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Condensed Interim Consolidated Financial Statements
As of September 30, 2011

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CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
A s s e t s

	September 30, 2011	September 30, 2010	December 31, 2010
		€ in millions	
Non-current assets			
Tangible fixed assets	96	118	105
Rental vehicles(Note 6)	-	241	245
Investment properties (Note 5)	1,898	2,289	2,344
Investments in associates	66	246	157
Other financial assets	9	39	26
Loans to bank customers	160	139	96
Long-term loans and receivables	159	276	171
Derivatives	83	86	120
Intangible assets and goodwill(Note 6)	128	215	184
Long term real estate inventory (Note 5)	124	197	231
Deferred income tax assets	22	40	22
	2,745	3,886	3,701
Current assets			
Inventories, contract work and buildings inventory in progress	397	387	384
Derivatives	1	-	2
Current maturities of long-term loans and receivables	130	152	159
Loans to bank customers	218	445	159
Trade receivables	45	118	111
Income tax receivables	3	6	6
Other receivables and prepayments	148	147	140
Short-term investments	244	211	254
Cash and cash equivalents	381	501	498
	1,567	1,967	1,713
Assets held for sale (Note 6C5)	135	86	585
Assets held for distribution (Note 6A)	493	-	-
	628	86	585
Total current assets	2,195	2,053	2,298
Total assets	4,940	5,939	5,999

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

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

	September 30, 2011	September 30, 2010	December 31, 2010
		€ in millions	
Equity attributable to equity holders of the parent			
Issued and paid-in capital	23	23	23
Share premium	235	235	235
Foreign currency translation reserve	(5)	(3)	9
Property revaluation reserve	56	111	114
Revaluation reserve, other	(7)	(13)	-
Non-controlling interest holders transaction reserve	18	(3)	(1)
Treasury shares	(27)	(27)	(27)
Retained earnings (accumulated deficit)	(26)	35	(19)
	267	358	334
Non-controlling interests	713	692	733
Total equity	980	1,050	1,067
Non-current liabilities			
Interest-bearing loans and borrowings(Note 7)	889	1,753	1,582
Banking customers accounts	195	88	76
Derivatives	76	77	55
Other long-term liabilities	26	22	26
Options	19	35	29
Convertible debentures	-	15	15
Other debentures	816	1,045	1,016
Deferred income tax liabilities	138	175	182
Accrued severance pay, net	3	2	2
	2,162	3,212	2,983
Current liabilities			
Advances from customers in respect of contracts	13	18	17
Banking customers accounts	261	567	302
Trade payables	52	128	120
Interest-bearing loans and borrowings(Note 7)	649	586	509
Income tax payables	5	7	8
Advances from apartment buyers	144	142	158
Derivatives	22	25	16
Other payables and accrued expenses	230	192	232
	1,376	1,665	1,362
Liabilities associated with assets held for sale (Note 6A)	-	12	587
Liabilities associated with assets held for distribution (Note 6A)	422	-	-
	422	12	587
Total current liabilities	1,798	1,677	1,949
Total liabilities	3,960	4,889	4,932
Total equity and liabilities	4,940	5,939	5,999

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

CONDENSED INTERIM CONSOLIDATED INCOME STATEMENT

	For the nine months ended September 30,		For the three months ended September 30,		For the year ended December 31,
	2011	2010(*)	**2011**	2010(*)	2010(*)
	€ in millions				
Sales of goods	39	41	15	10	83
Contract revenues	85	98	33	34	134
Retail lending activities	86	18	31	1	35
Property rental and service recharge revenues	107	97	35	34	131
Other revenue	5	8	2	2	8
Total revenues	322	262	116	81	391
Cost of goods sold	34	39	13	10	75
Contract costs	67	77	24	27	105
Costs of banking and retail lending activities	63	27	24	9	47
Costs of property rental and service recharge operations	30	23	9	8	33
Other expenses, net(Note 5)	63	9	42	4	8
Total expenses	257	175	112	58	268
Gross margin	65	87	4	23	123
Selling and marketing expenses	14	13	5	5	20
General and administration expenses	44	34	10	10	57
Profit (loss) from operations before fair value adjustments, disposal of assets and financial expenses	7	40	(11)	8	46
Adjustment to fair value of investment properties (Note 5)	(110)	31	(100)	4	71
Impairment losses on goodwill (Note 6C(3))	(33)	(20)	(11)	(17)	(28)
Gain (loss) on disposal of assets and other income (Note 6)	22	(6)	18	(8)	7
Profit (loss) from fair value adjustments and on disposal of assets and investments	(121)	5	(93)	(21)	50
Profit (loss) from operations before finance expenses and income taxes	(114)	45	(104)	(13)	96
Other financial income	17	27	1	9	22
Other financing expenses	(108)	(104)	(41)	(19)	(143)
Adjustment to fair value of other financial instruments	(2)	-	(2)	2	(1)
Total financial expenses, net	(93)	(77)	(42)	(8)	(122)
Loss from operations	(207)	(32)	(146)	(21)	(26)
Share of profit of associates accounted for using the equity method	(1)	6	(1)	2	6
Loss before income taxes	(208)	(26)	(147)	(19)	(20)
Income tax expenses	26	18	20	3	24
Loss for the period from continuing operations	(234)	(44)	(167)	(22)	(44)
Net profit for the period from discontinued operations (Note 6A 6C)	9	72	14	48	15
Net profit (loss) for the period	(225)	28	(153)	26	(29)
Attributable to:					
Equity holders	(67)	24	(31)	23	(27)
Non-controlling interest holders	(158)	4	(122)	3	(2)
	(225)	28	(153)	26	(29)
Earnings (loss) per share attributable to shareholders**)					
Basic from continuing operations	(0.68)	(0.44)	(0.31)	(0.31)	(0.35)
Basic from discontinued operations	0.08	0.64	0.03	0.51	0.11
	(0.60)	0.20	(0.28)	0.20	0.24
Diluted from continuing operations	(0.68)	(0.44)	(0.31)	(0.31)	(0.35)
Diluted from discontinued operations	0.08	0.64	0.03	0.51	0.11
	(0.60)	0.20	(0.28)	0.20	0.24

*) Reclassified
**) The earnings (loss) per share attributable to shareholders were adjusted retrospectively due to the split of Kardan Yazamut, refer to note 6 for additional information.

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

CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the nine months ended September 30,		For the three months ended September 30,		For the year ended December 31,
	2011	2010	**2011**	2010	2010
	€ in millions				
Net profit (loss) for the period	(225)	28	(153)	26	(29)
Foreign currency translation differences	(18)	56	4	(34)	73
Change in hedge reserve, net of tax (1)	(7)	(10)	(15)	(4)	11
Unrealized revaluations, net of tax (2)	(1)	-	-	-	1
Other comprehensive income (loss) for the period (3)	(26)	46	(11)	(38)	85
Total comprehensive income (loss)	(251)	74	(164)	(12)	56
Attributable to:					
Equity holders	(93)	74	(33)	(5)	48
Non-controlling interest holders	(158)	-	(131)	(7)	8
	(251)	74	(164)	(12)	56

(1) Net of tax amounting to € (4) million and €(3) million for the nine and three months period ended September 30, 2011, respectively; €3 million for the year ended December 31, 2010; and €5.4 million and €1.2 million for the nine and three months period ended September 30, 2010, respectively, for additional information refer to Note 6E(5) .
(2) Net of tax amounting to less than €1 million in all presented periods.
(3) Including impact resulted from associates of less than €1 million for the nine and three months period ended September 30, 2011 and September 30, 2010, and an impact of € (1) million for the year ended December 31, 2010.

