group operates primarily in emerging markets. It is vulnerable to the dangers which exist in developing countries, mostly of political nature, and involving local economies. The Group is exposed to fluctuations of supply and demand in the real estate markets in which it operates.

The Management Boards, Supervisory Boards and Boards of Directors (as applicable) of the various Group's companies provide overall risk-management principles, and also the specific policy on certain exposure to risks, e.g., exchange rate risk, interest rate risk, credit risk and use of derivative financial instruments.

Capital risk management

The primary objective of the Group's capital management aims to ensure capital preservation and maintain healthy capital ratios in order to support its business and maximize shareholder value. The Group considers its equity to be its capital.

In addition, capital management objectives ensure that relevant group companies, mainly in the financial segment, comply with externally imposed capital requirements (e.g. banks). The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group decides on leverage policy, repayment of loans, investment or divestment of assets, dividend policy and the need, if any, to issue new shares or debentures.

Risk management structuring

The Management Board of Kardan N.V. and of each Group company is ultimately responsible for identifying and controlling risks. However, there are separate independent bodies within the Group that are responsible for managing and motoring risks.

(i) Corporate level

The Supervisory Board of Kardan N.V. has the responsibility to monitor the overall risk process. The Management Board is responsible for the overall risk-management approach and for approving the risk strategies and principles. Within the Management Board of Kardan, the Chief Operating Officer ('COO') is responsible for risk management. The COO works closely with risk managers within the Group, and together the COO has developed functional lines of responsibility and has the overall responsibility for the development of the risk strategy and implementation of principles, frameworks, policies and limits.

(ii) Group companies
Some of the Kardan Group companies have appointed risk managers at corporate levels as well as at country levels or subsidiary levels (e.g. in TBIF). When a country has a risk manager, the risk manager is in charge of all risk-related issues in that country. The country risk manager is guided from a professional point of view by the chief risk manager of the relevant subsidiary.

(iii) Risk mitigation
Kardan uses the analysis of the structure of its portfolios in order to mitigate excessive risk in each of the countries and each of the business segments. The risk is spread among the different activities of the Kardan Group. The diversification of the businesses (commercial and residential real estate, banking and lending, infrastructure projects and asset ownership) as well as collateral management are useful risk mitigation tools as well.

(iv) Excessive risk concentration
Concentrations of risk arise from financial instruments that have similar characteristics and are affected similarly by changes in economic or other conditions. Concentrations indicate the relative sensitivity of Kardan's performance to development affecting a particular industry or geographical location.

In order to avoid excessive concentration of risks, Kardan's policy is to maintain a diversified portfolio in terms of geography, industry, products and product features – geographical diversification (CEE, CIS, China etc.); industry diversification (financial services, real estate, infrastructure); product diversification (i.e. residential and commercial real estate, lending, banking, etc.).

2) Market risk

The Group operates in various sectors, primarily in emerging markets. The Group is exposed to inherent risks in developing countries, mainly political and other risks which include local economic and legal issues.

Success of the Group in the emerging markets depends on the continued development of these markets, continued development of real-estate business, development of financial services and infrastructure. Decreased development rate of the said markets may have an adverse impact on the business of the Group. It should also be Noted that official information is not always available in developing countries.

The Group conducts considerable operations in Central-Eastern Europe, mainly in the real estate and financial services sectors, and in China, where the Group operates in the real estate and infrastructure sectors. The Company continues to direct management and financial resources to investments in Central-Eastern Europe, following the economic growth experienced by this region in recent years and in expectation that the trend of decreasing general and economical differences between Eastern to Western Europe will continue and apply to investments in China as well. China is considered to be the largest economy in the world, which has been gradually shifting over the last 25 years from a central government controlled economy to an open market economy, that opens up to international markets. A change in these trends in countries where the Group operates may have an adverse impact on its operations.

Throughout 2009 and 2010, significant market turmoil was still experienced in the credit markets, beginning in 2007 and 2008 with concerns over US sub-prime mortgages and then widening into a general banking liquidity crisis. Management is carefully reviewing and monitoring the impact of the crisis on its financing position, valuation of assets, and liquidity position. Through a range of bond offerings it has secured good cash position.

The home mortgage market in the countries of operation is not yet sufficiently developed. Difficulty in obtaining loans on easy terms for purchasing apartments may affect the demand for home units in the projects undertaken by the Group.

The Management of the Company believes that the following factors contribute significantly to its operating success and handling of the above-mentioned risks.
(1) Skilled and experience management team and a constant local presence in the countries of operation.
(2) Close working relations with international financing institutions.
(3) Focus on selection of major projects which are developed in stages, according to demand.
(4) Strict due diligence before embarking on a project, and adherence to project completion dates committed to.

3) Price risk

Equity price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest-rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.
Kardan's price-risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans, and limits on investments in each country.
Because of the Group's operations in different countries, it has no significant concentration of price risk, and accordingly there is no significant exposure to equity price risk.

4) Political risk

The Group has significant business in China, Central and Eastern Europe, CIS and in Israel. These markets have a different risk profile than the Western European area. Political and economic changes in these regions can have consequences for the Group's activities there, as well as an impact on the results and financial positions of the Group. By closely monitoring these businesses the Management intends to limit the risks of those changes.

5) Credit risks

Credit risk is a risk the Group will incur a loss because its customers or counterparties fail to discharge their contractual obligations. Credit risk is also applicable for derivatives, financial guaranties and loan commitments. The Group is exposed to credit risk with regard to its trade receivables, cash and cash equivalents, deposits, and other financial assets (including granted loans, derivative assets), financial guarantees and loan commitments. It is the policy of the Group to trade generally with recognized third parties with good credit standing.

The Group companies regularly monitor the credit status of their customers and debtors and record appropriate provisions for the possibility of losses that may be incurred from provision of credit, with respect to specific debts whose collection is doubtful. As a result, the Group's exposure to bad debts outside the financial services segment is not significant (refer to Note 34).

Credit risks, or the risk of counter-parties defaulting, are controlled by the application of credit approvals, limits and monitoring procedures. To manage this risk the Group companies periodically assess the financial viability of customers.

A concentration of credit risk exists when changes in economic, industry, or geographic factors similarly affect groups of counter-parties whose aggregate credit exposure is significant in relation to the Group's total credit exposure. The Group's portfolio of financial instruments is broadly diversified along product and geographic lines, and transactions are entered into with diverse creditworthy counter-parties, thereby mitigating any significant concentration of credit risk. The Group performs ongoing credit evaluations of their customers' financial condition and requires collateral as deemed necessary.

Counter-parties to financial instruments consist of a large number of financial institutions. The Group has no significant concentration of credit risk with any single counterpart or group of counter-parties.

With respect to trade receivables, the maximum exposure equals to the amount on the face of the statement of financial position.

As of December 31, 2010 and 2009, cash and cash equivalent amounted to €498 million and €474 million, respectively, and restricted deposits in banks amounted to €50 million and €20 million, respectively. All deposits are deposited with the high rated financial institutions primarily in the countries of operation.

Maximum exposure to credit risk

The sum of all financial assets presented in table 10.4 shows the maximum exposure to credit risk for the components of the Group. The maximum exposure is shown gross, before the effect of mitigation through the use of collateral agreements.

6) Interest-rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's long-term debt obligations. The Group's policy is to manage its interest cost using a combination of debt with fixed and variable interest rates. Interest-rate risk management aims to limit the impact of fluctuations in interest rates on the results and reduce total interest expenses as much as possible. To manage this mix in a cost-efficient manner, the Group enters into interest-rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to hedge underlying debt obligations. Interest-rate derivatives are used to align the loan portfolio with the intended risk profile. In order to manage the risk profile, the relevant Management Board discusses instruments to be used. Hedge accounting is only allowed if detailed requirements are met.

The possible exposure on financial assets such as loans to bank customers is considered immaterial.

The tables below present the sensitivity of the consolidated OCI and profit and loss of the Group due to change in certain interest rates, over the fair value of derivatives. The percentages of the analysis changed from 10-20% in 2009 to 25-80% in 2010, due to changes in market expectations.

(1) The tables below present the sensitivity of the OCI and the profit and loss (before tax) due to change in EURIBOR, PLN Wibor and Israeli NIS interest:

The fair values of the derivatives are determined by taking into account the EURIBOR, PLN Wibor and Israeli NIS interest anticipated future curves.

6.1	**2010**			
	Effect on OCI			
	€ in millions			
	+50%	+25%	-25%	-50%
EURIBOR	19	10	(10)	(19)
	+70%	+40%	-10%	
Israeli NIS interest	(21)	(12)	3	

6.2	**2009**			
	Effect on OCI			
	€ in millions			
	+50%	+25%	-25%	-50%
EURIBOR	34	18	(19)	(38)
	+80%	+50%	-25%	
Israeli NIS interest	(40)	(26)	15	

6.3

	2009			
	Effect on Profit and loss			
	€ in millions			
	+50%	+25%	-25%	-50%
EURIBOR	1	1	(1)	(1)
	+80%	+50%	-25%	
Israeli NIS interest	(1)	(1)	-	

(2) The tables below present the sensitivity of the consolidated profit (loss) of the Group before tax due to change in interests rates, not including derivatives. The sensitivity analysis regarding derivatives is presented in the tables above. . The percentages of the analysis changed from 10-20% in 2009 to 25-80% in 2010, due to changes in market expectations.

6.4

	Sensitivity to change in EURIBOR			
	Effect on profit and loss			
	€ in millions			
	+50%	+25%	-25%	-50%
2010	(3)	(2)	2	3
	+50%	+25%	-25%	-50%
2009	(7)	(3)	3	7

6.5

	Sensitivity to change in Israeli NIS interest		
	Effect on profit and loss € in millions		
	+70%	+40%	-10%
2010	(4)	(2)	1
	+80%	+50%	-25%
2009	(1)	(1)	-

6.6

	Sensitivity to change in LIBOR			
	Effect on profit and loss			
	€ in millions			
	+50%	+25%	-25%	-50%
2010	-	-	-	-
	+50%	+25%	-25%	-50%
2009	(4)	(2)	2	4

6.7

	Sensitivity to change in Russian interest			
	Effect on profit and loss			
	€ in millions			
	+50%	+25%	-25%	-50%
2010	17	8	(8)	(17)
	+50%	+25%	-25%	-50%
2009	32	16	(16)	(32)

6.8	Sensitivity to change in UAH interest			
	Effect on profit and loss			
	€ in millions			
	+50%	+25%	-25%	-50%
2010	-	-	-	-
	+50%	+25%	-25%	-50%
2009	23	12	(12)	(23)

7) Derivatives

Details of Group companies' hedge transactions are presented as follows:

7.1 Breakdown of the Group's derivatives:

Party	Loan /Debenture hedged	Commence	Expiration date	Hedged amount € in millions	Interest rate on bank loan (swapped)	Interest /currency to be paid by the company	Installments	Accounting treatment as of December 31, 2010	Accounting treatment as of December 31, 2009	Fair value as of December 31, 2010 € in millions	Fair value as of December 31,2009 € in millions
Discount Bank	Debentures (*)	Aug-07	Jan-16	59.90	4.45% + CPI	5.64%	Yearly installments	Hedge accounting	Hedge accounting	25.7	11.6
Ben-leumi Bank	Debentures (*)	March-07	Jan-16	36.0	4.45% + CPI	5.43%	Yearly installments	Hedge accounting	Hedge accounting	13.2	5.2
Poalim Bank	Debentures (*)	March-07	Jan-16	-	4.45% + CPI	5.38%	Yearly installments	Hedge accounting	Hedge accounting	-	7.4
Discount Bank	Debentures (*)	March-07	Jan-16	37.0	4.45% + CPI	5.43%	Yearly installments	Hedge accounting	Hedge accounting	9.8	3.9
Leumi Bank	Debentures (*)	Feb-07	Jan-16	38.0	4.45% + CPI	5.54%	Yearly installments	Hedge accounting	Hedge accounting	13.7	5.3
Leumi Bank	Debentures (*)	Feb-07	Feb-20	100.2	4.9%+CPI	5.94%	Yearly installments	Hedge accounting	Hedge accounting	36.8	12.9
Discount Bank (1)	Debentures (*)	Dec-07	Jan-20	35.3	4.9%+CPI	6.44%	Yearly installments	Hedge accounting	Hedge accounting	11.2	3.7
Discount Bank (1)	Debentures (*)	Jan-08	Jan-20	-	4.9%+CPI	6.21%	Yearly installments	Hedge accounting	Hedge accounting	-	2.8
Discount Bank (1)	Debentures (*)	Sep-08	Jan-20	81.6	4.9%+CPI	7.06%	Yearly installments	Hedge accounting	Hedge accounting	8.5	(8.5)
MKB Bank	Center point 1 office building	Jan-09	Jan-14	25.9	Floating	Collar 3.77%-4.15%	Quarterly installments	Profit and Loss	Profit and Loss	(1.5)	(1.3)
MKB Bank	Center point 2 office building	Oct -08	Oct -11	30.3	Floating	Collar 3.89%-4.6%	Quarterly installments	Profit and Loss	Profit and Loss	(1)	(1.3)
MKB Bank	Spiral 2 office building	Sep - 09	Sep - 12	18	Floating	Fixed 2.39%	Quarterly installments	Hedge accounting	Hedge accounting	(0.4)	(0.1)
Bank PEKAO S.A	Bonds	Apr-07	Apr-12	20.2	Floating PLN	Fixed Euro 5.745%	Semiannual installments	Hedge accounting	Hedge accounting	(1.7)	(3.1)
Bank PEKAO S.A	Bonds	Apr-07	Apr-14	181.8	Floating PLN	Fixed Euro 5.745%	Semiannual installments	Hedge accounting	Hedge accounting	(19)	(26.5)
Bank PEKAO S.A	Bonds	May-08	May-13	88.3	Floating PLN	Fixed Euro 6.63%	Semiannual installments	Hedge accounting	Hedge accounting	(20.6)	(25.0)

