PRESS RELEASE

Amsterdam/Tel Aviv, May 30, 2011
Number of pages: 72

KARDAN: DELEVERAGE ON TRACK, RESULTS IMPROVED

- **Net result Q1-2011: break-even (Q1-2010: loss of EUR 13 million)**

Highlights (all figures represent Kardan stake):

Real Estate

- Sale of 16% stake of GTC SA raises approx. EUR 195 million to reduce leverage (over EUR 100 million in 2011), while retaining 27% strategic stake
- EUR 3 million net contribution of GTC SA (equal to Q1-2010) despite smaller stake
- GTC China sells its 50% stake in real estate project in Hangzhou

Water Infrastructure

- Net contribution of EUR 1 million (Q1-2010: break even) on back of growing Chinese wastewater treatment assets
- Agreement signed for development of new wastewater treatment plant in China (Zichuan)

Financial Services

- Net contribution of EUR 4 million (Q1-2010: loss of EUR 10 million)
- Sale of VAB Bank (Ukraine) at small profit
- Post balance sheet date: acquisition of Bulgarian bank

Rental and Leasing of Vehicles

- Increase in stake in AVIS Israel to 68%

Sale of Vehicles

- Launch of new GM model increases revenues by 23%

The contribution of each of the businesses to the results of Kardan is shown in the table below. As profits attributable to minority shareholders in the businesses have already been deducted, these figures do not represent the full (100%) net result realized in each division or segment. The full net results of the divisions and segments are presented in paragraphs 1.1 and 2.1.

Breakdown of the net result for equity holders of Kardan N.V. (EUR million)	**Q1-2011**	**Q1-2010**	**FY-2010**
Real Estate	3	3	13
Water Infrastructure – Projects	-	-	2
Water Infrastructure – Assets	1	-	3
Financial Services – Retail Lending	4	(17)	(57)
Financial Services – Insurance and Pension*	-	7	31
Rental and Leasing of vehicles	(5)	2	2
Sale of vehicles	2	2	7
Other	(5)	(10)	(28)
Total net result attributable to equity holders	**0**	**(13)**	**(27)**
Profit (loss) per share (EUR)	-	(0.13)	(0.27)
Profit (loss) per share diluted (EUR)	-	(0.13)	(0.27)

*The sale of the insurance and pension segment was completed in Q4-2010

Kardan N.V. – balance sheet (company only)	March 31, 2011	December 31, 2010
Total Assets (in EUR million)	980	1.030
Total Equity (in EUR million)	351	334
Equity/Total assets (%)	36	32

The Management Board of Kardan N.V. ("Kardan") commented on the results of the first quarter of 2011:

"In our press release regarding the 2010 results, we stated that the year 2010 was a transition year in which we made some strategic decisions, which were a) to deleverage Kardan at the holding level, b) to simplify the structure of Kardan and c) to switch from our "watch and hold" mode to develop new business opportunities. During the first quarter of 2011 we began to implement these strategic decisions. We sold 16% of our stake in our successful real estate company GTC SA in January 2011, raising approximately EUR 195 million, of which more than 50% will be used to deleverage Kardan. As a result, net debt of the combined holdings, excluding Kardan Israel, decreased by almost EUR 140 million to approximately EUR 500 million.
Furthermore, we sold VAB Bank, in the Ukraine, at the end of January, which significantly decreased our exposure to the Ukraine and eliminated the need to inject further cash to support the bank. The acquisition of Banka Sofia in Bulgaria, announced in April, should provide access to cheaper funding and thus improve the results of our consumer lending operations in Bulgaria and Romania, primarily through organic growth.
Tahal, our water infrastructure company, is reviewing many business opportunities, both on the project side as well as on the asset side. We have just signed an agreement for the development of a new wastewater treatment plant in Zichuan in China, where the need for these facilities is high.
GTC China, our real estate company in China, is moving more towards mixed-use projects, comprising of both residential units and shopping malls, such as our project in Dalian. GTC SA started construction of an office building in Warsaw with a pre-let of 50%. Given the opportunities that we see for our water infrastructure businesses as well as for our real estate activities we plan to grow these existing businesses in their current markets and to initiate new real estate opportunities in Asia, whilst also looking to expand our water infrastructure presence worldwide" says Alain Ickovics, Chairman of the Management Board.

Summary Results and Movement in Equity of Kardan N.V. in Q1-2011

The net result of Kardan N.V. attributable to equity holders was break-even in Q1-2011 versus a loss of EUR 13 million in Q1-2010. The increase of EUR 13 million is mainly attributable to the Financial Services division (y-o-y increase of EUR 14 million).

Shareholder's equity of Kardan N.V. increased from EUR 334 million as of December 31, 2010 to EUR 351 million as of March 31, 2011. EUR 27 million is attributed to the sale of 16% of the shares in GTC SA at the end of January. The balance of movements in the hedge reserve and foreign currency translation reserve was EUR 11 million negative mainly due to the strengthening of the Euro against the Chinese Renmimbi.

The net contribution of the **Real Estate** division in the reporting period is EUR 3 million (Q1-2010 profit of EUR 3 million).

The contribution of GTC SA amounted to EUR 3 million in Q1-2011, similar to last year despite the decrease of the stake in GTC SA in January 2011 from 43% to 27%.The profit of GTC SA increased mainly due to positive revaluation results; rental revenues were also higher than in the same period last year as a result of new completions and an increase of rental rates in Polish retail centers, partially offset by lower residential sales due to a slower pace of handovers to buyers.
The contribution related to GTC China decreased from EUR 4 million (Q1-2010) to EUR 1 million in the first quarter of 2011.The decrease is mainly due to lower revaluation profits. In Q1-2010, a revaluation profit (net of tax) of EUR 8 million was recognized with respect to the Chengdu shopping mall (completed in Q4-2010), compared to a revaluation profit of EUR 2 million in Q1-2011. The contribution from the delivery of apartments and rental income of the shopping center in Chengdu

increased to EUR 1 million (Q1-2010: break-even). Other expenses and tax decreased by EUR 2 million to EUR 2 million.
The Real Estate activity in Israel contributed EUR 2 million profit (Q1-2010: loss of EUR 2 million) on the back of positive revaluation results. GTC RE holding finance and general and administrative expenses amounted to EUR 3 million (Q1-2010: EUR 2 million).

The net contribution of the **Water Infrastructure** division amounted to a profit of EUR 1 million in Q1-2011, in comparison to a break-even result in Q1-2010. The increase was driven by the growth in China, where Tahal Assets operates several waste water treatment plants and in Israel

The net contribution of the **Financial Services** division was EUR 4 million in Q1- 2011, compared to a loss of EUR 10 million in Q1-2010.

The contribution of the Retail Lending activities improved by EUR 21 million from a loss of EUR 17 million in Q1-2010 to a profit of EUR 4 million in Q1-2011. The main contributor to the improvement was VAB Bank, which can be explained as follows:
The sale of VAB Bank in January 2011 contributed a profit of EUR 4 million in Q1-2011, whereas in Q1-2010, the loss related to VAB Bank amounted to EUR 19 million.
The results of the remaining operating companies in the portfolio amounted to EUR 4 million in Q1-2011, almost similar to Q1-2010, despite the sale of 16% of the shares in Sovcombank in Russia in the second half of 2010.
Finance, general and administration expenses of the holding companies KFS and TBIF amounted to EUR 4 million (Q1-2010: EUR 3 million).

The Insurance and Pension segment (TBIH) which was sold in November 2010 contributed in Q1-2010 a net profit of EUR 7 million, mainly due to revaluation of KFS's put option to sell these activities.

The contribution of **Sale of Vehicles** segments was a profit of EUR 2 million in Q1-2011 (Q1-2010: profit of EUR 2 million).

The contribution of the Israeli **Rental and Leasing of Vehicles** segments was a loss of EUR 5 million in Q1-2011 (Q1-2010: profit of EUR 2 million). The decrease was mainly due to a loss of EUR 5 million recognized on a transaction that comprised of an increase of the stake in Avis Israel to 68% as well as to the sale of a stake in a real estate partnership.

Finally, **Other Results**, mainly including finance and general expenses not allocated to specific activities and the results of activities not attributable to a segment, amounted to a loss of EUR 5 million in Q1-2011 (Q1-2010: loss of EUR 10 million). The improved result is mainly due to positive foreign exchange differences on an un-hedged liability of Kardan N.V. denominated in Israeli NIS.

Developments within the divisions and segments in the first quarter of 2011

The main event in GTC, Kardan's Real Estate division, was the sale of 16% in GTC SA. In Central and Eastern Europe, GTC SA increased the completed commercial space from 532,000 sqm to 544,000 sqm. In China, 599 new sale contracts for apartments were concluded. Although less than the number of contracts signed in the last quarter of 2010 (805), this was still a significant number. The slowdown is a result of, among others, the government continuing taking measures to fight the increasing inflation and to curb speculation in the real estate market. GTC China holds a stake of 50% in these contracts. The shopping mall that was opened in November 2010, registered an increase of the occupancy rate to approximately 90%.

Tahal, Kardan's Water Infrastructure division, increased revenues y-o-y by 3% to EUR 40 million (Q1-2010: EUR 39 million). The backlog of Tahal Projects was EUR 175 million at March 31, 2011 (year-end 2010: EUR 183 million). The decrease in project backlog is explained by the devaluation of the US Dollar versus the Euro.
Tahal Assets finalized the acquisition of the wastewater treatment plant in Xuanhua in China, contributing to the revenue increase of 20% y-o-y and its total assets by 26%. In the first quarter an agreement was signed to develop a new wastewater treatment plant in China.

Within Retail Lending (TBIF) of the Financial Services division (KFS), Sovcombank increased its gross loan portfolio by 8% q-o-q to EUR 605 million. Deposits decreased q-o-q by 4% mainly due to the withdrawal of a corporate deposit.

A strategic review in 2010 led to the decision to sell VAB Bank, which took effect at the beginning of 2011. Romania and Bulgaria, the two other countries in which TBIF is active in consumer finance activities, are still facing macroeconomic challenges. The consumer credit and leasing markets remained difficult, as consumer confidence and demand continued to be low.

The Rental and Leasing of Vehicles segment was negatively impacted by the fact that financing costs were low in the first quarter of 2011 and that cheap “mini cars” are now available to buyers.

The Sale of Vehicles segment benefitted from the Israeli automotive sales market, which continued to grow and increased by 26% in Q1-2011 in comparison to Q1-2010, with approximately 63,000 vehicles being handed over in Q1-2011. This led to very good results for UMI, but conversely damaged the leasing market as clients showed preference to buy a cheap mini car rather than a second hand larger (former lease) car.

Outlook 2011

General

Kardan identifies and develops assets in promising Emerging Markets.

The business model of Kardan is therefore to grow the Net Asset Value by expanding and investing in its asset base. Consequently, value creation is the prime focus, rather than short term profits. Operating cash flows are usually reinvested to support growth of assets, and selected sale of assets at the level of the subsidiaries may also occur from time to time for the same reason and or because these assets have reached their full potential from a Kardan perspective. As a result of this business model, upstream cash flows from subsidiaries to the holding companies and to Kardan are limited.

Depending on the circumstances, Kardan may confirm value creation on the subsidiary level either through a private equity investment or an IPO to further support growth.
Kardan takes a long term view on all its assets. In 2010 and early 2011, however, Kardan sold some of its assets to strengthen its financial position and/or to benefit from specific opportunities.
Kardan intends to continue to grow its asset base with a specific focus on real estate and water infrastructure. The growth in CEE real estate is expected to originate from GTC SA’s own financing of its developments. The expansion in Asian real estate and water infrastructure will be funded through raising capital at the subsidiaries level.

With respect to the operations the outlook for 2011 is as follows:

Real Estate

In 2011, the platforms in CEE (GTC SA) and China (GTC China) plan to develop projects out of their existing land bank and to initiate new opportunities. In view of the increased interest of investors to buy assets in these markets at higher valuations, and in order to fund these developments they may decide to sell part of yielding assets, in line with the strategy as mentioned above.

For the Real Estate division, we expect that revenues both in CEE and in China will be higher than in 2010 (assuming no asset divestments and not taking into account the impact of the sale of Galeria Mokotow in Poland to Unibail Rodamco that was announced on May 26, 2011), due to, among others, new completions which took place in 2010. In CEE, we expect lower residential revenues as the markets remain challenging.

Based on the aforementioned developments, and taking into account the reduced stake in GTC SA (currently 27% as a result of the sale of 16% of the shares of GTC SA in January 2011), management expects the contribution of the Real Estate division in 2011 to the net profit attributable to Kardan shareholders to be positive.

Water infrastructure

Due to global shortage, demand for water will continue to increase worldwide. In 2011, Tahal aims to expand its presence worldwide and may raise additional Equity to grow the business.

With respect to the 2011 operational performance, it is expected that revenues will increase both for Tahal Projects and for Tahal Assets. For Tahal Projects the expected increase is based upon the existing and anticipated project backlog.
Revenues of Tahal Assets are expected to increase on the back of new completions in 2010, which did not contribute to the revenue during the full year 2010, as well as on organic growth of existing assets. Such revenue growth is also expected to translate into increased operational profits.

Financial Services

In light of KFS' leaner portfolio structure in 2011, after the divestment of the loss making operations in Ukraine and the significant decrease in leverage, 2011 will be devoted to further strengthening the existing investments, especially in Bulgaria and Romania and potentially seeking new synergies in these two countries.
In April 2011, TBIF signed an agreement to acquire the Bulgarian bank NLB Banka Sofia AD for EUR 15 million, to obtain a banking license in Bulgaria and to further strengthen its existing investments. Based on the developments in the first quarter of 2011, we expect that the net contribution of the financial services division will be positive, not taking into account as yet the impact of the announced acquisition of NLB Banka Sofia AD. As it is not yet known if or when the transaction will be closed, it is presently not possible to estimate the impact.

The market for Rental and Leasing of vehicles is characterized by availability of funding, increasing competition and stable market shares. Dan Vehicles, through AVIS, intends to maintain its market share whilst keeping its customer basis. Having gained control in AVIS early 2011, Kardan Israel may decide to increase its activities in synergetic businesses.

The market for Sale of vehicles is not expected to change substantially during 2011. UMI intends to market a number of new car models, in order to increase its market share.

Other

This segment mainly comprises of finance and general expenses not allocated to specific activities and results of activities not attributable to a segment. This segment is expected to be negative although at a lower level than 2010, due to the anticipated deleverage and also assuming no further weakening of the Israeli Shekel against the Euro with respect to the un-hedged NIS debentures.

Analyst & Investor Call

An analyst and investor call will be held today at 15.00 CET. To take part in the call, please use the following dial-in number:

Dial in number NL: +31 (0)45 6316902
Conference ID: 4440833

Please confirm your attendance to eventmanagement@citigateff.nl.

