

PRESS RELEASE**Amsterdam/Tel Aviv, August 30, 2011****Number of pages: 85**

Q2 LOSS IN UNSTABLE MARKETS; FOCUS ON EXPANDING REAL ESTATE AND WATER INFRASTRUCTURE ACTIVITIES

- Initiated spin-off of Israeli Activities; downsizing of Financial Services Activities;
- Net debt of Kardan and intermediate holding companies brought down by EUR 188 million to EUR 445 million in H1-2011;
- Net result H1-2011: Loss of EUR 36 million (H1-2010: profit of EUR 1 million), mainly due to Financial Services and “Other”

Highlights divisions (all figures represent Kardan stake):

Real Estate

- Sale of 16% interest in GTC SA raises approx. EUR 195 million partly to reduce leverage, while retaining 27% strategic stake;
- GTC SA sells its 50% stake in Galeria Mokotow;
- GTC China raises capital by selling its 50% share in office project as well as a 50% stake in shopping center;
- Debt crisis impacts sentiment.

Water Infrastructure

- Agreement signed for development of two new wastewater treatment plants in China;
- New CEO initiates restructuring activities.

Financial Services

- Sale of VAB Bank (Ukraine);
- Acquisition of Bulgarian bank;
- Sale of Sovcombank, Russia, announced (indicating EUR 10 million impairment on goodwill in Q2-2011).

Rental & Leasing of Vehicles

- Negative contribution due to change of control in AVIS Israel (accounting impact)

Other (activities not attributable to a segment, finance and general expenses not allocated to specific activities)

- Teledata sale proceeds (for shares) influenced by negative stock market sentiment

The Management Board of Kardan N.V. (“Kardan”) commented on the results of the first half year of 2011:

“During the first half year we took significant steps to decrease Kardan’s leverage and to further streamline Kardan’s businesses. Next to a consistent focus on the existing activities, this enables us to start investigating expansion of our real estate and water infrastructure activities through both our existing as well as new platforms. By the end of June 2011, our net debt position on Kardan and our intermediate holding company levels had been brought down by EUR 188 million to EUR 445 million, compared to year end 2010 (EUR 633 million). This was partly financed with the proceeds from selling a 16% stake GTC SA, our CEE Real Estate company, in which we retain a long term strategic 27% interest. In terms of streamlining the organization, we parted with our banking operation in the Ukraine, signed an agreement to sell our remaining stake in our Russian banking operations (Sovcombank) and completed the acquisition of Bulgarian Banka Sofia, enabling us to attract deposits going forward. In addition, we initiated the process to spin-off its Israeli activities. Once the sale of the stake in Sovcombank and the spin-off are completed, Kardan will be a lean organization focusing on initiating, developing and managing cash flow generating assets in emerging markets

mainly in the fields of Real Estate and Water Infrastructure. To (partially) finance our ambitious development growth from the existing land bank in China, we sold 50% of our shopping mall in Chengdu, as well as our stake in the only office project in China. GTC SA also raised additional funds for further development by selling its 50% stake in Galeria Mokotow in Warsaw to its co-owner.

The net result of the first half year 2011 was a loss of EUR 36 million, mainly due to Financial Services and activities which are not directly allocated to a segment or division. The results over the first half of this year have also been impacted by the measures we are taking to strengthen our organization in the current unstable worldwide macroeconomic environment.

Within Tahal Group International (TGI), our water infrastructure business, we have restructuring activities taking place in Q2-2011, in line with our aim to implement more focus and to work more efficiently. This has affected the results of Tahal negatively. Our real estate developer in China, GTC China, continues to do well, whereas GTC SA in CEE has been impacted by the macro-economic unrest in Europe, decreasing the value of our assets despite relatively stable yields. The same accounts for our lending activities in Romania and Bulgaria, which are still faced with lagging consumer confidence hampering retail lending.

Our current real estate assets are located mainly in CEE and Asia, whilst we also have water projects in African and Latin American countries. We intend to expand our asset base further in Asia, carefully assessing whether the countries of interest meet our requirements, such as a reliable legal structure, a growing and educated middle class and a need for our expertise in Real Estate and Water Infrastructure. Particularly in these turbulent markets we are very careful in allocating Kardan capital to new opportunities. We remain fully committed to pursue our long term strategy of creating value through our assets in emerging markets”, says Alain Ickovics, Chairman of the Management Board.

Summary of Developments, Results and Movement in Equity of Kardan N.V. in H1-2011

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 (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)	H1-2011	H1-2010	Q2-2011	Q2-2010	2010
Real Estate	(1)	2	(4)	(1)	13
Water Infrastructure – Projects	(5)	2	(5)	2	2
Water Infrastructure – Assets	1	(1)	-	(1)	3
Financial Services – Retail Lending	(10)	(30)	(14)	(13)	(57)
Financial Services – Insurance and Pension*	-	30	-	23	31
Rental and Leasing of vehicles	(6)	2	(1)	-	2
Sale of vehicles	4	4	2	2	7
Other	(19)	(8)	(14)	2	(28)
Total net result attributable to equity holders	(36)	1	(36)	14	(27)
Profit (loss) per share (EUR)	(0.36)	0.01	(0.36)	0.14	(0.27)
Profit (loss) per share diluted (EUR)	(0.39)	-	(0.38)	0.13	(0.27)

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

Kardan N.V. – balance sheet (company only)	June 30, 2011	December 31, 2010	June 30, 2010
Total Assets (in EUR million)	954	1,030	1,037
Total Equity (in EUR million)	301	334	368
Equity/Total assets (%)	32	32	35

The net result of Kardan N.V. attributable to equity holders was a loss of EUR 36 million in H1-2011 versus a profit of EUR 1 million in H1-2010.

Shareholder's equity of Kardan N.V. decreased from EUR 334 million as of December 31, 2010 to EUR 301 million as of June 30, 2011, largely due to the H1-2011 loss and a negative impact of direct movements in equity of EUR 24 million, mainly due to the strengthening of the Euro against the Chinese Renmimbi. The sale of 16% of the shares in GTC SA at the end of January increased Equity by EUR 27 million.

Real Estate

(in EUR million)	H1-2011	H1-2010
GTC SA	(9)	4
GTC China	10	5
Israeli Real Estate	1	(3)
Finance & G+A expenses	(3)	(4)
Net contribution	(1)	2

The net contribution of the Real Estate division in the reporting period is a loss of EUR 1 million (H1-2010 profit of EUR 2 million). GTC SA contributed a loss of EUR 9 million, versus a profit in H1-2010 which at that time was largely due to positive revaluation results on properties in Poland. GTC China's profit contribution for the first six months of 2011 is mainly attributable to the revaluation of the shopping mall in Chengdu which was made at the occasion of the sale of 50% of the shares of the mall.

The macroeconomic recovery in CEE varies from the more northern countries to the SEE countries, where the recovery is delayed, and where positive impacts are not foreseen earlier than in 2012. This has had a negative impact on GTC SA, where due to the macroeconomic sentiment assets were negatively revalued. In China, GDP growth slowed down slightly, but inflation rates are growing. The measurements taken by the government to cool down the economy are reflected in a slight hesitance with consumers to buy apartments. On the other hand, retail consumer spending continues, as is shown in the success of the first shopping mall of GTC China in Chengdu (approx. 95% leased).

Water Infrastructure

(in EUR million)	Projects	Assets	H1-2011 Total	Projects	Assets	H1-2010 Total
Revenues	43	36	79	51	31	82
Net Contribution	(5)	1	(4)	2	(1)	1

Tahal, Kardan's Water Infrastructure division, saw revenues decline by 4% y-o-y in H1-2011, as a result of disappointing revenues at Tahal Projects due to delayed projects and also impacted by a translation loss as a result of the devaluation of the US Dollar. The backlog of Tahal Projects decreased due to increased challenges in winning the project tenders, delays in project tenders and the translation of the US Dollar. Tahal Assets, however, continues to grow its footprint in China; Kardan Water, Tahal's subsidiary in China, has 9 wastewater treatment plants and one water supply

plant, and has recently signed two agreements to develop new plants. After balance sheet date (end of August) the financial closing of the largest project in the history of Tahal (Quiminha, Angola), was signed. With the financial closing, the down payment to initiate the project is expected in the coming week. The project entails a water supply, settlement and agricultural development project for a total value of EUR 143 million.

The net contribution of Tahal amounted to a loss of EUR 4 million in H1-2011 (H1-2010: profit of EUR 1 million), amongst others due to restructuring expenses at Tahal Projects of more than EUR 2 million.

Financial Services

(in EUR million)	H1-2011	H1-2010
Insurance & Pension*	-	30
Sovcombank	(5)	9
VAB bank **	4	(27)
Romania & Bulgaria Finance & G+A expenses	(2)	(2)
	(7)	(10)
Net contribution	(10)	-

(*) Activity sold in Q4-2010

(**) Sold in January 2011

Romania and Bulgaria are slowly showing signs of macroeconomic improvement. Consumer confidence lags behind, impacting the results of the Financial Services division (KFS).