Party	Loan /Debenture hedged	Commence	Expiration date	Hedged amount € in millions	Interest rate on bank loan (swapped)	Interest /currency to be paid by the company	Installments	Accounting treatment as of December 31, 20109	Accounting treatment as of December 31, 2009	Fair value as of December 31, 2010 € in millions	Fair value as of December 31,2009 € in millions
Bank PEKAO S.A	Galleria Jurajska shopping center	Feb - 10	Jan - 15	110.2	Floating	Fixed 2.50%	Monthly installments	Hedge accounting	Hedge accounting	(3.0)	-
Bank PEKAO S.A	Galleria Kazimierz shopping center	Feb-09	Jan-13	44.6	Floating	Fixed 3.11%	Monthly installments	Hedge accounting	Hedge accounting	(2.0)	(1.0)
WBK Bank	Newton office building	Feb-08	May-13	11.1	Floating	Fixed 3.56%	Monthly installments	Hedge accounting	Hedge accounting	(0.6)	(0.5)
WBK Bank	Kazimierz office	Jan-09	Dec-15	29.3	Floating	Fixed 2.72%	Monthly installments	Hedge accounting	Hedge accounting	(1.0)	(0.03)
WBK Bank	Edisson office building	Feb-08	May-13	12.6	Floating	Fixed 3.9%	Monthly installments	Hedge accounting	Hedge accounting	(0.8)	(0.6)
WBK Bank	Globis Poznan office building	Jul-08	Jun-14	16.9	Floating	Fixed 4.99%	Monthly installments	Hedge accounting	Hedge accounting	(1.6)	(1.7)
ING Bank	Platinium 1 + 2 office building	July-08	Dec-15	40.3	Floating	Fixed 4.83%	Monthly installments	Hedge accounting	Hedge accounting	(5.1)	(4.3)
ING Bank	Nothus + Zephirus office building	March-08	Dec-15	34.6	Floating	Fixed 4.74%	Monthly installments	Hedge accounting	Hedge accounting	(4.2)	(3.4)
BPH bank	Globis Wroclaw office building	March-09	March-15	27.9	Floating	Fixed 4.81%	Monthly installments	Hedge accounting	Hedge accounting	(3.2)	(2.8)
EUROHYPO	Topaz	Jan-08	Dec-12	-	Floating	Collar 3.2%-4.1%	Monthly installments	Profit and Loss	Profit and Loss	-	(0.5)
EUROHYPO	Nefryt office building	August-08	Dec-15	-	Floating	Fixed 4.68%	Monthly installments	Hedge accounting	Hedge accounting	-	(3.2)
Berlin bank	Galleria Mokotow shopping center	Nov-09	Nov-14	100.5	Floating	Fixed 2.70%	Monthly installments	Hedge accounting	Hedge accounting	(2.7)	(0.7)
Berlin bank	Platinium 3 office building	Jul - 10	Jun - 15	19.8	Floating	Fixed 2.04%	Monthly installments	Hedge accounting	Hedge accounting	0.1	-
Raffaisen Bank	GTC House office building	May-06	Aug-11	16.8	Floating	Fixed 3.85%	Quarterly installments	Hedge accounting	Hedge accounting	(0.2)	(0.6)
Other										0.6	3.33
Total										**51**	**(29)**

(*) Relates to the Kardan N.V company only.

7.2 The movement in the fair value of derivatives for the years ended December 31, 2010 and 2009 was as follows:

Derivatives Cycle:

	2010	2009
	€ in millions	
Fair value at the beginning of the year	(29)	(55)
Charged directly to OCI	11	21
Charged to income statement	98	5
Sale of hedge instruments	(29)	-
Fair value at the end of the year	51	(29)

8) Liquidity risk

Liquidity risk is defined as the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

To limit this risk, the Group finances its operations through diversified, short-term and long-term credit obtained from the public, institutional investors and from financial institutions. The Group raises financing according to needs and market conditions at that time.

The tables below summarize the maturity profile of the Group's financial assets and liabilities as at December 31, 2010 and 2009. The liabilities are based on contractual undiscounted cash flow, and the maturity of financial assets is based on expected cash flow in conformity with the way they are managed by the Group. The tables include repayments of principal amounts as well as interest due. Interest due was estimated based on actual amortization schedules of the financial liabilities.

8.1 Expected payment schedule 2010:

	December 31, 2010							
	0-3	4-12	1 to 2	2 to 3	3 to 4	4 to 5	> 5	
Assets	months	months	years	years	years	years	years	Total
Cash and cash equivalents	498	-	-	-	-	-	-	498
Deposits in bank	8	53	-	-	-	-	-	61
Trade receivables	50	65	-	-	-	-	-	115
Balances with central banks	3	-	-	-	-	-	-	3
Marketable debt securities	170	3	-	-	-	-	-	173
Short term investment	23	18	-	-	-	-	-	41
Contract in progress	-	8	-	-	-	-	-	8
Consumer credit and mortgage loans	62	37	22	9	3	3	11	147
Banking loans granted	69	111	69	27	23	2	3	304
Finance leases	29	27	24	13	5	1	2	101
Long-term loans and receivables (including maturities)	9	27	13	20	1	84	29	183
Available for sale financial assets	14	-	3	-	-	-	-	17
Other receivables	21	25	-	-	-	-	-	46
Other financial assets	-	-	-	-	10	-	-	10
Other	-	1	-	-	-	-	-	1
	956	375	131	69	42	90	45	1,708

	December 31, 2010							
	0-3 months	4-12 months	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	> 5 years	Total
Liabilities	€ in millions							
Short-term credit	129	57	-	-	-	-	-	186
Trade payables	80	41	-	-	-	-	-	121
Other payables and accrued expenses	33	102	9	8	2	-	-	154
Income tax payable	2	-	-	-	-	-	-	2
Banking customers accounts	161	151	82	10	-	-	-	404
Interest-bearing loans and borrowings	83	218	280	248	253	463	1,015	2,560
Convertible debentures	-	1	1	1	18	-	-	21
Other debentures	36	54	97	240	340	150	321	1,238
Other financial liabilities	-	-	3	16	-	3	6	28
Other	26	12	2	-	2	-	-	42
	550	636	474	523	615	616	1,342	4,756

8.2 Expected payment schedule 2009:

	December 31, 2009							
	0-3 months	4-12 months	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	> 5 years	Total
Assets	€ in millions							
Cash and cash equivalents	457	17	-	-	-	-	-	474
Deposits in bank	1	59	1	-	-	-	-	61
Trade receivables	78	18	-	-	-	-	-	96
Balances with central banks	10	-	-	-	-	-	-	10
Marketable debt securities	322	6	1	-	-	-	-	329
Consumer credit and mortgage loans	69	43	30	16	5	2	11	176
Banking loans granted	242	292	126	102	68	18	44	892
Finance leases	34	39	33	17	6	2	5	136
Long-term loans and receivables (including maturities)	7	21	25	118	3	3	75	252
Other financial assets held for sale	1	1	2	2	-	-	10	16
Other receivables	30	50	-	-	-	-	-	80
Reinsures and insurance companies	20	6	-	-	-	-	-	26
Insurance premium	20	7	-	-	-	-	-	27
Others	4	1	1	-	-	-	14	20
	1,295	560	219	255	82	25	159	2,595

	December 31, 2009							
Liabilities	0-3 months	4-12 months	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	> 5 years	Total
	€ in millions							
Short-term credit	211	121	-	-	-	-	-	332
Trade payables	124	1	-	-	-	-	-	125
Other payables and accrued expenses	94	69	4	1	-	-	2	170
Banking customers accounts	317	189	73	110	1	1	-	691
Interest-bearing loans and borrowings	63	158	259	217	284	245	1,093	2,319
Convertible debentures	-	30	-	-	-	-	-	30
Other debentures	32	98	81	88	226	321	397	1,243
Other financial liabilities	4	28	3	6	-	-	19	60
Insurance contract liabilities	43	29	-	-	-	-	-	72
	888	723	420	422	511	567	1,511	5,042

(**) Includes put options and conversion component of convertible debentures which were all presented on the face of the statement of financial position as non-current liabilities.

The maturity table does not include any non financial assets. However, the Group's most significant commitments relate to completed real estate projects and under construction and infrastructure projects. These commitments are substantially covered by revenue stream from the underlying assets and undrawn credit facilities and thus have no major impact on liquidity.

For shares which are used as collateral please refer to Note 5F.

Contingent liabilities and commitments:

8.3 Breakdown of current commitments and contingent liabilities as of December 31, 2010:

	December 31, 2010							
	0-3 months	4-12 months	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	> 5 years	Total
	€ in millions							
Financial guarantees (*)	6	8	1	1	-	-	-	16
Letters of credit	1	1	2	1	-	-	-	5
Other undrawn commitment to lend	12	13	4	3	1	1	-	34
	19	22	7	5	1	1	-	55

	December 31, 2009							
	0-3 months	4-12 months	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	> 5 years	Total
	€ in millions							
Financial guarantees (*)	183	1	1	1	-	1	-	187
Letters of credit	-	18	-	2	3	-	-	23
Other undrawn commitment to lend	36	10	10	9	6	8	-	79
	219	29	11	12	9	9	-	289

(*) In addition to the guarantees presented in the table above, GTC S.A. provided guarantees to third parties in connection with cost overruns and loans of its subsidiaries. The guarantees granted amounted to €183 million as of December 31, 2010. As the guarantees are combined (financial and performance) it is impractical to assign them to a specific time bucket.

a. Expected realization periods of material financial assets, grouped in accordance to IAS 39 classification:

December 31, 2010

8.4 IAS 39 classification	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
				€ in millions			
Financial Assets at fair value through profit or loss:							
Debentures	173	-	-	-	-	-	173
Other	17	-	10	-	-	-	27
Derivatives that are designated as hedging instruments	1	1	14	23	23	59	121
Cash, Loans and receivables	1,094	128	69	32	90	42	1,455
	1,285	129	93	55	113	101	1,776

December 31, 2009

	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
				€ in millions			
Financial Assets at fair value through profit or loss:							
Shares	4	-	-	-	-	-	4
Debentures	321	-	1	-	-	-	322
Other	1	6	-	-	-	-	7
Available for sale financial assets:							
Shares	1	-	-	-	-	-	1
Debentures	-	1	1	2	-	-	4
Derivatives that are not designated as hedging instruments	-	1	-	-	-	-	1
	327	8	2	2	-	-	339

9) Foreign currency risk

Since the Group conducts business in a variety of countries, it is exposed to a foreign currency exchange rate risk, resulting from exposure to different currencies. The foreign currency exchange rate risk arises from transactions conducted in a currency that is not the functional currency of each company in the Group.

Group companies conduct currency translation transactions at times to hedge the exposure to the foreign currency risk. Additional details of hedging transactions are presented in the derivatives tables above

a) Currency exposure – statement of financial position

As of December 31, 2010:

9.1

	In €	USD or linked to it	China RMB	Romanian Ron	Russian Rouble	In other Currency or linked to it	In NIS linked to Israeli CPI	In NIS not linked	Non-monetary items	Total
	€ in millions									
Assets										
Cash and cash equivalent	247	37	39	7	49	81	-	38	-	498
Short term investments	39	1	-	-	171	7	-	36	-	254
Trade receivables	16	21	2	2	1	6	-	63	-	111
Inventories, contract work and cost of buildings in progress	-	-	-	-	-	-	-	-	328	328
Account receivables and tax receivables	23	4	62	14	10	8	-	14	26	161
Contract work in progress	2	11	-	-	-	9	-	-	-	22
Merchandise inventories	-	-	-	-	-	-	-	-	20	20
Investments in associates and others	29	16	-	-	-	-	34	-	78	157
Derivatives	-	-	-	-	-	-	-	-	120	120
Other financial assets	-	-	-	-	-	28	-	-	-	28
Long term investments and receivables and current maturities of long term receivables	72	8	37	-	-	1	-	11	7	136
Consumer finance, mortgage activities, loans to bank customers and others (including current maturities)	127	44	-	48	226	4	-	-	-	449
Long term inventories	-	-	-	-	-	-	-	-	231	231
Investment properties, under construction, fixed assets, deferred purchase expenses, other assets and deferred taxes	-	-	-	-	-	-	-	-	2,730	2,730
Goodwill and other intangible assets	-	-	-	-	-	-	-	-	169	169
Assets held for sale	-	-	-	-	-	-	-	-	585	585
	555	142	140	71	457	144	34	162	4,294	5,999