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CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent										
	Issued and paid-in capital	Share premium	Property revaluation reserve(*)	Other reserves(*)	Foreign currency translation reserve (*)	Non controlling interest holders transactions reserve	Treasury Shares	Retained Earnings	Total	Non-controlling interest	Total equity
	€ in millions	€ in millions	€ in millions	€ in millions	€ in millions	€ in millions	€ in millions	€ in millions	€ in millions	€ in millions	€ in millions
Balance as of January 1, 2011	23	235	114	-	9	(1)	(27)	(19)	334	733	1,067
Other comprehensive income (loss)	-	-	-	(13)	(13)	-	-	-	(26)	-	(26)
Loss for the period	-	-	-	-	-	-	-	(67)	(67)	(158)	(225)
Total comprehensive loss for the period	-	-	-	(13)	(13)	-	-	(67)	(93)	(158)	(251)
Share-based payment	-	-	-	-	-	-	-	-	-	8	8
Issuance shares to non-controlling shareholders	-	-	-	6	(1)	22	-	-	27	163	190
Shares purchased in subsidiaries (refer to note 6E5)	-	-	-	-	-	(1)	-	-	(1)	6	5
Deconsolidation of proportionally consolidated entities	-	-	-	-	-	(2)	-	2	-	(35)	(35)
Dividend paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	(4)	(4)
Reclassification according to the Netherlands civil code requirements (*)	-	-	(58)	-	-	-	-	58	-	-	-
Balance as of September 30, 2011	23	235	56	(7)	(5)	18	(27)	(26)	267	713	980

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

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

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

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

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CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent										
	Issued and paid-in capital	Share premium	Property revaluation reserve(*)	Other reserves(*)	Foreign currency translation reserve (*)	Non controlling interest holders transactions reserve	Treasury shares	Retained earnings	Total	Non-controlling interest	Total equity
	€ in millions	€ in millions	€ in millions	€ in millions	€ in millions	€ in millions	€ in millions	€ in millions	€ in millions	€ in millions	€ in millions
Balance as of July 1, 2011	23	235	67	3	(13)	19	(27)	(6)	301	879	1,180
Other comprehensive income (loss)	-	-	-	(10)	8	-	-	-	(2)	(9)	(11)
Loss for the period	-	-	-	-	-	-	-	(31)	(31)	(122)	(153)
Total comprehensive loss for the period	-	-	-	(10)	8	-	-	(31)	(33)	(131)	(164)
Share-based payment	-	-	-	-	-	-	-	-	-	1	1
Issuance shares to non-controlling shareholders	-	-	-	-	-	-	-	-	-	1	1
Shares purchased in subsidiaries (refer to note 6)	-	-	-	-	-	(1)	-	-	(1)	(7)	(8)
Deconsolidation of consolidated subsidiaries	-	-	-	-	-	-	-	-	-	(30)	(30)
Reclassification according to the Netherlands civil code requirements (*)	-	-	(11)	-	-	-	-	11	-	-	-
Balance as of September 30, 2011	23	235	56	(7)	(5)	18	(27)	(26)	267	713	980

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

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

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

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

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

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Attributable to equity holders of the parent										
	Issued and paid-in capital	Share premium	Property revaluation reserve (*)	Other reserves(*)	Foreign currency translation Reserve(*)	Non controlling interest holders transactions reserve	Treasury shares	Retained Earnings	Total	Non-controlling interest	Total equity
	€ in millions										
Balance as of January 1, 2010	23	235	93	(14)	(52)	-	(21)	29	293	695	988
Other comprehensive income	-	-	-	14	61	-	-	-	75	10	85
Loss for the period	-	-	-	-	-	-	-	(27)	(27)	(2)	(29)
Total comprehensive income (loss)	-	-	-	14	61	-	-	(27)	48	8	56
Share-based payment	-	-	-	-	-	-	-	-	-	10	10
Issuance of shares to non-controlling interest holders	-	-	-	-	-	1	-	-	1	22	23
Shares purchased in consolidated and newly consolidated subsidiaries	-	-	-	-	-	-	-	-	-	29	29
Deconsolidation of a subsidiary	-	-	-	-	-	-	-	-	-	(31)	(31)
Deconsolidation of proportionally consolidated group companies	-	-	-	-	-	-	-	-	-	(2)	(2)
Other transactions with non-controlling shareholders	-	-	-	-	-	(2)	-	-	(2)	4	2
Dividend paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	(2)	(2)
Purchase of treasury shares	-	-	-	-	-	-	(6)	-	(6)	-	(6)
Reclassification according to the Netherlands civil code requirements (*)	-	-	21	-	-	-	-	(21)	-	-	-
Balance as of December 31, 2010	23	235	114	-	9	(1)	(27)	(19)	334	733	1,067

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

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

CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT

	Nine months period ended September 30,		Three months period ended September 30,		For the year ended December 31,
	2011	2010	**2011**	2010	2010
	€ in millions				
Cash flow from operating activities					
Loss from continuing operations before taxes on income	(208)	(26)	(147)	(19)	(20)
Profit from discontinuing operations before taxes on income	9	74	14	50	10
Adjustments required to present cash flow from operating activities (see A below)	144	(24)	115	23	8
Net cash provided by (used in) operating activities	(55)	24	(18)	54	(2)
Cash flow from investing activities					
Acquisition of tangible fixed assets and investment properties	(183)	(143)	(69)	(25)	(196)
Collecting of loans to associated companies and joint ventures, net	-	3	1	(1)	5
Investment in companies and partnerships	(1)	(14)	(1)	(14)	(14)
Proceeds from sale of assets and investments	5	12	3	1	237
Granting of long-term loans	(1)	(1)	-	-	(1)
Change in loans to bank customers	(137)	1	(45)	94	(124)
Change in long-term loans and receivables	32	(137)	(2)	(138)	36
Change in short-term investments	(49)	12	(53)	(40)	12
Acquisition of newly consolidated subsidiaries, net of cash acquired (see appendix B below) (refer to note 6)	(13)	(2)	(3)	-	(3)
Disposal of formerly consolidated subsidiaries, net of cash disposed (see appendix D below) (refer to note 6)	26	17	30	17	69
Change from proportional consolidation to full consolidation (see E below)	10	28	-	-	28
Change from proportional consolidation to equity method	-	(30)	-	-	(30)
Deconsolidation of a joint venture (see appendix C below)	160	-	134	-	-
Change from full consolidation to proportional consolidation (see appendix F below)	29	-	29	-	-
Tax paid on disposal of investment properties	(38)	-	(20)	-	(5)
Change in deferred brokerage fees	(1)	(1)	-	-	(1)
Change in other assets	(17)	24	(1)	32	(29)
Net cash provited by (used in) investing activities	(178)	(231)	3	(74)	(16)

Condensed Interim consolidated cash flow statement (continued)

	Nine months period ended September 30, **2011**	Nine months period ended September 30, 2010	Three months period ended September 30, **2011**	Three months period ended September 30, 2010	For the year ended December 31, 2010
	€ in millions				
Cash flows from financing activities					
Dividend paid to non-controlling interests	(4)	(2)	-	(1)	(2)
Proceeds from issuance of shares in subsidiaries to third parties, net	189	23	-	-	23
Issuance of debentures	83	70	-	-	70
Repayment and early repayment of debentures	(57)	(66)	(18)	(12)	(83)
Change in loans from bank customers	86	158	81	52	275
Change in deposits from tenants	-	1	-	2	-
Proceeds from long-term loans	237	282	103	114	464
Repayment of long-term loans	(391)	(196)	(102)	(109)	(448)
Change in short-term loans and borrowings, net	(7)	(79)	(19)	(20)	(184)
Costs related to issuance of debt and shares	(1)	(1)	(1)	(1)	(5)
Proceeds from sale of hedge instruments	-	29	-	-	29
Purchase of treasury shares	-	(6)	-	(1)	(6)
Investments in companies	(6)	(7)	(4)	(6)	(13)
Net cash provided by financing activities	129	206	40	18	120
Foreign exchange differences relating to cash and cash equivalents	7	28	14	(12)	18
Increase (decrease) in cash and cash equivalents	(97)	27	39	(14)	120
Decrease of cash of assets held for sale (refer to note 6E)	(20)	-	(14)	-	(96)
Cash and cash equivalents at the beginning of the period	498	474	356	515	474
Cash and cash equivalents at the end of the period	381	501	381	501	498

CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

	Nine months period ended September 30,		Three months period ended September 30,		For the year ended December 31,
	2011	2010	**2011**	2010	2010
	€ in millions				
A. Adjustments to reconcile net profit (loss) to net cash					
Charges / (credits) to profit / loss not affecting operating cash flows:					
Share of loss of associates accounted for using the equity method	(8)	(11)	(6)	(4)	(13)
Dividend from associated companies	7	6	-	1	9
Loss (gain) on issuance of shares in associated companies to third parties, net	-		-	-	(9)
Impairment of goodwill	33	20	11	17	28
Gain on disposal of assets and investments, net	(22)	(102)	(26)	(44)	(85)
Loss (gain) from early repayment of loans	-	(9)	(2)	(9)	(9)
Share-based payment	7	3	(2)	1	14
Depreciation and amortization	72	50	26	19	66
Fair value adjustments of investment properties	107	(33)	102	(5)	(73)
Financial (income)/expense and exchange rate differences, net	74	81	(7)	23	94
Change in fair value of options and share appreciation rights	(4)	16	(1)	(1)	11
Change in fair value of securities held for trading, and hedge instruments, net	(4)	13	(15)	8	3
Increase in provision for bad debts in the financial services segment	17	63	-	26	118
Impairment of assets	3	-	1	-	3
Changes in operating assets and liabilities					
Purchase of rental vehicles	(125)	(84)	(45)	(29)	(121)
Proceeds from sale of rental vehicles	75	48	24	16	65
Change in insurance provisions and deferred acquisition costs, net	-	5	-	-	5
Change in trade and other receivables	(95)	(232)	(30)	(49)	(271)
Change in inventories and in contract work in progress, net of advances from customers	(81)	(66)	21	(23)	(59)
Change in trade and other payables	132	219	61	68	262
Interest paid	(145)	(206)	(33)	(63)	(286)
Interest received	112	213	38	75	279
Income taxes paid	(11)	(18)	(2)	(4)	(23)
	144	(24)	115	23	8

CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

	Nine months period ended September 30,		Three months period ended September 30,		For the year ended December 31,
	2011	2010	**2011**	2010	2010
	€ in millions				
B. Acquisition of newly consolidated subsidiaries, net of cash acquired					
Working capital (excluding cash)	(43)	-	(22)	-	1
Non-current assets	(7)	(2)	(25)	-	(5)
Goodwill on acquisition	(9)	(1)	(1)	-	(1)
Intangible assets on acquisition	(1)	-	-	-	-
Long-term liabilities	33	-	31	-	1
Total purchase price	(27)	(3)	(17)	-	(4)
Less – cash in subsidiaries acquired	14	1	14	-	1
	(13)	(2)	(3)	-	(3)
C. Disposal of a joint venture net of cash disposed					
Working capital	29	-	-	-	-
Non-current assets	238	-	238	-	-
Goodwill on acquisition	2	-	-	-	-
Gain on disposal of investment	4	-	-	-	-
Change in capital reserves	(2)	-	-	-	-
Long-term liabilities	(108)	-	(104)	-	-
Total consideration	163	-	134	-	-
Less – Cash of Joint venture which ceased to be consolidated	(3)	-	-	-	-
	160	-	134	-	-
D. Disposal of formerly consolidated subsidiaries, net of cash disposed					
Cash	-	-	-	-	22
Working capital	(7)	105	(7)	105	135
Non-current assets	(30)	256	(30)	256	253
Intangible assets on acquisition	13	-	13	-	-
Rental vehicles	395	-	395	-	-
Goodwill	-	(38)	-	(38)	(40)
Non-controlling interests	(30)	(34)	(30)	(34)	(31)
Long-term liabilities	(323)	(307)	(323)	(307)	(307)
Gain on disposal of investment	8	57	11	57	59
Total consideration	26	39	29	39	91
Cash of subsidiary which ceased to be consolidated	-	(22)	1	(22)	(22)
	26	17	30	17	69

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

CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

	Nine months period ended September 30,		Three months period ended September 30,		For the year ended December 31,
	2011	2010	**2011**	2010	2010
	€ in millions				
E. Change from proportional consolidation to full consolidation					
Working capital	(3)	(1)	-	-	(1)
Investment property	55	(33)	-	-	(33)
Other non-current assets	(185)	(242)	-	-	(242)
Goodwill on acquisition	(4)	(11)	-	-	(11)
Intangible assets	(3)	-	-	-	-
Gain on disposal of investment	-	6			6
Non-controlling interests	11	9	-	-	9
Long-term liabilities	139	265	-	-	265
Total purchase price	10	(7)	-	-	(7)
Less – cash in subsidiaries acquired	-	35	-	-	35
	10	28	-	-	28
F. Change from full consolidation to Joint venture					
Working capital	(2)	-	(2)	-	-
Investment property	60	-	60	-	-
Goodwill on acquisition	(3)	-	(3)	-	-
Gain on disposal and revaluation of remaining investment	12	-	12	-	-
Long-term liabilities	(37)	-	(37)	-	-
Total purchase price	30	-	30	-	-
Less – cash of disposed Joint venture	(1)	-	(1)	-	-
	29	-	29	-	-

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

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2011

1. Corporate information

Kardan N.V. ('Kardan' or 'the Company') having its legal seat in Amsterdam, The Netherlands, was incorporated on May 2, 2003, and acts as an investment company which is engaged in the development of real estate, water infrastructure assets and projects and banking and retail lending and others through its subsidiaries, joint ventures and associated companies, for additional information regarding the split of Kardan Yazamut refer to Note 6 below.

For information regarding the impact of macro economic situation in Europe over recent valuations of investment property and Inventory, refer to Note 5.

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

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

2. Basis of presentation and preparation

A. Basis of preparation

The interim condensed consolidated financial statements for the nine and three months ended September 30, 2011 have been prepared in accordance with International Accounting Standard (IAS) 34 as defined by the International Accounting Standards Board to be used for the preparation of interim consolidated financial statements.

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

It should be noted that following the sale of 16% of GTC SA shares in January 2011, the indirect interest of the Company in GTC SA decreased to 27.14% (and further increased in Q3-2011 to 27.75%). Nevertheless and as further described in Note 6 below, the Company retained effective control over GTC SA and continues consolidating its financial statements.

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

IFRS 3 (Revised) Business Combinations:

1. **Measurement options available for non-controlling interest:** The measurement options available for non-controlling interest ('NCI') have been amended. Only components of NCI

that constitute a present ownership that entitles their holder to proportionate share of the entity's net assets in the event of liquidation shall be measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components are to be measured at their acquisition date fair value.

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

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

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

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

IAS 24 Related Party Transactions (Amendment)

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

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

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

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

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

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

IFRS 10 - Consolidated Financial Statements:

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

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

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

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

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

IFRS 11 - Joint Arrangements:

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

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

IFRS 11 distinguishes between two types of joint arrangements:

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

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

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

IAS 28R - Investments in Associates and Joint Ventures:

IAS 28R supersedes IAS 28. The principal changes in IAS 28R compared to IAS 28 relate to the application of the equity method of accounting for investments in joint ventures, as a result of the issuance of IFRS 11, and the guidance for transition from proportionate consolidation to the equity method of accounting for these investments.
IAS 28R states that in case of realization of an associate or joint venture or part of a joint venture, the provisions of IFRS 5 should be applied on the part which meets the conditions of classification as held for sale, for the remaining part, the equity method should still be applied up until such time as the actual realization. In addition, in case of an associate which become a joint venture vice versa, the company should continue to apply the equity method and it should not re-measure the remaining investment.

IAS 28R is to be applied retrospectively in financial statements for annual periods commencing on January 1, 2013 or thereafter. Earlier application is permitted. However, if a company chooses early adoption, it must adopt IFRS 10, IFRS 11, IFRS 12 and IAS 27R 2011 as a whole

The Company is evaluating the possible impact of the adoption of IAS 28R but at present is unable to assess the effects on its financial statements.

IFRS 12 - Disclosure of Interests in Other Entities:

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

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

IFRS 13 - Fair Value Measurement:

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

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

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

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

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

IFRS 13 also prescribes certain specific disclosure requirements.

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

The Company does not expect the application of this standard to have a material impact over its financial statements with the exception of additional disclosures to be provided.

IAS 19R - Employee Benefits:

In September 2011 the IASB issued the revised IAS 19. The main changes in the standard are as follows:

- Actuarial gains and losses should be recognized only in other comprehensive income and not recognized as profit or loss.
- The “corridor” approach which allowed deferring actuarial gains or losses was canceled.
- The return on the plans assets shall be recognized in profit or loss based on the discount rate used to measure the liabilities of the employee benefit plan, regardless of the actual composition of the portfolio.
- The distinction between short-term employee benefits and long-term employee benefits will be based on the expected payment date and not on the entitlement date.
- Past service cost arising from changes in the program, will be recognized immediately in profit or loss.

IAS 19R is to be applied retrospectively in financial statements for annual periods commencing on January 1, 2013 or thereafter.

The Company is evaluating the possible impact of the adoption of IAS 19R but at present is unable to assess the effects, if any, on its financial statements. Due to the split of the Company’s activities in Israeli after the balance sheet date, the Company is not expected to be materialy impacted by the the application of this standard on the financial statements.