The loss of KFS amounted to EUR 10 million, worse than last year, largely to be explained by:

- In H1-2010 the insurance & pension activities contributed EUR 30 million of profit. The agreement to sell these activities was signed in Q3-2010, and the sale completed in Q4-2010.
- An accounting loss of EUR 5 million related to the ongoing sale transaction of Sovcombank in Russia, the closing of which will take place in 2012;
- A gain related to the sale of the Ukrainian bank early 2011, whereas in H1-2010 the share of Kardan in the loss of VAB bank was substantial.

The **Rental and Leasing of Vehicles** segment was negatively impacted by the fact that in Israel financing costs were low in the first half year 2011 leading to affordable “mini cars” being bought, rather than being leased or rented. In addition, the price of second hand lease cars was also put under pressure. The contribution of this segment was a loss of EUR 6 million in H1-2011 (H1-2010: profit of EUR 2 million), mainly attributable to a loss of EUR 5 million recognized on a transaction that comprised of an increase of the stake in Avis Israel to 68% in Q1-2011, as well as to the market circumstances as mentioned above.

The **Sale of Vehicles** segment benefitted from the Israeli automotive sales market which continued to grow, with approximately 123,000 vehicles being handed over in H1-2011. Although UMI increased its market share to 7.9% (H1-2010: 6.4%) by selling more cars, this was not reflected in higher net profit due to the lower gross profit margin of the mix of sold vehicles. In H1-2011, the contribution (profit of EUR 4 million) of Sale of Vehicles segment was equal to the contribution in the same period last year.

Other Results

(in EUR million)	H1-2011	H1-2010
Corporate expenses	(13)	(17)
Israeli activities	(4)	7
Deferred tax	(2)	2
Net contribution	(19)	(8)

Other Results mainly include corporate expenses not allocated to specific activities and the results of activities not attributable to a segment. The increased loss to EUR 19 million in H1-2011 is explained as follows:

- Corporate expenses, including Finance and General and Administrative expenses decreased mainly due to positive foreign exchange differences on an un-hedged liability of Kardan N.V. denominated in Israeli NIS.
- The Israeli activities, not attributable to a segment, contributed a loss of EUR 4 million in H1-2011. Last year (H1-2010), the Israeli activities reported a profit of EUR 7 million which included a profit of EUR 6 million on the sale of a participation in a communications company, but in the first half of this year this transaction contributed a loss of EUR 2 million.
- A loss of EUR 2 million in H1-2011 relates to a deferred tax expense whereas in the same period of last year a tax benefit was recognized.

Outlook 2011

Spin-Off Israeli Activities (Kardan Israel) and Milgam

As announced in the press releases of June 22 and August 4, 2011, Kardan NV intends to transfer its 74% holding in Kardan Israel and its indirect holding in Milgam formerly held by the Water Infrastructure division) to Kardan Yazamut, a company fully owned by Kardan. Subsequent to the transfer, and subject to shareholders' approval, the shares of Kardan Yazamut will be distributed in kind to the Kardan shareholders by way of dividend. Reference is made to paragraph 1.2 and the respective press releases. The EGM to approve the distribution is to take place on September 15, 2011. Assuming the shareholders will approve the distribution, Kardan intends to finalize the spin-off in Q4-2011.

It should be noted that the Israeli activities to be spun off include the segments "Rental and Leasing of vehicles" and "Sale of vehicles" and activities that are included in the segment "Other" as well as Kardan Real Estate, Israel.

Real Estate

The current turmoil on the financial markets in Europe has an impact on the real estate industry in Central and South Eastern Europe, which influences valuations of Real Estate as well as the appetite of tenants to conclude a lease agreement. The result from the delivery of residential units in China, is expected to increase in H2-2011.

In the second half of 2011, GTC SA and GTC China plan to continue to develop projects out of their existing land bank and may initiate new opportunities. In order to fund these developments they may decide to sell part of cash generating assets. As a result of the above, and contrary to the outlook as presented in the previous releases of 2011, Kardan refrains from giving a quantitative outlook with respect to the second half of 2011.

Water infrastructure

In the second half of 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 of Tahal Projects in H2-2011 will exceed the level of H1-2011. In the second half of 2011, revenues of Tahal Assets might be negatively impacted due to the expected sale of Milgam to Kardan Yazamut (see above), whereas the cash position might improve as a result hereof.

Financial Services

In H2-2011, the integration of NLB Banka Sofia, the Bulgarian bank that was acquired recently, will start to take place. It is expected that the existing operations in Bulgaria and Romania and the new bank will contribute negatively to the result of the second half of this year. As an agreement has been signed in June 2011 to sell the Russian Sovcombank, this bank will not contribute a result in the second half of 2011.

Other

This segment mainly comprises of finance and general expenses not allocated to specific activities and results of (Israeli) activities not attributable to a segment. Given the dependence of part of the results of the other activities on the development of the financial markets and the anticipated Spin-Off, no forecast can be made on the comprising activities reported here.

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: 4462745

Dial in number UK: +44 (0)207 1532027

Conference ID: 4462745

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 June 30, 2011 amounted to EUR 5.6 billion; revenues totaled EUR 395 million in the first half year 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 (gereguleerde informatie) as defined in the Dutch Act on Financial Supervision (Wet op het financieel toezicht)"

FINANCIAL REPORTS FOR THE SIX MONTHS ENDED JUNE 30, 2011

The Financial Reports contain the following sections:

PART 1 MANAGEMENT REPORT FOR H1-2011

1. Developments of divisions of Kardan and the respective markets
2. Main events in the period
3. Subsequent events
4. Results and equity attributable to equity holders of Kardan as of June 30, 2011
5. Book Value of investments of Kardan as of June 30, 2011
6. Financial position of Kardan Group as of June 30, 2011
7. Risk Management

PART 2 ADDITIONAL INFORMATION

1. Financial analysis of consolidated interim balance sheet, income statement and cash-flow statement
2. Fair Value disclosure
3. Issuance of debt
4. Immaterial transactions procedure
5. Procedure for approving the financial reports

PART 3 FINANCIAL STATEMENTS INCLUDING AUDITOR'S OPINION (PUBLISHED ON THE WEBSITE OF KARDAN N.V. (WWW.KARDAN.NL))

PART 1¹ MANAGEMENT REPORT FOR THE FIRST HALF YEAR OF 2011
1.1 Development of divisions² 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 in addition to the information provided in this press release.

Real Estate

Kardan is active in development and management of Real Estate mainly through GTC SA, of which it holds 27%, and its 100% subsidiary GTC China. In addition, Kardan has a 49% holding in GTC Investments in Western Europe, and a 53% indirect holding in Kardan Real Estate in Israel.

In H1-2011, the Real Estate division generated EUR 104 million revenues³ (H1-2010: EUR 98 million).

General market developments Central and Eastern Europe (GTC SA)

CEE has shown a careful macroeconomic recovery, albeit that the growth has slowed down somewhat in Q2-2011 on the back of increasing inflation rates and continued uncertainty with regard to the European debt crisis. The recovery in CEE remains uneven with Poland, Slovakia and Czech Republic leading in growth and the Balkans lagging behind, being - among others- more exposed to the problems in Greece. GDP growth for CEE 2011 is currently estimated at around 3 to 3.5%; the estimated growth for SEE countries is less than 2%.

Investment activities in the CEE Real Estate markets increased in the first half of 2011; most of the volume took place in Poland as investors are looking for the prime end of the market, with increasing interest showing for Hungary and Czech Republic. Some markets in SEE are facing substantial delays in projects due to continued challenges in securing financing. Consumer confidence and spending power vary throughout the different countries within CEE, which is noticeable in the retail property markets, where downward pressure on rental rate is seen.