Liabilities										
Trade payable	25	5	11	3	-	30	-	47	-	121
Other payables and accrued expenses and taxes payable	16	10	43	8	38	47	30	36	12	240
Prepayments less construction in progress cost	-	-	-	-	-	-	-	-	175	175
Derivatives	-	-	-	-	-	2	-	-	69	71
Convertible debentures and other debentures	914	-	-	-	-	-	118	-	-	1,032
Interest bearing loans and borrowing (including current maturities)	1,529	85	57	12	54	35	139	192	(12)	2,091
Banking customers accounts	21	39	-	-	318	1	-	-	-	379
Deferred taxes	3	-	-	-	-	1	-	5	173	182
Other liabilities	15	-	-	-	-	23	-	2	14	54
Liabilities directly associated with the assets classified as held for sale	-	-	-	-	-	-	-	-	587	587
	2,523	139	111	23	410	139	287	282	1,018	4,932
Differences between assets and liabilities	(1,968)	3	29	48	47	5	(253)	(120)	3,276	1,067

As of December 31, 2009:

9.2	In €	USD or linked to it	Ukraine Hryvina	Romanian Ron	Russian Rouble	In other Currency or linked to it	In NIS linked to Israel CPI	In NIS not linked	Non-monetary items	Total
Assets										
Cash and cash equivalent	249	47	11	2	45	93	-	27	-	474
Short term investments	37	2	2	-	325	10	-	12	-	388
Reinsurance assets	-	1	-	-	-	25	-	-	-	26
Insurance premiums receivables	2	5	1	-	-	19	-	-	-	27
Trade receivables	18	11	1	3	-	7	-	56	-	96
Inventories, contract work and cost of buildings in progress	-	-	-	-	-	-	-	-	468	468
Other receivables and prepayments	13	6	9	21	14	27	-	13	71	174
Loans to bank customers	25	129	102	-	291	-	-	-	-	547
Investments in associates and others	-	-	-	-	-	-	-	-	146	146
Long term investments and receivables and current maturities of long term receivables	205	16	-	-	-	20	-	12	5	258
Investment properties, under construction, fixed assets, deferred purchase expenses, other assets, deferred taxes and assets held for sale	-	-	-	-	-	-	-	-	3,029	3,029
	549	217	126	26	675	201	-	120	3,719	5,633

Liabilities										
Trade payable	11	4	1	7	-	54	-	48	-	125
Other payables and accrued expenses, taxes, payable and liabilities held for sale	126	21	4	6	9	42	2	26	9	245
Banking customers accounts	66	109	53	-	398	1	-	-	-	627
Convertible debentures and other debentures (including current maturities)	785	34	-	-	-	-	137	-	-	956
Interest bearing loans and borrowing (including current maturities)	1,594	221	54	33	172	83	68	122	-	2,247
Convertible debentures conversion component and options liabilities	3	6	-	-	-	-	19	-	-	28
Insurance contracts liabilities	-	2	9	-	-	60	-	-	-	71
Deferred taxes	-	-	-	-	-	-	-	-	153	153
Accrued severance pay	-	-	-	-	-	-	-	1	1	2
Other liabilities	27	14	-	-	-	12	-	36	102	191
	2,612	311	121	46	579	252	226	233	265	4,645
Differences between assets and liabilities	(2,063)	(94)	5	(20)	96	(51)	(226)	(113)	3,454	988

b) The following table demonstrates the sensitivity of the Group's profit and loss before tax to a reasonably realistic change in exchange rates compared to other main currencies in which the Group operates, when all other variables are held constant:

9.3	Sensitivity to change in EUR\USD			
	Effect on profit and loss			
	€ in millions			
	+10%	+5%	-5%	-10%
2010	1	1	(1)	(1)
2009	4	2	(2)	(4)

9.4	Sensitivity to change in EUR\ PLN			
	Effect on profit and loss			
	€ in millions			
	+10%	+5%	-5%	-10%
2010	4	2	(2)	(4)
2009	3	1	(1)	(3)

9.5	Sensitivity to change in EUR \HUF			
	Effect on profit and loss			
	€ in millions			
	+10%	+5%	-5%	-10%
2010	(1)	(1)	1	1
2009	(1)	(1)	1	1

9.6	Sensitivity to change in EUR \RUB			
	Effect on profit and loss			
	€ in millions			
	+10%	+5%	-5%	-10%
2010	(1)	-	-	1
2009	(3)	(1)	1	3

9.7	Sensitivity to change in EUR\ RON			
	Effect on profit and loss			
	€ in millions			
	+10%	+5%	-5%	-10%
2010	3	2	(2)	(3)
2009	-	-	-	-

9.8	Sensitivity to change in EUR\ NIS			
	Effect on profit and loss			
	€ in millions			
	+10%	+5%	-5%	-10%
2010	-	-	-	-
2009	(4)	(2)	2	4

9.9

	Sensitivity to change in Israeli CPI (*)			
	Effect on profit and loss			
	€ in millions			
	+3%	+2%	-2%	-3%
2010	(8)	(5)	5	8
2009	6	4	(4)	(5)

9.10

	Sensitivity to change in EUR Other currencies (*)			
	Effect on profit and loss			
	€ in millions			
	+10%	+5%	-5%	-10%
2010	(3)	(2)	2	3
2009	-	-	-	-

9.11

	Sensitivity to change in USD\RUB			
	Effect on profit and loss			
	€ in millions			
	+10%	+5%	-5%	-10%
2010	(1)	(1)	1	1
2009	(4)	(2)	2	4

10) Fair value disclosure:

A. Set out below is a comparison by class of the differences between the carrying amounts and fair values of the Group's financial instruments.

10.1 Fair value schedule	Methods of determining fair value	Carrying amount		Fair value		
		2010	2009	**2010**	2009	
		€ in millions				Comment
Assets						
Cash and cash equivalents		498	474	498	474	A
Short-term investment		79	67	79	67	A
Held for trading financial assets	(1)	175	321	175	321	
Loans to bank customers		255	547	258	531	F
Reinsurance receivables and insurance companies		-	26	-	26	H
Insurance premium receivable		-	27	-	27	H
Long-term loans and receivables		330	453	343	459	H
Loans to associates		78	77	77	76	D
Liabilities						
Short term credit from banks and others		(163)	(317)	(163)	(314)	C
Banking customers accounts		(378)	(627)	(379)	(630)	J
Convertible debentures		(16)	(28)	(17)	(28)	B
Non convertible debentures		(1,072)	(957)	(1,099)	(994)	I
Interest-bearing loans and borrowings		(1,861)	(1,860)	(1,891)	(1,852)	C
long term liabilities and derivatives	(3)	(71)	(82)	(71)	(82)	E
Warrants and options	(3)	(29)	(28)	(29)	(28)	E
Insurance provisions		-	(71)	-	(71)	G

Methods of determining the fair value of the financial assets and liabilities:

Level 1 – Quoted (unadjusted) prices in active markets for identical assets or liabilities
Level 2 – Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
Level 3 – Techniques which use inputs which have a significant effect on the recorded fair value that that is not based on observable market data.

Comments regarding determining the fair value:

A. The carrying amount of cash and cash equivalents and short-term investments, which only include bank deposits, approximates their fair values, due to the nature of such financial assets.

B. Market values have been used to determine the fair value of listed debentures and bonds issued by the Group. Please refer to Note 27.

C. The fair value of borrowings has been calculated by discounting the expected future cash flows at prevailing interest rates. Refer to Note 23 for carrying amount reconciliation of long term interest bearing loans and borrowings and refer to Note 31 for reconciliation of short term credit from banks and others.

D. Includes loans granted to associates that are deemed to be equity investments.

E. Warrants, options and certain long-term receivables were valued by independent external valuators. The valuations were based on Discounted Cash Flows or Residual methods. Management concurred with the outcome of these valuations. The main asset in this account in 2009 amounting to €48 million was valued using the "Binomial model". The valuation was done with respect to the minimum exercise price and by using parameters of TBIH value as of the balance sheet date, effective contractual period of the option, annual interest rate and expected volatility of shares. Please refer to Note 26. This amount includes derivatives and long term liabilities; please refer to the face of the statement of financial position for reconciliation.

F. Please refer to Note 24.

G. Please refer to Note 26.

H. Accounted for as receivables. In 2010, the carrying amount includes the long term loans and receivables in the amount of €171 million with the related current maturities in the amount of €159 million, totaling to €330 million. In 2009 the amount includes long term loans and receivables in the amount of €258 million and current maturities in the amount of €195 million.

I. The carrying amount includes current maturities and accrued interest in the amount of €54 million, refer to Note 28.

J. This amount includes both short term and long term banking customers account, please refer to Note 24.

K. Financial instruments for which fair value could not be determined are immaterial.

B. Financial assets and liabilities measured at fair value

10.2 Fair value levels schedule:	December 31, 2010			
	Level 1	Level 2	Level 3	Total
Financial assets	€ millions			
Financial assets at fair value through profit or loss:				
Debentures	155	12	4	171
Derivatives that are designated as hedging instruments	-	1	121	122
Call options	-	-	10	10
Available for sale financial assets:				
Debentures	-	-	-	-
Shares	57		16	73
Financial liabilities				
Financial Liabilities at fair value through profit or loss:				
Derivatives that are designated as hedging instruments	-	-	(70)	(70)
Derivatives that are not designated as hedging instruments	-	-	-	-
Put Options	-	(2)	(17)	(19)
Warrants and call options	-	-	(4)	(4)
Other	-	(1)	(1)	(2)

During 2010 there have been no transfers between financial instruments valuated in level 1 to level 2 or between level 2 to level 1.

C. Level 3 financial assets reconciliation

10.3 Level 3 reconciliation:

	As of January 1, 2010	Additions	Fair Value gain (loss) recorded in P&L	Fair value gain in OCI	Settlements	As of December 31, 2010	Total gains (losses) for the period included in P&L
Debentures	-	4	-	-	-	4	-
Asset related to put options	48	-	(11)	-	(37)	-	(11)
Derivative assets	49	-	86	15	(29)	121	86
Shares	12	1	3	-	-	16	3
Call options	-	10	-	-	-	10	-
Other assets	2	-	(2)	-	-	-	(2)
Total assets	111	15	76	15	(66)	151	76
Liabilities related to Put options	(17)	-	-	-	-	(17)	-
Derivative liabilities	(77)	-	10	(3)	-	(70)	10
Warrants and call options	-	(4)	-	-	-	(4)	-
Other liabilities	(1)	-	-	-	-	(1)	-
Total liabilities	(95)	(4)	10	(3)	-	(92)	10

Level 3 reconciliation:

	As of January 1, 2009	Fair Value gain (loss) recorded in P&L	Fair value gain in OCI	Settlements	As of December 31, 2009	Total gains (losses) for the period included in P&L
Asset related to put options	36	12	-	-	48	12
Derivative assets	29	2	18	-	49	2
Shares	12	-		-	12	-
Other assets	2	-	-	-	2	-
Total assets	79	14	18	-	111	14
Liabilities related to Put options	(60)	-	-	43	(17)	-
Derivative liabilities	(84)	7	-	-	(77)	7
Other liabilities	(1)	-	-	-	(1)	-
Total liabilities	(145)	7	-	-	(95)	7

D. Classification of material financial assets and liabilities in accordance to IAS 39:

10.4 IAS 39 classification of financial assets and liabilities:	December 31,	
	2010	2009
	€ in millions	
Financial assets:		
Financial assets at fair value through profit or loss:		
Held for trading	173	328
Designated at fair value through P&L	27	55
Derivatives that are not designated as hedging instruments	-	8
Held to maturity financial assets	-	-
Cash, Loans and receivables	1,455	1,744
Available-for-sale financial assets	-	3
Derivatives that are designated as hedging instruments	121	49
Put option	-	48
	1,776	2,235
Financial Liabilities:		
Financial liabilities presented at amortized cost	3,763	4,250
Derivatives that are not designated as hedging instruments	8	5
Derivatives that are designated as hedging instruments	16	74
Put option	22	18
	3,809	4,347

Refer to the liquidity Note regarding collaterals of financial guarantees.

C. Other Information

Banking

1) Capital Adequacy

TBIF maintains an actively managed capital base to cover risks inherent in its business. The adequacy of capital of the banks in the Group is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision ("BIS rules/ratios") and adopted by the National Bank of Ukraine and National Bank of Russia in supervising the banks.
During 2010 and 2009, the banks in the Group have complied in full with all their externally imposed capital requirements.

Capital management

TBIF considers its equity to be its capital. The primary objectives of TBIF'scapital management are to ensure that the Group complies with externally imposed capital requirements and that the Group maintains the required capital ratios in order to support its business and to maximise shareholders' value.

TBIF manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payment to shareholders, return capital to shareholders, issue shares or debentures, adjust the leverage policy, invest in or dispose of assets capital securities. No changes were made in the objectives, policies and processes from the previous years.

Regulatory capital requirements

Capital adequacy and the use of regulatory required capital are based on the guidelines developed by the Basel Committee on Banking Supervision, as implemented by the National Bank of Russia and National Bank of Ukraine for supervisory purposes. The minimum Tier 1 ratio is 4% and the minimum total capital ratio is 8% of all risk-weighted assets including off balance sheet items and market risk associated with trading portfolios.