B. Foreign currency translation

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

	USD	NIS	CPI
September 30, 2011	0.74	0.20	128.6
September 30, 2010	0.68	0.18	124.9
December 31, 2010	0.75	0.21	125.8
Change in 2011 (9 months)	(1.7%)	(6.1%)	2.2%
Change in 2011 (3 months)	6.6%	(2%)	0%
Change in 2010 (9 months)	5.9%	9.1%	1.9%
Change in 2010 (3 months)	(9.8%)	(4.6%)	1.2%
Change in 2010 (12 months)	8.0%	14.9%	2.6%

3. Segment information

Segments results

For nine months ended September 30, 2011:

	Real Estate	Retail lending	Infrastructure Projects	Infrastructure Assets	Others	Total
Revenue	146	86	66	19	5	322
Other income/expense (*)	(105)	(20)	1	2	-	(122)
Total Income	41	66	67	21	5	200
Segment result	(109)	1	14	(16)	2	(108)
Unallocated expenses						7
Loss from operations and share in profit of associates companies before finance expenses, net						(115)
Finance expenses, net						93
Loss before income tax						(208)
Income tax expenses						26
Loss from continuing operations						(234)
Profit from discontinued operations						9
Loss for the period						(225)

For nine months ended September 30, 2010:

	Real Estate	Retail lending	Infrastructure Projects	Infrastructure Assets	Others	Total
Revenue	139	18	79	19	7	262
Other income/expense (*)	37	(30)	1	3	-	11
Total Income	176	(12)	80	22	7	273
Segment result	87	(40)	6	2	3	58
Unallocated expenses						7
Profit from operations and share in profit of associates companies before finance expenses, net						51
Finance expenses, net						(77)
Loss before income tax						(26)
Income tax expenses						18
Loss from continuing operations						(44)
Profit from discontinued operations						72
Net profit for the period						28

For three months ended September 30, 2011:

	Real Estate	Retail lending	Infrastructure Projects	Infrastructure Assets	Others	Total
Revenue	51	31	23	9	2	116
Other income/expense (*)	(97)	1	-	2	-	(94)
Total Income	(46)	32	23	11	2	22
Segment result	(116)	7	19	(14)	1	(103)
Unallocated expenses						2
Loss from operations and share in profit of associates companies before finance expenses, net						(105)
Finance expenses, net						42
Loss before income tax						(147)
Income tax expenses						20
Loss from continuing operations						(167)
Profit from discontinued operations						14
Loss for the period						(153)

For three months ended September 30, 2010:

	Real Estate	Banking and Retail lending	Infrastructure Projects	Infrastructure Assets	Others	Total
Revenue	44	1	27	6	3	81
Other income/expense (*)	7	(28)	-	2	-	(19)
Total Income	51	(27)	27	8	3	62
Segment result	23	(37)	2	2	2	(8)
Unallocated expenses						3
Loss from operations and share in profit of associates companies before finance expenses, net						(11)
Finance expenses, net						8
Loss before income tax						(19)
Income tax expenses						3
Loss from continuing operations						(22)
Profit from discontinued operations						48
Net profit for the period						26

For the year ended December 31, 2010:

	Real Estate	Banking and Retail lending	Infrastructure Projects	Infrastructure Assets	Others	Total
Revenue	214	35	112	23	7	391
Other income/expense (*)	77	(25)	2	2	-	56
Total Income	291	10	114	25	7	447
Segment result	135	(37)	8	1	7	114
Unallocated expenses						12
Profit from operations and share in profit of associates companies before finance expenses, net						102
Finance expenses, net						122
Loss before income tax						(20)
Income tax expenses						24
Loss from continuing operations						(44)
Profit from discontinued operations						15
Loss for the period						(29)

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

Following to the split of Kardan Yazamut, as described in Note 6 below, most of the assets and liabilities of the ‘Rental and leasing of vehicles’ and all the assets and liabilities the ‘Sale of vehicles’ segment were reclassified as ‘Assets held for distribution’ and ‘Liabilities associated with assets held for distribution’. The CODM is no longer reviewing the results of these segments, the results are no longer presented as operating segments.

Likewise, as a result of the disposal of the investment in VAB Bank, as describe in note 6 below, assets amounting to €585 million and liabilities amounted to €587 million were deconsolidated from the ‘Banking and Retail lending’ segment.

4. Share capital

A. Composition

	September 30, 2011		December 31, 2010	
	Authorized	Issued and Paid-in	Authorized	Issued and Paid-in
	Number of shares		Number of shares	
Ordinary shares with nominal value of €0.20 each	225,000,000	111,824,638	225,000,000	111,824,638

During the nine months period ended on September 30, 2011 there were no changes in the Issued and paid-in capital of the Company, except for buyback of shares as follows:

In January 2011, the Company repurchased 20,000 shares which are held by the Company's liquidity provider.

In July and August 2011 the Company purchased an additional 421,384 Kardan shares on the Tel Aviv Stock Exchange ('TASE') and on Euronext Amsterdam at an average price of € 3.1 per share for a total amount of € 1.3 million. In August 2011 392,846 shares were transferred to a former officer of one of Kardan's subsidiaries, in exchange for his shares in the subsidiary.

In September 2011, GTC Holding, a subsidiary of the Company, purchased 136,862 shares of the Company on the TASE and Euronext at an average share price of € 1.81 per share for a total of € 0.25 million.

Subsequent to the balance sheet date, in October and November 2011, GTC Holding purchased additional 1,083,022 the Company's shares on the TASE and Euronext at an average price of € 2.25 per share for a total of € 2.4 million.

Following these purchases, GTC Holding has a 1.1% stake in the Company. These shares will be presented in the Company's shareholders' equity as treasury shares.

5. Investment properties

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

A. Investment properties can be split up as follows:

	September 30,		December 31,
	2011	2010	2010
	€ in millions		
Completed investment properties	1,457	1,669	1,876
Investment properties under construction carried at fair value	184	323	201
Investment properties under construction carried at cost	257	297	267
	1,898	2,289	2,344

B. Fair value adjustments comprise:

	Nine months period ended September 30,		Three months period ended September 30,		For the year ended December 31,
	2011	2010	**2011**	2010	2010
	€ in millions				
Adjustment to fair value of newly completed properties, net of goodwill released	(11)	(8)	(12)	(2)	25
Adjustment to fair value of properties completed in prior years	(7)	16	(18)	1	34
Adjustment to fair value of investment property under construction, net of goodwill released	(40)	28	(30)	5	10
Impairment adjustments to investment properties under construction measured at cost	(52)	(5)	(40)	-	2
	(110)	31	(100)	4	71

C. Significant assumptions in China and Western Europe

	China		Western Europe	
	September 30, 2011 (*)	December 31, 2010	**September 30, 2011**	December 31, 2010
Completed investment properties				
Average rental rate per sqm per month (in €) (**)	N/A	17	9.8	9.8
Average Yield	N/A	9.5%	6.4%	6.4%
Average ERV per sqm per month (in €) (**)	N/A	20	9.3	9.3
Average Vacancy	N/A	5%	3.8%	3.8%

(*) Galleria Chengdu, the only completed investment property in China, was revaluated as of June 30, 2011 to fair value, based on its sale price.

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

D. Revaluations and impairment tests in CEE

In the second half of 2011, contradictory to earlier expectations and forecasts, the macro economic situation in Europe has worsened further, which resulted in significant deterioration of purchasing power and contraction of consumption of households. Management of GTC S.A. has observed international retailers stopping their expansion plans and large corporations reducing their work force, in particular in Hungary, Romania, Bulgaria, Slovakia and Croatia.

GTC S.A.'s management previous assumptions which were based on market improvements early in 2011 and that the macroeconomic situation will recover have been revised and the expected horizon for such recovery is now uncertain.

Development of significant assumptions in CEE for completed investment properties and investment properties under construction at fair value:

	September 30, 2011	June 30, 2011	March 31, 2011	December 31, 2010
Completed investment properties				
Average rental rate per sqm per month (in €)	16	18	18.8	19.7
Average Yield	8%	8%	7.9%	7.8%
Average ERV per sqm per month (in €)	17	17.5	18.9	19.1
Average Vacancy	13%	16%	16%	17%
Assets under construction (only assets at fair value)				
Average yield	8.7%	8.6%	9.1%	9%
Average % complete	75%	68%	62%	62%

In addition to the parameters mentioned above, in some cases, in view of the decline in consumption and the influence on the purchasing power, the timetable for stabilization of certain completed and cash generating assets had to be re-assessed, and consequently expectations for stabilized income were deferred.

The most material devaluation of investment property at fair value mainly due to decrease in ERV was noted in Romania, Bulgaria and Croatia.

