KARDAN N.V.

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KARDAN 2011 RESULTS:

LOSS OF EURO 148 MILLION MAINLY DUE TO SOUTH EASTERN EUROPEAN ACTIVITIES

DEVELOPMENT PACE ADJUSTED TO MARKET CIRCUMSTANCES

CHINESE ACTIVITIES PERFORMED WELL

Highlights segments 2011:

Kardan N.V.

- Spin-off of Israeli activities effected
- Reduced net debt by EUR 266 million

Real Estate Asia

- Sale of 50% of shopping mall in Chengdu; profit of EUR 12 million recognized
- Delivery of units stable, but slowdown in sale of units due to measures of Chinese government

Real Estate Europe

- Sold 16% stake in GTC S.A.: currently holds 28% stake in GTC S.A.
- Substantial negative revaluations and impairments in South East Europe as purchasing behavior deteriorated
- Asset disposal, refinancing activities and renegotiations of loan covenants to improve liquidity and structure of liabilities
- Sale of 50% of Galeria Mokotow (net proceeds to GTC S.A. EUR 110 million)
- Newly opened malls with high occupancy

Water Infrastructure Assets

- Wastewater treatment plant in China (Xuanhua) adds capacity of 120 ton / day
- Milgam divested as part of the spin-off of Israeli activities by Kardan

Water Infrastructure Projects

- Substantial project in Angola (Quiminha) signed; will generate approximately EUR 143 million revenue in coming three years

Banking and Retail Lending

- Acquisition of TBI Bank (Bulgaria) provides banking license
- Agreement to sell TBIF's 50% stake in Sovcombank for EUR 123 million; closing expected in H2-2012
- Economic downturn in Romania and Bulgaria in H2-2011 led to impairments of goodwill and provisions in non banking portfolios

"In the second half of 2011, the Eurozone crisis led to worldwide instability and, among others, deterioration of consumer confidence and further weakening of financing possibilities, impacting the real economies and decreasing expectations of short- to mid-term economic growth in Central and Eastern Europe (CEE), and most specifically in South Eastern Europe (SEE). Growth in other parts of the world has also been impacted. The uncertainty in Europe has translated into a substantial decrease in the value of assets of GTC S.A. and TBIF (banking and retail lending) in SEE, significantly impacting our results for 2011 to a loss of EUR 148 million for Kardan shareholders
On the other hand, our activities in China performed well in 2011, considering the state of the world economy. The country is expected to remain an important growth engine of the global economy.

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With the urbanization in the country continuing, there will remain a large need for apartments for own use. Similarly, as the Chinese government focuses on increasing the consumption and purchasing power, there are still far too few shopping centers in second and third tier cities. Kardan Land China is geared towards developing mixed use projects, i.e. apartments in combination with modern shopping centers, in Tier 2 and Tier 3 cities. We also aim to continue to grow our water infrastructure business in China, again in line with the plans of the Chinese government to deal with the water challenge in the country (scarcity, cleanliness, proper distribution etc.). The global demand for clean water is on a fast growth pace. Our water infrastructure company Tahal is continuously examining new growth opportunities in selected geographies.

We have taken measures in all our activities to align our development pace with market and macroeconomic circumstances, whilst maintaining our standards in developing high quality and sustainable assets. Simultaneously, we are focusing on bringing back our net debt position to strengthen our balance sheet. In Q4 – 2011, we spun-off our Israeli activities, leaving us with a focused company, aimed at initiating, developing and managing cash generating assets in emerging markets, specifically in commercial real estate and in water infrastructure activities.

The global economy in 2012 will continue to be challenging; in SEE we are dependent on the return of consumer confidence and improving investment climate, whereas we expect Poland to continue to perform well. However, as we believe Asia will continue to be a major global growth engine and water scarcity to be an ever growing concern, we intend to continue pursuing our strategy to further develop our assets in this area and expand our water infrastructure division worldwide," says Alain Ickovics, Chairman of the management board of Kardan N.V.

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

The condensed consolidated income statement split into the different segments of Kardan N.V. is shown in the table below.
Following the analysis of the condensed consolidated income statement of Kardan N.V., the results of every individual segment is analyzed in more detail.

Condensed Consolidated Income Statement Kardan N.V.

For the year ended December 31, 2011
(in EUR million)

	Real Estate		Infrastructure		Banking and Retail lending	Other	Total		
	Asia	Europe	Assets	Projects			**2011**	**2010**	**2009**
Total revenues	49	160	29	85	113	-	436	394	381
Total expenses	53	166	25	99	95	8	446	345	324
Profit (loss) from operation before fair value adjustments, disposal of assets and financial expenses	(4)	(6)	4	(14)	18	(8)	(10)	49	57
Profit (loss) from fair value adjustments and on disposal of assets and investments	33	(235)	2	1	(55)	-	(254)	56	(174)
Result from operations before finance expenses	29	(241)	6	(13)	(37)	(8)	(264)	105	(117)
Financing income (expenses), net	3	(87)	(5)	(2)	(12)	(20)	(123)	(125)	(87)
Profit (Loss) before income tax	32	(328)	1	(15)	(49)	(28)	(387)	(20)	(204)
Income tax (expenses)/benefit	(8)	(18)	(2)	1	(9)	(2)	(38)	(24)	22
Profit (Loss) from continuing operations	24	(346)	(1)	(14)	(58)	(30)	(425)	(44)	(182)
Profit (Loss) from discontinued operations	-	-	3	-	5	8	16	15	6
Profit (Loss) for the period	24	(346)	2	(14)	(53)	(22)	(409)	(29)	(176)

Attributable to:									
Non-controlling interest	-	(262)	(1)	-	-	2	(261)	(2)	(84)
Net result for the segment	**24**	**(84)**	**3**	**(14)**	**(53)**	**(24)**	**(148)**	**(27)**	**(92)**
Profit (Loss) for the period	24	(346)	2	(14)	(53)	(22)	(409)	(29)	(176)

Total consolidated **net result from continuing operations** decreased by EUR 381 million to a loss of EUR 425 million in 2011. The only segments attributing profits in 2011 are Real Estate Asia and Tahal Assets.
Real Estate Asia is explained by the success of Galeria Chengdu (China, Sichuan Province), mainly due to the capital gain on the sale of 50% of the shopping mall in Chengdu and delivery of apartments.
The main contributor to the consolidated loss (from continuing operations) of 2011 is Real Estate Europe (mainly GTC S.A.) which reported a negative revaluation of investment property (including properties under construction) and impairment of land positions and residential properties mainly in SEE as well as in CEE in Real Estate amounting to EUR 307 million. These revaluations were made mainly due to lower estimated rental values and postponement of developments following the economic deterioration in the region, especially Romania and Bulgaria which were hit severely, contributing 65% of these losses. The sovereign debt crisis reduced consumer spending and capital investments in these countries.

The remainder of the loss in Real Estate Europe is largely due to tax charges (EUR 18 million) and one off financial expenses related to refinancing of loans and unwinding of hedge positions following the sale of properties (EUR 13 million).

Water infrastructure results were negatively impacted by provisions that had to be taken on several projects in Europe and Africa (EUR 7 million), as well as delays of some projects. Tahal Assets performed according to expectations, with a revenue growth in China following the expansion of the capacity of the wastewater treatment facilities.

The Banking and Retail Lending segment also suffered from the economic situation in Romania and Bulgaria, resulting in a decrease of the leasing and consumer finance portfolios, further impairment losses on these portfolio's and, consequentially, impairment losses on the goodwill related to these activities.

Included in "Other" are the expenses and finance costs of the holding companies Kardan N.V. and GTC Real Estate Holding BV.

The net result for equity holders of Kardan N.V. amounted to a loss of EUR 148 million (2010: loss of EUR 27 million).

In **2010**, the Kardan N.V. loss from continuing operations (EUR 44 million) was driven by negative results in Banking and Retail Lending mainly due to impairments totaling EUR 46 million, resulting from EUR 28 million on Goodwill as well as EUR 18 million on the loan portfolio, and "Other" (EUR 41 million) attributable to finance expenses of EUR 32 million and General and Administrative expenses of EUR 9 million. These losses were compensated by profits in both Real Estate Europe (EUR 28 million, driven by positive revaluations of EUR 45 million) and EUR 12 million in Real Estate Asia, attributable to the revaluation of the shopping mall in Chengdu.).

In **2009**, the loss was attributable to Real Estate (mainly negative revaluations amounting to EUR 172 million in Central and South Eastern Europe), Banking and Retail Lending (among others loss of VAB Bank in Ukraine of EUR 18 million) and "Other" (finance and holding expenses of EUR 21 million). Pension and Insurance (sold mid 2010) contributed positively with an amount of EUR 20 million.

The **profit from discontinued operations** in 2011 includes the results relating to the Israeli activities, mainly Kardan Israel, that were spun-off in October 2011, and distributed as dividend to the shareholders of Kardan N.V., and it includes a profit on the sale of Ukrainian VAB bank in the beginning of 2011.

In **2010**, the result was mainly attributable to VAB bank (loss of EUR 97 million), Sovcombank (Russian bank, recording a profit of EUR 74 million on the sale of 16% of the shares in September 2009 and subsequent revaluation to fair value of the remaining stake of 50%) and TBIH (former insurance and pension division sold to the partner generating a profit of EUR 31 million).

In **2009** the profit of EUR 6 million derived mostly from the same subsidiaries as mentioned above.

Equity as of December 31

Kardan N.V. – balance sheet (company only)	2011	2010
Total Assets (in EUR million)	864	1,030
Total Equity (in EUR million)	203	334
Equity/Total assets (%)	23%	32%

Shareholder's equity of Kardan N.V. decreased from EUR 334 million as of December 31, 2010 to EUR 203 million as of December 31, 2011, as a result of the loss of EUR 148 million, mainly reduced by the positive equity movement due to the sale of a 16% stake in GTC S.A. in Q1-2011.

Covenants

As of December 31, 2011 the Company did not meet financial covenants towards a lending bank relating to maintaining a minimum equity level. As a result, long term loans in the amount of EUR 30 million were classified to short term.

Within the Group, additional loans with the same covenant in the amount of EUR 144 million were also classified as short term liabilities.