Regulatory capital Russia (Sovcombank)

	2010	2009
	€ in millions	
Tier 1 capital	104	56
Tier 2 capital	14	19
Total capital	118	75
Risk-weighted assets	**911**	**653**
Tier 1 capital ratio	11.4%	8.5%
Total capital ratio	12.9%	11.4%

Regulatory capital Ukraine (VAB Bank)

	2010	2009
	€ in millions	
Tier 1 capital	62	29
Tier 2 capital	39	22
Total capital	101	51
Risk-weighted assets	**525**	**276**
Tier 1 capital ratio	11.9%	10.4%
Total capital ratio	19.2%	18.5%

The figures in the tables relate to 100% of the capital of banks, regardless of TBIF's shareholdings.

2) Liquidity

The management of KFS acknowledges that funding is the main limiting factor for the growth of the financial services group. The following list of measures has been taken by TBIF management:

- Increasing the focus on raising deposits and attaining an increased liquidity cushion.
- Applying a more conservative and selective approach to the lending activities.
- Applying measures to improve the collection of delinquent loans.
- Credit lines granted from central banks in 2008 and 2009 have been fully repaid in 2010:
    - Short term loan facilities granted to Sovcombank in 2008 by the National Bank of Russia amounting to RUB 3,840 million (€ 88 million) were utilized in 2008 and 2009 and were repaid in full in 2010.
    - A credit line of UAH 1 billion (€ 90 million) to VAB Bank from the National Bank of Ukraine has been repaid in full in 2010.
- Restructuring of debt by VAB Bank – payments of a $125 million (€94 million) Eurobonds issued by Credit Swiss as an underwriter, originally fell due in June 2010. This debt was restructured in 2010 and maturity increased by 4 years.

Additionally, in 2010 two sale transactions were carried out by the KFS group, substantially improving the liquidity position and decreasing leverage levels:

- Sale of a stake in Sovcombank– TBIF sold a 16% stake in the bank for consideration of €36 million
- Sale of TBIH– KFS sold its 40% stake in TBIH for consideration of approximately €128 million, of which €125 million was used to partially repay the principal on the loan to Discount Bank.

Furthermore, the investment in VAB Bank, which was the main loss driver in TBIF, has been sold subsequent to the balance sheet date, in January 2011.

3) Credit Risk

Credit risk is the risk that the KFS Group will incur a loss because of the inability of its customers to discharge their contractual obligations. The KFS Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentration, and by monitoring exposures in relation to such limits.

The KFS Group has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. Counterparty limits are established by the use of a credit risk classification system, which assigns each counterparty a risk rating. Risk ratings are subject to regular revision. The credit quality review process allows the KFS Group to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

(i) Credit related commitments risks

The KFS Group makes available to its customers guarantees which may require that the KFS Group makes payments on their behalf. Such payments are collected from customers based on the terms of the letter of credit. They expose the KFS Group to similar risks to loans and these are mitigated by the same control processes and policies.

(ii) Maximum exposure to credit risk

The table below shows the maximum exposure to credit risk for the components of the statement of financial position (as presented in the financial statements of KFS). The maximum exposure is shown gross, before the effect of mitigation through the use of collateral agreements.

	2010	2009
	€ in millions	
Cash and cash equivalents (excluding cash on hand)	74	91
Deposits in banks	1	2
Balances with central banks	3	10
Marketable debt securities	170	317
Consumer credit and mortgage loans	111	131
Banking loans granted	255	547
Finance leases	83	115
Other loans and long-term receivables	8	21
Available for sale financial assets	-	3
Other receivables	8	13
	713	1,250
Financial guarantees	14	20
Letters of credit	-	2
Undrawn commitments to lend	34	21
	48	43
Total credit risk exposure	761	1,293

Where financial instruments are recorded at fair value the amounts shown above represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

For more detail on the maximum exposure to credit risk for each class of financial instrument, references shall be made to the specific Notes. The effect of collateral and other risk mitigation techniques is shown below.

(iii) Risk concentrations of the maximum exposure to credit risk

The tables below show the maximum exposure to credit risk for the components of the statement of financial position and the off-balance sheet commitments and contingencies, broken down according to TBIF's main lines of business and geographical regions, before the effect of mitigation through the use of collateral agreements.

Risk concentration of the maximum exposure to credit risk as of December 31, 2010 (€ in millions):

	Banking	**Consumer; mortgage**	**Leasing**	**Asset Management**	**Others**	**Total**
Ukraine	-	-	19	-	-	19
Russia	517	-	9	-	-	526
Romania	-	56	31	-	-	87
Bulgaria	-	87	27	1	-	115
Others	-	-	-	-	14	14
	517	143	86	1	14	761

Risk concentration of the maximum exposure to credit risk as of December 31, 2009 (€ in millions):

	Banking	**Consumer; mortgage**	**Leasing**	**Asset Management**	**Others**	**Total**
Ukraine	255	-	25	-	-	280
Russia	728	-	8	-	-	736
Romania	-	70	54	-	-	124
Bulgaria	-	91	35	1	1	128
Others	-	-	-	-	25	25
	983	161	122	1	26	1,293

(iv) Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

- Cash deposits, both in retail and in corporate lending (mostly small and medium enterprises)
- Non-commercial premises in the large cities (high liquidity) for retail lending
- Moveable assets (cars, equipment)
- Commercial premises (in good shape and condition) for corporate lending

The KFS Group obtains guarantees from parent companies for loans to their subsidiaries, but the benefits are not included in the above table.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment losses.

Repossessed collaterals:

During 2010, TBIF repossessed assets with a carrying value of €12.3 million as of December 31, 2010 (2009 - €15.8 million), which TBIF is in the process of selling.

(vii) Carrying amount per class of financial assets whose terms have been renegotiated

	2010	2009
	€ in millions	
Banking loans granted	-	142
Finance leases	4	-
Total credit risk exposure	**4**	**142**

(viii) Impairment assessment

The main considerations for the loan impairment assessment include whether any payments of principal or interest are overdue by more than 90 days or there are any known difficulties in the cash flows of counterparties, credit rating downgrades, or infringement of the original terms of the contract. The KFS Group addresses impairment assessment in two areas: individually assessed allowances and collectively assessed allowances.

Individually assessed allowances

The KFS Group determines the allowances appropriate for each individually significant loan or advance on an individual basis. Items considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance once a financial difficulty has arisen, projected receipts and the expected dividend payout should bankruptcy ensue, the availability of other financial support and the realizable value of collateral, and the timing of the expected cash flows. The impairment losses are evaluated at each reporting date, unless unforeseen circumstances require more careful attention.

Collectively assessed allowances

Allowances are assessed collectively for losses on loans and advances that are not individually significant (including credit cards, residential mortgages and unsecured consumer lending) and for individually significant loans and advances where there is not yet objective evidence of individual impairment. Allowances are evaluated on each reporting date with each portfolio receiving a separate review.

The collective assessment takes account of impairment that is likely to be present in the portfolio even though there is not yet objective evidence of the impairment in an individual assessment. Impairment losses are estimated by taking into consideration of the following information: historical losses on the portfolio, current economic conditions, the approximate delay between the time a loss is likely to have been incurred and the time it will be identified as requiring an individually assessed impairment allowance, and expected receipts and recoveries once impaired. Local management is responsible for deciding the length of this period which can extend for as long as one year. The impairment allowance is then reviewed by credit management to ensure alignment with the KFS Group's overall policy. Financial guarantees and letters of credit are assessed and provision made in a similar manner as for loans.

Maximum exposure to credit risk

The table below shows the maximum exposure to credit risk for the components of the statement of financial position. The maximum exposure is shown gross, before the effect of mitigation by collateral agreements.

	2010	2009
	€ in millions	
Financial leases, consumer credits and mortgages	193	245
Loans and advances to bank customers	255	547
Bank deposits	1	12
Balances with central banks	3	10
Marketable securities	170	322
Other loans and receivables	34	98
Available for sale financial assets	-	3
Other financial assets	10	-
Reinsurance assets	-	26
Insurance receivables	-	27
Cash and cash equivalents	75	125
	741	1,415
Financial guarantees	13	20
Letters of credit	-	2
Undrawn commitments to lend	34	21
	47	43
Total credit risk exposure	788	1,458

Where financial instruments are recorded at fair value the amounts shown above represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

For more detail on the maximum exposure to credit risk for each class of financial instruments, references shall be made to the specific Notes. The effect of collateral and other risk mitigation techniques is shown below.

Credit quality per class of financial assets

The credit quality of financial assets is managed by KFS's subsidiaries using internal credit ratings. The systems of internal credit ratings are developed individually for each company in the KFS Group in accordance with the specifics of the local market. Amounts due from governments are always included in high grade. The tables below show the credit quality by class of assets, based on an internal credit rating systems of the local entities. High grade equates to very low probability of default, standard grade equates to low to moderate probability of default and low grade equates to moderate to high probability of default.:

Credit quality per class of financial assets as of December 31, 2010 (€ in millions):

	Neither past due nor impaired					
	High grade	**Standard grade**	**Low grade**	**Past due/ not individually impaired**	**Individually Impaired**	**Total**
Cash in banks	28	47	-	-	-	75
Deposits in banks	-	1	-	-	-	1
Consumer credit and mortgage	-	73	-	36	26	135
Banking loans granted	-	239	-	24	7	270
Finance leases	-	54	-	20	22	96
Marketable debt securities	53	117	-	-	-	170
Other financial assets	-	10	-	-	-	10
Long term loans and receivables	-	33	-	-		33
Balances with central banks	3	-	-	-	-	3
	84	574	-	80	55	793

Credit quality per class of financial assets as of December 31, 2009 (€ in millions):

	Neither past due nor impaired					
	High grade	**Standard grade**	**Low grade**	**Past due/ not individually impaired**	**Individually Impaired**	**Total**
Cash in banks	58	67	-	-	-	125
Deposits in banks	10	2	-	-	-	12
Consumer credit and mortgage	-	95	-	35	18	148
Banking loans granted	18	302	52	148	115	635
Finance leases	-	69	-	31	24	124
Marketable debt securities	315	6	-	-	-	321
Available for sale financial assets	3	1	-	-	-	4
Long term loans and receivables	1	84	-	-	-	85
Insurance receivables	25	1	-	-	-	26
Other receivables	5	8	1	-	-	14
	435	635	53	214	157	1,494

Individually assessed allowances

The KFS Group determines the allowances appropriate for each individually significant loan or advance on an individual basis. Items considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance once a financial difficulty has arisen, projected receipts and the expected dividend payout should bankruptcy ensue, the availability of other financial support and the realizable value of collateral, and the timing of the expected cash flows. The impairment losses are evaluated at each reporting date, unless unforeseen circumstances require more careful attention.

Aging analysis of past due but not individually impaired loans and receivables

Aging analysis of past due but not individually impaired loans and receivables:
As of December 31, 2010 (€ in millions):

	Less than 30 days	**31 to 60 days**	**61 to 90 days**	**More than 91 days**	**Total**
Consumer credits and mortgage	6	3	2	25	36
Banking loans granted	7	4	2	11	24
Finance leases	6	3	1	10	20
	19	**10**	**5**	**46**	**80**

As of December 31, 2009 (€ in millions):

	Less than 30 days	31 to 60 days	61 to 90 days	More than 91 days	Total
Consumer credits and mortgage	7	5	3	20	35
Banking loans granted	40	9	9	90	148
Finance leases	13	6	4	8	31
	60	**20**	**16**	**118**	**214**

4) Indicators of liquidity risk

Liquidity risk is the risk that the KFS Group will encounter difficulties in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. To limit this risk, management has arranged diversified sources in additional to deposit bases (only in the banking subsidiaries), manages assets with liquidity in mind and monitors future cash flow and liquidity on a daily basis. This incorporates assessments of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required.

TBIF's subsidiaries maintain a portfolio of marketable and diverse assets that can be liquidated in the event of an unforeseen interruption of cash flow. Some of TBIF's subsidiaries have certain committed lines of credit that are available to meet liquidity needs. In addition, all banks in the KFS Group maintain statutory deposits with the central banks in their countries of incorporation in compliance with the requirements of the local legislation.

The KFS Group uses maturity tables in managing its liquidity risk by performing maturity gap analysis, including estimations of deposit roll forwards for the banks in the KFS Group. The KFS Group focuses on maintaining a diversified mix of assets that allows for secured funding. The tables below show an analysis of assets and liabilities according to their expected maturities, including future interest payments, as well as the expected expiry by maturity of the KFS Group's contingent liabilities and commitments.

The KFS Group estimates that the contractual maturity of financial assets and liabilities matches their expected maturity, due to the following:

- The KFS Group expects that its financial liabilities will be settled on the earliest date on which KFS Group companies can be required to pay;
- There is no active market for the majority of financial assets held by the KFS Group and they are not readily saleable;

Maturity profiles

The KFS Group uses maturity tables in managing its liquidity risk. The tables below show an analysis of assets and liabilities analysed according to when the assets are expected to be recovered or settled and the liabilities will be contractually matured, as well as the contractual expiry by maturity of the KFS Group's contingent liabilities and commitments.

During 2010 and 2009 the KFS Group has not recognized any contingent assets on its statement of financial position due to the uncertainty of the assets' recoverability. The KFS Group has no significant concentration of liquidity risk.