Impairment of investment properties under construction at cost

In light of the Company accounting policy, certain properties under construction are carried at cost, as, either not all permits are in place and / or pre-letting and construction has not yet started. Accordingly, the management of GTC S.A. is of the opinion that the fair value cannot yet be reliably measured. For the majority of these assets, impairment testing was performed according to IAS 36 and using the market comparison approach based on impairment tests conducted on the basis of the comparison method which received on September 30, 2011, GTC S.A. devalued in first nine months of the year 2011, certain properties carried at cost to their market value. The most material impairments were noted in land plots for office and commercial use located in Hungary and Poland (€ 27 million), and Romania and Bulgaria (€ 20 million).

Management of GTC S.A. is constantly monitoring its assets and believes that the value of assets as at the end of September 2011 reflects the current macroeconomic climate and expectations; however it has to be acknowledged that macroeconomic conditions are extremely volatile these days and therefore any potential future changes to market value, both positive and negative, cannot be excluded.

Long-term Inventory

The above implies re-assessment of development timetable of some of GTC S.A.'s landbank for residential projects, and rescheduling them to a later stage. The net realizable value of inventory was examined using, for the most part, market comparison, due to the decision to place projects on hold for an undefined period of time, which resulted in lack of reliable basis for other valuation methods. The majority of the write-offs were recorded in residential projects in Romania where a significant slowdown in sales was noted.

The impairment of inventory primarily based on the comparison method resulted in an impairment of €50 million and €37 million in the nine and three months period ended September 30, 2011 respectively and was included as ‘other expense’ in the income statement.

6. Significant transactions, business combinations and commitments

A. Kardan N.V.

1. **Spin-off of the Company’s main Israeli activities**

   In September 2011 the Extraordinary Shareholders’ Meeting of Kardan approved a transaction according to which Kardan would spin-off its 73.7% holdings in Kardan Israel Ltd. (’Kardan Israel’) and its indirect 97% holdings in Milgam Municipal Services Ltd. (‘Milgam’, a subsidiary Kardan Municipal Services Ltd.- ‘KMS’, formerly named Tahal Assets Israel Ltd.).

   The Company restructured some of its holdings in Israel and transferred the Company’s shares shares in Kardan Israel and in KMS to its newly incorporated Israeli 100% owned subsidiary, Kardan Yazamut (2011) Ltd. (‘Kardan Yazamut’). Kardan Yazamut financed the purchase of these shares through external financing in the amount of €39.6 million. Kardan used the proceeds to deleverage. Subsequently, in October 2011, after receipt of all the required approvals, the shares of Kardan Yazamut were distributed as dividend in kind to the Company’s shareholders and Kardan Yazamut shares were listed for trade on the TASE.

   As of September 30, 2011, in accordance with IFRS 5, the Company reclassified the assets and liabilities of Kardan Yazamut (which includes the assets and liabilities of both Kardan Israel and KMS) as ‘Assets/Liabilities held for distribution’ and the results of Kardan Israel and KMS as ‘Net profit (loss) from discontinued operations’.

   In the past, the results of Kardan Israel were included in 4 operating segments: ‘Rental and leasing of vehicles’, ‘Sale of vehicles’, ‘Real estate’ and ‘Others’. The results of KMS were included in the ‘Infrastructure – Assets’ segment. Following the transaction, the Company will substantially no longer be active in the ‘Rental and leasing of vehicles’ and ‘Sale of vehicles’ operating segments.

As a result of presenting the related assets and liabilities as 'Held for distribution' the Company re-measured the assets and liabilities of Kardan Yazamut (excluding treasury shares held by Kardan Israel) at the lower of its carrying amount and fair value less costs to distribute. The re-measurement did not result in an impairment loss.

The fair value of Kardan Yazamut used for the impairment test took into account market indicators and share prices as these were published in TASE.

For accounting purposes, the carring value and the fair value of Kardan Yazamut (net of treasury shares and non controlling interest) was nil, therefore, dividend payable was not recognized in these financial statements. Evan though IFRIC 17 does not apply to the aforesaid transaction, due to the fair value being equel to the carring value of Kardan Yazamut, as of the balance sheet date, there is no difference between detemininig the value of the dividend payable at fair value or by using the carring value. Dividend withholding tax of €2.9 million was paid upon distribution, subsequent to the balance sheet date.

In total, after the distribution of Kardan Yazamut's shares, the transaction resulted in a negative impact on the Company's equity of approximately €3 million.

On October 6, 2011, as a result of the distribution, the Company reclassified to the income statement foreign currency translation reserve and hedge reserve, net of tax, amounting to €13 million and €(5) million, respectively.

In addition, as a result of the distribution, 11% of the Company's shares which were held by Kardan Israel as treasury shares, were re-issued and the Company retrospectively reduced its earnings (losses) per share by a ratio of 11% as the distribution such of shares is considered issue of bonus shares.

Discontinued operations related to the Spin-off:

The activities of Kardan Yazamut are clearly distinguishable, operationally and for financial reporting purposes. Kardan Yazamut represents several separate business and geographical area operations and is part of a single co-ordinated plan to split these operations.

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

	Nine months period ended September 30, **2011**	Nine months period ended September 30, 2010	Three months period ended September 30, **2011**	Three months period ended September 30, 2010	For the year ended December 31, 2010
	€ in millions				
Total income	291	207	102	70	277
Total expenses	(285)	(196)	(87)	(72)	(269)
Profit (loss) before tax	6	11	15	(2)	8
Income tax expenses	(2)	(1)	(1)	-	(1)
Net profit (loss) from discontinued operations	4	10	14	(2)	7
Attributable to:					
Equity holders	3	12	3	7	8
Non-controlling interest holders	1	(2)	11	(9)	(1)
	4	2	14	(2)	7

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

	Nine months period ended September 30, **2011**	Nine months period ended September 30, 2010	Three months period ended September 30, **2011**	Three months period ended September 30, 2010	For the year ended December 31, 2010
	€ in millions				
Net cash flow from operating activities	15	(9)	5	12	(21)
Net cash flow from investing activities	(61)	(16)	(48)	(12)	(19)
Net cash flow from financing activities	40	35	27	(4)	37
Net cash flows from discontinued operations	(6)	10	(16)	(4)	(3)

As a result of the distribution of Kardan Yazamut, €20 million of cash and cash equivalents are included in assets held for disribution as of September 30, 2011.

3) Composition of other comprehensive income items related to discontinued operations:

	Nine months period ended September 30, **2011**	Nine months period ended September 30, 2010	Three months period ended September 30, **2011**	Three months period ended September 30, 2010	For the year ended December 31, 2010
	€ in millions				
Foreign currency translation differences	(2)	5	-	(3)	8

Assets Held for Distribution and liabilities associated with Assets Held for Distribution

Assets and liabilities held for distribution as of September 30, 2011 represent the assets and liabilities of Kardan Israel and Kardan Municipal Services, in relation to the Spin-off as described before, and comprise the following:

	September 30, 2011
	€ in millions
Assets	
Tangible fixed assets	18
Investment properties	20
Investments in associates	121
Long-term loans and receivables	13
Intangible assets and goodwill	22
Inventories, contract work and buildings inventory in progress	165
Trade receivables	31
Other receivables and prepayments	18
Short-term investments	66
Cash and cash equivalents	19
Total assets	**493**
Liabilities	
Convertible debentures	15
Other debentures	60
Deferred income tax liabilities	7
Accrued severance pay, net	2
Trade payables	16
Interest-bearing loans and borrowings	221
Advances from apartment buyers	61
Other payables and accrued expenses	40
Total liabilities	**422**
Non Controlling interests	**71**
	493

B. Events in Kardan Israel (included in Kardan Yazamut)

Kardan Israel and in Tahal assets Israel were distributed as part of the Spin-off of the Company's main Israeli activities, the events describe below relate to the period prior to the Spin-off which was completed after the balance sheet date.

1. Avis Israel

a. Kardan Israel held 100% of the share capital of Kardan Emed Properties Ltd (‘Emed Properties’).

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

In January 2011, two agreements were signed with the partner in Emed in connection with the holding in Emed and Avis Israel. According to the first agreement, Emed Properties sold to its former partner its shares in Emed, reflecting 50% of Emed’s issued and paid in capital.

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

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

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

b. In July 2011 Kardan Israel signed an agreement to sell 34.13% of the shares of Avis Israel (out of 68.27%) to Hamizrach company (Kardan Israel’s partner in UMI) for a consideration of €40 million plus interest from the date of signing till closing. The transaction was closed in September 2011 after all conditions precedent were met. As a result of the transaction Kardan Israel recognized a gain of approximately €4.6 million (NIS 22.9 million), however, according to IAS 27R, regarding loss of control in a subsidiary, Kardan Israel recognized a loss of approximately €3.3 million (NIS 16.2 million) from revaluating its remaining share (34%) to market value. In addition, Kardan Israel recognized a gain of approximately €6.5 million (NIS 32 million) from negative goodwill. These amounts were included in 'Net profit for the period from discontinued operations’ in the income statement. Following the completion of the transaction Kardan Israel lost control over Avis Israel and ceased consolidating the financial statements of Avis Israel and accounts for the investment using the equity method.