DISCLAIMER

This press release contains forward-looking statements and information, for example concerning the financial condition, results of operations, businesses and potential exposure to market risks of Kardan N.V. and its group companies ("Kardan Group").All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements (including "forward looking statements" as defined in the Israeli Securities Law).. Forward-looking statements are statements of future expectations that are based on management's current expectations and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in these statements. These forward-looking statements are identified by the use of terms and phrases such as ''anticipate'', ''believe'', ''could'', ''estimate'', ''expect'', ''intend'', ''may'', ''plan'', ''objectives'', ''outlook'', ''probably'', ''project'', ''will'', ''seek'', ''target'', ''risks'', ''goals'', ''should'' and similar terms and phrases. A variety of factors, many of which are beyond Kardan Group's control, affect our operations, performance, business strategy and results and could cause the actual results, performance or achievements of Kardan Group to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. For Kardan Group, particular uncertainties arise, amongst others but not limited to and not in any order of importance, (i) from dependence on external financing with the risk that insufficient access to capital threatens its capacity to grow, execute its business model, and generate future financial returns (ii) from concentration of its business in Central Eastern Europe and China as a result of which Kardan Group is strongly exposed to these particular markets (iii) from risks related to the financial markets as a result of Kardan's listings and (iv) from it being a decentralized organization with a large number of separate entities spread over different geographic areas in emerging markets, so that Kardan Group is exposed to the risk of fraudulent activities or illegal acts perpetrated by managers, employees, customers, suppliers or third parties which expose the organization to fines, sanctions and loss of customers, profits and reputation etc. and may adversely impact Kardan's ability to achieve its objectives and (v) from any of the risk factors specified in Kardan's Annual Report 2010 and in the "Periodic Report for 2010"published by Kardan N.V. in Israel on March 31, 2011 and which is also available at the Kardan website. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in the relevant forward-looking statement as expected, anticipated, intended, planned, believed, sought, estimated or projected. Kardan N.V. does not intend or assume any obligation to update or revise these forward-looking statements in light of developments which differ from those anticipated.

About Kardan

Kardan identifies and develops assets in promising emerging markets, mainly in the CEE, CIS and China. Its activities are mainly focused on three sectors that benefit from the rising middle class: Real Estate, Water Infrastructure and Retail Lending. In addition, the company has some investment activities in Israel. Company headquarters are in the Netherlands. Kardan aims at holding controlling interests in its investments and, through the development of local business platforms, is actively involved in the definition and implementation of their strategy. Total assets as of March 31, 2011 amounted to EUR 5.6 billion; revenues totaled EUR 181 million in the first quarter of 2011. Kardan is listed on NYSE Euronext Amsterdam and the Tel-Aviv Stock Exchange.

As of Page 7 of this press release, financial reports drawn up in accordance with the Dutch and Israeli regulations are included and form an integral part of this release.

For further information please contact:

Jan Slootweg
Management Board member Kardan N.V.
Office +31 (0)20 305 0010
www.kardan.nl

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

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

FINANCIAL REPORTS
FOR THE THREE MONTHS ENDED MARCH 31, 2011

The Financial Reports contain the following sections:

PART 1[1] MANAGEMENT REPORT FOR THE FIRST QUARTER 2011

1.1 Development of divisions[2] of Kardan and the respective markets

For the sake of clarity, the explanations of the following paragraphs 1.1 and in 2.1 are based upon the consolidated figures, thus including proportionally consolidated subsidiaries and minority interests, unless specifically stated differently. Details on the percentage of ownership can be found in paragraph 1.5.

Details of division and segment results can be found in note 3 of the Financial Statements.

Real Estate

Kardan is active in development and management of Real Estate mainly through GTC SA and GTC China, as well as through GTC Investments in Western Europe and Kardan Real Estate in Israel.

The largest holding, GTC SA, in which Kardan has a 27% stake (until January 20, 2011, Kardan held a 43% stake in GTC SA), operates mainly in Central and Eastern Europe. The results of GTC SA continue to be fully consolidated as effective control still exists. GTC China, fully owned by Kardan, develops residential and retail real estate in Tier 2 and Tier 3 cities in China, and focuses on developing mixed-use projects (residential and retail) as well as on managing commercial real estate.

In Q1-2011, the Real Estate division generated EUR 49 million revenues[3] (Q1-2010: EUR 43 million).

General market developments Central and Eastern Europe (GTC SA)

In the first quarter of 2011, CEE countries continued to show careful macroeconomic recovery as a result of increasing external demand, recovery of capital flows and in some countries also an improvement in the domestic demand and labor markets. Higher oil and food prices have however led to increasing inflation which may put some pressure on the GDP growth expectations for 2011.

In Poland, where GTC SA has the largest part of its asset portfolio, GDP growth was at the low end with nearly 1% q-o-q, as an increase in VAT per beginning of January led to less private consumption. Poland remains one of the top performers of CEE however and is expected to show a healthy GDP growth of some 4% in 2011, driven by a strong manufacturing sector and increasing export. In addition, investment is expected to increase thanks to EU infrastructure projects and preparations for the UEFA football championship in Poland and Ukraine in 2012. Czech Republic continues to be attractive for foreign investors because of its low labor costs, strategic location and legislative system. Romania and Bulgaria are carefully returning to a growth of GDP, on the back of strengthening exports and increasing foreign capital inflows. It is noteworthy that Romania is decreasing its dependency on IMF money, as it has not drawn the last tranche of the stand-by agreement.

After a long period of illiquidity in the CEE Real Estate markets, transactions outside of Central Europe have also started to emerge again in the first quarter of 2011. Croatia, Bulgaria and Romania have seen institutional purchases again, and in Hungary investment turnover is also gradually improving. The majority of this activity is retail led. The recovery of the demand will increasingly lead to supply gaps, particularly for quality property, and decreasing vacancy levels. Construction activity is still subdued primarily due to financing constraints. As GTC SA has continued to develop both office properties as well as retail properties during the past few years, the company is well positioned to fill the current lack of availability of high quality properties.

[1] Reference is made to the disclaimer on page 5 and at the end of part 1
[2] For the percentage of ownership reference is made to paragraph 1.5
[3] Reference is made to the Segment Information in the Financial Statements, note 3

Developments GTC SA

GTC SA In Euro million	Q1-2011 (31.03)	Q1-2010 (31.03)	2010 (31.12)
Rental + service Revenue	31	31	124
Residential Revenue	4	6	45
Gross profit rental	23	24	94
Gross profit residential	-	1	2
Revaluation	14	-	45
Net Profit	8	4	29
Inventory & residential land bank	259	272	254
Investment Property	2,192	2,059	2,118
Total Assets	2,748	2,683	2,728
Total Equity	1,078	998	1,053
Cash & st investments	160	210	230
Ratios			
Gross margin rental	74%	77%	76%
Gross margin residential	-	16%	4%
Loan to Value*	50%	51%	49%

* LTV= Loans net of cash and deposits / Investment Property and Inventory

- Total revenue in Q1-2011 amounted to EUR 35 million, a y-o-y decrease of 6%. The buildup of the revenue development was as follows:
  Rental revenues were up 2% y-o-y to EUR 24 million despite the fact that two office buildings (Topaz and Nefryt) were sold at the end of 2010 and consequently did not contribute to the rental income in the first quarter. The revenue increase mainly derives from assets which were completed after March 31, 2010, as well as from increases in rental rates specifically in shopping centers in Poland.
  Service revenues were impacted by - 4% y-o-y to EUR 7 million as the result of the sale of Topaz and Nefryt office buildings at the end of 2010.
  Residential revenues decreased in the first quarter of 2011 by 40% y-o-y, as a result of a slower pace of handovers to buyers.
  Gross margin on rental revenue decreased slightly due to the sale of the Topaz and Nefryt office buildings.
  For Q1-2011, the pre-tax revaluation gain amounts to EUR 14 million, mainly due to positive valuation of Galeria Mokotow. This well performing shopping center was sold after the balance sheet date (as further described in the “subsequent events” section), for an asset value of EUR 475 million. For Q1-2011, GTC SA has revalued the asset, based on market indication, to a value EUR 446 million.
  Net profit in Q1-2011 doubled to EUR 8 million (Q1-2010: EUR 4 million).

- The balance sheet of GTC SA remains solid. On March 31, 2011, GTC SA had EUR 160 million in cash and short term deposits (24% less than at March 31, 2010), as on the one hand investment activity is accelerating and on the other hand finance raising activity is adjusted to project development. Approximately 50% of GTC SA’s debt expires in 2017 or later, whilst GTC SA currently has a loan to value of 50% (Q1-2010: 51%). The average cost of financing remains around 5.5% (6.1% in the corresponding period last year).
  The completed commercial space increased to 544,000 sqm, up from 532,000 sqm as at year end 2010. The average occupancy rate for GTC SA is approximately 84%.
  Average yield for completed commercial properties remained at the same level as at year end 2010: 7.9%.
  The portfolio of investment properties under development at various stages of development will facilitate the construction of net area of 1.7 m sq m of commercial and residential space.

- Main events in the period were:
    - Avenue Mall Osijek (27,000 sqm), an entertainment and shopping center in Croatia signed lease agreements with various tenants. At opening of the Mall in April 2011, 90% was let.
    - On March 31, 2011 GTC SA obtained building permission for the construction of Platinium V, with a lease area of 11,000 sqm and 50% pre-let, in Poland. The construction started in April 2011.

General Market Developments in China (GTC China)

The Chinese economy expanded by 9.7% in the first quarter of 2011 (y-o-y) and 2.1% q-o-q. Of the three engines driving China's economic growth, consumer spending contributed 5.9 percentage points in the 9.7% GDP growth for Q1-2011. As food prices surged with 11% in comparison to the first quarter of 2010, the consumer price index rose by 5% in the first quarter,and thus also the inflation. The Chinese government considers keeping the price levels basically stable one of its primary tasks. Consequently, it is expected that more interest rate increases will occur this year, after the fifth interest hike since the start of 2010 was announced last April 5th.

<u>Property Market</u>
During the first quarter of 2011, investment in the property sector in China rose by 34.1% y-o-y. The residential sector was the main driver in this growth as, among other, the urbanization in China continues to be robust. Expectations are that between 2011 and 2020 China's urban population will increase by over 26% (approximately 160 million people). Consequently, lower-tier, lower-income regions and cities such as Chengdu and other Tier 2 and Tier 3 cities will grow in prominence.

Developments GTC China

GTC China is active in the residential and retail real estate markets.

GTC China (In Euro million)	**Q1-2011 (31.03)**	**Q1-2010 (31.03)**	**2010 (31.12)**
Rental + service Revenue	1.4	-	0.35
Residential Revenue	4	4	38
Revaluation (net of tax)	2	8	25
Net Profit (Loss)	1	4	15
Completed investment property	105	-	110
Investment property under construction	-	65	-
Inventory	113	96	132
Total Assets	464	311	465
Total Equity	150	143	161
Cash & short term investments	51	48	124
Operational Parameters (100%)			
Units sold in the period	599	996	3,461
Units handed over in the period	143	172	1,748

In the above table, the number of units represents 100% of the sales and apartments handed over by the project companies. In general, GTC China owns 50% of these companies. The other information is derived from the financial statements in which the figures of the joint venture projects are proportionally consolidated.

- Q1-2011 revenues for GTC China for the first time include a full quarter of rental and service revenue (Chengdu). Total revenue amounted to EUR 5.4 million in Q1-2011, an increase of 37%, which is mainly attributable to the rental revenue of Chengdu, GTC China's first shopping mall which was opened end of November 2010. Residential revenue increased slightly by 2% in comparison to the same period last year, whereas some 17% less apartments were handed over.

- A net revaluation gain of EUR 2 million was recorded in the first quarter of 2011, wholly attributable to Chengdu. The occupancy rate of Chengdu as at March 31, 2011 was 89%.

- During Q1-2011 GTC China handed over 143 apartments to buyers (Q1-2010: 172). The Chinese government continues to take measures to control the inflation rate and to curb speculation in real estate. Although GTC China was not impacted by these measures during 2010, in Q1-2011 the number of units sold showed a marked slow-down (Q1-2011: 599 versus Q4-2010: 805).

- As the number of apartments handed over in the first quarter of 2011 was less than the number of sale contracts signed, the number of sold apartments still to be handed over as of March 31, 2011 increased to 5,455 (Kardan stake is 50%).

Developments Kardan Real Estate, Israel

Kardan Real Estate, owned for 71.8% percent by Kardan Israel Ltd, owns a stake of 30% in a residential project in Jerusalem called Holyland. This project is subject to an investigation by Israeli authorities of which the impact on Kardan N.V. is difficult to estimate. For further information reference is made to the notes to the Financial Statements as of March 31, 2011.

Water Infrastructure (Tahal)

Kardan is active in the infrastructure business and operates as a leading international engineering company, specializing in water-related infrastructure projects and water-related asset ownership through its 100% owned subsidiary Tahal Group International ("TGI"). TGI is active in approximately 30 countries, across 4 continents, primarily in Eastern Europe, China, Africa and Israel. TGI has two subsidiaries: Tahal Projects and Tahal Assets.

Tahal Projects engages in two basic types of projects: engineering, procurement and construction (EPC) projects as well as design projects. Tahal Assets invests in water-related assets such as municipal water systems, desalination plants and waste water treatment plants, mainly in China, Israel and Turkey. During the development phase these assets do not generate cash. After completion of the development phase, water is delivered to municipalities and industrial areas on the basis of long term concession rights (twenty to thirty years).

Revenues[4] in Q1-2011 for TGI amounted to EUR 40 million in comparison to EUR 39 million over the same period in 2010.

Global Market Developments

Population growth, social mobility and industrial expansion fuel the demand for water. In addition, pollution and climate change increase the pressure on the world's rapidly diminishing fresh water supply. To address the effects of these economic, demographic and environmental factors, governments worldwide are allocating more funds to water infrastructure projects.

China, with 21% of the global population and roughly 7% of the world's renewable water supply, needs strategic measures to avoid severe water shortages on the longer term. One of the focal areas of China's five year plan (2011 – 2015) is water conservation, particularly relevant for Tier 2 and Tier 3 cities, Tahal's target market in China. Substantial stimulus packages have been created by the Chinese government to tackle the current and imminent water problem in China. China encourages international expertise and investment with regard to specifically wastewater treatment plants.

In Africa, water management is a key focal area as water is imperative for food security and thus to the stability within countries. Specialized companies, such as Tahal, are invited to tender for numerous large water projects.

[4] Reference is made to the Segment Information in the Financial Statements, note 3

Developments Tahal Projects

Tahal Projects (100%) (In Euro million)	**Q1-2011 (31.03)**	**Q1-2010 (31.3)**	**FY-2010 (31.12)**
Revenues	22	24	111
Gross Profit	5	5	23
EBITDA	2	2	10
Profit (Loss)	-	-	2
Total Assets	106	117	142
Equity* / assets	38%	32%	29%
Net debt ** (excl. SH loans)	(1)	12	10
Cash	17	15	34
Other			
Back Log ***	175	172	183

* Shareholder equity including shareholder loan
** Bank Loans net of cash and cash equivalents
*** Projects with signed agreement and received first payment. The project in Angola (expected revenues EUR 143 million) is not included.