Maturity analysis of the Group's assets and liabilities as of December 31, 2010 (€ in millions):

	between 0-3 months	between 3-12 months	1-2 years	2-3 years	3-4 years	4-5 years	Thereafter /No term	Total
Cash and cash equivalents	93	-	-	-	-	-	-	93
Deposits in Banks	-	1	-	-	-	-	-	1
Trade receivables	2	-	-	-	-	-	-	2
Balances with central banks	3	-	-	-	-	-	-	3
Marketable securities	170	-	-	-	-	-	-	170
Consumer credit and mortgage loans	62	37	22	9	3	3	12	148
Banking loans granted	58	111	70	27	23	2	13	304
Financial leases	28	27	24	13	5	1	3	101
Long term loans	6	-	1	18	1	-	-	26
Other receivables	8	-	-	-	-	-	-	8
Financial asset	-	-	-	-	10	-	-	10
Total assets	430	176	117	67	42	6	28	866

	between 0-3 months	between 3-12 months	1-2 years	2-3 years	3-4 years	4-5 years	Thereafter /No term	Total
Bank Customer accounts	161	151	82	10	-	-	-	404
Short term credit	58	1	-	-	-	-	-	59
Interest bearing Borrowings and other loans	37	32	26	15	18	14	180	322
Non convertible debentures	1	5	5	17	-	3	-	31
Other liabilities	-	-	-	16	-	-	-	16
Other payables	16	14	3	5	2	-	-	40
Total Liabilities	273	203	116	63	20	17	180	872
Liquidity gap	157	(27)	1	4	22	(11)	(152)	(6)

Maturity analysis of the Group's assets and liabilities as of December 31, 2009 (€ in millions):

	between 0-3 months	between 3-12 months	1-2 years	2-3 years	3-4 years	4-5 years	Thereafter /No term	Total
Cash and cash equivalents	155	-	-	-	-	-	-	155
Deposits in Banks	-	11	1	-	-	-	-	12
Trade receivables	2	-	-	-	-	-	-	2
Balances with central banks	10	-	-	-	-	-	-	10
Marketable securities	322	-	-	-	-	-	-	322
Consumer credit and mortgage loans	68	43	30	16	6	2	11	176
Banking loans granted	241	293	126	102	68	18	45	893
Financial leases	34	39	33	17	6	2	5	136
Long term loans	2	5	49	4	1	2	22	85
Available for sale financial assets	1	1	1	2	-	-	-	5
Other receivables	11	3	-	-	-	-	-	14
Insurance receivables	20	7	-	-	-	-	-	27
Reinsurance assets	19	6	-	-	-	-	-	25
Total assets	885	408	240	141	81	24	83	1,862

	between 0-3 months	between 3-12 months	1-2 years	2-3 years	3-4 years	4-5 years	Thereafter /No term	Total
Bank Customer accounts	318	189	73	110	1	-	-	691
Short term credit	191	60	-	-	-	-	-	251
Insurance contact liabilities	43	29	-	-	-	-	-	72
Interest bearing Borrowings and other loans	31	56	214	91	42	74	118	626
Non convertible debentures	1	46	8	4	16	-	-	75
Other liabilities	-	-	-	5	-	-	15	20
Other payables	26	22	1	-	-	-	3	52
Total Liabilities	610	402	296	210	59	74	136	1,787
Liquidity gap	275	6	(56)	(69)	22	(50)	(53)	75

Maturity analysis of the Group's contingent liabilities and commitments:
As of December 31, 2010 (€ in millions):

	0-3 months	4-12 months	1-3 years	3-5 years	Total
Financial guarantees	6	6	2	-	14
Undrawn commitments to lend	12	13	7	2	34
Total	18	19	9	2	48

As of December 31, 2009 (€ in millions):

	0-3 months	4-12 months	1-3 years	3-5 years	Total
Financial guarantees	12	5	1	1	19
Letters of credit	1	-	2	–	3
Undrawn commitments to lend	21	-	-	-	21
Total	34	5	3	1	43

The KFS Group expects that not all of the contingent liabilities or commitments will be drawn before expiry of the commitments.

5) Insurance risk

In 2009 and through 2010, the Group was exposed to insurance risks. In 2010, the Group sold TBIH (the holding company of the insurance and pension segment) and as of December 31, 2010 is no longer exposed to insurance risk. The information below related to the risk which existed in the comparative period.

The principal risk the KFS Group faced under insurance contracts was that the actual claims and benefit payments or the timing thereof, differ from expectation. This is influenced by the frequency of claims, severity of claims, actual benefits paid, and unfavorable decisions of the local courts and subsequent development of long-term claims. Therefore the objective of TBIH was to ensure that sufficient reserves are available to cover these liabilities.
The above risk exposure was mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks was also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements. The majority of insurance business ceded was placed on an excess of loss basis and surplus with retention limits varying by product line and territory.

Amounts recoverable from reinsurers were estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although TBIH had reinsurance arrangements, it was not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreement. TBIH's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Group substantially dependent upon any single reinsurance contract.

TBIH's main subsidiaries, Ray Sigorta in Turkey and UIG in Ukraine, all wrote mainly non-life insurance. The main types of non-life insurance are motor – third party liability and casco and property insurance. In Georgia, TBIH subsidiaries also wrote short term health insurance and a small amount of short-term life insurance. Risks under non-life insurance policies usually cover twelve month duration.

For non-life insurance contracts the most significant risks arose from changes in the relevant legal environment, changes in behavior of policyholders, natural disasters and terrorist activities. For healthcare contracts the most significant risks arise from epidemics, natural disasters and increases in health care costs. The nature of these risks did not vary significantly in relation to the location of the risk insured by TBIH.

The above risk exposure was mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks was improved by careful selection and implementation of underwriting strategies, which were designed to ensure that risks are diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and geography. Further, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and investigation of possible fraudulent claims were all policies and processes put in place to reduce claims. Where appropriate, TBIH further enforces a policy of actively managing and promoting pursuing of claims, in order to reduce its exposure to unpredictable future developments that can negatively impact TBIH.

TBIH hed also limited its exposure by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements. The reinsurance arrangements limit the exposure to individual risks and the exposure to catastrophic events (e.g. hurricanes, earthquakes and flood damages). In known earthquake zones such as Turkey the company acquired specific reinsurance cover that is designed to limit the effect of any earthquakes on the Group's activities. The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes to a pre-determined maximum amount based on TBIH's risk appetite as decided by management.

6) Concentration of insurance risk

The tables below sets out the concentration of non-life insurance contract liabilities (including liabilities for unexpired risk and for outstanding claims) by type of contract:

December 31, 2009

	Gross			Reinsurance share			Net		
Line of business (=LOB)	Gross Unearned Premium Provision	Out-standing claims	Total	Gross Unearned Premium provision	Out-standing claims	Total	Premium provision	Out-standing claims	Gross Unearned Premium provision
	€ in millions								
Total motor LOB	18	14	32	1	1	2	17	13	30
Marine & Cargo	1	1	2	-	1	1	1	-	1
Property	11	10	21	8	9	17	3	1	4
Aviation	1	2	3	1	2	3	-	-	-
Other	11	4	15	2	2	4	9	2	11
Total	42	31	73	12	15	27	30	16	46

7) Claims: assumptions, sensitivity and development table

Key assumptions

The principal assumptions underlying the estimates relate to how the KFS Group's future claims development experience will differ, if at all, from the past claims development experience. This includes, for each accident period, assumptions in respect of average claim costs, claim handling costs, claim inflation factors, number of claims and delays between the claim events, claim reporting and claim settlement. Additional qualitative judgments were used to assess the extent to which past trends may not apply in the future, for example once-off occurrence, changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

In the countries in which the group operates, some assumptions, such as public attitude to claiming and economic conditions were more subject to volatility than those in more developed countries with large and long established insurance operations. Other assumptions include variation in interest rates and changes in foreign currency rates.

Sensitivities

The non-life insurance claims provision was sensitive to the above key assumptions. It has not been possible to quantify the sensitivity of certain assumptions, such as legislative changes or uncertainty in the estimation process, in isolation.

The analysis below was performed for reasonably possible movements in key assumptions (or combinations of the effect of several assumptions) with all other assumptions held constant, showing the impact on gross and net liabilities, profit before tax and equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be Noted that movements in some of these assumptions may not be linear.

December 31, 2009	**Change in assumptions**	**Impact on gross liabilities**	**Impact on net liabilities**	**Impact on profit before tax**	**Impact on equity (*)**
			€ in millions		
Average claim severity/cost of incurred claims due to motor property damage	+10%	2	1	(1)	(1)
Average claim severity/cost of incurred claims due to liability & motor bodily injury or death	+10%	1	1	(1)	-
Average claim severity (cost) of incurred claims in all other (non-motor) lines of business	+10%	2	1	(1)	(1)
Average claim frequency or severity of future claims in all lines of business	+10%	2	2	(2)	(2)

Claims development table

The following tables reflect the cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each financial position date, together with cumulative payments to date. The cumulative claims estimates and cumulative payments were translated to Euros at the rate of exchange that applies at the end of the accident year.

The table shows the most material lines of business (Motor Casco and Motor Third Party Liability). There were no other material lines of business that the Group underwrites with a long tail.

Gross non-life insurance claims for 2009

Accident year	Before 2003	2003	2004	2005	2006	2007	2008	2009	Total
				€ in millions					
Cumulative claims payments									
Accident year	15	11	17	24	33	28	31	25	184
One year later	19	14	22	30	41	37	37	-	200
Two years later	19	14	22	30	42	37	-	-	164
Three years later	19	14	22	31	42	-	-	-	128
Four years later	19	14	22	31	-	-	-	-	86
Five years later	19	14	22	-	-	-	-	-	55
Six years later	19	14	-	-	-	-	-	-	33
Seven years later	19	-	-	-	-	-	-	-	19
Cumulative claims paid to 31/12/2009	21	14	22	31	42	37	37	25	229
Current outstanding claims reserve	-	-	-	1	1	2	2	8	14
Current estimate of incurred claims	**21**	**14**	**22**	**32**	**43**	**39**	**39**	**33**	**243**

Cumulative Incurred Claims (claims paid + o/s claims liability)

Accident year	Before 2003	2003	2004	2005	2006	2007	2008	2009	Total
				€ in millions					
Accident year	20	15	22	30	42	38	42	33	242
One year later	20	14	22	31	44	39	39	-	209
Two years later	20	14	22	32	43	39	-	-	170
Three years later	20	14	23	31	43	-	-	-	131
Four years later	20	14	23	32	-	-	-	-	89
Five years later	20	14	22	-	-	-	-	-	56
Six years later	20	14	-	-	-	-	-	-	34
Seven years later	20	-	-	-	-	-	-	-	20
Current estimate of incurred claims	21	14	22	32	43	39	39	33	243
Current estimate of deficiency in original claims estimates	**1**	**(1)**	**-**	**2**	**1**	**1**	**(3)**	**-**	**1**
Deficiency as % of initial estimate of incurred claims	**8%**	**-2%**	**2%**	**4%**	**3%**	**2%**	**-7%**	**-**	**1%**

Reconciliation of liability in above development triangles to liability in Financial position:

Accident year	Gross	Net
	€'000	€'000
Current insurance claim liabilities from Motor Lines in above tables	14	13
Current insurance claim liabilities from other lines of business from companies included above	17	3
Total current insurance claim liabilities as per Financial position	**31**	**16**

(47) RELATED PARTIES DISCLOSURES

The Group has entered into a variety of transactions with its related parties. The Group has adopted the policy to enter into such transactions, which are being concluded in the normal course of business, on an arm's-length basis. The sales and purchases from related parties are made at comparable normal market prices. Outstanding balances relating to such sales and purchases at year-end are unsecured, interest free, and settlement occurs in cash. Outstanding loans from related parties are unsecured and presented with accrued interest. The most significant of these balances and transactions are as follows:

A. Balances

	December 31, 2010	December 31, 2009
	€ in millions	
Assets		
Long-term loans and receivables granted to associates:		
Associates in GTC Group	44	40
Associates in Tahal Group	8	11
Associates in Kardan Israel Group	27	26
	79	77
Capital Note issued by a related party	1	1

Long-term loans and receivables include loans granted to associates. For details regarding these loans please refer to Note 8.

Capital Note issued by a related party relates to one of the controlling shareholders. For details please refer to Note 10.

B. Transactions

	For the year ended December 31,		
	2010	2009	2008
	€ in millions		
Management fees from associated companies	2	4	3
Financing income from associated companies, net	3	4	5

Management fees from associated companies primarily relates to management fees paid by the associates of Kardan Israel and GTC SA.
Financing income relates to interest on the loans granted to associates as described above.

C. Remuneration to related parties[(1)]:

Compensation of key management personnel of the Group

Fees to Supervisory Board:

	Short term employee benefits	
	2010	2009
	€000	
J. Krant	38	36
I. Fink	22	21
J. Pomrenze	26	25
M.I. Groen	26	25
A. Schnur	22	21
K. Rechter	26	25
H. Benjamins	26	25
	186	178

Fees to Management Board:

2009

	Short term employee benefits	Post employment pension and medical benefits	Share based payment transaction	**Total**
	€000	€000	€000	€000
A. Shlank (2)	279	-	35	314
E. Oz-Gabber	171	15	30	216
W.van Damme	191	17	177	385
A. Ickovics	266	-	35	301
J. Slootweg	186	21	318	525
	1,093	53	595	1,741

2010

	Short term employee benefits	Post employment pension and medical benefits	Share based payment transaction	**Total**
	€000	€000	€000	€000
A. Shlank (2)	345	-	-	345
E. Oz-Gabber	227	14	-	241
W.van Damme	253	16	75	344
A. Ickovics	328	-	-	328
J. Slootweg	296	16	232	544
	1,449	46	307	1,802

Fees and salaries to shareholders employed by the Company:

	Short term employee benefits	
	2010	2009
	€000	
Y. Grunfeld	385	331
A.Recther	482	437
	867	768

(1) Amounts paid directly by the Company and by Group companies.
(2) Resigned from the Management Board in January 2011.