2. Sale of Sintec Media

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

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

3. Early repayment of a loan

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

4. Option plan - Avis Israel

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

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

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

The fair value of per option is estimated at €2.8 (NIS 13.86) at the grant date (reflecting a total benefit of €1.9 Million), using the binomial model and taking into account the terms and conditions upon which the share options were granted. The option plan is accounted for as in equity.

5. Holyland

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

In their review report for the interim financial statements of Holyland dated September 30, 2011 (‘the Interim Accounts’), Holyland's auditors drew attention to the notes to Holyland’s Interim Accounts where it is stated that there is a significant uncertainty which relates to the extent of the future implications of the matters detailed hereunder and in Note 33C(11) to the Kardan’s 2010 financial statements on the Holyland project. The auditors also drew attention to Holyland’s financial position and also to the uncertainty regarding the realization of Holyland’s management future plans.

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

In May 2011 Holyland received a notice regarding indictments which are being considered against it for alleged suspicion concerning certain offenses relating to the period before 2007. A preliminary hearing of the matter was held in July 2011, but the matter has not been decided yet.

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

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

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

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

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

Following the aforesaid review Holyland's management incurred a provision for impairment of its inventory and land. Kardan Real Estate share in the losses of Holyland for the nine and three months period ended September 30, 2011 amounts to approximately € 3 million (NIS 16.4 million) and € 0.3 million (NIS 1.4 million), respectively, of which the Company's share amounts to approximately € 1.6 million and € 0.2 million respectively. As of September 30, 2011 the carrying value of the investment in Holyland in Kardan Real Estate's financial statements amounts to about € 0.3 million.

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

As of September 30, 2011 the loans balance of Holyland was approximately €25 million scheduled to be repaid on March 31, 2012. Holyland also has subordinated shareholders' loans in the amount of €47 million for which the shareholders agreed not to ask for repayment before January 2013.

Holyland will use the future positive operational cash-flow from sale of residential units, and the sale of some of its land plots to repay the bank loans. Holyland's management estimates, it is likely that if required to do so, it will be able to extend the credit framework agreement with the bank, in whole or in part, from time to time after March 31, 2012.

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

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

Following the split of Kardan Yazamut, subsequent to the balance sheet date, the Compay is no longer exposed to any consequences related to the unlimited guarantee in the Holyland project.

6. Formula Vision

In August 2011, Formula Vision, a partnership held by Kardan Technologies Ltd., a subsidiary of Kardan Israel, which was included in the 'others' segment, completed the sale of its stake in 2 companies to Sapiens Ltd. As consideration, the partnership received shares of Sapiens Ltd. (a company which is traded on the NASDAQ and the TASE). The Company's share in the gain from disposal amounts to €4 million included in the discontinued operation in the income statement .

<u>Tahal Assets Israel (included in Kardan Yazamut)</u>

1. Sale of shares in Pango

In April 2011 a transaction between Milgam (a subsidiary of the company, which wasincluded in the Infrastructure Assets segment) and Unicell Ltd (‘Unicell’, an associated company which was included in the ‘others’ segment), a company specialized in content for cellular devices, for selling part of Milgam’s cellular parking company (‘Pango’) was finalized. As part of the transaction Unicell paid Milgam a total of € 0.3 million and transferred to Pango an amount of €0.2 million as consideration for 16.67% of Pango’s shares, which is now proportionally consolidated under a joint venture agreement.

According to the agreement Unicell has 2 options, which are exercisable as from February 2012 for a period of three years, to buy additional 16.67% (each) of Pango’s shares, according to the same terms used the first acquisition. The 2 options are considered to be financial derivatives. The fair value of these financial derivatives is immaterial as of September 30, 2011.

If Unicell does not exercise the options, the joint control agreement will no longer prevail and the control over Pango will be restored to Milgam (each party will maintain its shares in Pango based on the actual share acquisition).

In the second quarter of 2011 the Company recognized a gain from the sale and from the revaluation of the remaining investment in Pango in the amount of €3.9 million which were included in discontinued operations.

C. KFS (Banking and Retail Lending)

1. Disposal of the investment in VAB Bank and VAB Leasing

Following Note 5 to the annual report 2010, in December 2010 TBIF Financial Services B.V. (‘TBIF’) (the holding company of the retail lending segment) entered into a series of agreements with international entities (“the Purchaser”) whereby it was agreed that TBIF would sell to the Purchaser its stake in VAB Bank (the “Sale Transaction”). As part of this Sale Transaction it was agreed that the Purchaser would pay a purchase price, which was equal to the amount placed in the capital increase in December 2010 by TBIF (€ 52 million, UHA 550 million).

Following the capital increase, TBIF’s shares in VAB Bank (84%) were transferred to the Purchaser and the Sale Transaction was completed on January 28, 2011.

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

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

2. Acquisition of NLB Banka Sofia

In July, 2011 TBIF (the holding company of the retail lending segment) closed the purchase of NLB Banka Sofia AD (‘the NLB Bank’). TBIF purchased 100% of the shares of the NLB Bank for a price of € 15 million. The excess of purchase price over the carrying value of the acquired net asset, amounting to €5 million, was allocated to goodwill on a provisional basis, subject to a final purchase price allocation.

3. Sovcom Bank

<u>Sale of 50% Sovcom Bank</u>

In June 2011 TBIF signed an agreement with Sovco Capital Partners B.V. (TBIF’s partner in Sovcombank) to sell the shares in Sovcom bank owned by TBIF (a total of 50% of the share capital of the bank) in consideration of €123 million. The closing of the transaction is subject to various conditions precedent, including regulatory approvals, and therefore the assets and liabilities of Sovcom were not reclassified as ‘Held for sale’. The closing may take place up to September 1, 2012.

Based on the September 30, 2011 statement of financial position, the balance in the financial statements of Sovcom bank was higher than the value derived from this transaction by € 23 million. An impairment of goodwill was recorded in the amount of €23 million in the nine months period and €2 million was recorded in the 3 months period ended September 30, 2011and is included as such in the interim condensed consolidated income statement.

In line with the agreement, in July 2011, TBIF received €7.3 million of dividend from Sovcom bank, and €25.4 million as initial payment from Sovco Capital Partners B.V..
The initial payment has been classified as an advance for the sale of the bank and has been included in line ‘Other payables and accrued expenses’ in the statament of financial position.

<u>Purchase price allocation</u>

In the second quarter of 2011 TBIF finalized the purchase price allocation related to the loss of full control to joint control in Sovcom bank in September 2010. The amounts before and after reclassification due to the purchase price allocation as of September 30, 2010 are as follows:

	Before	Reclassification	After
	€ million	€ million	€ million
Goodwill	64	(11)	53
Other intangible assets(*)	3	10	13
Bank loans granted	653	4	657
Deposits from companies and individuals	(656)	(1)	(657)
Deferred tax liabilities	(3)	(2)	(5)
	61	–	61

(*) The useful life of other intangible assets ranges from 3 years to indefinitely.
(**) The purchase price allocation was implemented prospectively due to immateriality.

4. Discontinued operations (VAB Bank, Sovcom Bank, TBIH):

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

	Nine months period ended September 30,		Three months period ended September 30,		For the year ended December 31,
	2011	2010	**2011**	2010	2010
	€ in millions				
Total income	*-	118	-	35	64
Total expenses	*-	(119)	-	(32)	(141)
Loss before tax	-	(1)	-	3	(77)
Income tax expenses	-	(1)	-	(1)	6
Net loss from discontinuing operations before capital gains	-	(2)	-	2	(71)
Capital gain from sale	5	64	-	48	79
Net profit from discontinued operations	5	62	-	50	8

Discontinued operations for comparatives periods presented include the results of TBIH, VAB Bank and Sovcom Bank, as detailed in Note 5 to the 2010 financial statements.

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

Capital gain of €5 million relates to the completion of the sale of VAB Bank, as described below.

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

	Nine months period ended September 30,		Three months period ended September 30,		For the year ended December 31,
	2011	2010	**2011**	2010	2010
	€ in millions				
Net cash flow from operating activities	-	(26)	-	(7)	(55)
Net cash flow from investing activities	(1)	(25)	(1)	(23)	148
Net cash flow from financing activities	-	(9)	-	(9)	44
Net cash flows from discontinued operations	(1)	(60)	(1)	(39)	137

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

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

<u>Assets Held for sale and liabilities associated with assets held for sale</u>

As of September 30, 2011 most of the assets held for sale (€134 million out of €135 million) relate to a investment property held for sale.