In March 2012, the Company received a signed letter from the lending bank describing principal agreements between the Company and the bank relating to a change in the financial covenants required with respect to the aforementioned loans. According to the principal agreement, the financial covenants will be amended so that the Company is required to maintain a minimum shareholders' equity of EUR 160 million, and a ratio of equity to total stand-alone balance sheet of the Company of 21%. In addition, it was agreed to early repay an amount of EUR 35 million from the total outstanding loans of Kardan, GTC RE Holding and Tahal Assets. For additional information reference is made to note 29 in the financial statements.

Subsequent to the balance sheet date, GTC S.A. had amended a loan agreement with a lending bank in connection with a breach of covenants relating to its debt coverage ratio and project time table. As a result of the breach, a loan in the amount of EUR 25 million was reclassified as current liabilities.

GTC S.A. was in breach of an additional covenant which relates to debt coverage ratio. As a result of the breach, a loan in the amount of EUR 29 million was reclassified as current liabilities. GTC S.A. is negotiating with the lending banks in relation to this breach.

Highlights per segment:

Every segment result for 2011 is analyzed separately hereunder. It is noted that only if the development in Q4-2011 significantly differs from the 2011 annual development, Q4-2011 is discussed separately.

Real Estate

Kardan is active in development and management of Real Estate through two segments: 1) Asia, which includes its 100% subsidiary Kardan Land China, and 2) Europe, which includes GTC S.A., of which it holds 28%, and a relatively small investment in Western Europe (49% holding in GTC Investments).

Real Estate Asia

General market developments China

- GDP growth 2011: 9.2% y-o-y
- Real Estate market impacted by measures to combat speculation
- Consumer spending increasing, leading to more demand for shopping malls

The Chinese economy expanded by 9.2% in 2011 (y-o-y), slowing down gradually during the year according to plan as a result, among others, of measures taken by the Chinese government to fight inflation. Chinese export has slowed down in Q4-2011, as the demand from Western European countries deteriorated. Following years of GDP growth y-o-y of above 9%, the current Five Year Plan (2011 – 2015) focuses on rebalancing the economy, i.e. to bring GDP growth levels down somewhat over time (to approximately 7.5%), to prevent the economy from overheating and to become less dependent on export by stimulating internal demand and consumption.

During 2011, the Chinese government took several measures to cool down the speculative property market in particular, such as raising interest rates and decreasing the availability of mortgages. These measures generally led to pricing pressure and a slowdown in the sale of apartments also because potential buyers postponed their purchase decision in the expectation that prices will decrease further. The government, however, is anxious not to disturb the market for buyers who need to find housing for their own use, typically in Tier 2 and 3 cities. Researchers expect that this part of the real estate market will see an upside again during 2012, as the demand for housing will remain strong as a result of the urbanization combined with increasing average wages, the current prices of apartments as well as the expectation that banks will increase lending.

Kardan Land China's strategy is to focus on the development of mixed use projects, i.e. shopping malls in combination with residential apartments in China's Tier 2 and Tier 3 cities. Consumer spending power has increased over the years as a result of rising wages, as evidenced by a growth of total retail sales in 2011 of around 17% y-o-y. Chinese consumers are lured to the newly developed shopping centers by the concept of a managed mall offering a varied mix of tenants and good services.

Results Real Estate Asia

	Real Estate Asia			
	For the year ended December 31		For the three months ended December 31	
	In EUR million			
	2011	**2010**	**2011**	**2010**
Property rental and service recharge revenues	6	1	1	-
Sales of delivery of units	43	39	25	19
Total revenues	49	40	26	19
Costs of property rental and service recharge operations	3	1	1	1
Cost of delivery of units	34	33	19	15
Other expenses, net	1	2	-	-
Gross profit	11	4	6	3
SG&A expenses	(15)	(13)	(4)	(6)
Adjustment to fair value (impairment) of investment properties	17	29	-	11
Gain on disposal of assets and other income	16	-	-	-
Result from operations before finance expenses	29	20	2	8
Financing income (expenses), net	3	-	3	-
Income tax (expenses) / benefit	(8)	(8)	(1)	(4)
Profit (loss) from continuing operations	24	12	4	4

Net profit (loss)	24	12	4	4
Attributable to:				
Equity holders (Kardan N.V.)	24	12	4	4
	24	12	4	4

Additional information Real Estate Asia	**2011 (31.12)**	**2010 (31.12)**
Balance sheet (in EUR million)		
Completed investment property	68	110
IPUC	54	-
Inventory	231	132
Total Assets	514	465
Loans and Borrowings	43	143
Advance payments from buyers	136	103
Total Equity	247	161
Cash & ST investments	67	124
Other		
Units sold in period *	1,883	3,461
Units delivered in period *	1,767	1,748
Total units sold, not yet delivered *	5,115	4,999

*reflects 100%; Kardan Land China holds 50%

Revenues

"Property rental and service recharge revenues" is attributable to the shopping centre in Chengdu that was opened in November 2010. The occupancy rate as of December 31, 2011 is 97% compared to 89% as of December 31, 2010. At the end of August 2011, Kardan Land China sold 50% of the shopping mall to a Singapore investor; consequently as of September 1, 2011 Kardan Land China is only entitled to 50% of the rental income, but still to 100% of the asset management fees.

In 2011, Kardan Land China delivered 1,767 apartments vis-à-vis 1,748 in 2010 (these numbers represent 100%: Kardan Land China has a stake of approximately 50%, consequently the revenue shown represents 50% of the total revenues booked on these deliveries). The increase in revenues is due to price increases, as well as to a different mix of the type of apartments and parking spaces delivered.

In Q4-2011, 1,088 of the 1,767 apartments - delivered in the full year 2011 - were delivered, which is shown in the substantial revenue for Q4-2011.

Gross margin

The gross margin on retail was over 55%, after a full year of operation. The gross margin on delivery of units increased to 21% (from 15% in 2010), as a result of higher prices, as well as the mix of apartments sold.

Sales & Marketing, and General Administrative expenses (SG&A)

The increase of EUR 2 million is mainly due to employee share option expenses amounting to EUR 5 million (2010: EUR 3 million).

Adjustment to fair value and gain on disposal of assets

The gain on disposal of assets of EUR 16 million is attributable to the sale of a project in Hangzhou in April 2011 (EUR 4 million) and the sale of 50% of the shares in the shopping mall in Chengdu. The adjustment to fair value in both 2011 and 2010 is the valuation gain attributable to the shopping mall in Chengdu.

Financing Income

The income includes a foreign exchange gain of EUR 5 million (2010: nil) due to the strengthening of the RMB against the Euro: the financial assets are all recorded in RMB and exceed the financial liabilities, some of which are denominated in Euro.

Finance expenses of EUR 2 million are relatively low. The company finances the acquisition of land with equity, and only borrows money for the construction and holding of commercial property. Consequently, interest expenses are relatively low.

Additional Information:

Total assets increased by EUR 49 million due to, among others, the fair value adjustment (EUR 16 million) for the shopping center in Chengdu, an increase in cash balances as a result of the sale of the Hangzhou project as well as the sale of 50% of Chengdu, both at a profit, and an increase of EUR 33 million due to advance payments of buyers. As at December 31, 2011, total unsold but completed units stood at 3% in comparison to 4% as at the same date last year.

"Advance payments received from buyers" reflects the amount of revenue that is expected to be recognized in the profit and loss account over the next two to three years, depending on the moment of hand over to the buyers.

From the outstanding "Loans and Borrowings", approximately EUR 24 million relates to the shareholder loan. EUR 3 million needs to be paid down on the outstanding bank loan in 2012.

As can be seen in the table above, sale of units decreased by 45% in 2011; a result of the hesitation noticeable with buyers pending the measurements taken by the Chinese government. Whereas some 550 to 600 units were sold in each quarter of the first nine months of the year, a substantial slowdown occurred in Q4 to just over 100 units; a reflection of the unstable sentiment. It should be noted that a similar slowdown occurred in 2008.

Real Estate Europe

General Market developments Central and Eastern Europe (CEE)

- Macroeconomic developments in SEE changed for the worse sharply in H2-2011
- Real Estate appraisers adjusted their ERV expectations in CEE downwards, specifically for South Eastern European (SEE) countries
- Purchasing behavior remains subdued, due to negative sentiment following the sovereign debt crisis

In the first quarter of 2011, CEE / SEE countries continued to show careful macroeconomic recovery as a result of increasing external demand, recovery of capital flows and in some countries also an improvement in the domestic demand and labor markets. In the second and third quarter, however, the growth dynamic in CEE / SEE slowed markedly as the Eurozone began to stagnate mainly due to the sovereign debt crisis. Confidence in Europe as a whole deteriorated on the financial markets, leading to a significant change in sentiment and consequently to a downgrade of rental and sales expectations by real estate appraisers, specifically in SEE. The uncertainty regarding the sovereign debt crisis progressed during the fourth quarter of 2011. In addition, availability of debt funding deteriorated as banks were, and still are, forced to improve their solvency. Consumer confidence, and thus purchasing behavior, has deteriorated due to the unreliable macroeconomic situation, inflation rates and the reality of unemployment and fiscal measures taken by governments.

The various countries that make up CEE / SEE all have their own macroeconomic developments. They are, however, all strongly linked to the economies of Western European countries who are their main trading partners. Poland showed resilience in 2011; its GDP growth rate y-o-y was 4.0%. The economy in Romania also showed robust growth in Q1-2011, but tailed off in the second half of the year. However, y-o-y the country was able to report a GDP growth (1.7%) whereas in 2010 there was a GDP decrease of 1.9% (y-o-y). The Romanian labor market showed signs of improvement during 2011, but with consumers remaining hesitant and uncertain, purchasing behavior did not improve. The recovery in Bulgaria is slow and lagging behind that of other countries in the region. Consumer demand was constrained by a continued decline in employment, rising consumer prices and building of precautionary savings. Growth was largely reliant on external demand, which, as has been mentioned earlier, fell sharply as of Q3-2011 due to the sovereign debt crisis.

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Results Real Estate Europe

Real Estate Europe comprises GTC S.A., as well as the small entity GTC Western Europe, in which Kardan holds 49% and which it intends to sell. As the 28% that Kardan holds in GTC S.A. is a controlling stake, the results of GTC S.A. are 100% consolidated in the financial statements of Kardan.