Developments GTC SA

GTC SA in EUR million	H1-2011	H1-2010	Q2-2011 (30.06)	Q2-2010 (30.06)	2010 (31.12)
Rental + service Revenue	65	61	34	31	124
Residential Revenue	10	17	7	10	45
Gross profit rental	47	48	24	24	94
Gross profit residential	-	1	-	-	2
Revaluation / impairments	(38)	13	(51)	13	43
Net Profit / (Loss)	(38)	3	(47)	(1)	29
Inventory & residential land bank	252	270	252	270	254
Investment Property	1,947	2,017	1,947	2,017	2,118
Total Assets	2,694	2,702	2,694	2,702	2,728
Total Equity	1,032	992	1,032	992	1,053
Cash & st investments	111**	203	111	203	230

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

Ratios					
Gross margin rental	72%	78%	70%	77%	76%
Gross margin residential	-	6%	-	-	4%
Loan to Value*	54%	52%	54%	52%	49%

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

**does not include EUR 110 million net proceeds from sale of Galeria Mokotow

- Main events in the period were:
 - The sale of GTC SA's 50% stake in Galeria Mokotow (Poland) for net proceeds of EUR 110 million
 - Platinum IV (13,000 sqm) was completed in 13 months (June 2011), entirely leased by Aviva Group;
 - Opening of shopping centre Avenue Mall in Osijek, Croatia (90% leased);
 - Land for a new office project (30,000 sqm, 24 floors) in Bucharest (Romania) was acquired, to be constructed in a 50/50 partnership with Ana Group.
- Rental revenues were up by 5% y-o-y to EUR 50 million (H1-2010: EUR 48 million), mainly from assets that were completed after June 30, 2010. As some of the buildings are still under occupied or in the lease free period as at June 30, 2011, there is a potential for further rental revenue growth, from existing projects, supported by an increase in occupancy. Residential revenues decreased in the first half year of 2011 as a result of a slower pace of handovers to buyers in combination with higher discounts for the apartments. GTC SA focuses on cash repatriation rather than on profit maximization with the sale of residential property.
- Revaluation of investment property amounted to a negative adjustment of EUR 38 million, reflecting less than 2% of GTC SA's investment properties.
- Approximately 50% of GTC SA's debt expires in 2017 or later. The average cost of financing remains around 5.5%.
- Investment was EUR 104 million in H1-2011, as compared to EUR 82 million in the same period last year. GTC SA will continue with its selected development plans in its core markets based on its liquidity and debt raising ability, planning to deliver an additional 42,000 sqm in H2-2011, which will bring the total completions for 2011 to 82,000 sqm.
- Completed commercial space was 536,000 sqm as at June 30, 2011, which, taking into consideration that this excludes our 31,000 sqm of Galeria Mokotow which was sold, entails an increase of 4% vis-à-vis the 544,000 sqm completed commercial space as at March 31, 2011.
The average occupancy rate for GTC SA is approximately 84%.
Average yield for completed commercial properties was 8%, the same level as at year end 2010: 7.9%.

General Market Developments in China (GTC China)

The Chinese economy expanded by 9.5% in the second quarter of 2011 (y-o-y), a slight slowdown in comparison to Q1-2011 when GDP growth (y-o-y) was 9.7%. According to the National Bureau of Statistics, consumer spending contributed 4.6 percentage points ("pp") to China's GDP growth (y-o-y) of 9.6% in H1-2011, investments made up 5.1 pp, whilst foreign trade deducted 0.1 pp. Fixed asset investment grew with 25.6% (y-o-y) in the first six months of 2011, an indication of the Government's decision to allow institutional investors to invest in fixed assets. In order to combat rising inflation which is currently 6.5%, China's Central Bank has raised the interest rates three times in 2011 to a level of 6.3 % at month-end June. At the same time the Chinese Government attempts to stimulate consumer spending, which underpins GTC China's strategy to focus on the development of shopping malls.

Developments GTC China

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

In the following 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.

GTC China (in EUR million)	H1-2011	H1-2010	Q2-2011 (30.06)	Q2-2010 (30.06)	2010 (31.12)
Rental + service Revenue	3	-	1	-	0.35
Residential Revenue	13	14	9	11	38
Revaluation (net of tax)	12	13	10	8	25
Net Profit (Loss)*	13**	7	12**	1	15
Completed investment property	59	-	59***	18	110
Investment property under construction	-	83	-	65	-
Inventory	218	103	218****	7	132
Total Assets	461	361	461	361	465
Total Equity	208	159	208	159	161
Cash & short term investments	48	60	48	60	124
Operational Parameters (100%)					
Units sold in the period	1,140	1,911	541	921	3,461
Units handed over in the period	493	686	350	514	1,748

*Before consolidation adjustment

**Includes EUR 7 million gain on the divestment of HIFC, Hangzhou and a charge of EUR 5 million with regard to an Employee Stock Option Plan.

***Reclassified as "assets held for sale" with regard to 50% stake in shopping mall Chengdu

****Represents mainly the completion of the acquisition of Dalian land plot

The slight decrease in residential revenue is the result of the 28% less deliveries of apartments in the first half of 2011 compared to the same period last year. The mix of apartments that were handed over (size, location, maturity of the project) accounted for the higher average price in comparison to last year. The rising inflation as well as the rising interest rates are influencing the decision to buy apartments, as is reflected in the lower number of units sold in H1-2011 versus last year. GTC China has consequently, in line with its strategy, adjusted the pace of construction to avoid building up an unsold inventory. Deliveries now take place approximately 18 months after sales contracts have been signed. End of June 2011, GTC China had 2% completed and unsold units, whereas this was 4% at year end 2010. Prices of apartments are still increasing, albeit at a slower pace than a year ago. As at June 30, 2011, 5,646 apartments are sold - but still need to be delivered - compared to 4,999 as of December 31, 2010. The vast majority of these sold apartments (5,023) are still under construction.

As at June 30, 2011, the shopping mall in Chengdu had an occupancy rate of almost 95% (end of March 2011: 89%). The company is planning to develop 4 additional shopping malls in China in the coming years in Dalian, Xianyang, Shenyang and Changzhou, comprising of more than 200,000 sqm.

Water Infrastructure (Tahal)

Through its 100% subsidiary Tahal Group International B.V. ("TGI"), Kardan operates as a leading international engineering company, specializing in water-related infrastructure projects and water-related asset ownership. 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.

Revenues⁴ in H1-2011 for TGI amounted to EUR 79 million in comparison to EUR 82 million over the same period in 2010.

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

Global Market Developments

Population growth, social mobility and industrial expansion fuel the demand for water. Consequently, the water sector in developing markets shows intensive activity. Numerous tenders are being issued for the upgrading of water treatment plants and for the construction of wastewater treatment facilities, with a view to complying with international standards. Budgets are being channeled on a large scale by international financing organizations for the enhancement of developing areas. Activity is becoming more competitive as additional players enter the field. In addition, tender processes have become more complicated and time consuming as governments, due to a lack of funding, are faced with more stakeholders in the decision making process. In these circumstances, reputation and proven technical expertise of the engineering companies is becoming increasingly important.

Developments Tahal Projects

Tahal Projects (100%) (in EUR million)	H1- 2011	H1- 2010	Q2- 2011 (30.06)	Q2- 2010 (30.06)	2010 (31.12)
Revenues	43	51	21	28	111
Gross Profit	6	12	1	6	23
EBITDA	(4)	5	(6)	3	10
Profit (Loss)	(5)	2	(5)	2	2
Total Assets	111	134	111	134	142
Equity* / assets	32%	30%	31%	30%	29%
Net debt ** (excl. SH loans)	8	18	8	18	10
Cash	16	14	16	14	34
Other					
Back Log ***	163	223	163	223	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.

In line with the overall strategy of Kardan to implement more focus in its organization and activities and in order to be more efficient, a restructuring program at TGI has been implemented. The impact hereof on the results is described in paragraph 1.4.

The decrease in revenues for Tahal Projects is due to the fact that some projects were delayed. In addition, the devaluation of the US Dollar (the business of Tahal Projects is mainly US Dollar denominated) had a negative translation impact of EUR 2 million.

The backlog of Tahal Projects shows a large decrease which is explained by a) delays in tenders, b) losing some tenders and c) translation impact of the devaluation of the US Dollar.

After reporting date, Tahal Projects received new orders totaling USD 44 million (EUR 31 million) in Asia, Latin America and Europe. In addition, after balance sheet date, the financial closing of the largest project in the history of Tahal (Quiminha, Angola), was signed. With the financial closing, the down payment to initiate the project is expected in the coming week. The project entails a water supply, settlement and agricultural development project for a total value of EUR 143 million.

Development Tahal Assets

Tahal Assets (in EUR million)	H1- 2011	H1- 2010	Q2- 2011 (30.06)	Q2- 2010 (30.06)	2010 (31.12)
Revenues	36	31	18	15	65
Gross Profit	9	6	4	3	16
EBITDA	5	3	3	1	7
Profit (Loss)	1	(1)	-	(1)	3
Total Assets	209	167	209	167	186
Equity* / assets	35%	35%	35%	35%	37%
Net debt** (excl. SH loans)	65	57	65	57	58
Cash	9	11	9	11	15

* Shareholder equity including shareholder loan

** Bank loans net of cash and cash equivalents

In H1-2011, Tahal Assets increased its presence in China to 9 wastewater treatment facilities and one water supply plant. After the reporting period (in July) Kardan Water China, subsidiary of Tahal Assets, signed two new BOT agreements with tenures of 28 years, for 2 wastewater treatment plants in Zibo City, Shandong Province. The capacity of these two plants will be 55,000 cubic meters / day. The plants are expected to be operational in Q1-2012.

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 TBIF (Insurance and Pension) to its co-shareholder, Vienna Insurance Group was completed.