The remuneration to the members of the Management Board and Supervisory Board is presented every year to the Annual General Meeting of Shareholders of the Company and approved by it.

Options granted by the Company:

	No. of options
A. Shlank	179,232
E. Oz-Gabber	149,360
W .van Damme	150,000
A. Ickovics	179,232
J. Slootweg	175,000
	832,824

(48) SUBSEQUENT EVENTS

A. On January, 2011 GTC Holding sold 35,100,000 shares of GTC S.A., constituting 16% of GTC S.A.'s share capital ("the Placement"). The shares were sold at a price of PLN 21.50 per share. Gross proceeds amounted to approximately €195 million (PLN 754,650,000); net proceeds amounted to approximately €189 million.

Following the Placement, GTC Holding holds 59,529,180 shares in GTC S.A., representing an interest of 27.14% in GTC S.A. In connection with the transaction, GTC Holding has agreed to retain its remaining interest in GTC S.A. for a period of at least 15 months.

The Company is analyzing the accounting implications of the abovementioned transaction, including the issue whether the Company still has effective control and can continue to consolidate GTC SA in accordance with IAS 27.

B. According to an agreement signed on January, 2011, GTC China will sell all its interests in the joint venture company-Hangzhou International Financial Center Co. Ltd. ('HIFC') to a Chinese real estate and investment company, Rich Holding Group Co. Ltd. for a consideration of approximately €30 million (RMB 269 million). Before the transaction is closed, HIFC will repay the entrusted loan of approximately €3 million (RMB 26.5 million) million to GTC (Beijing) Management and Consulting Co., Ltd.

The HIFC plans call for a mixed-use project, which is in its design phase. GTC China acquired the stake in HIFC in the latter half of 2008. The sale of the shares is subject to conditions precedent, among other regulatory approvals. The transaction is expected to result in a gain for the Company of approximately €5 million.

C. On January, 2011 two agreements were signed in connection with Emed and Dan Company for Public Transport Ltd. According to one agreement, Emed Properties sold Dan all of its holdings in Emed shares, reflecting 50% of Emed issued capital, for approximately €77 million (NIS 359 million), linked to the Israeli CPI. According to the second signed agreement, Kardan Israel will purchase from Emed all of its holdings in Dan Transport Ltd shares, reflecting 54.25% of Dan Transport capital, for approximately €72 million (NIS 334 million) linked to the Israeli CPI

The completion of the transaction took place in March 2011. Following the acquisition, Kardan Israel holds the control in Dan Transport Ltd by holding, directly and indirectly, 68.27% of Dan Transport Ltd share capital. As a result, Kardan Israel expects to record a loss of approximately €3.4 million (NIS 15 million).

D. On January, 2011 signed Kardan Communication Ltd, a fully subsidiary of Kardan Israel, with an American Investment Fund and agreement to sell all of its holdings in SintecMedia, reflecting 16.63% (in fully dilution) of SintecMedia share capital, for €14 million ($18.9 million). The value of SintecMedia as of the transaction date was €82.5 million ($110 million).
The completion of the transaction depends on various conditions, including regulatory approvals. Following the completion of the transaction, Kardan Israel expects a profit of approximately €2 million (million NIS 9).

E. For information regarding the transaction to sell VAB, refer to note 5D.

KARDAN N.V.
AMSTERDAM, THE NETHERLANDS

COMPANY -ONLY DUTCH GAAP NON STATUTORY FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2010

COMPANY- ONLY DUTCH GAAP NON STATUTORY BALANCE SHEET

December 31, 2010
Before appropriation of net result

	Note	**December 31, 2010**	December 31, 2009
		€ in millions	
Assets			
Non-current assets			
Intangible fixed assets	3	18	54
Derivatives	4	119	48
Long-term receivables		-	2
Investments in consolidated subsidiaries	5A	583	465
Loans to consolidated subsidiaries	5C	277	215
		997	784
Current assets			
Cash and cash equivalents	6	10	61
Short-term investments	7	7	6
Other receivables	8	16	58
		33	125
Total assets		1,030	909
Equity and liabilities			
Equity	9		
Share capital		23	23
Share premium		235	235
Property revaluation reserve		114	93
Revaluation reserve, other		-	(14)
Foreign Currency translation reserve		9	(52)
Non controlling interest holders transaction reserve		(1)	-
Retained earnings (accumulated deficit)		(19)	100
Result for the period		(27)	(92)
		334	293
Long-term liabilities			
Debentures	10	602	510
Loans from banks and others	11	43	53
Options and other long term liabilities	12	8	8
		653	571
Current liabilities			
Current maturities of long term loans	11	11	11
Other Payables	14	32	34
		43	45
Total equity and liabilities		1,030	909

See accompanying notes.

COMPANY-ONLY DUTCH GAAP NON STATUTORY INCOME STATEMENT
Year ended December 31, 2010

	Note	**2010**	2009
		€ in millions	
Net result from investments for the year	5D	-	(73)
Other income (expense), net	14	(27)	(19)
Net profit (loss)		(27)	(92)

See accompanying notes.

NOTES TO THE COMPANY-ONLY DUTCH GAAP NON STATUTORY FINANCIAL STATEMENTS
December 31, 2010

1. GENERAL

The description of the Company's activity and the Group structure, as included in the Notes to the consolidated IFRS financial statements, also apply to the Company-only Dutch GAAP non statutory financial statements, unless otherwise stated.
These Company-only Dutch GAAP financial statements are not meant to be the statutory financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

The Company-only Dutch GAAP financial statements are drawn up in accordance with accounting policies generally accepted in The Netherlands (Dutch GAAP) and are the same as described in the Notes to the Consolidated IFRS financial statements with the exception of the following: investments in consolidated subsidiaries are stated at the Company's share in their net asset value.
In accordance with Article 402 of part 9, Book 2, of the Netherlands Civil Code, the company-only Dutch GAAP income statement is presented on a condensed basis, as its income statement is already included in the consolidated IFRS income statement.

3. INTANGIBLE FIXED ASSETS

A. Intangible fixed assets include goodwill arising on the acquisition of subsidiaries and other intangibles created in various transactions. Movement is as follows:

B. 2010

	Goodwill	Other intangibles	Total
	€ in millions		
Balance as of January 1	41	13	54
Additions	-	-	-
Goodwill impairment losses (1)	(23)	-	(23)
Amortization	-	(2)	(2)
Disposals (3)	(10)	(1)	(11)
Balance as of December 31	8	10	18

	2009 Total	Goodwill	Other intangibles	2010 Total
At January 1				
Cost	129	(10)	(1)	118
Less accumulated amortization and impairment losses	(75)	(23)	(2)	(100)
At December 31	54	(33)	(3)	18

2009

	Goodwill	Other intangibles	Total
Balance as of January 1	43	1	44
Additions	15	14	29
Goodwill impairment losses	-	-	-
Amortization	-	(2)	(2)
Disposals (3)	(3)	-	(3)
Release due to revaluation (2)	(14)	-	(14)
Balance as of December 31	41	13	54

	2008 Total	Goodwill	Other intangibles	2009 Total
At January 1				
Cost	100	15	14	129
Less accumulated amortization and impairment losses	(56)	(17)	(2)	(75)
At December 31	44	(2)	12	54

(1) The Impairment related to decrease of value of subsidiaries in the financial services segment.
(2) The release is offset against net result from investment; see Note 8 of the consolidated IFRS financial statements.
(3) Relates to the sale of the insurance and pension segment.

C. The total goodwill amounts to €8 million (December 31, 2009 - €41 million), which is allocated to the following segments:

	2010	2009
	€ in millions	
Retail lending	1	34
Real Estate	7	7
Total	8	41

Impairment testing
The above mentioned goodwill has been subject to impairment testing. The impairment testing is performed by each group company separately. For further information and results hereof, reference to note 13 of the consolidated IFRS financial statements.

D. The other intangible assets amounted to €10 million and €13 million as of December 31, 2010 and 2009, respectively, and relate only to the financial services segment. The intangibles are amortized through the period of their useful life.

4. DERIVATIVES

Long-term receivable relates to the fair value of derivatives, all relate to swap transactions on the Company’s debentures. Further details of these derivatives are described in Note 46 to the consolidated IFRS financial statements.

	2010	2009
	€ in millions	
Opening balance as of January 1	48	26
Revaluation of derivatives	100	16
Sale of derivatives	(29)	-
Transfer of derivatives due to merger	-	6
	119	48

During 2010 the Company sold two swap contracts in consideration of €29 million.

5. FINANCIAL FIXED ASSETS

A. Investments in consolidated subsidiaries

(1) The movement in the investment in consolidated subsidiaries can be summarized as follows:

	2010	2009
	€ in millions	
Balance as of January 1	465	516
Acquisition of shares in subsidiaries	-	10
Conversion of loan granted to subsidiary to equity	41	-
Purchase of treasury shares (by a subsidiary)	(6)	-
Change in capital reserves (*)	60	(8)
Dividend distributed	(13)	-
Share in profit/(loss) of investments for the year	36	(53)
Balance as of December 31	583	465

(*) Primarily relates to foreign currency exchange differences arising on translation of foreign operations.

(2) The impact of the treasury shares is as follows:

	2010	2009
	€ in millions	
Gross investment in subsidiaries, as of December 31	610	486
Treasury shares	(27)	(21)
Net investment in subsidiaries, as of December 31(*)	583	465

(*) Under the Dutch GAAP, the goodwill presented separate from the investment.

(3) Further specification of the investments in subsidiaries is as follows:

	2010		2009	
Names of significant subsidiaries	Owner ship	Total Value	Owner ship	Total Value
	%	€ in millions	%	€ in millions
Kardan Israel Ltd.	73.67	73	73.85	71
GTC Real Estate Holding B.V.	100	342	100	309
Kardan Financial Services B.V. (1)	100	112	98.6	66
Tahal Group International B.V.	100	56	100	19
Total investments in significant consolidated subsidiaries (2)		583		465

(1) In 2009, due to put options granted to minority shareholders, the Company’s effective interest was 100% of Kardan Financial Services B.V. instead of actual 98.6%.

(2) Refer to note 5B to the consolidated financial statements for a complete list of all significant subsidiaries, jointly ventures and associates in the Group.

B. Additional information:

2010 Events

a. During 2010, Tahal Group International B.V. distributed dividend to the Company in the amount of €13 million.

b. During 2010 the Company acquired acquired additional stakes (1.4%) from non controlling shareholders of KFS bringing its stake to 100% in consideration of €3 million.

c. For information regarding transaction with FIMI, refer to note 5c in the consolidated financial statements.

d. For information regarding the purchase of additional treasury shares refer to note 21d in the consolidated financial statements.

2009 Events

a. In March 2009, the Company has reached an agreement with Israel Discount Bank ("IDB") to buy back the 11% stake IDB holds in KFS. The purchase price amounts to €38.5 million and was payable in two installments. The first installment amounting to €30 million is payable upon closing; the second installment of €8.5 million is due after 7 years and bears no interest.

   Within the framework of the agreement the Company has granted IDB an option to repurchase a 5% stake in KFS during the next six years, at a price changing gradually reflecting a valuation of KFS of €386 million plus 5% interest from the third year. Furthermore IDB approved new credit facilities for Kardan Group. The agreements were signed on March 30, 2009. In addition, on March 30, 2009 an agreement was signed with IDB according to which, amongst others, KFS early repaid IDB an amount of €50 million, and some of the financial covenants that were agreed between the parties in the past were changed. In addition, the Company and one of its subsidiaries received additional loans from IDB.

   The present value of the amounts paid to IDB in consideration for the shares plus the fair value of the option are estimated by the Company at €37 million. The excess of the purchase price over the carrying value of the acquired shares amounted to €28 million. The part of the excess purchase price related to the difference between the fair value of the acquired shares, as estimated as of December 31, 2008 and the carrying value of the shares, amounting to €14 million, was allocated to goodwill. The remainder, amounting to €14 million, was allocated to financing cost, which will be amortized over the different terms of the loans. Although in principal the share purchase transaction was discussed separately from the additional financing and changes in covenants, and each transaction was discussed separately by the Company, the abovementioned amount was allocated to financing costs.

C. Loans to consolidated subsidiaries:

Loans to consolidated subsidiaries include a loan to TGI amounting to €42 million, a loan to KFS amounting to €77 million, and a loan to GTC Holding amounting to €163 million and a loan to TCE amounting to €3. The loans are primarily denominated in Euro.

The main loan to KFS bears an interest of Euribor + 2.875 per annum. The loan to TGI bears interest of Euribor + 3% per annum. The loan to GTC Holding bears interest of Euribor + 3% per annum.

The movement in the loans is as follows:

	2010	2009
	€ in millions	
Balance as of January 1	256	281
Loans granted to subsidiaries	114	258
Loans repaid by subsidiaries	(62)	(291)
Conversion of loan into capital (*)	(41)	-
Accrued interest and foreign currency differences, net	9	8
Balance as of December 31	277	256
Less – current maturities	-	(41)
	277	215

(*) Due to the transaction with FIMI, as described in Note 5c to the consolidated IFRS financial statements, loans granted to TGI amounting to approximately of €41 million were converted into equity of TGI.