	Real Estate Europe			
	For the year ended December 31,		For the three months ended December 31	
	in EUR million			
	2011	**2010**	**2011**	**2010**
Property rental and service recharge revenues	136	130	33	33
Sale of delivery of units	24	45	4	23
Total revenues	160	175	37	56
Costs of property rental and service recharge operations	38	31	10	9
Cost of delivery of units	23	43	4	21
Operational Gross Profit	99	101	23	26
Other expenses, net	(77)	(4)	(24)	(3)
Gross profit	22	97	(1)	23
SG&A expenses	(28)	(28)	(8)	(12)
Adjustment to fair value (impairment) of investment properties	(221)	42	(94)	28
Gain on disposal of assets and other income	1	1	-	-
Impairment losses on goodwill	(11)	-	(1)	-
Equity in net earnings of associated companies	(4)	6	(2)	1
Result from operations before financing expenses	(241)	118	(106)	40
Financing income (expenses), net	(87)	(73)	(20)	(17)
Income tax (expenses) / benefit	(18)	(16)	(11)	(3)
Profit (loss) from continuing operations	(346)	29	(137)	20
Net profit (loss) from discontinued operations	-	-	-	-
Net profit (loss)	(346)	29	(137)	20
Attributable to:				
Non-controlling interest holders	(262)	11	(104)	10
Equity holders (Kardan N.V.)	(84)	18	(33)	10
	(346)	29	(137)	20

Additional information GTC S.A.	**2011 (31.12)**	**2010 (31.12)**
Balance sheet (in EUR million)		
Inventory & residential land bank	182	254
Investment property	1,704	2,118
Assets held for sale	134	-
Total Assets	2,314	2,728
Total Equity	724	1,053
Cash & ST	179	230
Total bank debts and financial liabilities	1,395	1,447
Other		
Loan to Value*	60%	51%
Completed commercial space(sqm)	579,856	531,957
Value completed commercial space (EUR million)	1,465	1,617
Average occupancy	87%	83%
Average yield	8.1%	7.8%

*LTV = Loans net of cash and deposits / Investment Property, inventory and assets held for sale

Revenues
"Property rental and service recharge revenues" increased by 5% in 2011, despite the sale in Q3 - 2011 of 50% of Galleria Mokotow, the retail center of GTC S.A. in Warsaw. The increase is due to opening of new retail/office centers and an increase in occupancy.
The residential market in CEE/SEE is weak: the revenue from delivery of residential apartments decreased by 47% to EUR 24 million. Within the residential segment, GTC S.A. focuses on cash repatriation.

Operational Gross profit
The gross profit on property rental and service recharge revenue amounted to EUR 98 million, nearly equal to 2010, despite higher revenue. The reduction of the margin to 72% (2010: 76%) is the result of the policy to retain tenants, and thus occupancy, by increasing the rent free periods and contributing in the fit out expenses for example.
The gross profit on delivery of units decreased to EUR 1 million as the result of the lower number of deliveries and lower sale prices. .

Other expenses net
Included is an amount of EUR 75 million of impairments on Inventory (residential land bank and inventory). The impairment is the result of the weak residential markets in Romania and Hungary causing significant delays in the residential development program and consequently a decrease of the value of the land. Similarly, the value of land available for the development of office and retail was revalued downwards as the development has been postponed.

Sales & marketing, and General & Administrative expenses (SG&A)
These costs did not increase compared to 2010. Additional expenses made for marketing to support footfall in the shopping malls were compensated by lower expenses for employee share option plans.

Adjustment to fair value/impairment losses goodwill
The negative revaluation result and the majority of the goodwill amortization are mainly attributable to the retail centers, including the commercial land bank. Despite Poland doing well, the weak purchasing behavior outside of Poland (notably in Romania, Bulgaria and Croatia) reduces the turnover of retailers (tenants) and consequently the rent payable to the owner of the shopping mall: a significant number of tenants pay rent related to their turnover. Due to the lurking forecasts for the retail segment, appraisers have revised the expected rental values (ERV) for coming years downwards. Combined with slightly higher yields compared to year-end 2010, resulting from increased uncertainty, the developments of ERV led to a significant negative revaluation of 12% of the book value (pre-adjustment) of the properties. 65% of the losses are attributable to Romania and Bulgaria.

Of the total impairment and adjustment to fair value amount of EUR (296) million at GTC S.A., 87% was recorded in Q3 and Q4-2011 combined (EUR (140) million and EUR (118) million respectively); indicating the dramatic change in sentiment that occurred in Europe resulting from the sovereign debt crisis. Please note that included in the total of EUR 296 million, EUR 75 million impairment charges with respect to inventory including residential land bank are booked under "Other expenses, net".

In 2010 revaluation results were still positive (EUR 42 million) driven by higher rents.

Financing Income /expense
The financing expense increased mainly due to one off items amounting to EUR 13 million resulting from the break of hedges upon the (intended) sale of assets (Galleria Mokotow and Platinum Business Park, both in Warsaw) and prepayment of refinanced loans. The average interest rate payable by GTC S.A. in 2011 remained stable at 5% compared to 2010.

Direct result
The gross margin from operations less the SG&A and finance expenses and excluding the one off expenses is slightly negative: EUR 5 million in 2011 compared to a flat result in 2010. This demonstrates that the operating and financing expenses are serviced from the operations.

Income tax
The income tax charge is mainly attributable to a deferred tax liability which is attributable to the increasing difference between the value of assets according to the financial statements and the statements for tax purposes, resulting from the weakening of the PLN against the Euro.

Net profit/ (loss) attributable to Equity holders
In 2010, Kardan still held an indirect 43% stake in GTC S.A. As of 2011, Kardan indirectly holds 27.75 %. Consequently, the majority of the consolidated loss is attributable to the non-controlling shareholders. The 2011 result for the equity holders of Kardan from the Real Estate Europe segment was a loss of EUR 84 million (2010: profit of EUR 18 million).

Additional Information GTC S.A.
Total assets decreased mainly as a result of impairment/revaluations of inventory and investment property of EUR 296 million, sales of investment property (EUR 238 million), offset by expenditure on investment property under construction (EUR 155 million).
The loss for 2011 (EUR 338 million) was the main reason for the decrease in total Equity by EUR 329 million. Following the revaluation losses and impairments, loan to assets value arrived at 60%. The loans redeemable within one year amount to EUR 264 million. However, it should be noted that EUR 150 million is repayable only upon sale of the related assets (Platinum and residential apartments). For another EUR 25 million of repayable loans a waiver has been received. On balance, an amount of EUR 89 million is payable. Given the current cash position, slowdown of development, intended rights issue (reference is made to page 6 in the Additional Information report under Subsequent Events) and intended sale of investment property, the management of GTC S.A. expects to be able to meet its obligations. With respect to the bonds, EUR 21 million matures in 2012, EUR 103 million in 2013 and EUR 191 million in 2014.

GTC S.A. is listed on the Warsaw Stock Exchange. For full details on the GTC S.A. 2011 results, reference is also made to the company website: www.gtc.com.pl.

Water Infrastructure

Tahal Group International, the fully owned water infrastructure company of Kardan, focuses on developing water assets (e.g. wastewater and water treatment plants) and on executing water related projects worldwide. Tahal Assets is mainly active in China and Turkey, whilst Tahal Projects is mostly involved in projects in Israel, Africa, Central and Eastern Europe as well as Latin America.

General market developments water infrastructure

- Demand for water is ever increasing due to population growth, social mobility and industrial and agricultural expansion.
- Governments worldwide are allocating more funds to water infrastructure projects and – in some countries more than others – stimulating Public Private Partnerships (PPP's).
- In most emerging markets it is still uncustomary for individuals to pay for water; in various countries governments are taking measures to address this issue, to make people aware of the importance of saving water and to secure enough funds to meet the increasing demand on water consumption.

Today, China has approximately 20% of the global population, whereas it only has access to roughly 7% of the world's renewable water supply. With fertility, diets, health and life expectancy improving annually, the population in China is expected to grow substantially. By 2015, China is expected to have some 110 cities with over 1 million inhabitants, growing to more than 220 cities by 2025. Consequently, one of the focal areas of China's five year plan (2011 – 2015) is water conservation and treatment, particularly relevant for Tier 2 and Tier 3 cities, Tahal's target market in China. China encourages (international) Public Private Partnerships specifically with regard to wastewater treatment plants.

Water management is also a key focal area for instance in African countries, where water is imperative for food security and thus to the stability within countries. Tahal Projects initiated the biggest water infrastructure project in its history in September 2011 in Angola. The project includes, among others, the development and construction of the water supply, sewage and drainage system for a new rural settlement and irrigation of farm land.

Results Infrastructure Assets (Tahal Assets)

	Tahal Assets			
	For the year ended December 31		For the three months ended December 31	
	in EUR million			
	2011	**2010**	**2011**	**2010**
Contract revenues	29	26	8	5
Contract cost	16	17	6	3
Other expenses, net	2	-	-	-
Gross profit	11	9	2	2
SG&A expenses	(7)	(7)	(1)	(2)
Gain on disposal of assets and other income	2	2	-	-
Result from operations before financing expenses	6	4	1	-
Financing income (expenses) net	(5)	(5)	-	-
Income tax (expenses) / benefit	(2)	(1)	(1)	(1)
Profit (loss) from continuing operations	(1)	(2)	-	(1)
Net profit (loss) from discontinued operations	3	2	-	1
Net profit (loss)	2	-	-	-
Attributable to:				
Non-controlling interest holders	(1)	(2)	-	-
Equity holders (Kardan N.V.)	3	2	-	-
	2	-	-	-

Additional Information Tahal Assets (in EUR million)	**2011 (31.12)**	**2010 (31.12)**
Total Assets	171	186
Equity* / Assets	49%	37%
Net Debt (excl shareholder loans)**	44	58
Cash	17	15

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

Revenues

Revenue increased by 12% compared to 2010, mainly attributable to Kardan Water in China, which activity accounts for approximately 2/3 rd of the total revenue of Tahal Assets. The acquisition of a new waste water treatment plant in Xuanhua with a capacity of 120 tons a day, accounts for the majority of the revenue growth. Please note that these figures no longer include the revenue attributable to activities that were divested during the year 2011 (e.g. Milgam).