During the first half year of 2010, TBIF was active in banking, consumer finance, leasing, mortgages and asset management: in Russia and Ukraine, mainly through its stakes in Sovcombank and in VAB Bank respectively, and in Romania and Bulgaria, through its fully owned non-banking subsidiaries. Kardan sold its stake in VAB Bank, Ukraine, in January 2011, and signed an agreement, in June 2011, with TBIF's co-shareholder in Sovcombank to sell its 50% stake in this bank. Once this transaction is completed, the retail lending activities in Romania and Bulgaria remain. In July 2011, TBIF completed the acquisition of the Bulgarian bank NLB Banka Sofia AD, to upgrade its operation in Bulgaria into a full banking operation focused on retail and SME banking. Finally, the asset management activities in Bulgaria have been sold in August 2011.

General Market Developments Romania and Bulgaria

Romania

As of the start of 2011, the Romanian economy showed signs of recovery, on the back of growing export and a relatively stable, but high, inflation rate. The Economic Program provided by the EC and IMF, which is more a precautionary measure than that the country draws on these facilities, as well as continued fiscal consolidation has improved Romania's credit situation. This has recently led to an upgrade of the Romanian sovereign rating by Fitch. Consumer confidence, however, remains hesitant, which is reflected in retail banking activities. Researchers estimate GDP growth for the full year 2011 at approximately 1.5%.

Bulgaria

In the first half year of 2011, GDP promisingly increased by 2.5% y-o-y. However, inflation reached 5.1% in H1-2011, leading to a slow down of domestic consumption. Annual CPI change slowed to 4.8% in June from 5.1% in March 2011, as food prices fell for the first time in the last 11 months. Although consumer spending is still slow, the retail banks have seen a q-o-q increase of 2.1% in

deposits, but the development in retail lending is lagging. Expectations are that the rebound in the export will outweigh the lagging domestic demand, thus accelerating GDP growth for Bulgaria.

Developments KFS/ TBIF

Retail Lending

Although the agreement to sell TBIF's 50% stake in Sovcombank was announced in June 2011, the results of Sovcombank in the first half of 2011 are still proportionally consolidated. However, the results of Sovcombank for the first half year of 2010 that are included in the consolidated financial statements of that period are presented as discontinued operations. In the first half year 2011 the bank increased its gross portfolio in local currencies by 31% (in EUR by 30%) when compared to year end 2010. In the same period, deposits increased by 2% (local currency and EUR). The percentage of loans outstanding more than 90 days (NPL's) stayed low, at 2.7%, the same as in Q1-2011.

The retail lending activities in **Romania and Bulgaria**, experienced a decrease of portfolios in all lines of business.

Bulgaria & Romania 100% (in EUR million)	H1-2011	H1-2010	Q2-2011 (30.06)	Q2-2010 (30.06)	2010 (31.12)
Net banking income*	15	20	8	12	37
Profit (Loss)	(3)	(3)	(2)	(2)	(3)
Total Equity	41	43	41	43	43
Total Assets	195	241	195	241	217
Equity / Assets	21%	18%	21%	18%	20%
Cash & ST investments	13	11	13	11	18
Operational Parameters	30.06.11	30.06.10	30.06.11	30.06.10	31.12.10
Gross Loan Portfolio	195	213	195	213	204
Provisions	19.6%	11.2%	19.6%	11.2%	15.7%
Book value in TBIF (equity, loans and goodwill)	98	111	98	111	107

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

The Bulgarian and Romanian retail lending activities generated 25% (y-o-y) less net banking income as a result of slow demand for products due to low consumer confidence in the macro-economy. In July 2011, TBIF completed the acquisition of NLB Banka Sofia AD in Bulgaria. With the banking license, the retail lending activities will be gradually expanded and become less dependent on wholesale funding as they can start to attract deposits. This should have a positive impact on the margins going forward.

Kardan is active in the Rental and Leasing of vehicles and Sale of vehicles segments in Israel, through its 74% stake in Kardan Israel.

General Market Developments Israel⁵

According to the Israeli Central Statistics Bureau, Israel's GDP grew by an annual rate of 5% during H1-2011, after rising 5.7% and 5.6% in H2 and H1 of 2010 respectively. The continued economic growth will depend on the developments on 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 1.25% during H1-2011 and in turn increased the prime interest rate to 4.75%. After the end of the first half of 2011, a social protest began in Israel regarding the high cost

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

of living in general and the residential real estate prices in particular. This social protest may have political and economic consequences, which as of the date of this report cannot be estimated.

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. In August 2011, however, Kardan Israel decreased its stake in AVIS to 34%. (Reference is made to paragraph 1.2)

Developments of Rental and Leasing of vehicles

The leasing market in Israel has become more competitive mainly due to attractive financing, which has led to an increase of cars in the market and a pressure on pricing for leasing, renting and for the sale of second hand vehicles. In addition, 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 H1-2011 decreased in comparison to the results of H1-2010, mainly due to the market circumstances as mentioned above. As of 30.06.11, AVIS Israel had a car fleet of approximately 30,100 cars.

Sale of vehicles

Developments of sale of vehicles

The Israeli automotive sales market continued to grow and increased by 18% in H1-2011 in comparison to H1-2010, with approximately 123,000 vehicles being handed over in H1-2011. 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 H1-2011, UMI increased its market share, in terms of number of new vehicles sold, to 7.9% (H1-2010: 6.4%), mainly due to the successful sales of mini and compact vehicles (Chevrolet Spark and Chevrolet Cruze). However, the increase in the number of vehicles sold was not reflected in a higher net profit during the reporting period, mainly due to a different mix of vehicles. In the first half of 2011, UMI reported a profit of EUR 4 million, similar to the profit reported in the same period last year.

1.2 Main events in H1-2011

Kardan

- In January, 2011 - Maalot, the Israeli subsidiary of Standard & Poor's ("S&P"), reported that it had changed the outlook on the rating of the debentures issued by Kardan (iIBBB+), from negative to stable, 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.
- In June 2011, Maalot changed the outlook on the rating of the debentures issued by Kardan (iIBBB+), from stable to positive, based upon Kardan's actions to reduce the debt of its holding and intermediate companies resulting in increased liquidity and financial flexibility. The trigger for a rating increase with one notch to A- would be a further sustainable reduction of the Loan to Value ratio to 40%.

- In June 2011, Kardan (“Kardan” or “the Company”) announced that the Supervisory Board of the Company approved the initiation of an intended spin-off of the Company's 74% stake in Kardan Israel Limited (“KIL”) and of its indirect 97% stake in Milgam Municipal Services Ltd. (“Milgam”), and the filing of a first draft prospectus with the Israel Securities Authority (“ISA”) and the Tel Aviv Stock Exchange in this regard (“the Spin Off”). Following the contemplated Spin-Off, Kardan will have a clear portfolio of activities in emerging markets, fully in line with what Kardan has indicated in previous statements; that the Company intends to simplify its organizational structure to specifically grow its real estate activities in CEE and Asia as well as its Water Infrastructure activities worldwide in emerging markets. KIL, active primarily in Israel, and Milgam, which provides services to the municipalities in Israel, are considered no longer fitting in the focused, international growth of Kardan. The structure of the contemplated Spin-Off includes the transfer of Kardan's shares in KIL as well as Kardan's indirect stake in Milgam, including debt, to a newly incorporated Israeli company called Kardan Yazamut (2011) Ltd. held by Kardan. Following the transfer of these KIL and Milgam shares to NewCo, Kardan will distribute NewCo shares to its existing shareholders and intends to list all NewCo shares for trade on the Tel Aviv Stock Exchange. The technicalities with regard to this distribution and Spin-Off are still under review, and may have implications on the Spin-Off structure, the size of the distribution and the overall process. It is Kardan's intention to complete the Spin-Off by the end of 2011. Further reference is made to the full press release as published on June 22, 2011 (www.kardan.nl).

Real estate (GTC)

- In January, 2011, Kardan's wholly-owned subsidiary, GTC Real Estate Holding B.V. (“GTC Holding”), successfully sold 35,100,000 shares (representing 16% holdings) of GTC SA at a price of PLN 21.50 per share. Gross proceeds amounted to PLN 754,650,000 (approximately EUR 195 million) which were used by Kardan to increase financial headroom to implement its strategy, and to reduce its leverage. GTC Holding retains approximately 27.14% of GTC SA's issued share capital, which Kardan has agreed to hold for a period of at least 15 months.
- At the end of January, 2011, Kardan's wholly owned subsidiary GTC China sold its 50% stake in a real estate project in Hangzhou, China (“HIFC”), to a Chinese real estate and investment company, Rich Holding Group Co. Ltd., for a consideration of RMB 269 million (approximately EUR 28 million on April 1, 2011). The transaction resulted in a gain for GTC China of EUR 6.5 million net of withholding tax on the transfer of proceeds out of China, which for Kardan translated in a gain of EUR 5 million (after adjustments on the holding level).
- In May 2011, Globe Trade Centre S.A. (“GTC SA”) signed an agreement to sell its 50% stake in Galeria Mokotow in Warsaw to Unibail Rodamco S.E., the co-owner and manager of the shopping center. The transaction, which was completed at the beginning of August 2011, valued the asset at EUR 475 million. The sale generated approximately EUR 110 million of cash for GTC SA. 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. After balance sheet date, the transaction was completed.
- In June 2011, GTC China signed an agreement to sell a 50% stake in Galleria Chengdu to MGPA, a private equity real estate investment advisory company for a net cash consideration of approximately RMB 422 million (EUR 46 million) (“the Transaction”). Following the completion of the Transaction, GTC China retains a 50% stake in Galleria Chengdu and will continue to manage and operate the shopping center. The Transaction was completed end of August 2011. GTC China recorded a profit in the amount of EUR 10 million in Q2-2011 as a result of this transaction.
- In June 2011, GTC China granted employee options to an executive, which represent 5% of the issued capital of GTC China.