As of September 30, 2010 the assets held for sale relate primarily to 2 investment properties held for sale (refer to note 5 in the 2010 annual financial statement).

As of December 31, 2010 the assets held for sale and liabilities associated with assets held for sale relate primarily to VAB bank.

<u>D. GTC (Real Estate)</u>

1. Sale and repurchase of Shares - GTC S.A

In January 2011 GTC Holding (which is included in the Company’s Real Estate segment) sold 35.1 million shares of Globe Trade Centre S.A. (‘GTC S.A.’), constituting 16% of GTC

S.A.'s share capital. The shares were sold at a price of PLN 21.50 per share. Gross proceeds amounted to approximately €195 million (PLN 754,650,000); net proceeds amounted to approximately €187 million.

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

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

As a result of retaining control over GTC S.A, the transaction was accounted in accordance to IAS 27R as an equity transaction. As such, the difference between the consideration received and the increase in the balance of non controlling interest which increased the Company's equity, considering the partial disposal of goodwill and reattribution of amounts were previously recognized in other comprehensive income, to non controlling interest-holders transactions reserve.

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

Subsequent to the sale, in September 2011, GTC Holding purchased 1,353,635 shares for a consideration of €3.8 million and increased its holding in GTC S.A. by 0.61% to 27.75%. The increase in holding was also accounted as an equity transaction and resulted in a positive equity impact of €2.3 million.

2. Sale of HIFC project in China

In April 2011, GTC Real Estate China Ltd. ('GTC China') sold all its interests in the joint venture company - Hangzhou International Financial Center Co. Ltd. ('HIFC') to a Chinese real estate and investment company, (Rich Holding Group Co. Ltd.) for a consideration of €29 million. The transaction resulted in a gain for the Company of approximately €5 million recognized in 'Gain (loss) on disposal of assets and other income .

3. Sale of Galleria Mokotow

On August 1, 2011 GTC S.A. (which is included in the company's real estate segment) signed the final agreement for sale its shares in the company holding the shopping center Galleria Mokotów (Rodamco CH1), the owner of the Galleria Mokotow Shopping Center in Warsaw for a total consideration of €139 million. An expense in amount of €3.5 million, which relates to this transaction, is included within general and administration expenses in the nine months ended 30 September 2011.

4. Sale of 50% of Galleria Chengdu

In August, 2011, GTC China, a fully oenwd subsidiary (subsequent to the balance sheet date GTC China changed its name to 'Kardan Land China Limited') sold 50% of its shares in GTC Chengdu (HK) Real Estate Development Limited, a subsidiary which owns the Galleria Chengdu shopping center to MGP Spicy (BVI) Limited, for a consideration of €46 million.

As a result of the transaction Kardan Land China Limited lost control in GTC Chengdu and retained a 50% interest in a jointly-controlled entity which is proportionally consolidated, under a joint control agreement.

Kardan Land China Limited recognized a gain on disposal of a subsidiary in the amount of €12 million, this amount included in ‘Gain (loss) on disposal of assets and other income’, out of which €5 million relates to revaluation of its existing share to fair value. The excess value of €5 million was allocated to goodwill on a provisional basis pending final purchase price allocation. The sale resulted in reclassification of exchange rate differences previously recognized in other comprehensive income to the income statement in the amount of €3 million.

5. Repurchase Company’s debentures

In June 2011 Kardan’s subsidiary GTC Real Estate Holding B.V. (‘GTC Holding‘) announced its intention to purchase debentures of Kardan, listed on the Tel-Aviv Stock Exchange (‘TASE’), up to an amount of €25 million (‘the Purchase Plan‘). According to the Purchase Plan GTC Holding has purchased NIS 10,299,353 par value Debentures Series B issued by Kardan in 2008 at an average price of NIS 1.13 per debenture, totaling to NIS 11.6 million (approximately € 2.4 million), and NIS 70,333,863 par value Debentures Series A issued by Kardan in 2007 at an average price of NIS 1.08 per debenture, totaling to NIS 76 million (approximately € 15.6 million). Prior to the Purchase Plan, in June 2011, the Company purchased 3,626,484 Par value debentures Series A series for NIS 4.1 million (€0.8 million) and 38,082,346 Par value debentures Series B for NIS 42.8 million (€ 8.6 million).

The Company accounted for these transactions as early repayment of the purchased debentures, which resulted in a total gain of €1.3 million recognized in ‘finance income’ in the income statement.

6. Sale of Platinum Business park

Subsequent to the balance sheet date, in October 2011 GTC S.A. signed Head of Terms with Allianz Group, regarding sale of the Platinum Business Park in Warsaw. As of September 30, 2011 Platinum Business Park, which was presented previously as Investment Property, was reclassified as “Assets held for sale”, and the related loans and hedge instruments were classified as current liabilities. Furthermore, an amount of €6 million of changes in hedge reserves previously recognized in equity was reclassified to profit and loss. No material revaluation was recorded due to the sale.

7. Employee Share Option Plan

In June 2011, agreements for the grant of 2,539 share options to senior executives under the Senior Executive Plan (SEP) of Kardan Land China Limited were signed. The exercise price of the options shall be an amount equal to the per-share equity investments provided to Kardan Land China Limited by its shareholders as of each exercisable date. The options vest immediately upon the grant. Options that are not exercised by the end of the exercise period shall expire. The fair value of the options granted was estimated at the date of grant, using a Black-Scholes pricing model, taking into account the terms and conditions upon which the options were granted. The contractual life of each option granted is seven years.

The fair value of options granted on June 30, 2011 was estimated on the date of grant using the following assumptions:

Dividend yield (%)	0.00
Expected volatility (%)	60.50
Risk-free interest rate (%)	1.85
Expected life (years)	3.791
Fair value per share (€)	3,956.76

Accordingly an expense of €4.9 million was recognized in the reported period. The Company accounted for these options as an equity share based payment transaction.

Simultaneously, a Put option agreement was signed between a senior executive and the Company allowing Kardan NV to pay the senior executive cash or shares of Kardan NV upon exercise of the options. The exercise of options (to cash or company shares) is subject to the Company's discretion.

E. TGI

1. Amendment to agreement with FIMI

In June, 2011 Tahal Group International B.V. ('TGI') signed an amendment to the loan agreement with FIMI. The amendment includes: (i) the drawdown period for the additional loan in an aggregate amount of USD 25 million is extended with one year; (ii) the repayment date of the aggregated total loan is extended with one year; (iii) the exercise period reflected in the corresponding warrant agreement is extended with one year. As a result, the warrants and the Call option held by the Company were revalued; the change in terms did not result in a material change to the value of the options or the loan.

2. Efficiency plan

A subsidiary of TGI has initiated an efficiency plan, including the dismissal of several (senior) employees. TGI estimates the related retirement costs in approximately €2.2 million, which have been included in the reported period.

7. Loans and covenants

A. The Company

Subsequent to the balance sheet date the Company and a lending bank signed an amendment to the loan agreement relating to a change in a financial covenant required with regard to two loans in the amount of €15 million each. The amendment is valid for a period of four quarters up to and including June 30, 2012. According to the amendment to the loan agreement, the financial covenants were amended so that the Company is required to maintain the higher of a minimum shareholders' equity of €250 million or a ratio of equity to total stand-alone balance sheet of the Company of 27%.

The amendment to the loan agreement will expire prior to filling the financial statements of September 30, 2012 (for more information refer to Note 33 in the 2010 Annual Financial Statements).

Prior to signing the amendment as described above, the Company was in breach relating to minimum equity requirement and a minimal equity ratio requirement. As a result, the Company reclassified the amount of €30 million as a current liability.

Within the Group additional loans covered by the amendment to the loan agreement, which were granted by the lending bank in a total amount of €151.3 million became in breach with respect to the same covenants. Accordingly, loans amounting to €144.2 million were reclassified as short-term liabilities.

B. GTC S.A.

As of September 30, 2011 GTC SA and its subsidiaries were in breach of covenants relating to several loans in the amount of €127 million. The breach relates mainly to maintaining certain loan to value ratio and debt service coverage ratio. As a result of the breach, GTC S.A. and its subsidiaries reclassified the amount of €127 million as current liabilities. GTC S.A. obtained a waiver with for a one of the loans amounting to €25.4 million, and is currently conducting discussions with the other lending banks for possible amendments in the loan agreements.