D. Net result from investments for the year

	2010	2009
	€ in millions	
Net profit/(loss) of investments for the year	8	(53)
Release of goodwill due to revaluation of investment properties		(14)
Impairment losses	(23)	-
Disposal (*)	17	(3)
Amortization	(2)	(3)
Net result as presented in the income statement	-	(73)

(*) Refer to note 5c in the consolidated financial statements.

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise only short term deposits.
The average interest earned in 2010 on short term deposits is 1.4% (2009 - 2%).

7. SHORT TERM INVESTMENTS

	December 31,	
	2010	2009
	€ in millions	
Pledged deposits in EUR	7	6
	7	6

The pledged deposits relate to security provided for a loan and certain swap transactions, which are linked to the repayment of debentures, and are used to secure the Company's payments.

The average interest earned was 0.5% (2009- 1.2%).

8. OTHER RECEIVABLES

	December 31,	
	2010	2009
	€ in millions	
Current maturities of loans to subsidiaries	-	41
Interest receivables from subsidiaries	9	8
Other	7	9
	16	58

9. DUTCH GAAP SHAREHOLDERS' EQUITY

	Attributable to equity holders of the parent							
	Issued And paid-in Capital	Share premium	Property revaluation reserve (*)	Revaluation reserve, other (*)	Foreign currency translation reserve (*)	Non controlling interest holders transactions reserve	Retained earnings	Total
	€ in millions							
Balance as of January 1, 2010	23	235	93	(14)	(52)	-	8	293
Currency translation differences	-	-	-	-	61	-	-	61
Change in fair value of hedge instrument	-	-	-	13	-	-	-	13
Change in unrealized revaluation reserve	-	-	-	1	-	-	-	1
Total income and expense for the year recognized directly in equity	-	-	-	14	61	-	-	75
Net profit/(loss) for the period	-	-	-	-	-	-	(27)	(27)
Total income /expense for the year				14	61	-	(27)	48
Issuance Company's shares to non controlling interest	-	-	-	-	-	1	-	1
Other transactions with non-controlling shareholders	-	-	-	-	-	(2)	-	(2)
Purchase of treasury shares	-	-	-	-	-	-	(6)	(6)
Reclassification according to requirements (*)	-	-	21	-	-	-	(21)	-
Balance as of December 31, 2010	23	235	114	-	9	(1)	(46)	334
Comprises of:								
Balance before treasury shares	23	235	114	-	9	(1)	(19)	361
Treasury shares (**)	-	-	-	-	-	-	(27)	(27)
Balance as of December 31, 2010	23	235	114	-	9	(1)	(46)	334

	Attributable to equity holders of the parent						
	Issued and paid-in capital	Share premium	Property revaluation reserve (*)	Revaluation reserve, other (*)	Foreign currency translation reserve (*)	Retained earnings	Total
	€ in millions						
Balance as of January 1, 2009	23	230	140	(35)	(43)	53	368
Currency translation differences	-	-	-	-	(9)	-	(9)
Change in fair value of hedge instrument	-	-	-	22	-	-	22
Change in unrealized revaluation reserve	-	-	-	(1)	-	-	(1)
Total income and expense for the year recognized directly in equity	-	-	-	21	(9)	-	12
Net profit/(loss) for the period	-	-	-	-	-	(92)	(92)
Total income /expense for the year	-	-	-	21	(9)	(92)	(80)
Issuance of shares	-	1	-	-	-	-	1
Share-based payment	-	1	-	-	-	-	1
Exercise of warrants and options	-	3	-	-	-	-	3
Reclassification according to requirements (*)	-	-	(47)	-	-	47	-
Balance as of December 31, 2009	23	235	93	(14)	(52)	8	293
Comprises of:							
Balance before treasury shares	23	235	93	(14)	(52)	29	313
Treasury shares	-	-	-	-	-	(21)	(21)
Balance as of December 31, 2009	23	235	93	(14)	(52)	8	293

(*) In accordance with the Dutch law, 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.

(**) During 2010 Kardan Israel acquired shares of the company for an amount of €6 millions, which increased the total treasury shares amount from € 21 million to €27 million.

10. DEBENTURES

Composition:

	December 31, 2010	December 31, 2009
	€ in millions	
Debentures – issued in 2007	287	244
Debentures – issued in 2008	321	273
	608	517
Less – debt issuance expenses	(4)	(5)
Less – discount	(2)	(2)
	602	510

For further details please refer to Note 29 to the consolidated IFRS financial statements regarding debentures issued by the Company.

During 2010, the Company sold hedge instruments related to the debentures, in consideration of of €29 million.

11. LOANS FROM BANKS

Composition:

	December 31, 2010	December 31, 2009
	€ in millions	
Mercantile Discount Bank (1)	8	11
Israel Discount Bank (2)	30	30
Leumi Bank (3)	12	18
Union Bank (4)	4	5
	54	64
Less – current maturities	(11)	(11)
	43	53

The fair value of the long term loans from banks at year end 2010, being the present values of the liabilities, calculated using estimated interest rates, approximates the book value (see also Note 46 to the consolidated IFRS financial statements).

(1) In May 2007, the Company signed a loan agreement with Mercantile Discount Bank Ltd. (‘Mercantile’). The loan was granted for a period of 4 years, amounting €6.01 million and bears interest at a rate of LIBOR + 1.4% per annum and is repayable in 4 equal annual installments during the years 2008-2011. Interest is payable per quarter.

In June 2009, the Company signed an additional loan agreement with Mercantile. The loan was granted for a period of 5.5 years, amounting €9.17 million and bears interest at a rate of LIBOR + 2.6% per annum. The principal and interest is repaid in quarterly installments. The interest rate for the loan was increased by 0.25% in May 2010 due a change in the credit rating of the Company.

Subsequent to the balance sheet date, the remainder of the loan was early repaid by the Company.

(2) In March 2009, the Company received 2 loans from Israel Discount Bank Ltd. ('Discount Bank') in the total amount of €30 million. One loan in the amount of €15 million, bears interest of LIBOR + 2.5% paid quarterly. The principal of the loan will be repaid in 5 yearly installments starting March 30, 2014; and an additional loan also of €15 million, will be repaid in March 2019 in one installment. The covenants of the loans are as follows:

a) The Comapny will hold at least 51% in GTC Holding.
b) The tangible equity (equity without intangible amounts such as deferred taxes, deferred expenses etc.) attributed to Kardan shareholders will not fall below €260 million up to July 2011, and €290 million from July 2011.
c) The ratio between the tangible equity attributed to Kardan shareholders and the total statement of financial position (solo) will not go below 27% (starting from July 2011 30%).

d) Kardan’s debentures will not be downrated to BB or below, and if so, securities will be issued to Discount Bank's satisfaction within 45 days. In the event Kardan’s debentures rating goes below B- (to CCC+ or less), Discount Bank has the right to immediately demand early repayment of the loana with no ratifying period or act.

e) The Company’s shares will continue to be traded on TASE (Tel Aviv Stock Exchange) during the loan period.

The interest rate for both loans was increased by 0.15% per annum in May 2010 due a change in the credit rating of the Company.

In April 2006 the Company signed a credit facility agreement with Leumi Bank regarding a total facility of €16.4 million. The loan drawn under this facility bears interest of LIBOR + 1.3% and is repayable in 5 equal annual instalments during the years 2007-2011. Interest is payable per quarter.

In March 2008 the Company has signed an additional loan agreement with Leumi Bank for €13.7 million loan, bearing interest of Libor + 1.43% per annum. The loan is repayable in 5 installments during the years 2009-2013. The interest is paid on a quarterly basis.

The interest rate for both loans was increased by 0.7% per annum in October 2008 and by additional 0.5% per annum in May 2010 due a change in the credit rating of the Company.

As security for both loans the Company pledged its holdings in KFS in favour of Leumi Bank and, in addition, committed itself to maintain an equity-to-balance sheet ratio of 26% and also has guaranteed that the equity of the Company will not fall below USD 98 million. Further, the Company has committed itself not to pledge shares of TBIH for purposes other than those described in the agreement, and that KFS will hold at least 51% of TBIF and 35% of TBIH.

In February 2011, the Company has fully repaid the outstanding balance of both the loans.

(3) In February 2009, the Company has signed a new loan agreement amounting to €5.8 million with Union Bank, The new loan bears interest of Libor + 2.5% and is repayable is 8 semi-annual installments during the years 2009-2013. As a security to the loan, the Company has pledged shares of Kardan Israel which equal 120% of the outstanding balance of the loan. In addition, the Company has committed to maintain shareholders’ equity of at least 25% of the company-only total balance sheet, and that Kardan will continue to control Kardan Israel.

In February 2011, the Company fully repaid the outstanding balance of the loan.

As of December 31, 2010 the Company met all its financial covenants.

12. OPTIONS

The Company issued 2 put options related to Kardan Financial Services B.V amounting to €3 million (2009 -€6 million). During 2010 put options amounting to €3 million related to the 1.4% increase in KFS were exercised .

13. TAXES ON INCOME

The Company has its statutory seat in the Netherlands, and therefore is subject to taxation according to the Dutch law.

The Company benefits from the Participation Exemption (“Participation Exemption”). According to the Participation Exemption, all capital gains and dividends income derived from qualifying participations are exempt from Dutch corporate income tax. Capital losses realized with respect to qualifying participations are, however , not deductible for Dutch corporate income tax purposes.

Starting from 2007, the Participation Exemption applies to any shareholding of 5% or more in the nominal paid-up share capital of an active participation whose capital is divided into shares. However, holdings of a ‘low taxed portfolio participation’ will not allow application of the Participation Exemption. A ‘low-taxed portfolio participation’ is determined as a participation in a passive company which is subject to an effective tax on profits at a rate lower than 10% (which is to be calculated according to Dutch tax law); or to participations whose assets, directly or indirectly, mainly (more than 50%) consist of free portfolio investments. Real estate participations are excluded from the definition of a low-taxed portfolio participation. A participation is considered a real estate participation if, on a consolidated basis, immovable property accounts for at least 90% of the assets of the company. As a result, the Participation Exemption applies to benefits from real estate participations.

As from 2010, the Participation Exemption should apply to all shareholdings of 5% or more in the nominal paid-up share capital of participations that qualify as ‘non-portfolio investments’. The non-portfolio requirement (or ‘motive test’) is generally satisfied if the shares in the participation are not held merely for a return that may be expected from normal asset management. However, even if a participation does not meet the non-portfolio requirement and is, as such, qualified as a ‘portfolio participation’, the Participation Exemption may still apply if the participation is subject to a profit tax rate of at least 10% (calculated on a taxable basis which is reasonable according to Dutch principles); or if, on an aggregated basis, less than 50% of the assets of the participation usually consist of, direct or indirectly, low-taxed free portfolio investments. Real estate is excluded from the definition of a portfolio investment. As a result, the Participation Exemption should apply to benefits from real estate participations, under the condition that the real estate participation will meet the before-mentioned profit tax rate and/or asset requirements.

The enacted tax rate in the Netherlands is 25.5% (2009: 25.5%).

Up to and including 2008 Kardan N.V. has tax losses of €42 million that are available for offset up to 9 years.
Deferred tax assets have been recognized only with respect to potential tax liability in relation with the Company’s hedge transactions. Deferred taxes amounted to €X million as of December 31, 2010.

The Company has received final tax assessments for the years 2003 to 2007.

Net loss for the year amount to € 27 million (2009: € 92 million), including net result from investments of €0 (2009: € 73 million losses), which are not deductable/taxable, due to the participation exemption, described above. The Company assumes that the remaining other expenses and income will not result in tax benefits or tax expenses due to the available tax losses from previous years of the Company.

14. OTHER PAYABLES

	December 31, 2010	December 31, 2009
	€ millions	
Accrued expenses (mainly accrued interest)	25	22
Others	7	12
	32	34

15. OTHER INCOME (EXPENSE)

In 2010, other income (expense), net comprise mainly finance expense of €22 million, management fees income of €1 million and general and administrative and other income and expenses amounting to €6 million.

In 2009, other income (expense) comprised mainly finance expense of €14 million, management fees of €1 million, general and administrative and other income and expenses amounting to €4 million.

Share based payments and other remunerations to related parties amount to less than €1 million. Please refer to note 22 to the consolidated IFRS financial statements.

16. AUDIT FEES

The table below summarizes the fees invoiced to the Company's by its auditors, Ernst & Young Accountants and others in:

2010	Ernst & Young	Others	Total
		€ in millions	
Audit services - Kardan NV	0.6	0.6	1.2
Audit services - Subsidiaries	2.9	0.2	3.1
Total statutory audit fees			
	3.5	0.8	4.3
Other services relevant to taxation	0.3	0.1	0.4
Other non audit services	0.1	*	0.1
Total non audit services	0.4	0.1	0.5
Total	3.9	0.9	4.8

(*) Represent an amount under €100 thousands

2009	Ernst & Young Accountants	Others	Total
		€ in millions	
Audit services - Kardan NV	0.6	-	0.6
Audit services - Subsidiaries	2.7	0.6	3.3
Total statutory audit fees			
	3.3	0.6	3.9
Other services relevant to taxation	0.4	*	0.5
Other non audit services	0.1	*	0.1
Total non audit services	0.5	0.1	0.6
Total	3.8	0.7	4.5

(*) Represent an amount under €100 thousands

17. REMUNERATION OF MANAGEMENT BOARD AND SUPERVISORY BOARD

The Company's Management Board and Supervisory Board received remuneration in 2010 and

2009 as described in Note 48 to the non statutory consolidated IFRS financial statements.