Water Infrastructure (Tahal)

- In June 2011, Kardan Water Infrastructure Group (“KWIG”), subsidiary of Tahal Assets, granted employee options to an executive, which represent 2% of the issued capital of KWIG.

Financial Services (KFS)

- In January, 2011, TBIF sold its stake in the Ukrainian bank, VAB Bank, to a group of international investors. On January 28, 2011, the sale of VAB Bank was completed. The sale of VAB Leasing was completed on February 2, 2011.
- In 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 to further strengthen its existing investments in Bulgaria and Romania and to upgrade its operation in Bulgaria into a full banking operation. 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 was 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. The acquisition was completed in July 2011.
- In June 2011, TBIF signed an agreement to sell its 50% stake in the Russian bank Sovcombank to its co-owner in the bank. The structure of the transaction included an initial payment of approximately EUR 40 million, with the remainder of the price due on completion, expected by June 2012. Completion is subject to various conditions precedent and until completion TBIF continues to fully exercise its joint-control rights in the bank. The total consideration for the transaction is approximately EUR 123 million. Over the years, Kardan invested approximately EUR 100 million in the Bank. This sale, together with last year’s sale of a 16% interest in the Bank, generates accumulated proceeds of approximately EUR 160 million for Kardan.

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 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 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 reflected a value of NIS 616 million (approximately EUR 133 million) for AVIS Israel. Kardan Israel recognized a loss of EUR 7 million as a result of these transactions.

1.3 Subsequent events

- On July 13, 2011, Kardan initiated a temporary share buyback plan (“the Share Plan”) of up to EUR 1.5 million, until August 8, 2011. The Share Plan has been funded by Kardan’s existing cash reserves. Kardan decided to initiate the Share Plan, to meet its obligations and obligations of its subsidiaries towards its senior officers, without diluting the shareholders.

In addition, Kardan announced that its subsidiary, GTC Real Estate Holding B.V. (“GTC RE”), initiated a plan to purchase Kardan Debentures Series A (issued in 2007) and Debentures Series B (issued in 2008) (“the Debenture Plan”) listed on the Tel Aviv Stock Exchange (“TASE”) of up to EUR 25 million until August 8, 2011. The Debenture Plan is in line with Kardan’s strategy to decrease the leverage on the holding and intermediate holding company levels, and has been funded by Kardan’s existing cash reserves.

On August 8, 2011, Kardan announced the end of the Share Plan and the Debenture Plan. Since the start of the Share Plan, Kardan bought 421,384 shares for a total amount of

EUR 1.3 million being approximately 87% of the Share Plan; GTC RE acquired 66,707,379 Debentures Series A and 10,229,353 Debentures Series B for a total amount of approximately EUR 18 million; through these purchases approximately 72% of the Debenture Plan has been executed. As of August 8, 2011 GTC RE owns 5.9% of Kardan Debentures Series A and 3.6% of Kardan Debentures Series B and Kardan owns 0.39% of its shares (excluding the shares of Kardan held by its 74% subsidiary Kardan Israel Ltd). Further reference is made to the relevant press releases as published on June 29, July 7 and August 8, 2011.

- In July 2011, Kardan Israel (“KIL”) signed an agreement to sell half of its holdings in Avis, viz. approximately 34% of Avis’ issued share capital for a consideration of NIS 200 million (approximately EUR 41 million) with the addition of interest from the signing date through the date of closing of the transaction to Hamizrach Company (“Hamizrach”). The closing of the Agreement is expected within 90 days after signing. Upon closing the transaction, KIL and Hamizrach will together have control over Avis as laid down in the signed shareholders’ agreement. As a result of the transaction, KIL is expected to record a loss of NIS 12 million (approximately EUR 2 million) on closing the transaction. Nonetheless, in parallel, the change in control will oblige KIL to revalue its remaining holdings in Avis to market value and therefore record a loss of a similar amount. Upon closing of the transaction, Kardan Israel is expected to stop consolidating Avis’ results and to treat its investment in Avis according to the Equity method.
- In August 2011, Kardan announced the convocation of an Extraordinary General Meeting of Shareholders of Kardan, to be held on Thursday September 15, 2011, as a next step towards the intended spin-off of Kardan’s 74% direct stake in Kardan Israel and its indirect 97% stake in Milgam. Further reference is made to the press release as published on August 8, 2011 as well as to the corporate site of Kardan (www.kardan.nl).

1.4 Results First Half Year 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. (in EUR million)	H1-2011	H1-2010	Q2-2011	Q2-2010	2010
Real Estate	(1)	2	(4)	(1)	13
Water Infrastructure – Projects	(5)	2	(5)	2	2
Water Infrastructure – Assets	1	(1)	-	(1)	3
Financial Services – Retail Lending	(10)	(30)	(14)	(13)	(57)
Financial Services – Insurance and Pension*	-	30	-	23	31
Rental and Leasing of vehicles	(6)	2	(1)	-	2
Sale of vehicles	4	4	2	2	7
Other	(19)	(8)	(14)	2	(28)
Total net result attributable to equity holders	(36)	1	(36)	14	(27)
Profit (loss) per share (EUR)	(0.36)	0.01	(0.36)	0.14	(0.27)
Profit (loss) per share diluted (EUR)	(0.39)	-	(0.38)	0.13	(0.27)

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

Kardan N.V. – balance sheet (company only)	June 30, 2011	December 31, 2010	June 30, 2010
Total Assets (in EUR million)	954	1.030	1,037
Total Equity (in EUR million)	301	334	368
Equity/Total assets (%)	32	32	35

In H1-2011 the net profit attributable to equity holders of Kardan N.V. amounted to a loss of EUR 36 million, a decrease of EUR 37 million compared to the profit of EUR 1 million in the same period of last year.

Real Estate

The net result of the Real Estate division amounted to a loss of EUR 1 million, in comparison to a profit in H1-2010 amounting to EUR 2 million. The details of the result are:

GTC Real Estate	H1-2011			H1-2010		
(in EUR mln)	GTC SA (27%)	GTC China (100%)	Total	GTC SA (43%)	GTC China (100%)	Total
Result operating companies excluding revaluation and after tax	2	(2)	0	1	(5)	(4)
Revaluation after tax	(11)	12	1	3	10	13
Result GTC operating companies after tax	(9)	10	1	4	5	9
Real Estate Israel			1			(3)
Finance + G&A (holding level)			(3)			(4)
Net contribution			(1)			2

- The profit of GTC's operating companies net of tax, in H1-2011 amounted to EUR 1 million, a decrease of EUR 10 million compared to the profit of EUR 11 million last year. In H1-2011, GTC SA contributed a loss of EUR 9 million, whereas GTC China contributed EUR 10 million in H1-2011. The main elements of the result are:
 - GTC's revaluation results after tax are composed of negative revaluation results of GTC SA, largely attributable to macroeconomic developments, mainly in the SEE countries, and a significant revaluation profit of GTC China on the shopping centre in Chengdu, which was opened in November 2010. In Q2-2011, an agreement to sell 50% of the shopping mall was signed in which the value of the shopping centre exceeded the book value resulting in a revaluation profit.
 - Results from the operating companies after tax, excluding revaluation results:
 - GTC SA contributed a profit of EUR 2 million, which includes a positive tax impact of EUR 3 million on the sale of Galeria Mokotow.
 - GTC China recorded a loss of EUR 2 million as the result of:
 - The gross margin from rental and sale of apartments (before tax) as at June 30, 2011 improved by EUR 3 million to EUR 4 million, due to rental income from the shopping center in Chengdu as well as increased gross profit on the sale of apartments.
 - Other expenses and taxes of GTC China in H1-2011 amounted to EUR 10 million (H1-2010: EUR 6 million). The increase is largely due to expenses related to an option program for top management (EUR 5 million).
 - The sale of the shares in an office development project (HIFC) contributed EUR 5 million in H1-2011.

- Emed, a joint venture of Kardan Israel, revalued 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).

Water Infrastructure (Tahal)

Tahal reported a loss of EUR 4 million in H1-2011, a decrease of EUR 5 million compared to the profit of EUR 1 million in H1-2010.