Gross profit

The gross profit margin increased to 38% from 35% (2010) on the back of the revenue growth. The gross profit is largely attributable to Kardan Water in China.

In Q4-2011, the gross margin is 25%. The lower margin in the quarter is attributable to higher concession agreement costs.

Gain on disposal of assets and other income

In 2011, one out of the six plants operated in the Tianjin area (China) was sold to the local government, resulting in a gain of EUR 2 million. In 2010, the rights of a project in a Central American country were sold at a capital gain of EUR 2 million.

KARDAN N.V.

Result from operations before financing expenses

In the result from operations before financing expenses, the contribution of Kardan Water China is EUR 9 million (2011) and EUR 2 million (2010) respectively.

Net Loss from continuing operations

The net loss amounts to EUR 1 million (2010: loss of EUR 2 million). A higher gross profit of EUR 2 million compared to 2010 was offset by income tax of the same amount, compared to a tax income of EUR 1 million in 2010.

Net profit from discontinued operations

In both 2011 as in 2010, this includes the net contribution of Milgam, the Israeli company active in operation and management of municipal water networks and the collection of receivables. This company was sold as part of the spin-off of the Israeli activities which Kardan effectuated in Q3-2011.

Additional information Tahal assets

The capacity of the waste water treatment and water treatment plants in use in China increased in 2011 to 605,000 ton/day. This is attributable to the acquisition of the plant in Xuanhua.

Results Infrastructure Projects (Tahal Projects)

	Tahal Projects			
	For the year ended December 31		For the three months ended December 31	
	in EUR million			
	2011	**2010**	**2011**	**2010**
Contract revenues	85	112	19	33
Contract cost	76	88	20	26
Other expenses, net	3	-	1	-
Gross profit	6	24	(2)	7
SG&A expenses	(20)	(18)	(6)	(6)
Gain on disposal of assets and other income	1	1	-	-
Equity in net earnings of associated companies	-	1	-	-
Result from operations before financing expenses	(13)	8	(8)	1
Financing income (expenses), net	(2)	(5)	1	(1)
Income tax (expenses) / benefits	1	-	1	-
Profit (loss) from continuing operations	(14)	3	(6)	-
Net profit (loss)	(14)	3	(6)	-
Attributable to:				
Equity holders (Kardan N.V.)	(14)	3	(6)	-
	(14)	3	(6)	-

Additional Information Tahal Projects	**2011 (31.12)**	**2010 (31.12)**
Balance sheet (in EUR million)		
Total Assets	119	142
Equity* / Assets	30%	29%
Net debt (excl. shareholder loans)**	(18)	10
Cash	26	34
Other (in EUR million)		
Backlog at year end	316	183
New business in the year	203	98

*Group equity including shareholder loan

**Bank loans net of cash and cash equivalents

Revenues

Revenue decreased by 24% compared to 2010, as a result of the completion of some projects and simultaneous delay in the start of some new projects. In addition, EUR 2 million is caused by the weakening of the Dollar versus the Euro.

Gross profit

The gross profit margin decreased from 21% in 2010 to 7% in 2011. The decrease of the margin is caused by a combination of restructuring costs and additional provisions related to projects (EUR 7 million).
The other expenses mainly relate to restructuring costs of the engineering division including severance payments (EUR 2 million).

Sales and Marketing, and General & Administrative expenses (SG&A)

In 2011 the expenses increased due to the move to new offices and a couple of one off provisioning items, partly off-set by cost saving measures.

Financing expenses (net)

The reduction of finance expenses is partly due to a significant increase of cash following receipt of outstanding receivables and a down payment of EUR 21.5 million relating to the Quiminha project in Angola.

Net Loss from continuing operations

The net loss is mainly attributable to one off expenses by EUR 9 million reducing the gross profit.

Additional information Tahal Projects

The new business contracts signed in 2011 amounted to EUR 203 million. The main contract was with the government of Angola, worth approximately EUR 143 million.

After reporting date, Tahal Projects signed an agreement for a project to design, construct, expand and upgrade the drinking water systems in the Kumawu, Konongo and Kwahu region of Ghana (the 3K project). Estimated revenues for the Project are USD 97.5 million (approximately EUR 73 million), and will take approximately three years from commencement.

Banking and Retail Lending

Kardan operates in the financial services sector through its 100% holding in Kardan Financial Services (KFS), which at year end 2011 owned 92% (after reporting date: 100%) of TBIF (banking and retail lending), mainly in Bulgaria and Romania. In June 2011, an agreement was signed with TBIF's co-shareholder in Russian Sovcombank for the sale of TBIF's 50% stake in this bank. This agreement is expected to be closed in H2-2012. In July 2011, TBIF completed the acquisition of the Bulgarian bank TBI Bank, to upgrade its operation in Bulgaria into a full banking operation focused on retail and SME banking to be funded by deposit taking.

General market developments Bulgaria and Romania

- Sovereign debt crisis impacted activities in H2-2011
- Higher solvency requirements for banks
- Western banks withdrawing funds from SEE countries; occasionally pulling out their subsidiaries.

The year 2011 started on a slightly positive note. The sovereign debt crisis which became imminent in Q3 of 2011 as a result of the situation in Greece has impacted Central and Eastern Europe in general and some countries in South Eastern Europe more specifically. Anxiety with respect to a diminishing demand from the higher income European countries, the main trading partners of the CEE / SEE countries, in combination with the appearing credit crunch resulting from higher solvency requirements for banks, has slowed down the recovery in some of the SEE countries. Insecurity, tightened fiscal measures and increasing unemployment, to name some, have negatively affected purchasing power in particularly Bulgaria and Romania. Consequently, in November 2011, the European Commission published a downwards adjusted European Economic forecast, reflecting the deteriorated confidence in Europe. GDP growth for Bulgaria and Romania in 2011, however,

amounted to 2.2% (2010: 0.2%) and to 1.7% (2010: - 1.9%) respectively, and is expected for both countries to inch up slightly in 2012.
As Western European banks are withdrawing their funds from the SEE countries, and at times are pulling out of these countries all together, two main developments could and can be identified: 1) additional opportunities for local banks with an existing market share to increase/improve their position and 2) continuing non-performing loans affecting the results of banks in the short to mid-term.

Results Banking & Retail Lending

	For the year ended December 31		For the three months ended December 31	
	2011	**2010**	**2011**	**2010**
	in EUR million		in EUR million	
Banking and retail lending activities	107	35	20	17
Other revenues	6	7	1	-
Total revenues	113	42	21	17
Costs of banking and lending activities	88	43	25	15
Other expenses, net	4	5	1	1
Gross profit	21	(6)	(5)	1
SG&A expenses	(3)	(2)	-	(1)
Adjustment to fair value of investment properties	-	-	-	
Gain on disposal of assets and other income	3	2	2	13
Impairment losses on goodwill	(58)	(29)	(35)	(8)
Result from operations before financing expenses	(37)	(35)	(38)	5
Financing income (expenses), net	(12)	(10)	(3)	(15)
Income tax (expenses) / benefits	(9)	(1)	(2)	-
Profit (loss) from continuing operations	(58)	(46)	(43)	(10)
Net profit (loss) from discontinued operations	5	(23)	-	(55)
Net profit (loss)	(53)	(69)	(43)	(65)
Attributable to:				
Non-controlling interest holders	-	(12)	-	(14)
Equity holders (Kardan N.V.)	(53)	(57)	(43)	(51)
	(53)	(69)	(43)	(65)

Additional Information KFS Banking & Retail Lending	**2011 (31.12)**	**2010 (31.12)**
Balance sheet (in EUR million)		
Total Equity	61	112
Total Assets	979	912*
Cash & Short term investments	252	264
Gross loan portfolio	579	448
Other		
Provisions**	29.5%	15.9%

*excluding VAB bank
**Excluding Sovcombank. Including Sovcombank the percentages would be 9.7% and 8.5% for 2011 and 2010 respectively.

General

In 2010, Kardan sold 16 % of Sovcombank, and in the first half of 2011 Kardan signed a Share Purchase Agreement (SPA) to sell the remaining 50%. The SPA includes a pre-agreed fixed transaction price, which entails that there is no adjustment to the final consideration for the results recognized between signing and closing of the SPA. The closing is expected to happen in the second half of 2012. Pursuant to the sale of 16% in 2010, Sovcombank is consolidated proportionally in 2011, whereas this was only the case in the last quarter of 2010. The results attributable to Sovcombank for the period January-September 2010 are included in the "Net profit (loss) from discontinued operations".

Revenues

Excluding Sovcombank, the revenues in 2011 amounted to EUR 10 million compared to EUR 25 million in 2010; attributable to the leasing, mortgage and finance operations in Romania and Bulgaria as well as the leasing activities in Ukraine. This decrease in revenues is caused by the decrease of the average portfolio in 2011, a decrease of returns on the portfolio and impairments on non performing consumer credits and leasing; all developments result from the difficult situation in Bulgaria and Romania, leading to a slowdown in demand and consequently, in more and fiercer competition.

Gross profit

The gross profit excluding Sovcombank was EUR 28 million negative (2010: EUR 13 million negative) due to the impairments mentioned under "Revenues" and a portfolio which was too small to generate sufficient income to cover the overhead expenses.

Sales & Marketing, and General & Administrative expenses (SG&A)

These expenses comprise of employee and other expenses of KFS, the holding company of the banking & retail lending activities.

Impairment losses on goodwill

As the transaction price with respect to the sale of Sovcombank is fixed (see "Revenues"), any profit contributed by Sovcombank is offset by an impairment of the goodwill recorded in the books of TBIF of the same amount as the profit contribution. Consequently, the impairment losses on goodwill in 2011 include an amount of EUR 38 million relating to Sovcombank. The remaining impairment of EUR 20 million is mainly attributable to the consumer finance and leasing operations in Bulgaria and Romania resulting from an adjustment downwards in the expected cash flows to be generated by the businesses. The bulk of the impairment was taken in Q4-2011, when the overall consumer sentiment in both countries deteriorated further. In 2010, the goodwill impairment was also attributable to the operations in Romania and Bulgaria as well as to the banking operations in general.