- Tahal Projects generated EUR 22 million (Q1-2010: EUR 24 million) in revenues in Q1-2011 (down 8 % y-o-y).As the majority of the business of Tahal Projects is done in US Dollars, the depreciation of the USD versus the EUR resulted in lower EUR revenues. For further details reference is made to paragraph 1.4.

Development Tahal Assets

Tahal Assets (In Euro million)	**Q1-2011 (31.3)**	**Q1-2010 (31.3)**	**FY-2010 (31.12)**
Revenues	18	15	65
Gross Profit	5	4	16
EBITDA	2	2	7
Profit (Loss)	1	-	3
Total Assets	205	163	186
Equity* / assets	38%	39%	37%
Net debt** (excl. SH loans)	63	43	58
Cash	8	24	15

* Shareholder equity including shareholder loan
** Bank loans net of cash and cash equivalents

- Tahal Assets finalized the acquisition of the wastewater treatment plant in Xuanhua in China, contributing to the revenue increase of 20% y-o-y and its total assets by 26%. In the first quarter an agreement was signed to develop a new wastewater treatment plant in China. For further details reference is made to paragraph 1.4.

Financial Services (KFS)

Kardan operates in the financial services sector through its 100% holding in KFS, which owns 92% of TBIF (retail lending). In the last quarter of 2010, the sale of 40% which KFS held in TBIH (Insurance and Pension) to its co-shareholder, Vienna Insurance Group was completed.

During 2010, TBIF was active in banking, consumer finance, leasing and mortgages: in Russia and Ukraine, mainly through its stake in Sovcombank (Russia) and its stake in VAB Bank (Ukraine), and in Romania and Bulgaria, through its fully owned non-banking subsidiaries. After a strategic assessment of its banking asset in Ukraine (VAB Bank), Kardan decided to sell VAB Bank, which transaction was completed in January 2011.

In line with IFRS principles, the results related to Sovcombank (for Q1-Q3 2010), TBIH (full 2010) and VAB Bank (full 2010 and the result of the sale in Q1-2011), are presented in the discontinued operations Income Statement in the Financial Statements.

General Market Developments CEE/CIS

Russia

The Russian economy continues to grow, benefiting from the recent high price of oil. Industrial production remains a key driver for growth, although it slowed to 4.1% y-o-y in the first quarter of 2011. Manufacturing output however did increase and the outlook is looking positive for the coming months. Net exports have contributed significantly to the Q1-2011 growth. Retail sales have rebounded in Q1-2011, although real disposable income and increasing prices have reduced consumer purchasing power. This is generally noticeable in lagging asset and lending growth in the banking sector. Sovcombank has however not experienced a slowdown. Expectations are though that the banking sector will rebound in the second half of 2011, as private consumption and investments are anticipated to increase as the Russian government is putting high priority on improving the country's investment climate.

Romania

The Romanian economy grew by 0.8% in Q1-2011 y-o-y, indicating that Q1-2011 is the second consecutive quarter of economic growth. The gradual growth is mainly driven by export, as domestic demand is still weak due to, among others, an increase in VAT as of January 2011 and wage cuts. The unemployment rate fell however, after the government's labor reform. Consequently, it is expected that domestic demand will show recovery in the second half of the year. This may lead to a recovery for demand for consumer credits, the market on which TBIF is active. Foreign direct investments are growing, which may also help to achieve narrowing the fiscal gap to 5%/GDP in 2011 from 6.5%/GDP in 2010.

Bulgaria

Bulgaria's GDP increased between 0.5% and 1% in Q1-2011 according to the Centre for Economic Development. The financial performance of most of Bulgaria's public companies showed improved Q1-2011 results on the back of an increase in domestic market sales and stable earnings from sales abroad. These results are the first sign of a revival in the domestic market. Banking sector data also showed a slight increase in the demand for consumer loans, indicating that consumer confidence is gradually returning. Higher food prices and energy prices are driving up inflation though, which may have a negative influence on consumer purchasing power. Still, expectations are that the rebound in the export will outweigh the lagging domestic demand, thus accelerating GDP growth for Bulgaria.

Developments KFS

Retail Lending

Sovcombank

The figures in the table below represent 100%.

Sovcom (100%) (In Euro million)	Q1-2011 (31.03)	Q1-2010 (31.03)	2010 (31.12)
Net banking income*	55	39	151
Profit (Loss)	9	8	40
Total Equity	122	87	112
Total Assets	1,140	842	1,076
Equity / Assets	11%	10%	10%
Cash & ST investments	499	362	474
Operational Parameters	**31.03.2011**	**31.03.2010**	**31.12.2010**
Gross Loan Portfolio	605	460	558
Deposits	735	593	762
Loan / Deposits	82%	78%	73%
Provisions	7.2%	10.9%	5.6%
NPLs	2.7%	6.0%	3.4%
Book value in TBIF ** (equity, loans and goodwill)	129	87	124

* Incl. net interest income, net commission income and other operating income
** This represents the 50% stake of TBIF

Due to the sale of 16% of the Russian bank Sovcom to its co-shareholder in September 2010, the results of Sovcombank, before September 30, 2010, are recorded in the Consolidated Financial Statements of Kardan as "discontinued operations" based on IFRS rules.
Following the completion of the transaction, TBIF and the co-shareholder each own 50% of Sovcombank share capital. Consequently, starting September 30, 2010, the balance sheet and results of Sovcombank are proportionally consolidated in the Financial Statements of Kardan.

In the first quarter of 2011, Sovcombank continued to perform well. Net banking income increased by 41%, as a result of an increase in the gross loan portfolio as well as a higher than usual effect of commission income, which from Q1-2011 is recognized immediately and not spread over the tenor of the loan, whereas the company still benefits from the release of provision income related to loans originated in the past. The percentage of non- performing loans (NPL's) continued to improve to the low level of 2.7% as at March 31, 2011. Provisions increased due to one specific corporate loan, amounting to EUR 10 million, which, after thorough review of management, had to be fully provisioned, as it was defaulting.

The increase in the gross loan portfolio as at March 31, 2011, in comparison to December 31, 2010, is 8%. The Ruble depreciated against the EUR with 1%. The retail share in the loan portfolio is 56 % (December 31, 2010: 54%). In the first quarter of 2011, deposits decreased by 4% to EUR 735 million, mainly due to the withdrawal of a corporate deposit. The retail share in deposits is 86% (end of 2010: 78%). The impact of currency was negligible.

With the sale of VAB Bank and VAB Leasing in the first quarter of 2011, Kardan has ended its exposure to loss making operations in Ukraine. Only the profitable lease activities of Avis Ukraine remain part of the Kardan Group.

The other financial services activities, which include non-banking leasing and consumer finance (in **Romania and Bulgaria**), experienced a decrease of portfolios in all lines of business. The main reason for this is the ongoing challenging economic situation in those countries.

Bulgaria & Romania 100% (In Euro million)	**Q1-2011 (31.03)**	**Q1-2010 (31.03)**	**2010 (31.12)**
Net banking income*	7	10	37
Profit (Loss)	(1)	(1)	(3)
Total Equity	44	47	43
Total Assets	205	261	217
Equity / Assets	21%	18%	20%
Cash & ST investments	13	16	18
Operational Parameters	**31.03.2011**	**31.03.2010**	**31.12.2010**
Gross Loan Portfolio	204	241	204
Provisions	17.3%	10.2%	15.7%
Book value in TBIF (equity, loans and goodwill)	102	109	107

* Incl. net interest income, net commission income and other operating income

The Bulgarian and Romanian retail lending activities generated 30% less net banking income as a result of lower demand for products.
In April 2011, TBIF announced the acquisition, pending regulatory approval, of NLB Banka Sofia AD in Bulgaria. With the banking license, the retail lending activities will be less dependent on wholesale funding as they can start to attract deposits. This should have a positive impact on the margins going forward. Demand for lending remains slow however, as purchasing power in both countries is still at a low level and only very gradually improving.

Insurance and Pension

In November 2010, KFS completed a transaction whereby it sold its 40% stake in TBIH to Vienna Insurance Group. Following this transaction, Kardan has exited the insurance and pension segment.

Kardan is active in the Rental and Leasing of vehicles and Sale of vehicles segments in Israel. Kardan holds a 74% stake in Kardan Israel.

General Market Developments Israel[5]

According to the Israeli Central Statistics Bureau, Israel's GDP grew by an annual rate of 4.7% over the first quarter of 2011, after rising by 7.6% in the fourth quarter of 2010 and 4.8% in the third quarter. The continued economic growth will depend on the developments of the US and European markets which are the main target markets for Israeli exports. To avoid high inflation and to cool down real estate prices, the Bank of Israel raised its lending rate by 1% during Q1-2011 and in turn increased the prime interest rate to 4.5%. After the end of the first quarter the Israeli Central bank raised the interest rate by an additional 0.25%.

Rental and Leasing of vehicles

In this segment Kardan N.V. is active through Dan Vehicle & Transportation (operational under the brand name AVIS Israel), of which it indirectly held 50%. In March 2011, Kardan Israel increased its stake in AVIS Israel to 68% and became the controlling shareholder of that company.

[5] This reflects market developments for both Rental & Leasing of vehicles as well as for Sale of vehicles

Developments of Rental and Leasing of vehicles

The leasing market in Israel has become more competitive due to lower demand and cheap and available finance for leasing companies. The demand for leasing of vehicles has decreased due to recent regulations in Israel on taxation of lease cars. As a consequence, employees are facing increasing income tax amounts, as the value of their lease car is considered to be additional compensation.

Developments AVIS Israel

The revenues and net profit of Dan Vehicle & Transportation (Avis Israel) in Q1 2011 decreased in comparison to the results of Q1 2010, mainly due to lower revenues and profit margin of second-hand vehicles. As of 31.3.11, AVIS Israel had a car fleet of approximately 30,200 cars.

Sale of vehicles

Developments of sale of vehicles

Israeli automotive sales market continued to grow and increased by 26% in Q1-2011 in comparison to Q1-2010, with approximately 63,000 vehicles being handed over in Q1-2011. In this segment, Kardan owns a 30% indirect stake of UMI, the exclusive importer of the core brands of General Motors in Israel; Chevrolet, Buick and Cadillac, as well as Isuzu.

Developments UMI

In Q1-2011, UMI maintained its market share of approx. 7% and was able to increase its revenues by 23% vis-à-vis Q1 2010. The net profit remained stable due to a decrease in the gross profit margin, resulting from a different mix of the vehicles sold as well as due to corporate sales, which have a lower profit margin.

1.2 Main events in Q1-2011

Kardan

- In January, 2011 - Kardan announced that Maalot, the Israeli subsidiary of Standard & Poor's ("S&P"), reported that it has changed the outlook on the rating of the debentures issued by Kardan (ilBBB+), from negative to stable. S&P states that the change in rating is mainly due to improved liquidity and greater financial flexibility for Kardan. Moreover, Kardan management confirmed that it intends to reduce its leverage by more than EUR 100 million during 2011.

Real estate (GTC)

- In January, 2011, Kardan announced that its wholly-owned subsidiary, GTC Real Estate Holding B.V. ("GTC Holding"), had successfully sold 35,100,000 shares (representing 16% holdings) of GTC SA. The shares were sold at a price of PLN 21.50 per share. Gross proceeds amounted to PLN 754,650,000 (approximately EUR 195 million). The proceeds will be used by Kardan to increase financial headroom to implement its strategy, and to reduce its leverage. Following the sale, GTC Holding holds 59,529,180 shares in GTC SA, representing approximately 27.14% of GTC SA's issued share capital. In connection with the transaction, Kardan has agreed to retain its remaining interest in GTC SA for a period of at least 15 months.

- At the end of January, 2011, Kardan announced that its wholly owned subsidiary GTC China had signed an agreement to sell its 50% stake in a real estate project in Hangzhou, China. According to the agreement GTC China would sell its 50% holding in the real estate project company Hangzhou International Financial Center Co.Ltd. ("HIFC") to a Chinese real estate and investment company, Rich Holding Group Co. Ltd. This transaction was completed on April 1, 2011 following the receipt of the necessary regulatory approvals. The consideration for the transaction amounts to RMB 269 million (approximately EUR 28 million on April 1, 2011). The transaction is expected to result in a gain for GTC China of approximately EUR 6 million net of withholding tax on the transfer of proceeds out of China, which for Kardan translates in an approximate gain of EUR 5 million (after IFRS adjustments on the holding level).

Financial Services (KFS)

- In January, 2011, Kardan announced that TBIF signed agreements to sell its stake in VAB Bank, its Ukrainian banking operation, to a group of international investors represented by Troika Dialog investment bank. TBIF decided to sell its stake in VAB Bank following a strategic review. On January 28, 2011, the sale of VAB Bank was completed. The sale of VAB Leasing was completed on February 2, 2011.

Kardan Israel

- In January, 2011, Kardan Israel signed an agreement to purchase the controlling stake in AVIS Israel and to simultaneously end its partnership with Dan Company for Public Transport Ltd. ("Dan") in Emed Real Estate Development & Investments Ltd. ("Emed"). Kardan Israel held 50% of the Emed shares through its subsidiary Kardan Emed Properties Ltd.("Emed Properties"). The other 50% of the Emed shares were held by Dan, Nahor Ltd., as well as by Dan members ("Dan Group"). Emed held 54.25% of AVIS Israel shares (authorized to use the brand name AVIS in Israel) which activities comprise both short term rental as well as operating leases.
  Kardan Israel signed two agreements: i) to end the joint control held by Kardan Israel and Dan in Emed by selling its stake in Emed Properties to the Dan Group for a consideration of NIS (Israeli Shekel) 359 million (approximately EUR 77 million) and ii) to an agreement to increase Kardan Israel's indirect control in AVIS (via Emed Properties) by purchasing from Emed its 54.25% stake in AVIS Israel, in consideration for NIS 334 million (approximately EUR 72 million, following which Kardan Israel will have a stake of 68% in AVIS Israel. The transaction reflects a value of NIS 616 million (approximately EUR 133 million) for AVIS Israel. Following the completion of the transaction in March 2011, Kardan Israel recorded a loss of approximately NIS 35 million (approximately EUR 7 million) because the transaction value for the acquisition of the shares in Avis Israel exceeded the fair value on the date the transaction was closed. The transaction resulted in a change of control in AVIS.