In H1-2011, Tahal Projects lost EUR 5 million (H1-2010: profit of EUR 2 million), half of which is attributable, amongst others, to a restructuring plan currently in execution aimed at increasing the organization's efficiency and effectiveness.

- Tahal Assets recorded a net profit of EUR 1 million in the first six months of 2011, an improvement of EUR 2 million y-o-y. Revenues increased from EUR 31 million to EUR 36 million (+ 16% versus H1-2010). The main contributor was Milgam, in Israel. The Chinese operations are performing according to plan.

Financial Services (KFS)

KFS contributed a loss of EUR 10 million in H1-2011, compared to the H1-2010 breakeven result. The contribution of the activities still in the portfolio as of June 30, 2011 was a loss of EUR 2 million, equal to the same period last year as is shown in the table:

KFS (in EUR million)	H1-2011	H1-2010
Activities sold before June 30, 2011:		
<i>Insurance and pension:</i>		
TBIH*	-	30
<i>Retail banking:</i>		
VAB Bank & VAB Leasing**	4	(27)
Sovcombank***	(5)	9
<i>Sub-total</i>	(1)	12
Operating companies in portfolio as of June 30, 2011		
Results	(2)	(2)
Amortization intangible assets & goodwill impairment	(1)	(4)
Finance & General + Administrative expenses of TBIF/KFS	(6)	(6)
<i>Sub- total contribution (operating & holding activities)</i>	(9)	(12)
Total contribution	(10)	-

(*) Sold in H2-2010

(**) Sold in Q1-2011

(***) Sale agreement signed in Q2-2011. Sale is subject to a few conditions precedent.

The results presented in the table can be elaborated as follows:

- Results related to the operating companies sold before June 30, 2011 contributed a loss of EUR 1 million (including the impairment of goodwill which relates to Sovcombank):
 - In H2-2010 the insurance activities were sold. In H1-2010, they contributed a profit of EUR 30 million, mainly relating to accounting implications of a change in control and a revaluation of options;
 - In Q1-2011 the Ukrainian banking operations were sold. The loss in H1-2010 is due to operational losses and losses relating to the change of control;
 - In H1-2011, an agreement was signed to sell the 50% holding in Sovcombank. The transaction is intended to be closed in 2012. As the consideration for the sale is fixed at a slightly lower level than the value in the accounts of KFS at the time that the agreement was signed, an impairment was made in H1-2011, leading to the reported loss.
- The operating companies in portfolio as of June 30, 2011 (mainly the Romanian and Bulgarian consumer finance, leasing activities as well as the Romanian mortgage lending activities, not including Sovcombank) contributed a loss of EUR 2 million in H1-2011, similar

to last year. The contribution of the companies in Bulgaria and Romania was slightly negative due to a decreasing portfolio as new business is still slow and provisions are still fairly high;

- Finance and General and Administrative expenses of KFS and TBIF in both H1-2011 and H1-2010 are largely caused by the net debt position of the companies and the expenses of the head office of the retail banking segment.

Rental and Leasing of Vehicles

The segment contributed a loss of EUR 6 million in H1-2011 (H1-2010: profit of EUR 2 million), mainly due to a loss of EUR 5 million attributable to a transaction concluded for obtaining control in AVIS Israel. Reference is made to paragraph 1.2.

The contribution of the companies operating under the AVIS brand in Israel and Ukraine decreased y-o-y by EUR 2 million to EUR 1 million, largely due to decreasing prices on the second hand lease car market. Similarly the results from the sale of the rental cars are lower.

Sale of Vehicles

In H1-2011, the contribution of UMI to the equity holders of Kardan was EUR 4 million, similar to H1-2010, on the back of a higher sales volume than last year but with lower profits per transaction as the company sold a different mix of vehicles than last year.

Other

Other activities include investments of Kardan Israel that are relatively immaterial ("Communications and Technology", "Import and Sale of white goods" and "El Har", which performs building construction works in Israel), finance and tax expenses, general and administrative expenses of Kardan N.V. and Kardan Israel Ltd. The total loss of these activities amounted to EUR 19 million (H1-2010: loss of EUR 8 million).

Communications and Technology, Import and Sale of white goods and El Har contributed a loss of EUR 4 million (H1-2010: Profit of EUR 6 million). EUR 2 million of the loss is attributable to a revaluation of the stake in a listed company, and the other EUR 2 million to finance expenses of the holding company holding the shares of the various participations in these sectors. In H1-2010, the sale of a participation contributed EUR 6 million, whereas the finance expenses amounted to EUR 1 million.

The Finance expenses in H1-2011 amounted to EUR 9 million (H1-2010: EUR 12 million), out of which EUR 1 million is attributable to Kardan Israel (H1-2010: EUR 1 million) a decrease of EUR 3 million compared to H1-2010. The decrease mainly relates to a positive currency exchange difference of EUR 4 million on the balance of the part of the Kardan N.V. Israeli Shekel (NIS) denominated debentures, which has not been hedged to the Euro.

General and Administrative expenses in H1-2011 amounted to EUR 4 million, similar to the same period of last year. This includes expenses of Kardan Israel amounting to EUR 1 million in both years.

Finally, Kardan N.V. recognized a deferred tax expense of EUR 2 million in H1-2011 (H1-2010: tax benefit of EUR 2 million).

• **Second Quarter 2011 results**

In the second quarter of 2011, the net loss attributable to equity holders was EUR 36 million. In the same period of last year a profit of EUR 14 million was recorded.

In Q2-2011, the Real Estate division recorded a loss of EUR 4 million (Q2-2010: loss of EUR 1 million) largely as the result of negative revaluation results of EUR 11 million: GTC SA lost EUR 13 million in Q2-2011 (Q2-2010: profit of EUR 3 million). GTC China, however, realized a profit of EUR 10 million on the shopping Centre in Chengdu, EUR 8 million more than in Q2-2010.

The Water Infrastructure division lost EUR 5 million in Q2-2011, whereas the result in the same period last year was a profit of EUR 1 million. The loss is, amongst others, attributable to restructuring expenses amounting to EUR 2 million.

The Retail Banking and Lending segment lost EUR 14 million, almost similar to last year's Q2 loss of EUR 13 million. EUR 10 million of the loss is attributable to Sovcombank as was already indicated in the Press Release announcing the sale of this bank. The loss is the difference between the consideration for the sales transaction and the value of the Sovcombank in the books of TBIF. Reference is also made to paragraph. 1.2. The remainder of the loss is related to the activities in Bulgaria and Romania (loss of EUR 2 million) and Finance, General and Administrative expenses of the holding company. In Q2- 2010, the loss of EUR 13 million was attributable to VAB bank (EUR 8 million), the activities in Bulgaria and Romania (loss of EUR 2 million), Finance General and Administrative expenses (EUR 4 million) and Goodwill impairments of EUR 3 million, whereas Sovcombank contributed a profit of EUR 4 million.

Rental and leasing of Vehicles contributed a loss of EUR 1 million in Q2-2011 (Q2-2010: break even). The reduction is due to lower results on the sale of ex lease and rental cars, due to the high supply of cars in this quarter.

Sale of vehicles segments contributed EUR 2 million profit in Q2-2011 (Q2-2010: EUR 2 million).

The result of "Other" activities was a loss of EUR 14 against a profit of EUR 2 million in Q2-2010. In Q2-2011 Finance expenses and General and Administrative expenses amounted to EUR 9 million, EUR 1 million more than in Q2-2010. A decrease of a deferred tax asset on tax losses carried forward resulted in a loss of EUR 2 million (Q2-2010: profit of EUR 2 million) and the results of the Israeli activities were EUR 3 million negative (Q2-2010: EUR 7 million positive including a gain of EUR 6 million on the sale of an investment).

- **Equity attributable to the shareholders of Kardan N.V. as of June 30, 2011, and net debt position**

As at June 30, 2011, the shareholders' equity of Kardan amounted to EUR 301 million, EUR 33 million less than the EUR 334 million at year-end 2010. This decrease is composed mainly of the loss for the period of EUR 36 million, and a decrease of EUR 24 million due to direct movements in shareholders' equity, mainly due to the strengthening of the Euro against the Chinese Renmimbi. On the other hand the Equity increased due to a "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.

The solvency ratio (shareholder's equity/total assets) of Kardan as of June 30, 2011 is 32%, equal to the 32% as at year-end 2010.

As a result of transactions in H1-2011, the net debt position of Kardan NV, KFS BV and GTC RE BV as of June 30, 2011 decreased to EUR 445 million from EUR 633 million as of December 31, 2010. This is fully in line with the strategy to reduce the debt on the level of Kardan NV and its intermediate holding companies. The main constituent to the decrease of net debt is the proceeds from the sale of 16% of the shares of GTC SA.