Financing expenses (net)

The finance position improved and interest payment decreased – from EUR 10 million in 2010 to EUR 8 million in 2011 - due to the full benefit in 2011 of the reduction of the "interest bearing borrowing" of KFS resulting from a repayment of loans following the receipt of the sales price for the pension and insurance activities in the fourth quarter of 2010. In addition, in 2011 the receipt of a prepayment (EUR 40 million) to the purchase price by the potential buyers of Sovcombank was partially used to repay debt. However, total finance expenses (net) arrived at EUR 12 million following a EUR 4 million impairment on a call option on a Bulgarian pension fund.

Income tax

This item includes a tax amount of EUR 11 million related to Sovcombank (2010: a profit of EUR 1 million). The remaining income tax in 2011 concerns a deferred tax income of EUR 2 million as a result of the operating loss in the Bulgarian and Romanian operations.

Profit (loss) from continuing operations

In 2011, this loss is fully attributable to the activities in Bulgaria, Romania and Ukraine, whereas in 2010 a profit of EUR 8 million was attributable to Sovcombank.

Net profit (loss) from discontinued operations

In 2011, the profit is fully attributable to the sale of VAB Bank (Ukraine) which was sold in the beginning of the year. In 2010, however, a loss of EUR 97 million relates to VAB bank. This was offset by a profit of EUR 74 million of Sovcombank, which was recorded upon the sale of 16% in 2010. As the sale of the 16% stake generated a profit, combined with the loss of control, the remaining stake of 50% had to be revalued to its fair value. Consequently, net loss of discontinued operations in 2010 amounted to EUR 23 million. Reference is made to note 5 of the Financial Statements.

Additional Information
The increase in the gross loan portfolio is for the larger part attributable to Sovcombank, as well as to the first time consolidation of the Bulgarian bank portfolio, but was offset by a decrease in the portfolios of most other operations as a result of the deterioration of the macroeconomic situation in the countries of operation.

The substantially increased percentage of provisions, excluding Sovcombank, from 15.9% (2010) to 29.5% in 2011, reflects the deterioration of the economic situation for consumers and SMEs in Bulgaria and Romania during 2011.

Other Expenses

	For the year ended December 31		For the three months ended December 31	
	2011	**2010**	**2011**	**2010**
	in EUR million		in EUR million	
General and administration expenses	(8)	(10)	(4)	(3)
Financing income (expenses), net	(20)	(32)	(7)	(13)
Income tax (expenses) / benefit	(2)	2	2	2
Profit (loss) from continuing operations	(30)	(40)	(9)	(14)
Net profit (loss) from discontinued operations	8	36	7	(3)
Net profit (loss)	(22)	(4)	(2)	(17)
Attributable to:				
Non-controlling interest holders	2	1	1	(2)
Equity holders (Kardan N.V.)	(24)	(5)	(3)	(15)
	(22)	(4)	(2)	(17)

General

The results under “Profit (Loss) from continuing operations” relate to the holding and finance expenses of Kardan N.V. and its direct subsidiary GTC Real Estate Holding BV (GTC RE).

General & Administrative expenses (G&A) and others

In 2011 the expenses decreased by EUR 2 million. Due to a reduction in the number of management board members of Kardan N.V., personnel expenses decreased. The advisory expenses were lower due to, among others, less expenses made in relation to Israeli Sox (ISOX) and other legal, tax and general consultancy expenses.

In Q4 - 2011, expenses were higher than in previous quarters. This is mainly due to expenses attributable to the spin-off of Kardan Yazamut and audit and ISOX expenses. The latter 2 expense items are always higher in the fourth quarter as the majority of these services are provided towards year-end.

Financing expenses (net)

In the beginning of 2011, GTC RE sold a 16% stake of GTC S.A. (from 43% to 27% holding). The proceeds were partly used to early repay loans and to buy back debentures. This resulted in a decrease of the financing expenses. Later in 2011, the stake in GTC S.A. was increased to 28%. In addition, in 2010, an amount of EUR 7 million was recorded relating to foreign exchange losses. The foreign exchange results were nil in 2011. The main foreign exchange positions which the operating companies have, are attributable to obligations in Israeli Shekel (NIS) and investments in Chinese Renminbi (RMB) denominated assets.

Income tax
These amounts relate to hedge instruments; the reverse of the amounts recorded in the income statement are recognized directly in Shareholder's Equity. On balance there is no impact on Shareholder's Equity.

Profit (loss) from continuing operations
The decline of the loss is attributable to lower finance expenses and lower general and administrative expenses.

Net profit (loss) from discontinued operations
In 2010 the result is attributable to Kardan Israel Ltd. and TBIH, the pension and insurance division that was sold to the partner. In 2011 the result is attributable to Kardan Israel Ltd. The company in which Kardan N.V. held approximately 74% was spun-off in September 2011.

Outlook 2012

Kardan N.V.
Management attention in 2012 will be focused on the cash flow and debt position of Kardan N.V. and on its intermediate holding company GTC Real Estate Holding in view of coming redemption of (part of) the bonds, starting in 2013. For 2012 and 2013 the company believes to have sufficient funds to service its debt.

If the shareholders of GTC S.A. approve the announced rights issue (see under Real Estate Europe), Kardan is expected to participate to its pro- rata parte share, as Kardan believes in the return of the real estate market in CEE in the mid to long term. The timing will depend also on the development of Western European economies as exports from CEE/SEE are important drivers to the growth of the region.

Real Estate Asia
In China, sales are not expected to be high in the first half of 2012, due to the restrictive measures taken by the Chinese government to cool down the residential property sector. As buyers are postponing the take up of sold and paid apartments, we expect to deliver approximately 30% of sold apartments i.e. approximately 1,600 apartments in 2012, of which 50% of the revenue is attributable to Kardan Land China.
We expect to start the construction of the mixed-use project in Dalian (approximately 300,000 sqm of residential, retail and parking space) in the second half of 2012, pending local approvals and construction finance.

Kardan is investigating the possibility to enter into other Asian markets.

Real Estate Europe
In 2012, GTC S.A. will complete two new properties: one shopping mall in Burgas Bulgaria, currently 60% pre-let, and an office building in Warsaw, with a current pre-let of 75%. The leverage of GTC S.A. is 60% and GTC S.A. management aims to reduce this. In addition, GTC S.A. intends to raise Equity of approximately EUR 100 million and to sell assets, to prepare for redemption of debt and for funding of new developments of retail centers, particularly in Warsaw. The success and timing depends on market sentiment.

Water infrastructure
The company will increase its focus to investment in water related assets. In addition to China, where we expect the capacity of our plants to increase by 120,000 m3/day to 615,000 m3/day by the end of 2012. Revenues are consequently expected to increase. Entry into other markets is under review.
In the Project segment the spectrum of activities will be more focused on Engineering, Procurement and Construction Projects (EPC) projects in frontier countries, as well as on design and engineering activities in Israel (on shore and off shore). Revenues are expected to increase from existing and recently signed projects.

Banking and Retail Lending
In 2012, TBIF will convert existing branches of the consumer finance and leasing activities in Bulgaria into branches of the new bank, TBI Bank. Using the banking network, TBI Bank will start raising deposits and generating new business. Whether the volume of new business will exceed the decline of the portfolio due to regular redemptions depends to a significant extent on the development of the purchasing power and behavior of consumers and the viability of medium and small enterprises. The company is also trying to get a banking license in Romania, but this is not expected until late 2012.
Finally, the sale of Sovcombank is expected to be closed in the second half of 2012. In Q1-2012 all conditions precedent were met. The remaining part of the sales price amounting to EUR 81 million is expected to be paid in the second half of 2012. The proceeds will largely be used to reduce debt.

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

Real Estate:
Deutsche Bank, *China Outlook 2012* (December 2011)
World Bank; *Global Economic Prospects*, January 2012
Economist, *Serve the People, the new landscape of foreign investment into China* (Economist Intelligence Unit, 2012)
International Monetary Fund, *China Economic Outlook* (February 2012)
KBC Securities; *CEE Real Estate, Upside Lurking in battered sector* (February 2012)
Jones Lang LaSalle: *City Reports Q4-2011*
European Commission; *Economic Forecast Autumn 2011*
CBRE reports: *market views Q4-2011, CEE Property, EMEA, Warsaw Office & Retail*

Water Infrastructure
Responsible Research, *Water in China*, February 2010
Nomura (*Water & Environment, Asia* – February 2011)
www.globalwaterintel.com

Financial Services
European Commission, *Economic Forecast Autumn 2011*
Jones Lang LaSalle: *City Reports Q4-2011;*
World Bank; *Global Economic Prospects, January 2012*

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

Analyst & Investor Call

An analyst and investor call will be held today at 13.30 CET. To take part in the call, please use the following dial-in number:

Dial in number NL: +31 (0)45 6316905 Conference ID: 4521037
Dial in number UK: +44 (0)207 1532027 Conference ID: 4521037

Please confirm your attendance to eventmanagement@citigateff.nl.

DISCLAIMER

This press release contains forward-looking statements and information, for example concerning the financial condition, results of operations, businesses and potential exposure to market risks of Kardan N.V. and its group companies (jointly

"Kardan Group"). All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements (including "forward looking statements" as defined in the Israeli Securities Law). Forward-looking statements are statements of future expectations that are based on management's current expectations and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in these statements. These forward-looking statements are identified by the use of terms and phrases such as ''anticipate'', ''believe'', ''could'', ''estimate'', ''expect'', ''intend'', ''may'', ''plan'', ''objectives'', ''outlook'', ''probably'', ''project'', ''will'', ''seek'', ''target'', ''risks'', ''goals'', ''should'' and similar terms and phrases. A variety of factors, many of which are beyond Kardan Group's control, affect our operations, performance, business strategy and results and could cause the actual results, performance or achievements of Kardan Group to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. For Kardan Group, particular uncertainties arise, amongst others but not limited to and not in any order of importance, (i) from dependence on external financing with the risk that insufficient access to capital threatens its capacity to grow, execute its business model, and generate future financial returns (ii) from concentration of its business in Central Eastern Europe and China as a result of which Kardan Group is strongly exposed to these particular markets (iii) from risks related to the financial markets as a result of Kardan N.V.'s listings on NYSE Euronext Amsterdam and the Tel-Aviv Stock Exchange and (iv) from it being a decentralized organization with a large number of separate entities spread over different geographic areas in emerging markets, so that Kardan Group is exposed to the risk of fraudulent activities or illegal acts perpetrated by managers, employees, customers, suppliers or third parties which expose the organization to fines, sanctions and loss of customers, profits and reputation etc. and may adversely impact Kardan Group's ability to achieve its objectives and (v) from any of the risk factors specified in Kardan N.V.'s Annual Report 2010 and in the "Periodic Report for 2011" published by Kardan N.V. in Israel on March 30, 2012 and which is also available at the Kardan website. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in the relevant forward-looking statement as expected, anticipated, intended, planned, believed, sought, estimated or projected. Kardan N.V. does not intend or assume any obligation to update or revise these forward-looking statements in light of developments which differ from those anticipated.