1.3 Subsequent events

- Beginning of April 2011, TBIF signed an agreement to acquire the Bulgarian bank NLB Banka Sofia AD ("Banka Sofia") from the Slovenian banks Nova Ljubljanska Banka and Factor Banka

  This acquisition is in line with Kardan's strategy to further strengthen its existing investments in Bulgaria and Romania and to seek new synergetic investments in these two countries. The operations in Bulgaria and Romania are currently licensed as non-banking financial institutions. Consequently, they are limited in comparison to banks in their product array and in access to diversified funding possibilities. With the purchase of Banka Sofia, TBIF plans to upgrade its operation in Bulgaria into a full banking operation. TBIF plans to leverage on its vast experience and expertise with regard to branding, loan origination and underwriting as well as with deposit taking, to create an efficient banking operation focused on retail and SME banking. As of December 31st 2010, Banka Sofia had total assets of EUR 101 million, of which a loan portfolio of EUR 91 million and equity of EUR 12 million.
  The consideration for the acquisition is EUR 15 million. One of the sellers will maintain funding lines of up to EUR 15 million with Banka Sofia, for periods ranging from 3 months to 5 years.

- In May, 2011, Globe Trade Centre S.A. ("GTC SA") signed an agreement to sell its 50% stake in Galeria Mokotow in Warsaw to an affiliate of Unibail Rodamco S.E. The transaction values the asset at EUR 475 million. The sale will generate approximately EUR 110 million of cash for GTC SA. The purchaser is an affiliate of Unibail Rodamco S.E.– the current co-owner and manager of the shopping center. The transaction will strengthen GTC SA's financial position

even more and facilitate future developments. The final execution of the transaction is subject to standard closing conditions and regulatory approvals. The estimated profit from this transaction for Kardan is approximately EUR 1 million.
The rental income (100%) of Galeria Mokotow in 2010 amounted to EUR 24.8 million.

1.4 Results First Quarter 2011

The contribution of each of the businesses to the results of Kardan is shown in the table below. As profits attributable to minority shareholders in the businesses have already been deducted, these figures do not represent the full net result realized in each division or segment. The full net results of the divisions and segments are presented in paragraphs 1.1 and 2.1.

Breakdown of the net result for equity holders of Kardan N.V. (EUR million)	**Q1-2011**	**Q1-2010**	**FY-2010**
Real Estate	3	3	13
Water Infrastructure – Projects	-	-	2
Water Infrastructure – Assets	1	-	3
Financial Services – Retail Lending	4	(17)	(57)
Financial Services – Insurance and Pension*	-	7	31
Rental and Leasing of vehicles	(5)	2	2
Sale of vehicles	2	2	7
Other	(5)	(10)	(28)
Total net result attributable to equity holders	**0**	**(13)**	**(27)**
Profit (loss) per share (EUR)	-	(0.13)	(0.27)
Profit (loss) per share diluted (EUR)	-	(0.13)	(0.27)

* The sale of the insurance and pension segment was completed in Q4-2010

Kardan N.V. – balance sheet (company only)	**March 31, 2011**	**December 31, 2010**
Total Assets (in EUR million)	980	1.030
Total Equity (in EUR million)	351	334
Equity/Total assets (%)	36	32

In Q1-2011 the net profit attributable to equity holders of Kardan N.V. was break-even, an increase of EUR 13 million compared to the loss of EUR 13 million in the same period of last year.

<u>Real Estate</u>
The net result of the Real Estate division amounted to EUR 3 million, similar to the profit in Q1-2011 mainly as a result of the following:

- The profit of GTC's operating companies, net of tax, in Q1-2011 amounted to EUR 4 million, a decrease of EUR 1 million compared to the profit of EUR 5 million last year. Despite the sale of 16% of the shares of GTC SA in January 2011, the contribution of GTC SA was similar to Q1-2010. The main elements of the result are:
    - In Q1-2011, the total revaluation profits net of tax amounted to EUR 5 million (Q1-2010: profit of EUR 6 million). GTC China recorded a revaluation profit net of tax of EUR 2 million (Q1-2010: EUR 8 million) on the shopping centre in Chengdu, that was opened in November 2010. GTC SA booked a revaluation profit net of tax of EUR 3 million (Q1-2010: nil). The positive result is attributable to a shopping centre in Poland.

- o Losses from the operating companies after tax, excluding revaluation results, amounted to EUR 1 million (Q1-2010: loss of EUR 1 million). The result of GTC SA is break-even. GTC China recorded a loss of EUR 1 million (Q1-2010: loss of EUR 4 million). EUR 1 million of the improvement is due to rental income from the shopping center in Chengdu that was opened in November 2010, as well as a higher gross margin, in comparison to the same period last year, from apartments which were delivered in Q1-2011. Other expenses and taxes of GTC China in Q1-2011 amounted to EUR 2 million (Q1-2010: EUR 4 million) and were lower because in last year one off expenses of EUR 2 million were recognized.

- Emed, a joint venture of Kardan Israel, sold a land plot in Tel Aviv. Just before the sale the land was positively revalued. This contributed a revaluation gain of EUR 2 million to Kardan (reference is also made to paragraph 1.2). The total contribution of the Israeli activities (Emed and Kardan Real Estate), including revaluation results, was a profit of EUR 2 million (Q1-2010: loss of EUR 2 million).
- Finance expenses and general and administrative expenses on the level of GTC Real Estate Holding, the holding company of the Real Estate division, amounted to EUR 3 million in Q1-2011. In the same period last year, the expenses amounted to EUR 2 million. The increase is explained by an increase of finance expenses.

Water Infrastructure (Tahal)

Tahal realized a profit of EUR 1 million in Q1-2011, an increase of EUR 1 million compared to the break even result in Q1-2010. Tahal operates through two segments: Tahal Projects and Tahal Assets.

- The result of Tahal Projects was break-even, like last year. Revenues amounting to EUR 22 million were a bit lower (-EUR 2 million) as the start of some projects was delayed, as well as due to some currency effect.

- Tahal Assets recorded a net profit of EUR 1 million (Q1-2010: breakeven). Revenues increased to EUR 18 million (+ 20% versus Q1-2010). The improved net result is attributable to the activities in China and Israel

Financial Services (KFS)

KFS contributed a net profit of EUR 4 million in Q1-2011, compared to the Q1-2010 net loss of EUR 10 million. The contribution of the activities still in the portfolio as of March 31, 2011 was breakeven, similar to last year as is shown in the table below:

	Q1-2011	**Q1-2010**
VAB Bank and VAB Leasing, sold in Q1-2011	4	(19)
TBIH, mainly the revaluation of the option held by KFS to sell its stake to VIG	-	7
Results operating companies in portfolio as of March 31, 2011 on a like for like basis	4	5
Finance and G and A expenses of KFS/TBIF companies	(4)	(3)
Total contribution	4	(10)

The profit is explained as follows:

The Retail Lending segment (TBIF) contributed a profit of EUR 4 million in Q1-2011 versus a net loss of EUR 17 million in Q1-2010.

- As shown in the table above, the profit in Q1-2011 is attributable to the sale of the shares of VAB Bank and VAB Leasing.
- The operating companies contributed a profit of EUR 4 million in Q1-2011, EUR 1 million less than in the same period of last year, mainly due to the reduced stake, from 66% in Q1-2010 to 50% in Q1-2011, in Sovcombank.
  - o The contribution of the companies in Bulgaria and Romania was slightly negative in line with Q1-2010, due to a decreasing portfolio as new business is still low.

  - o The contribution of Sovcombank was EUR 4 million in Q1-2011. In Q1-2011, the profit was positively impacted by full recognition of insurance commissions. The company also still benefits from amortized commission income relating to loans originated in previous years.
  - o Provisions increased due to one specific corporate loan, amounting to EUR 10 million, which, after thorough review of management, had to be fully provisioned, as it was defaulting.
- Finance and General and Administrative expenses of KFS and TBIF in both Q1-2011 and 2010 are mainly caused by the net debt position of the companies and the expenses of the head office of the retail banking segment.

In July 2010, KFS signed an agreement to sell its stake of 40% in the Insurance and Pension segment (TBIH). In Q1 2010 this segment contributed a profit of EUR 7 million, mainly attributable to the revaluation to fair value of an option held by KFS to sell the stake in TBIH to the partner. The loss from operating companies in Q1 2010 was EUR 1 million.

Rental and Leasing of vehicles
The segment contributed a loss of EUR 5 million in Q1-2011, whereas in Q1-2010 a profit of EUR 2 million was realized. The decrease is mainly due to a loss attributable to a transaction concluded for obtaining control in Avis Israel. Reference is made to par. 1.2. The contribution of the companies operating under Avis brand in Israel and Ukraine was EUR 1 million, slightly lower than Q1-2010.

Sale of Vehicles
In Q1-2011, the contribution of UMI to the profit for equity holders of Kardan was EUR 2 million (Q1-2010: EUR 2 million).

Other
Other activities include investments that are relatively immaterial ("Communications and Technology", "Import and Sale of white goods" and "El Har" which performs building construction works in Israel), general and administrative expenses, finance and tax expenses of Kardan N.V. and Kardan Israel Ltd. The total loss of these activities amounted to EUR 5 million (Q1-2010: loss of EUR 10 million).

The decrease of the loss is due to a decrease of the finance expenses of Kardan N.V. and Kardan Israel Ltd from EUR 7 million in Q1-2010 to EUR 1 million in Q1-2011. The decrease mainly relates to a positive currency change of EUR 4 million of the balance of the part of the Kardan N.V. Israeli Shekel (NIS) denominated debentures, which has not been hedged to the Euro. In Q1-2010 a loss of EUR 3 million was recognized on the revaluation of a forward transaction regarding Kardan N.V.'s Israeli Shekel denominated debentures that were purchased through a subsidiary that did not qualify for hedge accounting.

The Communications and Technology sectors contributed a loss of EUR 2 million (Q1-2010: breakeven). The loss is mainly attributable to a revaluation of the stake in a listed company, as well as finance expenses.

General and Administrative expenses of Kardan N.V. in Q1-2011 were EUR 2 million, equal to the same period of last year.

- **Equity attributable to the shareholders of Kardan N.V. as of March 31, 2011**

As at March 31, 2011, the shareholder's equity of Kardan amounted to EUR 351 million, an increase by EUR 17 million compared to EUR 334 million at year-end 2010. This increase is composed mainly of the "capital gain" of EUR 27 million on the sale of 16% of the shares in GTC SA. This gain is not recognized in the profit and loss account because the transaction did not result in a change of control. According to IFRS 3, in such a case the "gain" needs to be recorded directly in equity. Other direct movements in shareholders' equity include an increase of EUR 6million of the hedge reserves and a decrease of EUR 17 million of foreign currency translation reserve, due the strengthening of the Euro against the Chinese Renmimbi.

The solvency ratio (shareholder's equity/total assets) of Kardan as of March 31, 2011 is 36%, in comparison to 32% as at year-end 2010.

As a result of transactions in Q1 2011, the net debt position of Kardan as of March 31, 2011 decreased to EUR 325 million from EUR 472 million as of December 31, 2010.

1.5 Book value of investments Kardan N.V.

The following table summarizes the book value of the companies held directly by Kardan as of March 31, 2011 and December 31, 2010 (amounts in EUR million):

Holding Company	Name of subsidiary	Share in subsidiary	Book Value in Kardan NV	Loans granted by Kardan NV	Total Investment in books 31.03.11	Total Investment in books 31.12.10
Kardan NV	GTC RE Holding (*) (1)	100%	369	(1)	368	511
	KFS (**) (1)	100%	130	92	222	201
	Tahal (2)	100%	51	43	94	97
	Kardan Israel	73.67%	67	-	67	74

(*)

Holding Company	Name of subsidiary	Share in subsidiary	GTC Holding Book Value	Loans granted by GTC Holding	Total Investment in books 31.03.11	Total Investment in books 31.12.10
GTC RE Holding	GTC SA	27.1%	274	-	274	427
	GTC China	100%	155	64	219	230
	GTC Investments	46.3%	4	10	14	14

(**)

Holding Company	Name of subsidiary	Share in subsidiary	KFS Book Value	Loans granted by KFS	Total Investment in books 31.03.11	Total Investment in books 31.12.10
KFS	TBIF	90.6%	154	100	254	247

- The main difference in the total investments in GTC RE Holding and KFS as of March 31, 2010 compared with December 31, 2010 is a change in the translation reserves as well as movements in the loans granted by Kardan NV in Q1 2011.
- The main difference in the total investments in Tahal as of March 31, 2011 compared with December 31, 2010 is a result of change in the translation reserves.

1.6 Financial Position of Kardan Group as of March 31, 2011

- **Loans maturity**

Kardan has a decentralized funding structure. This means that Kardan, its direct subsidiaries (all being holding companies of the operational entities), and the operational entities mostly are responsible for the funding of their own activities. As a consequence, within the Kardan group many agreements with lenders are in place with different covenants. As of March 31, 2011, the Group is compliant with all covenants.

The following table provides an overview of the cash positions and refinance obligations for convertible and non convertible debentures and other interest bearing loans as at March 31, 2011 for Kardan N.V. and its divisions.

EUR Millions	Free Cash & Cash equivalents	Debt/loans maturing					
		Before March 31, 2012	Before March 31, 2013	Before March 31, 2014	Before March 31, 2015	After March 31, 2015 & till March 31, 2028	Total
Kardan N.V.		2	69	117	117	315	620
GTC Group	108	118	87	181	316	924	1,626
KFS	215	154	41	35	9	48	287
Tahal Group International	272	35	16	16	28	19	114
Kardan Israel*	25	168*	78	92	74	93	505
Total	56	**477**	**291**	**441**	**544**	**1,399**	**3,152**

From the total debt payable after March 31, 2015, the total amounts due in the next five years are respectively EUR 362mn, EUR 247mn, EUR 134mn, EUR 131mn and EUR 349mn.

* Includes liabilities of Avis (Israel) in the sum of EUR 114 million. Repayment of liabilities of AVIS is financed by proceeds from car fleet sales, which are not presented in this table.

- **Net debt** [6]

The following table summarizes the net debt of Kardan NV and if applicable of its directly held subsidiaries (company only) as of March 31, 2011:

(*) Approximately 80% par value of the Debentures are presented in EUR in accordance with the currency hedging transactions

Company	Net Debt (in EUR million)	
Kardan NV	**Liabilities:**	
	Debentures (*)	(493)
	Loans from banks	(32)
	Assets:	
	Loan to KFS	92
	Cash and short term investments	108
	Net debt	**(325)**
GTC RE Holding	**Liabilities:**	
	Loans from banks	(142)
	Assets:	
	Loans to subsidiary	40
	Net debt	**(102)**
KFS	**Liabilities:**	
	Loans from Kardan NV	(92)
	Loans from banks and others	(52)
	Assets:	
	Cash and short term investments	1
	Loans to minority in subsidiary	13
	Loans to TBIF	100
	Net debt	**(30)**

[6] Net debt includes interest bearing loans and borrowings, debentures and convertible debentures, less cash and cash equivalents and interest bearing receivables

TGI	**Liabilities:**	
	Loans from others (and related warrants)	(18)
	Assets:	
	Loan to related party	7
	Net debt	**(11)**
Kardan Israel	**Liabilities:**	
	Debentures	(59)
	Loans from banks	(50)
	Assets:	
	Loan to subsidiary	4
	Cash and short term investments	10
	Net debt	**(95)**

(*) Approximately 80% of the debentures are presented in EUR in accordance with the currency hedging transactions.