8. Subsequent events

Sale of Via Maris

In October 2011 TCE (a subsidiary of the company, which is included in the Infrastructure Projects segment) and GES Global Environmental solutions LTD ("GES") signed a Share Purchase Agreement for all the shares of Via Maris Desalination held by TCE (27.9%) in consideration of €2.4 million (NIS 12 million). The parties also agreed that Via Maris will repay TCE shareholder's loans amounting to €10 million (NIS 50.4 million). The Company estimates the closing of the transaction will result in a capital gain amounting to € 1.6 million.

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

Review report

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Kardan N.V., Amsterdam (the “Company”) as at September 30, 2011 and the related interim condensed consolidated income statement, statement of comprehensive income, changes in equity and cash flows for the three and nine month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting (“IAS 34”). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope

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

Opinion

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

Amsterdam, November 30, 2011

Ernst & Young Accountants LLP

Signed by: W. Van Hoeven

ADDITIONAL INFORMATION

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

KARDAN N.V.

Presentation of separate financial data included annexed to the

Consolidated financial statements related to the company

As of September 30, 2011

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

September 30, 2011

	September 30,		December
	2011	2010	31, 2010
	€ in millions		
A s s e t s			
Non-current assets			
Long-term receivable (Mainly fair value of derivatives)	83	85	119
Financial fixed assets			
Investments in consolidated subsidiaries	545	619	601
Loans to consolidated subsidiaries	231	227	277
	776	846	878
Current assets			
Cash and cash equivalents	38	58	10
Short-term investments	7	10	7
Other receivables	5	12	16
	50	80	33
Assets held for distribution to shareholders	*)	-	-
Total assets	909	1,011	1,030
E q u i t y a n d l i a b i l i t i e s			
Equity attributable to equity shareholders			
Share capital	23	23	23
Share premium	235	235	235
Property revaluation reserve	56	111	114
Revaluation reserve, other	(7)	(13)	-
Currency translation reserve	(5)	(3)	9
Non controlling interest holders transaction reserve	18	(3)	(1)
Treasury shares	(27)	(27)	(27)
Retained earnings	(26)	35	(19)
	267	358	334
Long-term liabilities			
Debentures	581	567	602
Loans from banks and others	-	43	43
Options and other long term liabilities	9	8	8
	590	618	653
Current liabilities			
Current maturities of long term loans	30	11	11
Other payables (mainly accrued interest)	22	24	32
	52	35	43
Total equity and liabilities	909	1,011	1,030

*) less than a million

ADDITIONAL INFORMATION FROM THE COMPANY'S INCOME STATEMENT

Period ended September 30, 2011

	For the nine months ended September 30,		For the three months ended September 30,		For the year ended December 31,
	2011	2010	**2011**	2010	2010
	€ in millions				
Net result from investments for the period	(52)	28	(27)	20	(8)
Other income	-	1	-	1	1
Total revenues	(52)	29	(27)	21	(7)
General and administrative expenses	4	5	2	2	8
Other expenses	-	1	-	-	1
Total expenses	4	6	2	2	9
Income/(Loss) from operations before financing expenses	(56)	23	(29)	19	(16)
Financing expenses, net	(9)	(12)	(2)	(2)	(22)
Income/(Loss) from operations before tax expense (benefit)	(65)	11	(31)	17	(38)
Income tax expense (benefit)	5	(1)	3	1	(3)
Profit (loss) for the period from continuing operations	(70)	12	(34)	16	(35)
Net profit for the period from discontinued operations, net	3	12	3	7	8
Net income/(Loss) for the period	(67)	24	(31)	23	(27)

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

	For the nine months ended September 30,		For the three months ended September 30,		For the year ended December 31,
	2011	2010	**2011**	2010	**2010**
	€ in millions				
Net result for the period	(67)	24	(31)	23	(27)
Foreign currency translation differences	(13)	49	8	(25)	61
Change in hedge reserve, net	(12)	1	(10)	(3)	13
Unrealized revaluations, net of tax	(1)	-	-	-	1
Other comprehensive income for the period	(26)	50	(2)	(28)	75
Total comprehensive income (expense)	(93)	74	(33)	(5)	48

ADDITIONAL INFORMATION FROM THE COMPANY'S CASH FLOW STATEMENT

	For the nine months ended September 30,		For the three months ended September 30,		For the year ended December 31,
	2011	2010	**2011**	2010	2010
	€ in millions				
Cash flow from operating activities of the Company					
Net income/(Loss) for the period	(67)	24	(31)	23	(27)
Adjustments to reconcile net profit to net cash of the Company					
Charges to net loss not affecting operating cash flows:					
Change in fair value of hedge instruments	(3)	9	(15)	(4)	(14)
Financial expense (income)	-	(1)	(12)	5	35
Dividend received	-	12	-	-	13
Equity loss (earnings)	49	(40)	24	(27)	-
Changes in working capital of the Company	**-**	**-**	-	-	-
Change in receivables	2	2	6	(1)	2
Change in payables	2	1	-	1	2
Cash amounts paid and received during the year	**-**	**-**	-	-	-
Interest paid	(29)	(29)	-	(1)	(29)
Interest received	1	5	1	2	5
Net cash used in operating activities of the company	**(45)**	**(17)**	**(27)**	**(2)**	**(13)**
Cash flow from investing activities of the company					
Short term investments, net	1	(4)	-	1	(1)
Granting of loans to subsidiaries, net	70	-	(72)	3	(52)
Investments in subsidiaries	(16)	(1)	(16)	-	(3)
Proceeds from sale of investee companies	41	-	41	-	-
Net cash provided by (used in) investing activities of the company	**96**	**(5)**	**(47)**	**4**	**(56)**
Cash flow from financing activities					
Proceeds from sale of hedge instruments	-	29	-	-	29
Repayment of long-term debt	(23)	(10)	-	(1)	(11)
Net cash provided by (used in) financing activities of the company	**(23)**	**19**	**-**	**(1)**	**18**
Increase (decrease) in cash and cash equivalents of the company	**28**	**(3)**	**(74)**	**1**	**(51)**
Cash and cash equivalents at beginning of the period of the company	10	61	112	57	61
Cash and cash equivalents at end of the period of the company	**38**	**58**	**38**	**58**	**10**

1. General

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

The condensed interim consolidated financial statements should be read in conjunction with the additional financial information for the year ended December 31, 2010 and the accompanying notes, and in conjunction to the consolidated interim financial statements for the nine months ended September 30, 2011.

For the additional financial information for the period ended on September 30, 2011 the Company applied the same accounting principles and methods of computation as compared with the additional financial information for the year 2010.

2. Additional Information

Spin-off of the Company's main Israeli activities

In September 2011 the Extraordinary Shareholders' Meeting of Kardan approved a transaction according to which Kardan would spin-off its 73.7% holdings in Kardan Israel Ltd. ('Kardan Israel') and its indirect 97% holdings in Milgam Municipal Services Ltd. ('Milgam', a subsidiary Kardan Municipal Services Ltd.- 'KMS', formerly named Tahal Assets Israel Ltd.).

The Company restructured some of its holdings in Israel and transferred the Company's shares shares in Kardan Israel and in KMS to its newly incorporated Israeli 100% owned subsidiary, Kardan Yazamut (2011) Ltd. ('Kardan Yazamut'). Kardan Yazamut financed the purchase of these shares through external financing in the amount of €39.6 million. Kardan used the proceeds to deleverage. Subsequently, in October 2011, after receipt of all the required approvals, the shares of Kardan Yazamut were distributed as dividend in kind to the Company's shareholders and Kardan Yazamut shares were listed for trade on the TASE. For additional information refer to Note 6 in the consolidated financial statements.

Loans and covenants

Subsequent to the balance sheet date the Company and a lending bank signed an amendment to the loan agreement relating to a change in a financial covenant required with regard to two loans in the amount of €15 million each. The amendment is valid for a period of four quarters up to and including June 30, 2012. According to the amendment to the loan agreement, the financial covenants were amended so that the Company is required to maintain the higher of a minimum shareholders' equity of €250 million or a ratio of equity to total stand-alone balance sheet of the Company of 27%.

Prior to signing the amendment as described above, the Company was in breach relating to minimum equity requirement and a minimal equity ratio requirement. As a result, the Company reclassified the amount of €30 million as a current liability. For additional information refer to Note 7 in the consolidated financial statement.

Revaluations and impairment tests in CEE

Refer to Note 5 in the consolidated financial statements for information related to the Revaluations and impairment tests in CEE.