About Kardan

Kardan identifies and develops assets in promising emerging markets, mainly in the CEE, CIS and China. Its activities are mainly focused on three sectors that benefit from the rising middle class: Real Estate, Water Infrastructure and Retail Lending. Company headquarters are in the Netherlands. Kardan aims at holding controlling interests in its investments and, through the development of local business platforms, is actively involved in the definition and implementation of their strategy. Total assets as of December 31, 2011 amounted to EUR 4.4 billion; revenues totaled EUR 436 million in 2011. Kardan is listed on NYSE Euronext Amsterdam and the Tel-Aviv Stock Exchange.

The Director's Report including the financial reports, drawn up in accordance with the Dutch and Israeli regulations, are presented in a separate document and form an integral part of this release.
Reference is also made to the Israeli Annual Report ("Barnea") of which an English translation will be posted on the corporate site, www.kardan.nl, under Media / Company Information / Filings pursuant to Israeli Law.

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

KARDAN N.V.

Director's Report and Financial Statements Kardan NV 2011

Amsterdam/Tel Aviv, March 30, 2012

The Additional Information and the Financial Statements of Kardan NV, 2011, are drawn up in accordance with the Dutch and Israeli regulations and together with the separately presented press release on the 2011 results of Kardan form an integral part of the regulatory requirements and presentation.

FINANCIAL REPORTS
FOR THE FULL YEAR ENDED DECEMBER 31, 2011

The Financial Reports contain the following sections:

PART 1 ADDITIONAL INFORMATION FOR 2011

1. Main events in the period
2. Subsequent events
3. Book Value of investments of Kardan as of December 31, 2011
4. Financial position of Kardan Group as of December 31, 2011
5. Development of discontinued operations (Israeli activities)
6. Risk Management

PART 2 ADDITIONAL INFORMATION

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

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

KARDAN N.V.

1. ADDITIONAL INFORMATION FOR 2011

1.1. Main events in 2011

Kardan

- In January, 2011, Kardan announced that TBIF Financial Services B.V. ("TBIF"), an indirect subsidiary of Kardan, signed agreements to sell its stake in the Ukrainian VAB Bank to a group of international investors represented by Troika Dialog investment bank. TBIF decided to sell its stake in VAB Bank following a strategic review. The consideration for the transaction amounted to UAH 550 million (approximately EUR 53 million), reflecting the total capital increase that was approved in December 2010, and which total was injected fully by TBIF. As part of the transaction, TBIF also agreed to sell VAB Leasing to VAB Bank. At the beginning of February 2011 the transaction was closed.

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

- In June 2011, Maalot changed the outlook on the rating of the debentures issued by Kardan (ilBBB+), from stable to positive, based on Kardan's actions to reduce the debt of its holding and intermediate companies resulting in increased liquidity and financial flexibility. The trigger for a rating increase with one notch to A- would be a further sustainable reduction of the Loan to Value ratio to 40%.

- In June 2011, Kardan announced that its Supervisory Board had approved the initiation of an intended Spin-Off of the Company's 74% stake in Kardan Israel Limited ("KIL") and of its indirect 97% stake in Milgam Municipal Services Ltd. ("Milgam"), and the filing of a first draft prospectus with the Israel Securities Authority and the Tel Aviv Stock Exchange (TASE) in this regard. Following the Spin-Off, Kardan would have a clear portfolio of activities in emerging markets, fully in line with Kardan's intention to simplify its organizational structure and to specifically grow its real estate activities in CEE and Asia as well as its Water Infrastructure activities worldwide in emerging markets. KIL and Milgam, active primarily in Israel, were considered no longer fitting in the focused, international growth of Kardan.
  At the Extraordinary General Meeting of Shareholders (EGM) of Kardan with respect to the intended spin-off, held on Thursday September 15, 2011, Kardan's shareholders resolved to effectuate the proposed spin-off. The structure of the Spin-Off included the transfer of Kardan's shares in KIL as well as Kardan's indirect stake in Milgam, including debt, to a newly incorporated Israeli company called Kardan Yazamut (2011) Ltd. held by Kardan. Following the transfer of these KIL and Milgam shares to Yazamut, Kardan distributed Yazamut shares to its existing shareholders and listed all Yazamut shares for trade on TASE on October 6, 2011.

- In July, 2011, Kardan initiated a temporary share buyback plan ("the Share Plan") of up to EUR 1.5 million, until August 8, 2011, to meet its obligations and obligations of its subsidiaries towards its senior officers, without diluting the shareholders. In addition, Kardan announced that its subsidiary, GTC Real Estate Holding B.V. ("GTC RE"), initiated a plan to purchase Kardan Debentures Series A (issued in 2007) and Debentures Series B (issued in 2008) ("the Debenture Plan") listed on the TASE of up to EUR 25 million until August 8, 2011, to decrease the leverage on the holding and intermediate holding company levels. The Share Plan and the Debenture Plan was funded by Kardan's existing cash reserves. Through the Share Plan Kardan bought 421,384 shares for a total amount of EUR 1.3 million, approximately 87% of the Share Plan. Through the Debenture Plan, GTC RE acquired 66,707,379 Debentures Series A and 10,229,153 Debentures Series B for a total amount of approximately EUR 18 million; approximately 72% of the Debenture Plan was executed.

- End of September 2011, Kardan announced that it had initiated a share buyback plan ("the Plan") of up to EUR 15 million, until November 8, 2011. GTC RE executed the Plan. Kardan decided to initiate the Plan as the then share price, in its view, was attractive and provided an opportunity to ultimately generate a significantly higher return compared to the interest compensation on the surplus cash at hand. In total, GTC RE purchased 1,219,884 Kardan NV shares through ASE and TASE, at an average share price of EUR 2.20 for a total amount of approximately EUR 2.68 million.

- In October 2011, Kardan announced that further to the completion, on October 5, 2011, of the distribution in kind of the issued shares in the capital of Kardan Yazamut (2011) Ltd. ("Yazamut"), the Yazamut value for Dutch tax purposes is EUR 16.2 million (NIS 80.4 million). Pursuant to the tax ruling that was received from the Israeli tax authority on August 18, 2011, and as published in accordance with Israeli law in the Yazamut and Kardan prospectus dated August 31, the value of distribution for Israeli tax purposes was the Yazamut value, based on the average closing share price of Yazamut on the first three trading days (NIS 0.72 or EUR 0.15) plus the Dutch dividend withholding tax. For Dutch dividend tax purposes, the distribution value was based on the average closing price of Yazamut on the first three trading days, translated into EUR using the average NIS/EUR exchange rate of the same three days. The overall value of the Yazamut shares for Dutch tax purposes based on these three days average is EUR 16.2 million (NIS 80.4 million) .
  The Dutch dividend withholding tax to be grossed up and paid by Kardan based on such Yazamut value for tax purposes is EUR 2.9 million (NIS 14.2 million).
  The overall distribution value for Israeli tax purposes (Yazamut value for tax purposes plus the Dutch Dividend withholding tax) is NIS 94.6 million (EUR 19.0 million) (NIS 0.85 per share/EUR 0.17 per share).

- In November 2011, Kardan announced that Mr. Walter van Damme will become the CEO of Kardan Water International Group ("KWIG"), the water infrastructure subsidiary of Kardan in China, and will consequently step down from the Management Board of Kardan in May, 2012. He joined Kardan in January 2007 and became a member of the Management Board in June 2007. In this position he is responsible, among others, for Corporate Governance (including Risk, Legal and Sustainability) and Investor Relations. He also serves as a member of the management board of Tahal Group International, the parent company of KWIG. His responsibilities in the Management Board of Kardan will be divided among the other (3) members of the Management Board. In the coming period, the Supervisory Board in consultation with the Management Board will review the necessity to replace Mr. van Damme.

- In December 2011, Kardan announced that its subsidiary Tahal Consulting Engineers Ltd. ("TCE") purchased 18,846,589 Debentures Series A, issued by Kardan in 2007 and listed on TASE, at a price of NIS 1.061 per Debenture totaling NIS 20 million (approximately EUR 4 million).

- In December 2011, Kardan also announced that its subsidiary, GTC RE initiated a plan to purchase Kardan Debentures ("the Plan") listed on TASE, of up to an amount of EUR 50 million, during a period of one year starting on December 15, 2011. The Supervisory Board of Kardan approved the Plan, which is in line with the Company's strategy to decrease the leverage on the holding and intermediate holding company levels. The Plan will be funded by the existing cash reserves of the Company and GTC RE. According to the Purchase Plan GTC Holding purchased NIS 41,453,411 par value Debentures Series A issued by Kardan in 2007 at an average price of NIS 1.05 per debenture in consideration of NIS 46.8 million (approximately EUR 9.5 million).

  In total, during 2011 GTC RE purchased 114,787,274 Debentures Series A at an average price of NIS 1.11 per debenture, for a consideration of NIS 127 million (approximately EUR 25.9 million) and 48,311,499 Debentures Series B at an average price of NIS 1.13 per debenture, for a consideration of NIS 54.4 million (approximately EUR 11 million). As of December 31, 2011, GTC RE owns 9.65% of Series A Debentures and 3.6% of Debentures Series B. The Plan will be interrupted during the closed periods, the first of which will start as of January 26, 2012, until March 30, 2012, when the Company releases its 2011 annual results.

Real estate (GTC Real Estate)

- In January 2011, Kardan's wholly owned subsidiary GTC RE successfully sold 35,100,000 shares (representing 16% holdings) of GTC SA at a price of PLN 21.50 per share. Gross proceeds amounted to PLN 754,650,000 (approximately EUR 195 million) which were used by Kardan to increase financial headroom to implement its strategy, and to reduce its leverage. GTC RE retains approximately 27.14% of GTC SA's issued share capital, which Kardan has agreed to hold for a period of at least 15 months.