Disclaimer

This report contains forward looking information as defined in the Israeli Securities Act, based on macro economic data relevant to each geographical region in which Kardan N.V. is active, the management's experience and the condition of the local and global market. The aforesaid may not materialize completely or part thereof, or materialize in a different manner, including materially different from what is expected as a result of changes in the state of the market, new regulations, continuation and/or worsening of the global economic crisis or incorrect assessments by management.

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

Real Estate:

Unicredit CEE Quarterly, March 2011
KBC Economic Emerging Europe outlook 1st quarter 2011
Jones Lang LaSalle Poland Capital Markets bulletin q1-2011
Cushman _ Wakefield Poland economic snapshot q1/2011
www.chinadaily.com article 15.04.2011
Economist Intelligence Unit, Building Rome in a Day (Sustainability of China's housing boom)
www.news.xinhuanet.com; article of 15 April 2011

Water Infrastructure

Nomura (*Water & Environment | Asia, February 2011)*,
Global Water Institute (*Study 2010)*
Global Water Institute – corporate site
Access, Event Report, 11 October 2010
Innovation Center Denmark, Wastewater treatment in China, August 2009

Financial Services

Cushman & Wakefield, Marketbeat, economic snapshots Q1-2011
www.globserver.com; Russia commercial banking report Q1-2011
Markit Economic Research, Russia, 05/04/2011
Unicredit, CEE Quarterly March 2011

Automotive market

Car Importers Association (Israel), *website*

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

PART 2 ADDITIONAL INFORMATION

2.1. Financial analysis

2.1.1 Following is a summary of Kardan N.V.'s consolidated balance sheet (in EUR millions)

Clause	31.3.11	31.3.10	31.12.10	Notes
Total balance sheet	5,637	6,308	5,999	The decrease as of March 31, 2011 compared to December 31, 2010 is mainly a result of the sale of VAB which assets accounted for EUR 578 million in December 2010.
Current assets	1,766	2,290	2,298	The decrease as of March 31, 2011 compared to December 31, 2010 is mainly a result of the sale of VAB whose assets, which were presented as current assets accounted for EUR 578 million in December 31, 2010.
Non current assets	3,871	4,018	3,701	The increase as of March 31, 2011 compared to December 31, 2010 is mainly a result of the first time full consolidation of AVIS Israel in the financial statements of Kardan Israel as a result from increasing its stake from 41% (proportionate consolidation) to 68% (see also the main events section).
Current liabilities	1,411	1,889	1,949	The increase as of March 31,2011 compared to December 31, 2010 is mainly a result of the sale of VAB whose liabilities, which were presented as current liabilities accounted for EUR 575 million in December 31, 2010.
Other debentures	1,063	1,047	1,016	The increase as of March 31, 2011 compared to December 31, 2010 is mainly a result of the first time full consolidation of AVIS Israel in the financial statements of Kardan Israel as a result from increasing its stake from 41% (proportionate consolidation) to 68% (see also the main events section).
Interest-bearing loans and borrowings	1,545	1,788	1,582	The decrease as of March 31, 2011 compared to December 31, 2010 is mainly a result of early repayment of loans within the Group.
Equity attributable to equity holders of the parent	351	331	334	The increase as of March 31, 2011 compared to December 31, 2010 is mainly a result of the transaction to sell 16% of GTC SA which was accounted for directly in equity.

2.1.2 Income Statement of Business Operations (in EUR million):

	1-3/2011	1-3/2010	1-12/2010	Notes
Revenues				
Sale of goods	20	18	109	The increase in sale of goods in 3M 2011 vs 3M 2010 is mainly a result of an increase in delivery of offices held as inventory.
Contract revenues	48	46	203	The income mainly represents the revenues from projects in the (Water) Infrastructure segment operated by Tahal Group.
Revenues from renting vehicles	34	26	113	The increase in revenues from renting vehicles in 3M 2011 vs 3M 2010 is mainly a result of the first time full consolidation of Avis Israel.
Revenues from sale of rental vehicles	23	19	71	The increase in revenues from sale of rental vehicles in 3M 2011 vs 3M 2010 is mainly a result of the first time full consolidation of Avis Israel.
Retail lending activities	21	11	35	The increase in revenues from retail lending activities in 3M 2011 vs 3M 2010 is mainly a result of the proportional consolidation of Sovcom Bank which is in effect since September 2010. In the first 3 quarters of 2010 the results of Sovcombank are presented as discontinued operations.
Property rental revenues	34	32	134	The increase in property rental revenues in 3M 2011 in comparison to 3M 2010 is mainly as a result of completion of construction and leasing of a number of commercial projects during 2010 which generated rental income starting 2010 and 2011.
Services and management fees	1	-	2	-
Total Revenues	**181**	**152**	**667**	
Expenses				
Cost of goods sold	18	20	96	See explanations for the changes in sale of goods.
Contracts costs	37	31	162	The expense mainly represents the cost of projects in the (Water) Infrastructure segment operated by Tahal Group.
Cost of rental vehicles	27	20	83	See explanations for the changes in revenues from sale of vehicles
Cost of sale of rental vehicles	22	17	65	See explanations for the changes in revenues from renting of vehicles.

Cost of banking and lending activities	19	8	47	See explanations for the changes in revenues from retail lending activities.

Results of Business Operations (in EUR millions) (cont'd) :

	1-3/2011	1-3/2010	1-12/2010	Notes
Cost of property rental operations	10	7	32	Please see the explanations for the changes in rental revenues.
Other expenses, net	1	4	9	-
Total expenses	**134**	**107**	**494**	-
Gross margin	**47**	**45**	**173**	-
Selling and marketing expenses	7	7	32	-
General and administration expenses	19	15	78	The increase in general and administration expenses is mainly due to the new employee option plans, approved late 2010.
Profit (loss) from operations before fair value adjustments, disposals of assets and financial expenses	**21**	**23**	**63**	-
Adjustment to fair value of investment properties	21	11	73	The income in 2011 is mainly a result of revaluating an investment property in Poland.
Impairment losses on goodwill	-	-	(28)	-
Gain on disposal of assets and other income	(5)	7	16	-
Profit (loss) on disposal of assets and investments	**16**	**18**	**61**	-
Profit (loss) before finance expenses and income taxes	**37**	**41**	**124**	

Results of Business Operations (in EUR millions) (cont'd):

	1-3/2011	1-3/2010	1-12/2010	Notes
Financial Income	13	13	26	Finance income in 3M 2011 is mainly the result of interest on the cash balances of the group.
Financial expenses	(45)	(44)	(178)	The financial expenses in 3M 2011 are the financing costs of loans and debentures in the group.
Adjustments to fair value of other financial instruments	1	(10)	3	-
Total financial expenses , net	**(31)**	**(41)**	**(149)**	-
Profit (loss) from operations	6	**-**	**(25)**	-
Share of profit (loss) of associates accounted for using the equity method	1	3	13	-
Net profit (loss) before income taxes	**7**	**3**	**(12)**	-
Income tax (benefit) expenses	8	6	25	Main tax expenses are a result of a provision for deferred taxes due to revaluation of investment properties.
Net profit (loss) for the year from continuing operations	**(1)**	**(3)**	**(37)**	-
Net profit (loss) for the year from discontinued operations	**5**	**(6)**	**8**	In 2011 the profit derives from the sale of the VAB bank.
Net profit (loss) for the period	**4**	**(9)**	**(29)**	-
Net profit (loss) attributed to equity holders of the parent	-	(13)	(27)	See also analysis of the net result to the equity holders of Kardan NV.
Net profit (loss) attributed to non controlling interest holders	4	4	(2)	-

2.1.3. Cash flow and source of funding (in EUR millions)

	1-3/2011	1-3/2010	1-12/2010	Notes
Net cash provided by (used in) operating activities	(61)	(40)	(2)	-
Net cash used in investing activities	(144)	5	(16)	In 3M 2011, EUR 25million were generated from collecting long term loans and receivables, 69 millions were used for acquisition of tangible fixed assets and investment properties , 48 were used for short term investment and 27 were used for loans to bank customers. In 3M 2010, EUR 39 million were generated from short term investment , EUR 28 million were generated from changed from proportional consolidation to full consolidation. Those amounts were offset by EUR 70 million which were used for acquisition of tangible fixed assets and investment properties In 2010, EUR 196 million were used for acquisition of tangible fixed assets and investment properties and EUR 124 million were used for loans to bank customers. In addition, EUR 237 million was generated from sale of assets and investments and EUR 69 were generated from Disposal of formerly consolidated subsidiaries, net of cash disposed.
Net cash provided by financing activities	108	90	120	In 3M 2011, EUR 189 million were generated from issuance of shares in subsidiaries to third parties and EUR 75 million were generated from proceeds of long term loans, 205 million were used for repayment of long term loans. In 3M 2010, EUR 21 million were generated from issuance of shares in subsidiaries to third parties and EUR 70 million were generated from issuance of debentures. In 2010, EUR 275 million were generated from change in loans to bank customers, , EUR 29 million were generated from sale of hedge instruments, EUR 448 million were used in repayment of long term loans and EUR 184 million were used in repayment of short term credit.

The Management Board of Kardan NV believes there is no reason for concern that Kardan NV will not be able to meet its current financial obligations and those expected in the two years following publication of the financial statements.

This assumption is based on the cash flow forecast of Kardan NV, including a breakdown of the resources, uses and the available assets for pledge as of March 31, 2011. [7]

Due to its structure and nature of operations, Kardan NV usually has negative cash flow from operating activities.

[7] This estimate is forward looking information as defined in the Israeli Securities Act, based on management assumptions and expectations. The aforesaid may not materialize completely or part thereof, or materialize in a different manner, including materially different from what is expected as a result of changes in the state of the market, difficulties in raising credit, decrease in value of investments and change in cash amounts expected to be received from affiliated companies

KARDAN N.V.

2.2 Fair Value disclosure

GTC Group

In the first quarter of 2011 some of the Investment properties in GTC Group were internally valuated. The following table indicates the main assumptions, methods and valuations of investment properties that had a material impact of Kardan NV results:

Completed Investment property

Country	City	Asset name	Asset use	GTC SA Share	Type of ownership	Net rentable area (sqm)	Gross rentable area (sqm)	Construction cost (Million Euro)	Occupancy rate	Yield	Project book value (Million Euro)	Q1 2011 NOI (Million Euro)	Valuation method	Date of last valuation
China	Chengdu	Galleria Chengdu	Shopping Center	%100	Leasing	35,779	53,837	70.4	%88	%10	104.9	0.5	Direct Comparison 50% Direct Capitalization 25% 25% - DCF	31.03.2011

* The valuation as of March 31, 2011 was made by the company based on the external valuation (JLL) made as of December 31, 2010

Investment property under-construction:

Country	City	Asset name	Asset use	GTC SA Share	Type of ownership	Net rentable area (sqm)	Rate of completion	Av. rent per SQM (Euro)	Rental contract/ MOU signed under construction	Yield	Project book value (Million Euro)	Valuation method	Date of last valuation
Romania	Arad	Galleria Arad **	Shopping Center	100.0%	Ownership	32,500	67%	8.3	%61	%9.2	45.5	Residual	31.03.2011

** The valuation as of March 31, 2011 was made by the company based on the external valuation (Colliers) made as of December 31, 2010

2.3. Issuance of debt

The following are details regarding the marketable debentures of Kardan NV as of March 31, 2011:

	Debenture series A	Debenture series B
Par value of issued debentures	EUR 240 million (NIS 1,190,000,000)	EUR 240 million (NIS 1,333,967,977)
Linkage basis	Principal and interest linked to Israeli CPI (CPI of January 2007)	Principal and interest linked to Israeli CPI (CPI of December 2006)
Par value of debentures as of December 31, 2009	EUR 240 million (NIS 1,190,000,000 par value)	EUR 270 million (NIS 1,333,967,977 par value)
Interest rate (per annum)	4.45%	4.9%
Principal repayment	Four equal installments from: From February 2013 to February 2016	Seven equal installments from: From February 2014 to February 2020
Interest payment dates	Nine annual installments from February 2008 to February 2016	13 annual installments from February 2008 to 2020
Total debt up to the date of the balance sheet (including interest and Israeli CPI linkage)	EUR 278 million (net of debentures held by a subsidiary) (*)	EUR 313 million (*)
Market capitalization as of March 31, 2011	EUR 278 million	EUR 312 million
The trustee	Aurora Fidelity Trustees Ltd (Adv. Iris Shlaien)	Hermatic trustee (1957) (Adv. Dan Avnun)
Rated by	S&P Maalot	S&P Maalot
Rating at the time of issuance	AA - (February 2007)	AA - (February 2007)
Updated rating	BBB + (November 2008)	BBB+ (November 2008)

(*) Approximately 80% of the debentures are swapped to EUR using hedge transactions.