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 June 30, 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 30.06.11	Total Investment in books 31.12.10
Kardan NV	GTC RE Holding (*) (1)	100%	362	(6)	356	511
	KFS (**) (1)	100%	116	93	209	201
	Tahal (2)	100%	44	46	90	97
	Kardan Israel	73.67%	63	-	63	74

(*)

Holding Company	Name of subsidiary	Share in subsidiary	GTC Holding Book Value	Loans granted by GTC Holding	Total Investment in books 30.06.11	Total Investment in books 31.12.10
GTC RE Holding	GTC SA	27.1%	264	-	264	427
	GTC China	100%	207	35	242	230
	GTC Investments	48.75%	6	10	16	14

(**)

Holding Company	Name of subsidiary	Share in subsidiary	KFS Book Value	Loans granted by KFS	Total Investment in books 30.06.11	Total Investment in books 31.12.10
KFS	TBIF	92.2%	141	101	242	247

- The main difference in the total investments in GTC RE Holding and KFS as of June 30, 2011 compared with December 31, 2010 is the subsidiaries' result, a change in the translation reserves as well as movements in the loans granted by Kardan NV in H1- 2011.

1.6 Financial Position of Kardan Group as of June 30, 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 June 30, 2011, there are three immaterial breaches of covenants within the Kardan Group. Waivers were obtained for two of the breaches prior to the balance sheet date and one waiver was obtained after the balance sheet date.

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 June 30, 2011 for Kardan N.V. and its divisions.

In EUR Million	Free Cash & Cash equivalents	Debt/loans maturing					
		Before June 30, 2012	Before June 30, 2013	Before June 30, 2014	Before June 30, 2015	After June 30, 2015 & up to June 30, 2028	Total
Kardan N.V.*	119	-	70	118	118	319	625
GTC Group	161	125	192	237	137	948	1,639
KFS	200	132	67	12	2	25	238
Tahal Group International	25	49	16	16	26	18	125
Kardan Israel**	82	145	113	92	85	88	523
Total	587	451	458	475	368	1,398	3,150

From the total debt payable after June 30, 2015, the total amounts due in the next five years are respectively EUR 244 million, EUR 129 million, EUR 137 million, EUR 339 million and EUR 133 million.

* Upon considering the impact of the hedge instruments on the level of Kardan N.V. the liability on the level of Kardan N.V. is reduced to EUR 521 million.

**Includes liabilities of Avis (Israel) in the sum of EUR 288 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 June 30, 2011:

Company	Net Debt (in EUR million)
Kardan NV	Liabilities: Debentures (*) (502) Loans from banks (30) Assets: Loan to KFS 93 Cash and short term investments <u>119</u> Net debt (320)
GTC RE Holding	Liabilities: Loans from banks (142) Assets: Loans to subsidiary 45 Debentures of Kardan NV 10 Net debt (87)

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

KFS	Liabilities: Loans from Kardan NV (93) Loans from banks and others (53) Assets: Cash and short term investments - Loans to minority in subsidiary 12 Loans to TBIF <u>101</u> Net debt (33)
TGI	Liabilities: Loans from others (18) (and related warrants) Assets: Loan to related party <u>1</u> Net debt (17)
Kardan Israel	Liabilities: Debentures (58) Loans from banks (34) Assets: Loan to subsidiary 4 Cash and short term investments <u>10</u> Net debt (78)

(*) Approximately 84% of the debentures are presented in EUR in accordance with the currency hedging transactions.

1.7 Risk Management

The Company has three main fields of activity (divisions) divided into six segments. Each segment is managed by an executive director or Board of Directors which is responsible for managing its market segment risks. In addition, in each operating company a senior manager is responsible for managing its risks. One of the members of the management board of Kardan is responsible for risk management of Kardan.

The annual report for 2010 describes the main risks relating to Kardan's strategy, such as interest rate and currency risks, capital availability and financial market risks etc. These risks are deemed incorporated and repeated in this Press Release by reference.

Kardan is focused on further expanding its businesses in emerging markets. By nature, these markets are relatively underdeveloped and unstable in various aspects and therefore often exposed to risks arising from unforeseen changes such as (geo) political, regulatory, legal and economic changes. Through its investments in emerging markets, Kardan is exposed to a relatively high degree of inherent risk which is managed among others by the strong local footprint.

The current and future developments in the global financial markets could possibly have additional adverse economic implications possibly leading to a further slowdown in the world economy in general. These global economic factors could possibly have future negative consequences for the activities and results of Kardan, its equity base, the value of its assets, its ability to comply with the covenants agreed upon with lenders and its ability to raise financing, as well as the terms of such financing.

Kardan NV closely follows the changing global economic developments and carefully reviews and monitors the impact of the crisis on its financing position, valuation of assets, and liquidity position. Contacts between the Management Board and the local management of its subsidiaries remain intensive, to discuss the latest development and expectations in the respective markets as well as the (financial) resilience of these subsidiaries.

Credit risk, interest-rate risk, liquidity risk and foreign currency risk form a selection of the main financial risks. For a more comprehensive overview of the main risks the Group is exposed to, reference is made to the 2010 Annual Report, notably the consolidated financial statements and the management board report and the 2010 Israeli Annual Report (Barnea). In addition, there may be other significant risks Kardan has not yet identified or that have not been assessed as having a significant potential impact on the business but which in a later stage could materialize as such.

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:

KBC Economic Emerging Europe outlook 2nd quarter 2011
Jones Lang LaSalle Poland Capital Markets bulletin H1-2011
CB Richard Ellis, Global Viewpoint, August 2011
Economist Intelligence Unit; Global Outlook Summary; July 2011
www.chinadaily.com article, July 13, 2011
www.stats.gov.cn/english/statistical data (National Bureau of Statistics of China)

Water Infrastructure

Nomura (*Water & Environment | Asia, February 2011*),
Global Water Institute (*Study 2010*)
Global Water Institute – corporate site

Financial Services

www.finchannel.com/news/ 10.08.2011 (statement by the EC and IMF on review mission)
[Raiffeisen Research; Central & Eastern European Strategy, Q2-2011](#)

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 million)

Clause	30.6.11	30.6.10	31.12.10	Notes
Total balance sheet	5,578	6,451	5,999	The decrease as of June 30, 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	2,070	2,365	2,298	The decrease as of June 30, 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 on December 31, 2010. The decrease was offset by the increase from proportional to full consolidation of Avis Israel and the classification of Galeria Mokotow and 50% of Galeria Chengdu as held for sale.
Non-current assets	3,508	4,086	3,701	The decrease is mainly a result of the classification of Galeria Mokotow and 50% of Galeria Chengdu as held for sale.
Current liabilities	1,514	2,068	1,949	The decrease as of June 30, 2011 compared to December 31, 2010 is mainly a result of the sale of VAB whose liabilities, which were presented as current liabilities, amounted to EUR 575 million in December 31, 2010.
Other debentures	1,093	1,064	1,016	The increase as of June 30, 2011 compared to December 31, 2010 is mainly a result of the full consolidation of AVIS Israel in the financial statements as a result of the increased stake from 41% (proportionate consolidation) to 68%.
Interest-bearing loans and borrowings	1,417	1,722	1,582	The decrease as of June 30, 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	301	368	334	The decrease as of June 30, 2011, compared to December 31, 2010 is mainly a result of the net loss in the period.

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

	1-6 2011	1-6 2010	4-6 2010	4-6 2010	1-12 2010	Notes
Revenues						
Sale of goods	38	45	18	20	109	The decrease in sale of goods in H1-2011 vs. H1-2010 is mainly a result of decrease in delivery and sale prices of apartments for which income could be recognized.
Contract revenues	93	98	45	52	203	The income mainly represents the revenues from projects in the (Water) Infrastructure segment operated by Tahal Group. The decrease in H1-2011 in comparison to H1-2010 is a result of delays in some projects and devaluation of the USD.
Banking and retail lending activities	55	17	34	8	35	The increase in revenues from retail lending activities in H1 2011 vs H1 2010 is mainly a result of the proportional consolidation of Sovcombank 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	72	65	38	40	134	The increase in property rental revenues in H1 2011 in comparison to H1 2010 is mainly as a result of completion of construction and leasing of a number of retail and commercial projects during 2010 which generated rental income starting 2010 and 2011.
Revenues from renting vehicles	82	56	48	30	113	The increase in revenues from renting vehicles in H1 2011 vs H1 2010 is mainly a result of the first time full consolidation of Avis Israel.
Revenues from sale of rental vehicles	53	35	30	16	71	The increase in revenues from sale of rental vehicles in H1 2011 vs H1 2010 is mainly a result of the first time full consolidation of Avis Israel.
Services and management fees	2	1	1	1	2	-
Total Revenues	395	317	214	167	667	

Expenses						
Cost of goods sold	34	40	16	20	96	See explanations for the changes in sale of goods.
Contract costs	77	78	40	47	162	See explanations for the changes in revenues from contract works.
Cost of banking and lending activities	39	18	20	9	47	See explanations for the changes in revenues from banking and lending activities.
Cost of property rental operations	21	14	11	7	32	See the explanations for the changes in rental revenues, in addition there were some bad debt charges in Romania.
Cost of rental vehicles	67	41	40	21	83	See explanations for the changes in revenues from sale of vehicles
Cost of sale of rental vehicles	51	32	29	15	65	See explanations for the changes in revenues from renting of vehicles.
Other expenses, net	18	3	17	(1)	9	-
Total expenses	307	226	173	118	494	-
Gross margin	88	91	41	49	173	-
Selling and marketing expenses	16	14	9	7	32	-
General and administration expenses	47	34	28	19	78	The increase in general and administration expenses is mainly due to the employee option plans approved late 2010 and in 2011, and bonuses which are payable in 2011.