- At the end of January, 2011, Kardan's wholly owned subsidiary Kardan Land China sold its 50% stake in a real estate project in Hangzhou, China ("HIFC"), to a Chinese real estate and investment company, Rich Holding Group Co. Ltd., for a consideration of RMB 269 million (approximately EUR 28 million on April 1, 2011). The transaction resulted in a gain for Kardan Land China of EUR 6.5 million net of withholding tax on the transfer of proceeds out of China, which for Kardan translated in a gain of EUR 5 million (after adjustments on the holding level).

- In May 2011, GTC SA signed an agreement to sell its 50% stake in Galeria Mokotow in Warsaw to Unibail Rodamco S.E., the co-owner and manager of the shopping center. The transaction, which was completed at the beginning of August 2011, valued the asset at EUR 475 million. The sale generated approximately EUR 110 million of cash for GTC SA.

- In June 2011, Kardan Land China signed an agreement to sell a 50% stake in Galleria Chengdu to MGPA, a private equity real estate investment advisory company, for a net cash consideration of approximately RMB 422 million (EUR 46 million). Kardan Land China retains a 50% stake in Galleria Chengdu and will continue to manage and operate the shopping center. The transaction was completed end of August 2011. Kardan Land China recorded a profit in the amount of EUR 12 million in Q2-2011 as a result of this transaction.

- In September, 2011, GTC RE purchased 1,353,635 shares of GTC SA for a total amount of approximately EUR 3.8 million. Through this purchase GTC RE increased its holding in GTC SA from 27.14% to 27.75%.

- In December 2011, Kardan Land China granted employee options to an executive, which represent 5% of the issued capital of Kardan Land China.

Water Infrastructure (Tahal)

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

- In September 2011, the water infrastructure subsidiary of Kardan, Tahal Projects, initiated a substantial project in Angola, (Quiminha). Total revenues to be generated by the Quiminha project will amount to approximately EUR 143 million. The first down payment for the project, constituting 15% of the total project revenues (EUR 21.5 million) was received, which was a condition precedent to initiate activities on the project.

Financial Services (KFS)

- In January 2011, TBIF sold its stake in the Ukrainian bank, VAB Bank, to a group of international investors. On January 28, 2011, the sale of VAB Bank was completed. The sale of VAB Leasing was completed on February 2, 2011.

- In April 2011, TBIF signed an agreement to acquire the Bulgarian bank NLB Banka Sofia AD ("Banka Sofia") from two Slovenian banks to further strengthen its existing investments in Bulgaria and Romania and to upgrade its operation in Bulgaria into a full banking operation. The acquisition was completed end of July 2011, for a consideration of EUR 15 million. On the date of the acquisition the equity was EUR 10 million; as a result TBIF allocated the excess purchase price in the amount of EUR 5 million to goodwill. In addition, it was agreed that one of the sellers will maintain funding lines of up to EUR 15 million with Banka Sofia, for periods ranging from 3 months to 5 years.

- In June 2011, TBIF signed an agreement to sell its 50% stake in the Russian bank Sovcombank to its co-owner in the bank. The structure of the transaction includes an initial payment of approximately EUR 40 million, with the remainder of the price due on completion, expected by June 2012. Completion is subject to various conditions precedent and until completion TBIF continues to fully exercise its joint-control rights in the bank. The total consideration for the transaction is approximately EUR 123 million. Over the years, Kardan invested approximately EUR 100 million in the Bank. This sale, together with last year's sale of a 16% interest in the Bank, generates accumulated proceeds of approximately EUR 160 million for Kardan. After the reporting period, approximately EUR 8 million was received as part of the consideration, and the Russian Central Bank approved the sale.

Kardan Israel

- In January, 2011, Kardan Israel signed an agreement to purchase the controlling stake in AVIS Israel and to simultaneously end its partnership with Dan Company for Public Transport Ltd. ("Dan") in Emed Real Estate Development & Investments Ltd. ("Emed"). Kardan Israel signed two agreements: i) to end the joint control held by Kardan Israel and Dan in Emed by selling its stake in Emed Properties to the Dan Group for a consideration of NIS 359 million (appr. EUR 77 million) and ii) to increase Kardan Israel's indirect control in AVIS (via Emed Properties) by purchasing from Emed its 54.25% stake in AVIS Israel, in consideration for NIS 334 million (appr. EUR 72 million, following which Kardan Israel had a stake of 68% in AVIS Israel. The transaction reflected a value of NIS 616 million (appr. EUR 133 million) for AVIS Israel. Kardan Israel recognized a loss of EUR 7 million as a result of these transactions.

- In July 2011, Kardan Israel (KIL) signed an agreement to sell half of its holdings in Avis, viz. approximately 34% of Avis' issued share capital for a consideration of NIS 200 million (appr. EUR 41 million) with the addition of interest from the signing date through the date of closing of the transaction to Hamizrach Company. The Agreement was closed in September 2011. KIL and Hamizrach currently together control Avis as laid down in the signed shareholders' agreement.
  As of the closing of the Agreement, Kardan Israel has stopped consolidating Avis' results, and is treating its investment in Avis according to the Equity method.

1.2. Subsequent events

In February 2012, Kardan announced that approximately 33% of the Debenture Plan had been completed. As at February 14, 2012, Kardan - through its subsidiaries GTC RE and Tahal Consulting Engineers Ltd.- owned 14.7% of Kardan Debentures Series A and 3.6% of Kardan Debentures Series B.

In February 2012, it was announced that due to disagreements between the Tahal Group B.V. ("Tahal") and the Government of Botswana, the Memorandum of Agreement ("MoA") with respect to a water and agriculture project in Botswana has been cancelled by Tahal. Tahal reserves all its rights with respect to the MoA. Kardan currently does not anticipate any losses with respect to the MoA or its cancellation. The MoA as signed between Tahal and the Government of Botswana in May 2007 (the "Project") involved the construction of water supply infrastructure and the development of agricultural land in Botswana. The Project entailed two components, to be executed subject to feasibility studies and certain conditions precedent.

In February 2012, Kardan announced that the Supervisory Board of Kardan decided to recommend to the Annual General Meeting of Shareholders on May 31, 2012, to appoint Mr. Shouky Oren as Chairman of the Management Board of Kardan, following approval of the shareholders. Mr. Shouky Oren will succeed Mr. Alain Ickovics - current Chairman of the Management Board - who will remain in the Kardan Group as Chairman of the Management Board of Kardan real estate subsidiary GTC Real Estate Holding B.V.

Mr. Oren's last position was Chief Treasurer of the State of Israel, which position he held from December 2007 until June 2011. Prior to working for the Israeli Government, Mr. Oren held various senior positions in the banking sector. Mr. Oren will join Kardan on February 22, 2012, as the intended Chairman of the Management Board /CEO. Until the Annual General Meeting of Shareholders he will cooperate closely with Mr. Ickovics to ensure a smooth transition.
Further information on the proposal to appoint Mr. Oren will be included in the Notice and Agenda for the Annual General Meeting of Shareholders, to be held in Amsterdam on May 31, 2012.

In March 2012, Kardan's indirectly owned water infrastructure subsidiary Tahal Consulting Engineers Ltd. ("Tahal") and the National Water Company of Ghana signed an agreement for a project ("the Project") to design, construct, expand and upgrade the drinking water systems in the Kumawu, Konongo and Kwahu region of Ghana. The Project is the sequel to an existing project also executed by Tahal in the same area ("the 3K project "). Estimated revenues for the Project are USD 97.5 million (approximately EUR 73 million). According to the agreement, the Project is anticipated to take three years from commencement. Tahal has organized the financing for the Project. The Project will be the fourth project for Tahal in Ghana. Including the today announced Project, total combined revenues for Tahal's current projects in Ghana amount to USD 282 million (approximately EUR 210 million), of which approximately 75% is still to be invoiced over the coming years.

In March 2012, GTC S.A., the real estate developer in Central and Eastern Europe in which Kardan NV holds a 27.75% stake, mentioned in the press release presenting their 2011 Results, that the Management of GTC S.A. has identified a need for new capital in order to strengthen the capital structure of GTC S.A. and to improve its cash position. After considering various alternatives, the Management of GTC S.A. recommends to raise approximately EUR 100 million through a rights issue. The decision is subject to GTC S.A. shareholders' approval, market conditions, as well as obtaining all the necessary regulatory approvals, including, in particular, the approval of the prospectus by the Polish Financial Supervision Authority. GTC S.A. has been informed by Kardan N.V. of its intention to participate in the rights offering in its full pro-rata share (27.75%).
Mr. Alain Ickovics will replace Mr. Eli Alroy as Chairman of the Supervisory Board GTC S.A. effective as of 6 April 2012. It is the intention of Kardan NV to also appoint Mr. Shouky Oren to the Supervisory Board of GTC S.A.

Subsequent to balance sheet date, on March 15, 2012, the Company received a letter from the Israeli Securities Authority regarding sampling audit that was conducted by the ISA and included, inter alia, the examination of the values in the financial statements of five real estate assets owned by a consolidated subsidiary financial statement as of December 31, 2009, for additional information refer to Note 8 in the financial statements.

1.3. Book value of investments Kardan N.V.

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

Holding Company	Name of subsidiary	Share in subsidiary	Book Value in Kardan NV	Loans granted by Kardan NV	Total Investment in books 31.12.11	Total Investment in books 31.12.10
Kardan NV	GTC RE Holding (*)	100%	360	150	510	511
	KFS (**)	100%	68	93	161	201
	Tahal	100%	54	44	98	98

Holding Company	Name of subsidiary	Share in subsidiary	GTC Holding Book Value	Loans granted by GTC Holding	Total Investment in books 31.12.11	Total Investment in books 31.12.10
GTC RE Holding	GTC SA	27.75%	199	-	199	427
	Kardan Land China	100%	245	24	269	230
	GTC Investments	48.75%	3	11	14	14

Holding Company	Name of subsidiary	Share in subsidiary	KFS Book Value	Loans granted by KFS	Total Investment in books 30.09.11	Total Investment in books 31.12.10
KFS	TBIF	92.2%*	101	93	194	247

* After reporting date the share in the subsidiary increased to 100%.