May 30, 2011

Management Board:

A. Ickovics

W. van Damme

E. Oz-Gabber

J. Slootweg

KARDAN N.V.
AMSTERDAM, THE NETHERLANDS

Condensed Interim Consolidated Financial Statements
As of March 31, 2011

CONTENTS

Condensed Interim Consolidated Financial Statements page

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

A s s e t s

	March 31, 2011	March 31, 2010	December 31, 2010
		€ in millions	
Non-current assets			
Tangible fixed assets	101	126	105
Rental vehicles	407	217	245
Investment properties (Note 5)	2,359	2,271	2,344
Investments in associates	144	154	157
Other financial assets	13	19	26
Loans to bank customers	101	415	96
Long-term loans and receivables	193	243	171
Derivatives	106	98	120
Intangible assets and goodwill	193	275	184
Long term inventory	231	163	231
Deferred income tax assets	23	37	22
	3,871	4,018	3,701
Current assets			
Inventories, contract work and buildings inventory in progress	383	340	384
Derivatives	1	-	2
Current maturities of long-term loans and receivables	131	166	159
Loans to bank customers	172	454	159
Trade receivables	100	106	111
Income tax receivables	3	5	6
Insurance premium receivables	-	31	-
Other receivables and prepayments	267	199	140
Reinsurance assets	-	29	-
Short-term investments	288	390	254
Cash and cash equivalents	388	557	498
	1,733	2,277	1,713
Assets held for sale	33	13	585
Total current assets	1,766	2,290	2,298
Total assets	5,637	6,308	5,999

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

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

	March 31, 2011	March 31, 2010	December 31, 2010
		€ in millions	
Equity attributable to equity holders of the parent			
Issued and paid-in capital	23	23	23
Share premium	235	235	235
Foreign currency translation reserve	(8)	(4)	9
Property revaluation reserve	60	101	114
Revaluation reserve, other	11	(12)	-
Non-controlling interest holders transaction reserve	20	1	(1)
Treasury shares	(27)	(21)	(27)
Retained earnings (accumulated deficit)	37	8	(19)
	351	331	334
Non-controlling interests	909	728	733
Total equity	1,260	1,059	1,067
Non-current liabilities			
Interest-bearing loans and borrowings	1,545	1,788	1,582
Banking customers accounts	53	156	76
Derivatives	44	62	55
Other long-term liabilities	34	21	26
Options	23	33	29
Convertible debentures	15	14	15
Other debentures	1,063	1,047	1,016
Insurance provisions	-	76	-
Deferred income tax liabilities	187	161	182
Accrued severance pay, net	2	2	2
	2,966	3,360	2,983
Current liabilities			
Advances from customers in respect of contracts	13	22	17
Banking customers accounts	312	722	302
Trade payables	164	110	120
Interest-bearing loans and borrowings	501	687	509
Income tax payables	4	10	8
Advances from apartment buyers	174	104	158
Derivatives	12	24	16
Other payables and accrued expenses	217	192	232
	1,397	1,871	1,362
Liabilities held for sale	14	18	587
Total current liabilities	1,411	1,889	1,949
Total liabilities	4,377	5,249	4,932
Total equity and liabilities	5,637	6,308	5,999

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

CONDENSED INTERIM CONSOLIDATED INCOME STATEMENT

	For the three months ended March 31, 2011	For the three months ended March 31, 2010	For the year ended December 31, 2010
		€ in millions	
Sales of goods	20	18	109
Contract revenues	48	46	203
Retail lending activities	21	11	35
Property rental and service recharge revenues	34	32	134
Revenues from renting vehicles	34	26	113
Revenues from sale of rental vehicles	23	19	71
Services and management fees	1	-	2
Total revenues	181	152	667
Cost of goods sold	18	20	96
Contract costs	37	31	162
Costs of retail lending activities	19	8	47
Costs of property rental and service recharge operations	10	7	32
Cost of rental of vehicles	27	20	83
Cost of sale of rental vehicles	22	17	65
Other expenses, net	1	4	9
Total expenses	134	107	494
Gross margin	47	45	173
Selling and marketing expenses	7	7	32
General and administration expenses	19	15	78
Profit from operations before fair value adjustments, disposal of asset and financial expenses	21	23	63
Adjustment to fair value of investment properties, net	21	11	73
Impairment losses on goodwill	-	-	(28)
Gain (loss) on disposal of assets and other income	(5)	7	16
Profit (loss) from fair value adjustments and on disposal of assets and investments	16	18	61
Profit (loss) from operations before finance expenses and income taxe	37	41	124
Other financial income	13	13	26
Other financing expenses	(45)	(44)	(178)
Adjustment to fair value of other financial instruments	1	(10)	3
Total financial expenses, net	(31)	(41)	(149)
Profit (loss) from operations	6	-	(25)
Share of profit of associates accounted for using the equity method, net	1	3	13
Profit (Loss) before income taxes	7	3	(12)
Income tax expenses (benefit)	8	6	25
Loss for the period from continuing operations	(1)	(3)	(37)
Net profit (loss) for the period from discontinued operations (Note 6)	5	(6)	8
Net profit (loss) for the period	4	(9)	(29)
Attributable to:			
Equity holders	-	(13)	(27)
Non-controlling interest holders	4	4	(2)
	4	(9)	(29)
Earnings (loss) per share attributable to shareholders			
Basic from continuing operations	(0.05)	(0.06)	(0.34)
Basic from discontinued operations	0.05	(0.07)	0.07
	-	(0.13)	(0.27)
Diluted from continuing operations	(0.05)	(0.06)	(0.34)
Diluted from discontinued operations	0.05	(0.07)	0.07
	-	(0.13)	(0.27)

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

CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the three months ended March 31,		For the year ended December 31,
	2011	2010	2010
	€ in millions		
Result for the period	4	(9)	(29)
Foreign currency translation differences	(20)	57	73
Change in hedge reserve, net of tax (1)	17	(7)	11
Unrealized revaluations, net of tax (2)	(1)	-	1
Other comprehensive income for the period (3)	(4)	50	85
Total comprehensive income (expense)	-	41	56
Attributable to:			
Equity holders	(11)	37	48
Non-controlling interest holders	11	4	8
	-	41	56

(1) Net of tax amounting to €(1) million for the period ended March 31, 2011, €3 million for the period ended December 31, 2010, and €4 million for the period ended March 31, 2010.
(2) Net of tax amounting to less than €1 million in all presented periods.
(3) Including impact resulted from associates of less than €1 million for the three months periods ended March 31, 2011 and March 31, 2010, and an impact of € (1) million for the year December 31, 2010.

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

CONDENSED INTERIM 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(*)	Non controlling interest holders transactions reserve	Treasury shares	Retained Earnings	Total	Non-controlling interest	Total equity
	€ in millions										
Balance as of January 1, 2011	23	235	114	-	9	(1)	(27)	(19)	334	733	1,067
Other comprehensive income (loss)	-	-	-	5	(16)	-	-	-	(11)	7	(4)
Net result for the period	-	-	-	-	-	-	-	-	-	4	4
Total comprehensive income /loss	-	-	-	5	(16)	-	-	-	(11)	11	-
Share-based payment	- -	-	-	-	-	-	-	-	-	2	2
Issuance of shares to non-controlling interest holders (refer to note 6D)	-	-	-	6	(1)	22	-	-	27	161	188
Shares purchased in consolidated and newly consolidated subsidiaries(refer to note 6B)	-	-	-	-	-	1	-	-	1	11	12
Deconsolidation of a subsidiary	-	-	-	-	-	(2)	-	2	-	(6)	(6)
Dividend paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	(3)	(3)
Reclassification according to the Netherlands civil code requirements (*)	-	-	(54)	-	-	-	-	54	-	-	-
Balance as of March 31, 2011	23	235	60	11	(8)	20	(27)	37	351	909	1,260

(*) 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 interim condensed financial statements

CONDENSED INTERIM 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	-	-	-	2	48	-	-	-	50	-	50
Net profit (loss) for the period	-	-	-	-	-	-	-	(13)	(13)	4	(9)
Total comprehensive income /expense for the period	-	-	-	2	48	-	-	(13)	37	4	41
Share-based payment	-	-	-	-	-	-	-	-	-	1	1
Issuance shares to non-controlling shareholders	-	-	-	-	-	1	-	-	1	22	23
Shares purchased in newly consolidate subsidiaries	-	-	-	-	-	-	-	-	-	9	9
Shares sold in consolidated subsidiaries	-	-	-	-	-	-	-	-	-	(2)	(2)
Dividend paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	(1)	(1)
Reclassification according to the Netherlands civil code requirements (*)	-	-	8	-	-	-	-	(8)	-	-	-
Balance as of March 31, 2010	23	235	101	(12)	(4)	1	(21)	8	331	728	1,059

(*) 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 interim condensed financial statements

CONDENSED INTERIM 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	-	-	-	-	-	-	-	-	-	(31)	(31)
Deconsolidation of proportionally consolidated group companies	-	-	-	-	-	-	-	-	-	(2)	(2)
Other transactions with non-controlling shareholders	-	-	-	-	-	(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 interim condensed financial statements

CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT

	Three months period ended March 31,		For the year ended December 31,
	2011	2010	2010
	€ in millions		
Cash flow from operating activities			
Net profit (loss) from continuing operations before taxes on income	7	3	(12)
Profit (loss) from discontinuing operations before taxes on income	5	(7)	2
Adjustments required to present cash flow from operating activities (see A below)	(73)	(36)	8
Net cash used in operating activities	(61)	(40)	(2)
Cash flow from investing activities			
Acquisition of tangible fixed assets and investment properties	(69)	(70)	(196)
Collecting (granting) of loans to associated companies, net	(1)	3	5
Investment in companies and partnerships	-	-	(14)
Proceeds from sale of assets and investments	2	6	237
Granting of long-term loans	(1)	(1)	(1)
Change in loans to bank customers	(27)	(7)	(124)
Collecting of long-term loans and receivables	25	13	36
Change in short-term investments, net	(48)	39	12
Acquisition of newly consolidated subsidiaries, net of cash acquired (see B below)	(3)	(2)	(3)
Disposal of formerly consolidated subsidiaries, net of cash disposed (see C below)	-	-	69
Change from proportional consolidation to full consolidation (see D below, refer to note 6B)	10	28	28
Change from proportional consolidation to equity method	-	-	(30)
Tax paid on disposal of investment properties	(17)	-	(5)
Change in deferred brokerage fees	-	(1)	(1)
Change in other assets	(15)	(3)	(29)
Net cash provided by (used in) investing activities	(144)	5	(16)

CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

	Three months period ended March 31,		For the year ended December 31,
	2011	2010	2010
	€ in millions		
Cash flows from financing activities			
Dividend paid to non-controlling interests	(3)	(1)	(2)
Proceeds from issuance of shares in subsidiaries to third parties, net (see note 6D)	188	21	23
Issuance of debentures	18	70	70
Repayment of debentures	(7)	(4)	(83)
Change in loans from bank customers	(19)	-	275
Sale of hedge instruments	-	-	29
Purchase of treasury shares	-	-	(6)
Proceeds from long-term loans	75	99	464
Repayment of long-term loans	(205)	(37)	(448)
Change in short-term loans and borrowings, net	61	(58)	(184)
Costs related to issuance of debt and shares	-	-	(5)
Acquisition of non controlling interests	-	-	(13)
Net cash provided by financing activities	108	90	120
Foreign exchange differences relating to cash and cash equivalents	(10)	28	18
Increase (decrease) in cash and cash equivalents	(107)	83	120
Decrease of cash of assets held for sale	(3)	-	(96)
Cash and cash equivalents at the beginning of the period	498	474	474
Cash and cash equivalents at the end of the period	388	557	498

CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

	Three months period ended March 31,		For the year ended December 31,
	2011	2010	2010
	€ in millions		
A. Adjustments to reconcile net profit (loss) to net cash			
Charges / (credits) to profit / loss not affecting operating cash flows:			
Share of loss of associates accounted for using the equity method	(1)	(3)	(13)
Dividend from associated companies	2	1	9
Gain on issuance of shares in associated companies to third parties, net	-		(9)
Impairment of goodwill	-		28
Loss (gain) on disposal of assets and investments, net	4	(5)	(85)
Share-based payment	2	1	14
Depreciation and amortization	19	16	66
Fair value adjustments of investment properties	(21)	(11)	(73)
Financial (income)/expense and exchange rate differences, net	28	28	94
Change in fair value of options and share appreciation rights	(3)	(6)	11
Decrease (increase) in fair value of securities held for trading, and hedge instruments, net	6	(18)	3
Increase in provision for bad debts in the financial service segment	13	19	118
Loss from early repayment of loans	-		(9)
Impairment of assets	-		3
Changes in operating assets and liabilities			
Change in insurance provisions and deferred acquisition costs, net	-	1	5
Purchase of rental vehicles	(26)	(23)	(121)
Proceeds from sale of rental vehicles	23	17	65
Change in trade and other receivables	(113)	(87)	(271)
Change in inventories and in contract work in progress, net of advances from customers	(16)	(13)	(59)
Change in trade and other payables	40	61	262
Interest paid	(61)	(72)	(286)
Interest received	36	62	279
Income taxes paid	(5)	(4)	(23)
	(73)	(36)	8

CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

	Three months period ended March 31, 2011	Three months period ended March 31, 2010	For the year ended December 31, 2010
		€ in millions	
B. Acquisition of newly consolidated subsidiaries, net of cash acquired			
Cash	-	-	-
Working capital (excluding cash)	(18)	-	1
Non-current assets	21	(2)	(5)
Goodwill on acquisition	(6)	(1)	(1)
Long-term liabilities	-	-	1
Total purchase price	(3)	(3)	(4)
Less – cash in subsidiaries acquired	-	-	-
Payable on account of investment	-	1	1
Cash used in acquisition, net of cash acquired	(3)	(2)	(3)
C. Disposal of formerly consolidated subsidiaries, net of cash disposed			
Cash	-	-	22
Working capital (excluding cash)	-	-	135
Non-current assets	-	-	253
Goodwill	-	-	(40)
Non-controlling interests	-	-	(31)
Long-term liabilities	-	-	(307)
Gain on disposal of investment	-	-	59
Total consideration	-	-	91
Cash of subsidiary which ceased to be consolidated	-	-	(22)
Cash flows from disposal, net of cash disposed	-	-	69

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

CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

	Three months period ended March 31,		For the year ended December 31,
	2011	2010	2010
	€ in millions		
D. Change from proportional consolidation to full consolidation			
Working capital	(3)	(1)	(1)
Investment property	55	(33)	(33)
Other non-current assets	(185)	(242)	(242)
Goodwill on acquisition	(4)	(11)	(11)
Intangible assets	(3)	-	-
Gain on disposal of investment	-	6	6
Non-controlling interests	11	9	9
Long-term liabilities	193	265	265
Total purchase price	10	(7)	(7)
Less – cash in subsidiaries acquired	-	35	35
Cash used in acquisition, net of cash acquired	10	28	28
D. Significant non-cash transactions			
Other receivables from disposal of investment in financial asset	13	-	-

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

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2011

1. Corporate information

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

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

These condensed interim financial statements were approved by the management board on May 30, 2011.

2. Basis of presentation and preparation

A. Basis of preparation

The interim condensed consolidated financial statements for the three months ended March 31, 2011 have been prepared in accordance with International Accounting Standard (IAS) 34 as defined by the International Accounting Standards Board to be used for the preparation of interim consolidated financial statements.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as at December 31, 2010.

It should be noted that following the sale of 16% of GTC SA shares in January 2011, the indirect interest of the Company in GTC SA decreased to 27.14%. Nevertheless and as further described in Note 6D below, the Company retained effective control over GTC SA and continues consolidating its financial statements.

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended December 31, 2010 - except for the adoption of new standards and interpretations as of January 1, 2011 are noted below:

IFRS 3 (Revised) Business Combinations:

1. **Measurement options available for non-controlling interest:** The measurement options available for non-controlling interest ('NCI') have been amended. Only components of NCI that constitute a present ownership that entitles their holder to proportionate share of the entity's net assets in the event of liquidation shall be measured at either fair value or at the present ownership instruments' proportionate share of the acquirer's identifiable net assets. All other components are to be measured at their acquisition date fair value.

2. Clarifies Un-replaced and voluntarily replaced share-based payment awards and its accounting treatment within a business combination.

3. **Contingent consideration arising from business combination –** Clarification that contingent consideration arising from business combination prior to adoption of IFRS 3 (as revised in 2008) are accounted for in accordance with IFRS 3 (2005).

The adoption of the amendment did not have any impact on the financial position or performance of the Group.

IAS 1 Presentation of Financial Instruments: The amendment clarifies that an option to present an analysis of each component of other comprehensive income may be included either in the statement of change in equity or in the notes to the financial statements. The adoption of the amendment will result in a change in the company's disclosures.

IAS 24 Related Party Transactions (Amendment)

The IASB issued an amendment to IAS 24 that clarifies the definitions of a related party. The new definitions emphasize a symmetrical view of related party relationships as well as clarifying in which circumstances persons and key management personnel affect related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption will result in a change of disclosures.