18. Commitments, contingent liabilities, guarantees, and subsequent events

For commitments, contingent liabilities, guarantees, and subsequent events please refer to Notes 34 and 49 respectively of the non statutory consolidated IFRS financial statements.

Management Board

A. Ickovics

A. Shlank (resigned January 1, 2011)

J. Slootweg

E. Oz-Gabber

W. van Damme

Supervisory Board

J. Krant

A. Schnur

K. Rechter

I. Fink

J. Pomrenze

M. Groen

H. Benjamins

INDEPENDENT AUDITOR'S REPORT

To: The Management and Shareholders of Kardan N.V.

Report on the Non-statutory Financial Statements

We have audited the accompanying non-statutory financial statements for the year ended December 31, 2010 of Kardan N.V., Amsterdam. The non-statutory financial statements consist of the Consolidated IFRS Financial Statements and the Company only Dutch GAAP Financial Statements. The Consolidated IFRS Financial Statements comprise the consolidated statement of financial position as at December 31, 2010, the consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended and notes, comprising a summary of significant accounting policies and other explanatory notes. The Company only Dutch GAAP Financial Statements comprise the company only balance sheet as at December 31, 2010, the company only income statement and the company only changes in equity for the year then ended and the notes, comprising a summary of significant accounting policies and other explanatory notes.

Management's responsibility
Management is responsible for the preparation and fair presentation of these non-statutory financial statements in accordance with International Financial Reporting Standards as adopted by the European Union as summarized on pages 13 to 50 and with Part 9 of Book 2 of the Dutch Civil Code as summarized on page 186. Furthermore management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these non-statutory financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch standards on auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the non-statutory financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the non-statutory financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the non-statutory financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the non-statutory financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion with respect to the Consolidated IFRS Financial Statements
In our opinion, the Consolidated IFRS Financial Statements give a true and fair view of the financial position of Kardan N.V. as at December 31, 2010, its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and summarized on pages 13 to 50 of these IFRS financial statements.

Opinion with respect to the Company only Dutch GAAP financial statements
In our opinion, the Company only Dutch GAAP Financial Statements give a true and fair view of the financial position of Kardan N.V. as at December 31, 2010, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code and summarized on page 186 of the Dutch GAAP company only financial statements.

Amsterdam, March 30, 2011

Ernst & Young Accountants LLP

Signed by: W.C. van Hoeven

KARDAN N.V.

Presentation of financial data included in

Consolidated financial statements related to the company

For the year ended December 31, 2010

ADDITIONAL FINANCIAL INFORMATION ACCORDING TO RULE 9C

Herewith financial data and separate financial information related to the company-only derived from the consolidated financial statements of the Company as of December 31, 2010 which is published as part of the annual report (herewith – Consolidated Financial Statements), presented according to Rule 9c to the Israeli Securities and Exchange Regulations (Periodic and Immediate Reports), 1970. The main accounting policies that were used for this financial information are described in the notes to the Consolidated Financial Statements. The notes to this financial information are those not included in the notes to the Consolidated Financial Statements.

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

December 31, 2010

	Additional information	**December 31, 2010**	December 31, 2009
		€ in millions	
Assets			
Non-current assets			
Long-term receivable (mainly fair value of derivatives)		119	50
Financial fixed assets			
Investments in consolidated subsidiaries		601	519
Loans to consolidated subsidiaries		277	215
		878	734
Current assets			
Cash and cash equivalents	1	10	61
Short-term investments	2	7	6
Other receivables	3	16	58
		33	125
Total assets		1,030	909
Equity and liabilities			
Equity attributable to equity shareholders			
Share capital		23	23
Share premium		235	235
Property revaluation reserve		114	93
Revaluation reserve, other		-	(14)
Currency translation reserve		9	(52)
Non controlling interest holders transaction reserve		(1)	-
Treasury shares		(27)	(21)
Retained earnings		(19)	29
		334	293
Long-term liabilities			
Debentures		602	510
Loans from banks and others		43	53
Warrants and Other long term liabilities		8	8
		653	571
Current liabilities			
Current maturities of long term loans		11	11
Other Payables		32	34
		43	45
Total equity and liabilities		1,030	909

ADDITIONAL INFORMATION FROM THE COMPANY'S INCOME STATEMENT

For the year ended December 31,

	2010	2009	2008
		€ in millions	
Net result from investments for the year	-	(73)	48
Other income	1	1	1
Total revenues	1	(72)	49
General and administrative expenses	8	5	5
Other expenses	1	2	1
Total expenses	9	7	6
Profit (loss) from operations before financing expenses	(8)	(79)	43
Financing income (expenses), net	(22)	(13)	9
Income tax benefit	3	-	-
Net profit (loss) for the year	(27)	(92)	52

ADDITIONAL INFORMATION FROM THE COMPANY-ONLY STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31,

	2010	2009	2008
		€ in millions	
Net profit (loss) for the year	(27)	(92)	52
Foreign currency translation differences	61	(9)	(18)
Change in hedge reserve, net	13	22	(30)
Unrealized revaluations, net of tax	1	(1)	-
Other comprehensive income (expense) for the period	75	12	(48)
Total comprehensive income (expense)	48	(80)	4

ADDITIONAL INFORMATION FROM THE COMPANY-ONLY CASH FLOW STATEMENT

	For the year ended December 31,		
	2010	2009	2008
	€ in millions		
Cash flow from operating activities of the Company			
Net profit (loss) for the year	(27)	(92)	52
Adjustments to reconcile net profit (loss) to net cash of the Company			
Charges to net loss not affecting operating cash flows:			
Share based payment		1	1
Change in fair value of hedge instruments	(14)	(12)	(27)
Gain from sale of shares in subsidiary			(2)
Financial income/expense	35	26	25
Dividend received	13		
Equity losses (earnings)		73	(48)
Changes in working capital of the Company			
Change in receivables	2	8	(16)
Change in payables	2	(4)	13
Cash amounts paid and received during the year			
Interest paid	(29)	(27)	(15)
Interest received	5	8	2
Net cash provided by (used in) operating activities of the Company	**(13)**	**(19)**	**(15)**
Cash flow from investing activities of the company			
Short term investments, net	(1)	26	(11)
Granting of loans to subsidiaries, net	(52)	32	85
Investments in subsidiaries	-	(48)	(5)
Net cash provided by (used in) investing activities of the Company	**(53)**	**10**	**69**
Cash flow from financing activities			
Dividend distributed	-	-	(18)
Proceeds from long-term debt	-	59	31
Proceeds from sales of hedge instruments	29	-	-
Share purchase from non-controlling interest	(3)	-	-
Repayment of long-term debt	(11)	(98)	(5)
Net cash provided by financing activities of the Company	**15**	**(39)**	**8**
(Decrease) / increase in cash and cash equivalents of the Company	(51)	(48)	62
Cash and cash equivalents at beginning of the period	61	109	47
Cash and cash equivalents at end of the period of the Company	10	61	109

NOTES TO THE ADDITIONAL INFORMATION

19. CASH AND CASH EQUIVALENTS

	December 31, 2010	December 31, 2009
	€ in millions	
Short-term deposits in EURO	-	52
Short-term deposits in NIS	10	-
Short-term deposits in USD	-	9
	10	61

The cash is primarily comprised out of short term deposits.
The average interest rate on short term deposits was 1.4% p.a. in 2010 (in 2009 - 2%).

20. SHORT TERM INVESTMENTS

	December 31, 2010	December 31, 2009
	€ in millions	
Pledged deposits in EUR	7	6
	7	6

The pledged deposits relate to security provided for a loan and certain swap transactions.
The average interest earned in 2010 and 2009 was 0.5% and 1.2% respectively.

3. OTHER RECEIVABLES

	December 31, 2010	December 31, 2009
	€ millions	
Derivatives	1	4
Interest receivable from subsidiaries	9	8
VAT receivable	1	2
Income tax receivable	3	2
Current maturities of long-term loans	-	41
Other	2	1
	16	58

4. Details of material financial assets in accordance with IAS 39

	December 31, 2010	December 31, 2009
	€ in millions	
Financial assets at fair value through profit or loss:		
Loans to subsidiaries	277	256
Derivatives	119	50
Receivables	16	58
Short term investments	7	6
Cash and cash equivalents	10	61
	429	431

5. Expected realization periods of material financial assets and liabilities grouped in accordance with IAS 39 classifications:

Financial assets as of December 31, 2010

	Up to 1 year	1-2 years	2-3+ years	Total
	€ in millions			
Cash and short term investments	17	-	-	17
Loans and receivables	16	-	277	293
	33	-	277	310

Financial assets as of December 31, 2009

	Up to 1 year	1-2 years	2-3+ years	Total
	€ in millions			
Cash and short term investments	67	-	-	67
Loans and receivables	58	-	256	314
	125	-	256	381

Financial liabilities as of December 31, 2010

	Up to 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	> 5 years	Total
	€ in millions						
Debentures	29	29	100	143	137	338	776
Loans	12	7	6	6	4	27	62
Payables	-	-	-	-	-	5	5
Put Option	3	-	-	-	-	-	3
Total	44	36	106	149	141	370	846

Financial liabilities as of December 31, 2009

	Up to 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	> 5 years	Total
	€ in millions						
Debentures	28	28	28	81	114	380	659
Loans	12	12	7	6	6	30	73
Payables	5	-	-	-	-	-	5
Put Option	3	-	-	-	-	-	3
Total	48	40	35	87	120	410	740

The substantial majority of the Company’s financial assets, other than cash, are denominated in EURO.

6. Taxes on income

The Company has its statutory seat in the Netherlands, and therefore is subject to taxation according to the Dutch law.

The Company benefits from the Participation Exemption ("Participation Exemption"). According to the participation exemption, all capital gains and dividends income derived from qualifying participations are exempt from Dutch corporate income tax.

Starting from 2007, the Participation Exemption applies to any shareholding of 5% or more in the paid-in capital of an active participation whose capital is divided into shares. However, holdings of a 'low taxed portfolio participation' will not allow application of the Participation Exemption. This relates to investments in passive companies which are subject to an effective tax at a rate lower than 10% (which is to be calculated according to Dutch tax law); or to participations whose assets, directly or indirectly, mainly (more than 50%) consist of free portfolio investments. An exception to this rule is shareholdings of 5% or more in companies where at least 90% of the (consolidated) assets are real estate assets. Holdings in such companies shall benefit from the Participation Exemption even if the investees have been classified as low taxed portfolio participation.

As from 2010, the Participation Exemption should apply to all participations of 5% or more if the participation is not considered to be held as a mere portfolio investment.

The enacted tax rate in the Netherlands is 25.5%.

Up to and including 2008 Kardan N.V. has tax losses of €42 million that are available for offset up to 9 years.
Deferred tax assets have been recognized only with respect to potential tax liability in relation with the Company's hedge transactions. Deferred taxes amounted to €X million as of December 31, 2010.

The Company has received final tax assessments for the years 2003 to 2007.

Net loss for the year amount to € 27 million (2009: € 92 million), including net result from investments of nil (2009: € 73 million losses), which are not deductable/taxable, due to the participation exemption, described above. The Company assumes that the remaining other expenses and income will not result in tax benefits or tax expenses due to the available tax losses from previous years of the Company.

7. LOANS, MUTUAL BALANCES, COMMITMENTS AND TRANSACTIONS WITH INVESTEE COMPANIES

A. Balances with investee companies

	December 31, 2010	December 31, 2009
	€ millions	
Short term deposit	3	5
Long term loans to subsidiaries	277	258
Debentures held by subsidiary	-	(31)
The largest amount of loans and current debts during the year	282	386
Collaterals in favor of investee companies (*)	122	163

(*) Collaterals were provided to secure loans undertaken by subsidiaries.

B. Transactions with investee companies.

	December 31, 2010	December 31, 2009	December 31, 2008
	€ millions		
Management fees	1	1	1
Guarantee fees	1	1	1
General and administrative expenses	(1)	(1)	-
Financial income	16	21	9
Financial expenses	-	(8)	-

C. Commitments

The Company has entered into service agreements with its subsidiaries and certain investee companies to pay the amount of approximately €1 million, as yearly fee for services rendered.

In addition, the Company provided guarantees to third parties in relation to loan agreements signed by some subsidiaries and investee companies. In such event, the Company has entered into guarantee fee agreement with the relevant subsidiaries and investee companies. The amount of the guarantee fee depends on the outstanding loan.

The Company collects yearly management fees from its subsidiaries and investee companies in the amount of €1 million.

8. Commitments, contingent liabilities, guarantees, and subsequent events

For commitments, contingent liabilities, guarantees, and subsequent events please refer to Notes 33 and 48 respectively to the Consolidated Financial Statements.

Management Board

A. Ickovics

E. Oz-Gabber

W. van Damme

J. Slootweg

A. Shlank

Supervisory Board

J. Krant

A. Schnur

K. Rechter

I. Fink

J. Pomrenze

M. Groen

H. Benjamins