	1-6 2011	1-6 2010	4-6 2011	4-6 2010	1-12 2010	Notes
Profit (loss) from operations before fair value adjustments, disposals of assets and financial expenses	25	43	4	23	63	-

Adjustment to fair value of investment properties	(5)	28	(26)	17	73	All the investment properties at fair value were revaluated to their fair value in GTC Group and resulted in a loss of EUR 10 million in H1-2011, revaluations of Investment properties in Israel resulted in a gain of EUR 5 million in H1 2010. In H1 2010 the positive revaluation relates primarily to the GTC Group.
Impairment losses on goodwill	(22)	(3)	(22)	(3)	(28)	In H1-2011 the impairment losses on goodwill relate primarily to the holding in Sovcombank, in order to align its value to the price set in its sale agreement.
Gain on disposal of assets and other income	2	13	7	12	16	-
Profit (loss) on disposal of assets and investments	(25)	38	(41)	26	61	-
Profit (loss) before finance expenses and income taxes	-	81	(37)	49	124	-

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

	1-6 2011	1-6 2010	4-6 2011	4-6 2010	1-12 2010	Notes
Financial Income	17	21	4	8	26	Finance income in H1 2011 is mainly the result of interest on the cash balances of the group.
Financial expenses	(92)	(102)	(47)	(58)	(178)	The financial expenses in H1 2011 are the financing costs of loans and debentures in the group.
Adjustments to fair value of other financial instruments	1	1	-	3	3	-
Total financial expenses, net	(74)	(80)	(43)	(47)	(149)	-
Profit (loss) from operations	(74)	1	(80)	2	(25)	-

Share of profit (loss) of associates accounted for using the equity method	2	7	1	4	13	The decrease in equity profits relate to expenses recognized in relation to the Holyland project, and a decrease in the results of the Romanian associates in the GTC Group.
Net profit (loss) before income taxes	(72)	8	(79)	6	(12)	-
Income tax (benefit) expenses	5	16	(3)	10	25	Main tax expenses/benefits are a result of provision for deferred taxes due to revaluation/devaluation of investment properties. The tax expenses in H1-2011 reduced due to the tax impact of negative revaluations.
Net profit (loss) for the year from continuing operations	(77)	(8)	(76)	(4)	(37)	-
Net profit (loss) for the year from discontinued operations	5	10	-	15	8	In 2011 the profit derives from the sale of VAB bank which was completed in Q1 2011. In H1 2010 the profit from discontinued operations relate mainly to TBIH.
Net profit (loss) for the period	(72)	2	(76)	11	(29)	-
Net profit (loss) attributed to equity holders of the parent	(36)	1	(36)	14	(27)	See also analysis of the net result to the equity holders of Kardan N.V.
Net profit (loss) attributed to non controlling interest holders	(36)	1	(40)	(3)	(2)	-

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

	1-6 2011	1-6 2010	4-6 2011	4-6 2010	1-12 2010	Notes
Net cash provided by (used in) operating activities	(37)	(30)	24	10	(2)	-

Net cash used in investing activities	(181)	(157)	(37)	(162)	(16)	<p>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.</p> <p>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</p> <p>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.</p> <p>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.</p>
Net cash provided by financing activities	89	188	(19)	98	120	<p>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.</p> <p>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.</p> <p>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.</p>

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 June 30, 2011.⁷

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

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

Notwithstanding the above, at the request of the Israeli Securities Authority regarding disclosure of voluntary information regarding their available resources for debt repayment for the period of 12 months ending June 30, 2012, the company hereby provides the cash-flow forecast:

Forecast cash flow	July 1, 2011 – June 30, 2012 in EUR million
Cash and cash equivalents at the beginning of the period	112
<u>Company only resources</u>	
From operating activities	
General and administration expenses	(7)
Interest income from deposits	2
From investing activities	
Redemption of pledged deposit	5
<u>Resources from investee companies</u>	
From operating activities in investments - Management and consulting fees	1
From operating activities in investments – Loan repayment	31
Total Resources	32
<u>Expected Uses</u>	
From investing activities	
Loans to subsidiaries (mainly for the repurchase of Kardan N.V. debentures)	21
Cash pledge to secure a loan	19
Investments in subsidiaries (related to Spin off)	15
From financing activities	
Interest payments related to loans from banks and others	1
Interest payment of debentures – Series A	11
Interest payment of debentures – Series B	16
Purchase of treasury shares	1
Payment of withholding tax for dividend	4
Total Uses	88
Cash and cash equivalents at the end of the period	56

Assumptions and Notes to the cash flow forecast:

1. The opening balance of the cash flow forecast does not include pledged deposits in the amount of approximately EUR 7 million.
2. Management fees are based on signed contracts some assumptions.
3. In the cash flow it is estimated that in H2-2011, the Split off in Kardan Yazamut will be completed (see also significant events in the period). As of the issuance date, not all the conditions precedent for the distribution of the dividend, such as the approval of the shareholders' meeting, regulatory approvals etc, were obtained.
4. The interest payment for the debentures includes the amount of hedged interest, less the interest which relates to the debentures purchased by a subsidiary.
5. The cash flows do not include any additional investments the company will make once those will be approved by the appropriate organs in the company.
6. The Interest calculations are based on CPI, exchange rates and interest rates which are as of June 30, 2011.

2.2 Fair Value disclosure

GTC Group

In the first quarter of 2011 some of the Investment properties in GTC Group were internally valued. 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)	2011 NOI (Million Euro)	Valuation method	External valuator	Date of last valuation
Poland	Warsaw	Galleria Mokotow	Shopping centre	50%	Lease	62,300	90,000	118	100%	SALE	475	13.2	SALE	n/a	n/a
Poland	Czestochowa	Galleria Jurajska	Shopping centre	100%	Lease	49,500	70,000	135	96%	7.5%	161.1	6.4	DCF	DTZ	30/6/2011
China	Chengdu	Galleria Chengdu	Shopping centre	100%	Lease	35,779	53,837	70	94%	SALE	118	1.3	N/A	N/A	N/A

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	External valuator	Date of last valuation
Romania	Arad	Galleria Arad*	Shopping Center	100.0%	Ownership	32,500	82%	10	77%	9.4%	51.46	DCF	Colliers	30.06.2011

*Subsequent to the balance sheet date, the company signed a lease agreement for another 14%

Option Plan

Company Granting the options	Number of options to be granted	Base asset value(EUR per share)	Volatility	Expected term (years)	Dividend yield	Risk free interest (%)	Value (EUR million)	Model	Valuer	Date of valuation
GTC China	2,539	3,956.76	60.5	3.8	0.0%	1.85	4.7	Black and Scholes	American Appraisal	30.6.11

2.3. Issuance of debt

The following are details regarding the marketable debentures of Kardan NV as of June 30, 2011:

	Debenture series A	Debenture series B
Par value of issued debentures	EUR 241 million (NIS 1,190,000,000)	EUR 270 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 241 million (NIS 1,190,000,000 par value)	EUR 270 million (NIS 1,333,967,977 par value)
Debentures held by subsidiary	3,626,424 par value	38,082,346 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 284 million (net of debentures held by a subsidiary) (*)	EUR 312 million (net of debentures held by a subsidiary) (*)
Market capitalization as of June 30, 2011	EUR 278 million	EUR 302 million
The trustee	Aurora Fidelity Trustees Ltd (CPA Daniel Vafnish +972-3-6083252)	Hermatic trustee (1957) (Adv. Dan Avnun +972-3-5274867)
Rated by	S&P Maalot	S&P Maalot
Rating at the time of issuance	AA - (February 2007)	AA - (February 2007)
Updated rating	BBB + (January 2011)	BBB+ (January 2011)
Debenture holders conference	On July 28, 2011 a conference of debenture holders was held at the request of the trustee. In order to discuss the impact of the planned split of Kardan NV's Israeli activities and other issues. No decisions were made in the meeting.	On July 28, 2011 a conference of debenture holders was held at the request of the trustee. In order to discuss the impact of the planned split of Kardan NV's Israeli activities and other issues. No decisions were made in the meeting.

(*) Approximately 84% of the debentures are swapped to EUR using hedge transactions.

August 30, 2011

Management Board:

A. Ickovics

W. van Damme

E. Oz-Gabber

J. Slootweg