IAS 34 Interim Financial Statements: The amendment requires additional disclosures for fair values and changes in classification of financial assets, as well as changes to contingent assets and liabilities in interim condensed financial statements. The adoption may result in a change in of disclosures.

New IFRS Standards that have been issued but are not yet effective:

In May 2011, the IASB issued four new standards: IFRS 10, "Consolidated Financial Statements", IFRS 11, "Joint Arrangements", IFRS 12, "Disclosure of Interests in Other Entities" ("the New Standards") and IFRS 13, "Fair Value Measurement", and amended two existing standards, IAS 27R (Revised 2011), "Separate Financial Statements", and IAS 28R (Revised 2011), "Investments in Associates and Joint Ventures".

The New Standards are to be applied retrospectively in financial statements for annual periods commencing on January 1, 2013 or thereafter. Earlier application is permitted. However, if a company chooses early adoption, it must adopt all the New Standards as a whole (excluding the disclosure requirements of IFRS 12 which may be adopted separately). The New Standards prescribe transition provisions with certain modifications upon initial adoption.

The main provisions of the New Standards and their expected effects on the Company are as follows:

IFRS 10 - Consolidated Financial Statements:

IFRS 10 supersedes IAS 27 regarding the accounting treatment of consolidated financial statements and includes the accounting treatment for the consolidation of structured entities previously accounted for under SIC 12, "Consolidation - Special Purpose Entities".

IFRS 10 does not prescribe changes to the consolidation procedures but rather modifies the definition of control for the purpose of consolidation and introduces a single consolidation model. According to IFRS 10, in order for an investor to control an investee, the investor must have power over the investee and exposure, or rights, to variable returns from the investee. Power is defined as the ability to influence and direct the investee's activities that significantly affect the investor's return.

According to IFRS 10, when assessing the existence of control, potential voting rights should be considered only if they are substantive, as opposed to the provisions of IAS 27 prior to its amendment which required consideration of potential voting rights only if they could be exercised immediately while disregarding management's intentions and financial ability to exercise such rights.

IFRS 10 also prescribes that an investor may have control even if it holds less than a majority of the investee's voting rights (de facto control), as opposed to the provisions of the existing IAS 27 which permits a choice between two consolidation models - the de facto control model and the legal control model.

The Company is evaluating the possible impact of the adoption of IFRS 10 but at present is unable to assess the effects, if any, on its financial statements.

IAS 27R - Separate Financial Statements:

IAS 27R supersedes IAS 27 and only addresses separate financial statements. The existing guidance for separate financial statements has remained unchanged in IAS 27R.

IFRS 11 - Joint Arrangements:

IFRS 11 supersedes IAS 31 regarding the accounting treatment of interests in joint ventures and SIC 13 regarding the interpretation of the accounting treatment of non-monetary contributions by venturers.

IFRS 11 defines joint arrangements as contractual arrangements over which two or more parties have joint control.

IFRS 11 distinguishes between two types of joint arrangements:

- Joint ventures in which the parties that have joint control of the arrangement have rights to the net assets of the arrangement. IFRS 11 requires joint ventures to be accounted for solely by using the equity method, as opposed to the provisions of IAS 31 which allowed the Company to make an accounting policy choice whether to apply proportionate consolidation or the equity method for entities under joint control.

- Joint operations in which the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. IFRS 11 requires the joint operator to recognize a joint operation's assets, liabilities, revenues and expenses in proportion to its relative share of the joint operation as determined in the joint arrangement, similar to the current accounting treatment for proportionate consolidation.

The Company is evaluating the possible impact of the adoption of IFRS 11 but at present is unable to assess the effects on its financial statements.

IAS 28R - Investments in Associates:

IAS 28R supersedes IAS 28. The principal changes in IAS 28R compared to IAS 28 relate to the application of the equity method of accounting for investments in joint ventures, as a result of the issuance of IFRS 11, and the guidance for transition from proportionate consolidation to the equity method of accounting for these investments.

IFRS 12 - Disclosure of Interests in Other Entities:

IFRS 12 prescribes disclosure requirements for the Company's investees, including subsidiaries, joint arrangements, associates and structured entities. IFRS 12 expands the disclosure requirements to include the judgments and assumptions used by management in determining the existence of control, joint control or significant influence over investees, and in determining the type of joint arrangement. IFRS 12 also provides disclosure requirements for material investees.

The required disclosures will be included in the Company's financial statements upon initial adoption of IFRS 12.

IFRS 13 - Fair Value Measurement:

IFRS 13 establishes guidance for the measurement of fair value, to the extent that such measurement is required according to IFRS. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. IFRS 13 also specifies the characteristics of market participants and determines that fair value is based on the assumptions that would have been used by market participants. According to IFRS 13, fair value measurement is based on the assumption that the transaction will take place in the asset's or the liability's principal market, or in the absence of a principal market, in the most advantageous market.

IFRS 13 requires an entity to maximize the use of relevant observable inputs and minimize the use of unobservable inputs. IFRS 13 also includes a fair value hierarchy based on the inputs used to determine fair value as follows:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 - unobservable inputs (valuation techniques that do not make use of observable inputs).

IFRS 13 also prescribes certain specific disclosure requirements.

The appropriate disclosures will be included in the Company's financial statements upon initial adoption of IFRS 13.

The Company is evaluating the possible impact of the adoption of IFRS 13 but at present is unable to assess the effects, if any, on its financial statements.

B. Foreign currency translation

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

	USD	NIS	CPI
March 31, 2011	0.703	0.202	126.7
March 31, 2010	0.744	0.200	121.5
December 31, 2010	0.75	0.211	125.4
Change in 2011 (3 months)	(6.3)%	(4.3)%	0.01%
Change in 2010 (3 months)	7.82%	8.70%	(0.90)%
Change in 2010 (12 months)	8.0%	14.9%	2.3%

3. Segment information

Segments results

For three months ended March 31, 2011:

	Real Estate	Retail lending	Infrastructure Projects	Infrastructure Assets	Rental and leasing of vehicles	Sale of vehicles	Others	Total
Revenue	49	21	22	18	58	-	13	181
Other income/expense (*)	19	(1)	-	-	(7)	3	3	17
Total Income	68	20	22	18	51	3	16	198
Segment result	34	1	1	2	(2)	3	2	41
Unallocated expenses								3
Profit from operations and share in profit of associates companies before finance expenses, net								38
Finance expenses, net								31
Profit before income tax								7
Income tax expenses								8
Loss from continuing operations								(1)
Profit from discontinued operations								5
Profit for the period								4

For three months ended March 31, 2010:

	Real Estate	Retail lending	Infrastructure Projects	Infrastructure Assets	Rental and leasing of vehicles	Sale of vehicles	Others	Total
Revenue	43	11	24	15	45	-	14	152
Other income/expense (*)	11	6	-	-	-	3	1	21
Total Income	54	17	24	15	45	3	15	173
Segment result	24	10	2	1	6	3	1	47
Unallocated expenses								3
Profit from operations and share in profit of associates companies before finance expenses, net								44
Finance expenses, net								41
Profit before income tax								3
Income tax expenses								6
Loss from continuing operations								(3)
Loss from discontinued operations								(6)
Loss for the period								(9)

For the year ended December 31, 2010:

	Real Estate	Retail lending	Infrastructure Projects	Infrastructure 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	3	-	10	10	74
Total Income	292	10	114	68	183	11	63	741
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
Loss before income tax								(12)
Income tax expenses								25
Loss from continuing operations								(37)
Profit from discontinued operations								8
Loss for the period								(29)

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

Following to the acquisition of additional shares in AVIS Israel, which resulted in obtaining control, as described in note 6B, a total of €489 million of assets and €381 million of liabilities were consolidated into the ‘Rental and leasing of vehicles’ segment. Likewise, as a result of the disposal of the investment in VAB Bank, as describe in note 6C, assets amounting to €585 million and liabilities amounted to €587 million were deducted from the ‘Retail lending’ segment.

4. Share capital

A. Composition

	March 31, 2011		December 31, 2010	
	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

During the three month period ended on March 31, 2011 there were no changes to the share capital of the Company, with the exception of the repurchase of 20,000 shares which are held by the Company’s liquidity provider.

5. Investment properties

Further to Note 8 to the 2010 consolidated financial statements, below we present updated information regarding investment properties:

A. Investment properties can be split up as follows:

	March 31,		December 31,
	2011	2010	2010
	€ in millions		
Completed investment properties	1,901	1,622	1,876
Investment properties under construction carried at fair value	168	249	201
Investment properties under construction carried at cost	290	400	267
	2,359	2,271	2,344

B. Fair value adjustments comprise:

	For the three months ended March 31,		For the year ended December 31,
	2011	2010	2010
	€ in millions		
Adjustment to fair value of newly completed properties, net of goodwill released	5	-	25
Adjustment to fair value of properties completed in prior years	21	(1)	35
Adjustment to fair value of investment property under construction, net of goodwill released	(5)	12	11
Impairment adjustments to investment properties under construction measured at cost	-	-	2
	21	11	73

During the first quarter of 2011 substantially all investment properties were subject to an internal evaluation and if required, an update, of the December 31, 2010 external valuation.

C. Significant assumptions

Significant assumptions used in the valuations as of March 31, 2011 and December 31, 2010 are presented below on the basis of weighted averages:

	China		Western Europe		CEE	
	March 31, 2011	December 31, 2010	**March 31, 2011**	December 31, 2010	**March 31, 2011**	December 31, 2010
Completed investment properties						
Average rental rate per sqm per month (in €)*	17	17	9.8	9.8	18.8	19.7
Yield	9.5%	9.5%	6.4%	6.4%	7.9%	7.8%
ERV per sqm per month (in €)*	20	20	9.3	9.3	18.9	19.1
Vacancy	5%	5%	3.8%	3.8%	16%	17%
Assets under construction (only assets at fair value)						
Average risk-adjusted yield used in capitalizing the net future income stream	-	-	-	-	9.1%	9%
Average % complete	-	-	-	-	62%	62%
Estimated average development profit ((Fair value upon completion / Total budgeted costs)- 1)	-	-	-	-	3.6%	7.6%
Effective average development profit on executed part, accumulatively ((Current fair value /Total costs spent) -1)	-	-	-	-	5.6%	n/a

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

6. Significant transactions, business combinations and commitments

A. Discontinued operations:

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

	For the three months ended March 31, 2011	For the three months ended March 31, 2010	For the year ended December 31, 2010
	€ in millions		
Total income	*-	86	64
Total expenses	*-	(98)	(137)
Loss before tax	-	(12)	(73)
Income tax expenses	-	(1)	6
Net loss from discontinuing operations before capital gains	-	(13)	(67)
Revaluation of put option	-	7	(11)
Capital gain from sale	5	-	106
Release of capital reserves	-	-	(29)
Release of goodwill/deferred gain	-	-	9
Net profit (loss) from discontinued operations	5	(6)	8

* The sale of VAB Bank was completed in January 2011; therefore, total income and expenses from these activities in the first quarter of 2011 were immaterial.

Capital gain of €5 million relates to the completion of the sale of VAB Bank, as described below. Discontinued operations for comparatives periods presented include the results of TBIH, VAB Bank and Sovcom Bank, as detailed in Note 5 to the 2010 financial statements.

Assets and liabilities held for sale as of December 31, 2010 primarily relate to VAB Bank. The assets and liabilities presented as held for sale as of March 31, 2010 and 2011, do not relate to the discontinued operations, but primarily include a disposal group held for sale.

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

	For the three months ended March 31,		For the year ended December 31,
	2011	2010	2010
	€ in millions		
Net cash flow from operating activities	-	(34)	(55)
Net cash flow from investing activities	(1)	(2)	148
Net cash flow from financing activities	-	-	44
Net cash flows from discontinued operations	(1)	(36)	137

As a result of the sale of VAB Bank (as described below), €96 million of cash and cash and cash equivalents, which were included in assets held for sale as of December 31, 2010, were disposed of.

For all presented periods, other comprehensive income items relating to discontinued operations is immaterial.

B. Kardan Israel

1. Obtaining control over Avis Israel and Sale of Emed.

Kardan Israel holds 100% of the share capital of Kardan Emed Properties Ltd ('Emed Properties').

Prior to the completion of the transactions described below, Emed Properties held 50% of Emed Real Estate and Investments Developments Ltd. ('Emed'), a proportionately consolidated Company (50%) which was engaged both in real estate investments in Israel and in rental and lease of vehicles through a 54% stake in Dan Vehicle and Transportation D.R.T Ltd. ('Avis Israel').
In addition, Kardan Israel directly held approximately 14% of Avis Israel.

In January 2011, two agreements were signed with the partner in Emed in connection with the holding in Emed and Avis Israel.

According to the first agreement, Emed Properties sold to its partner its shares in Emed, reflecting 50% of Emed's issued and paid in capital.

According to the second agreement, Kardan Israel would purchase from Emed, through Emed Properties, all of its holdings in Avis Israel, reflecting 54.25% of Avis Israel's issued and paid in capital.

The transaction was finalized on March 2011, after fulfillment of all conditions precedent. Through Emed Properties, Kardan Israel purchased, from Emed all its shares in Avis Israel in consideration of €68 million (NIS 336 million). Following the acquisition, Kardan Israel obtained control over Avis Israel by holding, directly and indirectly, 68.27% of its shares. In addition, Emed Properties sold all its shares in Emed, in consideration of €73 million (NIS 361 million).

According to IFRS 3R, regarding business combination achieved in stages, as a result of the transactions, Kardan Israel recorded a loss of approximately €7 million (NIS 34.9 million).

Kardan Israel has allocated the excess of purchase price over the carrying value of Avis Israel to goodwill and intangible assets and liabilities on a temporary basis, subject to final purchase price allocation.

From the date which the transaction was finalized, Avis Israel contributed revenues in the amount of €26 million and a profit of €0.7 million which were included in the condensed interim consolidated income statement.

Had the transaction been closed on the first day of the reporting period, the consolidated revenue of Company would have been €199 million and the consolidated profit of would have been €1 million.

The fair values and the carrying value of the identifiable assets and liabilities of Avis Israel at acquisition date were as follows:

	Fair Value	Carrying value
	€ in millions	
Cash and cash equivalents	12	12
Trade receivables	31	31
Other accounts receivables	12	12
Inventory	22	22
Rental vehicles	404	398
Intangible assets	8	2
Goodwill	-	1
Other non-current assets	11	11
Deferred Tax	1	-
	501	489
Current liabilities (not including current maturities of long term bank loans or debentures)	78	78
Interest bearing loans and borrowings (including current maturities)	106	105
Other debentures (including current maturities)	176	164
Deferred income tax liabilities	23	23
Advances from customers	11	11
Non-controlling interest holders (*)	33	-
	427	381
Net identifiable assets	74	108
Goodwill from the acquisition	4	
Purchase price	78	

* The proportional part of non-controlling interest holders in the fair value of the net identifiable assets.

Net cash generated from (used in) the increase in equity in Avis Israel

	€ in millions
Cash and cash equivalents of the acquired company	12
Cash paid	(68)
Net cash	(56)

Cost of acquisition

	€ in millions
Cash paid (not including cash paid for existent investment at the acquisition date)	34
Fair value of the existing share in Avis Israel as of the acquisition date	42
Total cost of acquisition	76

2. Sale of Sintec Media

Further to Note 48(d) to the 2010 consolidated financial statements, in March, 2011 Kardan Communication Ltd. (which is included in the Company's 'others' segment), a fully owned subsidiary of Kardan Israel , sold all of its holdings in Sintec Media (accounted for as a financial asset at fair value through profit and loss), reflecting 16.63% (fully diluted) of Sintec Media's share capital, in consideration of €13.2 million ($18.9 million).

Subsequent to the balance sheet date, in April 2011, an amount of €12 million ($17 million) was transferred to Kardan Communication Ltd. The remainder of the consideration ($1.9 million) was deposited in a trust and will be transferred within 18 months subsequent to the completion of the transaction.

3. Early repayment of a loan

In March 2011, a subsidiary of Kardan Israel purchased half of a loan that was due by Kardan Israel for an amount of €11.5 million (NIS 57 million). Kardan Israel repaid this loan to the subsidiary leading to an accounting loss of approximately €1.6 million (NIS 7.9 million)

4. Option plan - Avis Israel

In March 2011, the Board of Directors of Avis Israel approved an option plan to its executives. According to the option plan, a maximum of 671,811 options, exercisable to up to 671,811 ordinary shares of Avis Israel (reflecting 4%) would be granted. The options were granted after the balance sheet date, in May 2011.

The executives will be entitled to exercise the options after vesting periods as follows: 50% after two years from the date grant, 25% after three years and the remaining 25% after four years from the date of grant. Options are exercisable until six years from the date of grant.

The exercise price per option is €6 (NIS 29.71), reflecting the average closing price of Avis Israel’s share on the Tel Aviv Stock Exchange seven days prior to the date of grant.

The fair value of per option is estimated at €2.8 (NIS 13.86) at the grant date (reflecting a total benefit of €2.8 Million), using the binomial model and taking into account the terms and conditions upon which the share options were granted.

5. Holyland

As stated in Note 33 C (11) to the 2010 consolidated financial statements, Kardan Real Estate (a subsidiary included in the Company's Real Estate segment, effectively 49% held) holds a 30% stake in Holyland Park Ltd. (–‘ Holyland’), which is the owner of the Holyland project in Jerusalem (intended for residential building and a hotel) (‘ the Holyland Project’). As of the date of approval of these financial statements the Holyland Project is in various stages of construction, including buildings for which construction has not yet begun.

In their review report for the interim financial statements of Holyland dated March 31, 2011 Holyland's auditors drew attention to management’s inability to reliably assess whether there will be any additional possible effects of the matters described below on Holyland’s financial position and the results of its operations in the future, beyond those which were already presented in financial information for this interim period. The auditors also drew attention in the framework agreement with a bank which will terminate on March 31, 2012, and to management's plans to extend the framework agreement, or repay the outstanding loan to the bank, among others, by way of realization of land and rights in land , following which, Holyland will no longer retain the operational assets it needs to realize its business goals as detailed hereunder, and also to the uncertainty regarding the realization of Holyland’s management future plans.

In March 2011, notices were received from the Tel Aviv District Attorney's Office regarding indictments which are being considered against former officers of Holyland and Kardan Real Estate for alleged bribery charges. Filing the indictments is subject to a preliminary hearing.

In May 2011 Holyland received a notice regarding indictments which are being considered against it for alleged suspicion concerning certain offenses relating to the period before 2007, filing the indictment is subject to a preliminary hearing.

In light of a very preliminary stage in which the said proceedings against the Holyland are found and the fact that the evidence related to that matter were not yet examined, it is in the opinion of Holyland’s management, that it is impossible to estimate at this point in time, the effects of such proceedings, if any, on Holyland's financial position and results in the future.

In May 2011 the Jerusalem District Planning and Construction Committee (–' the Regional Committee') approved the minutes from the meeting dated April 2011 which provides that the Regional Committee is convinced that the planning of the Holyland project contradicts the planning policy of the Regional Committee.

The Regional Committee also announced that it is considering new planning alternatives which include changes in the approved construction permits for buildings not yet built; the preferred alternative will be selected pursuant to filing of a new building plan. These decisions and others, have direct impact over all the plots in the Holyland Project for which the construction has not yet been completed (plots 13, 14, 15 and an additional plot zoned for hotels). The Regional Committee exercised its authority to issue a statement calling for the preparation of a new building plan for the entire Holyland Project and also set restrictions for the issuance of any new building permits.

Holyland's management estimates that the new building plan may adversely impact the current scope of approved construction. But it cannot reasonably and reliably determine its share in the renewed building plan. Holyland's management estimates that the period in which the new building plan be completed is approximately 5-7 years. Holyland's management also estimates, based on the opinions of its legal counsels, that the chance of Holyland receiving compensation due to these changes in planning are higher than 50%.

Following the above, Holyland's management reviewed, among other, with the assistance of independent external appraisers, the net realizable value of the land it owns, based on its fair value, and the need for impairment.

Following the aforesaid review Holyland's management incurred a provision for impairment of its inventory and land. Kardan Real Estate share in the losses of Holyland for the three months period ended March 31, 2011 amounts to approximately €2.5 million (NIS 12.5 million), of which the Company's share amounts to approximately €1.4 million (NIS 6.6 million). As of March 31, 2011 the carrying value of the investment in Holyland in Kardan Real Estate's books amounts to about €0.7 million.

As mentioned in the 2010 consolidated financial statements , Kardan Real Estate guarantees 30% of Holyland's bank loans.

As of March 31, 2011 the loans balance of Holyland was approximately €29 million. Holyland's management estimates, it is likely that if required to do so, it will be able to extend the framework agreement, in whole or in part, from time to time after March 31, 2012 (the date of the loan repayment). Also, Holyland's management estimates that the proceeds that will be received from the sale of the inventory it has, as well as the value of all property and rights in real estate and the guarantees it has available will enable the full repayment of the loans.

These assessments of Holyland's management are based, inter alia, on the rate of actual sales of apartments and the proceeds received, the fact that credit utilized by Holyland under the framework agreement is reducing and the collateral available to the bank. Holyland's management also relied on the valuations of an external real estate appraiser regarding the expected consideration to be received from a sale of Holyland's entire land and land rights if implemented in a very short time. However, there is no certainty that Holyland's management estimations be fully realized, since its realization does not depend exclusively in Holyland.

These interim financial statements include the effects of the above mentioned on the operations of Holyland, according to the best estimates of the management of Kardan Real Estate and Holyland, based on the information and data known to them at the date of approval of these interim financial statements, and based on the opinions of their legal counsels in this matter. However, at the date of approval of these interim financial statements, there is still uncertainty regarding the full implications of all of the aforesaid on the Holyland Project as a whole, by which the management of Kardan Real Estate and Holyland cannot reasonably and reliably estimate, as of the date of approving these interim financial statements, whether there are any additional effects of all the above on the financial position and results of operations of Kardan Real Estate in the future, beyond those already disclosed in these interim financial statements.

C. KFS

Disposal of the investment in VAB Bank and VAB Leasing

On December 9, 2010 TBIF (the holding company of the financial services-retail lending segment) entered into a series of agreements with international entities ("the Purchaser") whereby it was agreed that TBIF would sell to the Purchaser its stake in VAB Bank (the "Sale Transaction"). As part of this Sale Transaction it was agreed that the Purchaser would pay a purchase price, which was equal to the amount placed in the capital increase in December 2010 by TBIF (€ 52 million, UHA 550 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.

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

Following the completion of both transactions in the first quarter of 2011, TBIF recorded a net gain of € 3.9 million, of which € 5.5 million gain relate to VAB Bank and € 1.6 million loss relate to VAB Leasing.

D. GTC

Sale of Shares - GTC S.A

A. In January 2011 GTC Real Estate Holding B.V.('GTC Holding', which is included in the Company's Real Estate segment) sold 35,100,000 shares of GTC S.A., constituting 16% of GTC S.A.'s share capital. 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 €188 million.

Following the transaction, GTC Holding holds 59,529,180 shares in GTC S.A., representing an interest of 27.14% in GTC S.A.

Even though that GTC Holding holds 27.14% of the shares of GTC S.A., it retained the power to govern the financial and operating policies of GTC S.A under its statute as it has majority of the supervisory board members. That fact, in combination with the spread of the other shareholders of GTC S.A. as well as the historical voting patterns at the general meeting, result in retaining effective control over GTC S.A. Accordingly, GTC Holding continues consolidating the financial statements of GTC S.A.

As a result of retaining control over GTC S.A, the transaction was accounted in accordance to IAS27, as an equity transaction. As such, the difference between the consideration received and the increase in the balance of non controlling interest which increased the Company's equity, considering the partial disposal of goodwill and reattribution of amounts were previously recognized in other comprehensive income, to non controlling interest holders transactions reserve.

The Company will keep monitoring any change in facts and circumstances, in order to confirm there are no triggers for loss of control.

7. Subsequent events

A. In April 2011 TBIF has signed an agreement to acquire the Bulgarian Bank, NLB Banka Sofia AD in consideration of €15 million. As of December 31, 2010, Banka Sofia had total assets of €101 million, of which a loan portfolio of €91 million and equity of €12 million.

Closing is subject to certain conditions precedent such as approval of Bulgarian National Bank and the Bulgarian Competition Authority.

B. Subsequent to the balance sheet date, in April 2011, GTC China sold 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. The transaction resulted in a gain for the Company of approximately €5 million which would be recognized during the second quarter in 2011.

C. Subsequent to the balance sheet date, on May 26, 2011, GTC SA signed an agreement with an affiliate of Unibail Rodamco S.E. to sell its 50% stake in the company which holds the shopping center Galeria Mokotów in Warsaw. The transaction values the asset at €475 million. The closing of the transaction is subject to standard closing conditions and regulatory approvals. The estimated profit from the transaction to Kardan amounts to less than €1 million, as most of it was recognized from revaluations in the past.

A. To the management and shareholders of Kardan N.V.

Review report

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Kardan N.V., Amsterdam (the “Company”) as at March 31, 2011 and the related interim condensed consolidated income statement, statement of comprehensive income, changes in equity and cash flows for the three month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting (“IAS 34). Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope

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

Opinion

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

Amsterdam, May 30, 2011

Ernst & Young Accountants LLP

Signed by: W. Van Hoeven

F:\W2000\w2000\926650\M\11\Kardan_NV_31-03-2011 Draft 3 23.5.11.docx

ADDITIONAL INFORMATION

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

KARDAN N.V.

Presentation of financial data included in

Consolidated financial statements related to the company

As of March 31, 2011

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

March 31, 2011

	March 31, **2011**	March 31, 2010	December 31, 2010
		€ in millions	
A s s e t s			
Non-current assets			
Long-term receivable (mainly fair value of derivatives)	105	99	119
Financial fixed assets			
Investments in consolidated subsidiaries	618	544	601
Loans to consolidated subsidiaries	135	270	277
	753	814	878
Current assets			
Cash and cash equivalents	101	36	10
Short-term investments	7	6	7
Other receivables	14	10	16
	122	52	33
Total assets	980	965	1,030
E q u i t y a n d l i a b i l i t i e s			
Equity attributable to equity shareholders			
Issued and paid-in share capital	23	23	23
Share premium	235	235	235
Property revaluation reserve	60	101	114
Revaluation reserve, other	11	(12)	-
Currency translation reserve	(8)	(4)	9
Non controlling interest holders transaction reserve	20	1	(1)
Treasury shares	(27)	(21)	(27)
Retained earnings	37	8	(19)
	351	331	334
Long-term liabilities			
Debentures	581	553	602
Loans from banks and others	30	49	43
Warrants and options	9	8	8
	620	610	653
Current liabilities			
Current maturities of long term loans	2	11	11
Other payables	7	13	32
	9	24	43
Total equity and liabilities	980	965	1,030

ADDITIONAL INFORMATION FROM THE COMPANY'S INCOME STATEMENT

	For the three months ended March 31,		For the year ended December 31,
	2011	2010	2010
	€ in millions		
Net result from investments for the period	1	(5)	-
Other income	-	-	1
Total revenues	1	(5)	1
General and administrative expenses	1	1	8
Other expenses	-	1	1
Total expenses	1	2	9
Income (loss) from operations before financing expenses	1	(7)	(8)
Financing expenses, net	(1)	(6)	(22)
Income tax benfit	1	-	3
Income (loss) for the period	-	(13)	(27)

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

	For the three months ended March 31,		For the year ended December 31,
	2011	2010	2010
	€ in millions		
Income (loss) for the period	-	(13)	(27)
Foreign currency translation differences	(16)	48	61
Change in hedge reserve, net	6	2	13
Unrealized revaluations, net of tax	(1)	-	1
Other comprehensive income for the period	(11)	50	75
Total comprehensive income (expense)	(11)	37	48

ADDITIONAL INFORMATION FROM THE COMPANY'S CASH FLOW STATEMENT

	For the three months ended March 31,		For the year ended December 31,
	2011	2010	2010
	€ in millions		
Cash flow from operating activities of the Company			
Profit (loss) for the period	-	(13)	(27)
Adjustments to reconcile net profit to net cash of the Company			
Charges to net profit (loss) not affecting operating cash flows:			
Change in fair value of hedge instruments	(2)	7	(14)
Financial expense (income)	4	(2)	35
Dividend received	-	12	13
Equity loss (earnings)	(1)	5	-
Changes in working capital of the Company			
Change in receivables	2	-	2
Change in payables	(3)	-	2
Cash amounts paid and received during the year			
Interest paid	(29)	(27)	(29)
Intarest received	-	3	5
Net cash used in operating activities of the company	**(29)**	**(15)**	**(13)**
Cash flow from investing activities of the company			
Short term investments, net	1	-	(1)
Granting of loans to subsidiaries, net	140	(6)	(52)
Net cash provided by (used in) investing activities of the company	**141**	**(6)**	**(53)**
Cash flow from financing activities			
Share purchased from non-controlling interest	-	-	(3)
Proceeds from sales of hedge instruments	-	-	29
Repayment of long-term debt	(21)	(4)	(11)
Net cash provided by (used in) financing activities of the company	**(21)**	**(4)**	**15**
Increase (decrease) in cash and cash equivalents of the company	91	(25)	(51)
Cash and cash equivalents at beginning of the period of the company	10	61	61
Cash and cash equivalents at end of the period of the company	101	36	10

1. General

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

The condensed interim separate financial information should be read in conjunction with the additional financial information for the year ended December 31, 2010 and the accompanying notes, and in conjunction to the consolidated interim financial statements for the three months ended March 31, 2011.

For the additional financial information for the period ended March 31, 2011 the Company applied the same accounting principles and methods of computation as compared with the additional financial information for the year 2010.