1.4. Financial Position of Kardan Group as of December 31, 2011

- **Net debt** [1]

As a result of transactions in 2011, the net debt position of Kardan N.V., GTC RE BV, KFS BV and TBIF BV as of December 31, 2011 decreased to EUR 408 million from EUR 674 million as of December 31, 2010. This is fully in line with the strategy to reduce the debt on the level of Kardan NV and its intermediate holding companies. The main contributor to the decrease of net debt is the proceeds from the sale of 16% of the shares of GTC SA.

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

Company	Net Debt (in EUR million)	
Kardan NV/GTC RE	**Liabilities:**	
	Debentures (*)	(519)
	Loans from banks	(131)
	Assets:	
	Loan to KFS	93
	Loan to Kardan Land China	24
	Cash and short term investments	34
	Net debt	**(410)**
KFS/TBIF	**Liabilities:**	
	Loans from Kardan NV	(93)
	Loans from banks and others	(52)
	Assets:	
	Cash and short term investments	16
	Receivable due to the sale of Sovcom**	69
	Loans to others	9
	Loans to subsidiaries	53

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

	Net cash	**2**
TGI	**Liabilities:**	
	Loans from others	(19)
	(and related warrants)	
	Assets:	
	Loan to related party	-
	Net debt	**(19)**

(*) Approximately 57% of the debentures are presented in EUR in accordance with the currency hedging transactions.
(**) In the financial statements of TBIF, the positions with respect to Sovcom are not included in the current assets. As it is expected that the sale of the shares will be completed in the second half of 2012, the amount payable by the buyers less an amount due to Sovcom is included in the net cash position.

1.5. Development of Discontinued operations (Israeli activities)

Kardan was active in the Rental and Leasing of vehicles and Sale of vehicles segments in Israel, as well as in Real Estate and other activities, through its 74% stake in Kardan Israel, which was spun off after reporting period, in October , 2011.

Rental and Leasing of vehicles

In this segment Kardan N.V. was active through Kardan Vehicle (operational under the brand name AVIS Israel). In March 2011, Kardan Israel increased its stake in AVIS Israel to 68% and became the controlling shareholder of that company. In August 2011, however, Kardan Israel decreased its stake in AVIS to 34%. (Reference is made to paragraph 1.1).

Developments of Rental and Leasing of vehicles

The leasing market in Israel has become more competitive mainly due to attractive financing, which has led to an increase of cars in the market and a pressure on pricing for leasing, renting and for the sale of second hand vehicles. In addition, the demand for leasing of vehicles has decreased due to recent regulations in Israel on taxation of lease cars. As a consequence, employees were faced with increasing income tax amounts, as the value of their lease car is considered to be additional compensation.

Developments AVIS Israel

The revenues of Kardan Vehicle (Avis Israel) in 9M-2011 decreased by 9% y-o-y, mainly due to the market circumstances as mentioned above. As of September 30, 2011, AVIS Israel had a car fleet of approximately 29,500 cars.

Sale of vehicles

Developments of sale of vehicles

The Israeli automotive sales market continued to grow, with approximately 175,000 vehicles (+14% y-o-y) being handed over in 9M-2011. In this segment, Kardan owned a 30% indirect stake of UMI, the exclusive importer of the core brands of General Motors in Israel; Chevrolet, Buick and Cadillac, as well as Isuzu.

Developments UMI

In 9M-2011, UMI increased its market share, in terms of number of new vehicles sold, to 7.7% (9M-2010: 6.4%), mainly due to the successful sales of mini and compact vehicles (Chevrolet Spark and Chevrolet Cruze). However, the increase in the number of vehicles sold was not reflected in a much higher net profit during the reporting period, due to higher marketing expenses associated with the launches of new models. In 9M- 2011, UMI reported a profit of EUR 6 million, similar to the profit a reported in the same period last year.

The below analysis of the net result of Kardan Israel, until October 2011, also includes certain operations relating to real estate and other activities:

	9M/2011	2010
Real estate Activities in Israel	2	(5)
Rental and leasing of vehicles	-	1
Sale of vehicles	6	7
Other	(3)	5
Finance and G&A	(6)	(6)
Reclassification of equity reserves to the income statement	5	-
Total	4	2

1.6. Risk Management

Kardan has three fields of activity (divisions) Real-Estate (GTC), Water Infrastructure (Tahal), Banking and Retail lending (KFS). These divisions are divided into five segments, which can each consist of one or more operating company. Each segment is managed by an executive director or Board of Directors, responsible for managing the market segment risks. In addition, in each operating company a senior manager is responsible for managing its risks. Mr. Walter van Damme, one of the members of the management board, is responsible for Kardan NV risk management. For more details on Mr. Walter van Damme's resume, reference is made to chapter "Composition of the Boards" in the annual report).

The annual report for 2011 describes the main risks relating to Kardan's strategy, such as interest rate and currency risks, capital availability and financial market risks etc. These risks are deemed incorporated and repeated in this Press Release by reference. The above described risks should be seen as re-quoted in this report by way of reference.

Kardan is focused on further expanding its businesses in emerging markets. By nature, these markets are relatively underdeveloped and unstable in various aspects and therefore often exposed to risks arising from unforeseen changes such as (geo) political, regulatory, legal and economic changes.

In the second half of 2011, deterioration of the global financial markets occurred, which was a continuation of the uncertainty that characterized the first months of 2011. The second half of 2011 was characterized by a slowdown in global growth, including in emerging markets. For the first time, the U.S. credit rating dropped and combined with other factors (such as an increase in oil prices, weak consumer spending, etc.) the U.S. had substantial difficulties recovering from the global economic crisis that began in 2008. At the same time, European internal differences of opinions as how to handle difficulties in dealing with sovereign debt of Southern European countries (Greece, Italy and Spain) - resulted in sustained deterioration in capital markets and a sharp increase in the yields of sovereign bonds in Europe.

Developments and shocks in global markets and particularly in the European markets, may affect the liquidity of Kardan NV, its equity value, the value of its assets, its ability to realize its assets, the state of its business (including the demand for its assets), its ability to distribute dividends and its ability to raise finance for its ongoing activities and long-term activities, as well as the terms of such financing.

Contacts between the Management Board and the local management of its subsidiaries remain frequent and intensive, to discuss the latest development and expectations in the respective markets as well as the (financial) resilience of these subsidiaries.

The following are selections of the main financial risks. For a more comprehensive overview of the main risks the Group is exposed to, reference is made to the 2011 Annual Report, notably the consolidated financial statements and the management board report and the 2011 Israeli Annual

Report (Barnea). In addition, there may be other significant risks Kardan has not yet identified or that have not been assessed as having a significant potential impact on the business but which in a later stage could materialize as such.

Credit Risk

The Group is exposed to credit risk on receivables, cash and cash equivalents, deposits and other financial assets (including loans granted).

Interest rate risk: The Group's exposure to interest risks is primarily the result of long-term loans and debentures. Group policy is to use a mixture of fixed interest-bearing instruments and variable interest-bearing instruments. To implement this policy the group uses exchange swap and forward contracts, which the Group companies use to swap variable interest payments by predetermined payments. These contracts are used to hedge certain interest rate risks. Financial derivatives are used to hedge the loan portfolio from such risks.

In order to minimize interest risk, the management of the group examines from time to time the need for hedging these risks, but the company did not set any policy regarding quantitative exposure thresholds. Hedge accounting is applied if certain conditions are met.

Liquidity risk

Kardan NV finances its operation by using short-term and long-term credit which it receives from commercial banks and non-banking entities. Kardan NV's operation depends on its ability to raise capital to develop its business and in order to meet its obligations. Capital structure and liquidity position are managed differently from segment to segment depending on the characteristics of the activity. In parallel, Kardan NV manage its investments and activities with respect to liquidity and therefore monitors future cash flow and liquidity and it's Group companies on a regular basis. Kardan NV's management maintains ongoing discussions under which it determines principles of overall liquidity risk management and focused on keeping cash reserves, examining a variety of funding resources and maintaining liquid assets to enable the continued funding of its operations. Funding policy relates, inter alia, to raising or restructuring of its loans, investment budgets and determining a dividend policy.

Currency exchange risk

Due to the nature of activities of Kardan NV in various countries it's exposed to changes in foreign currencies and exchange rates. To minimize these risks, the group companies are reviewing from time to time the need to hedge these risks and hedge transactions are used if deemed necessary. The company however did not determine a policy related to quantitative exposure thresholds. The company did not set any investment policy in entities whose principle business is derivatives (such as hedge funds). It case of conflict between the managing the economic risks and managing accounting risk exposures, the company's priority is to hedge economic exposure.

Disclaimer

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

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

PART 2 ADDITIONAL INFORMATION

2.1. Financial analysis

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

	31.12.11	31.12.10	Notes
Total balance sheet	4,355	5,999	The decrease as of December 31, 2011 compared to December 31, 2010 is mainly a result of the sale of subsidiaries - VAB which assets accounted for EUR 578 million in December 2010; and Avis Israel, which resulted in a decrease of EUR 476 million; and the distribution of Kardan Yazamut which resulted in a decrease of EUR 493 million in total assets.
Current assets	1,699	2,298	The decrease as of December 31, 2011 compared to December 31, 2010 is mainly a result of the sale of VAB whose assets, which were presented as current assets held for sale, accounted for EUR 578 million on December 31, 2010.
Non-current assets	2,686	3,701	The decrease is mainly a result of the sale of Galeria Mokotow and 50% of Galeria Chengdu and impairment of investment properties (EUR 169 million) and long term inventory, as well as the distribution of the non-current assets of Kardan Yazamut (EUR 258 million).
Current liabilities	1,290	1,949	The decrease as of December 31, 2011 compared to December 31, 2010 is mainly as result of the sale of VAB whose liabilities, which were presented as current liabilities associated with assets held for sale, amounted to EUR 575 million on December 31, 2010.
Other debentures	811	1,016	The decrease as of December 31, 2011 compared to December 31, 2010 is mainly a result of the distribution of Kardan Yazamut, exchange rate differences on the NIS and Polish Zloty and the repurchase of debentures by the Company.
Interest-bearing loans and borrowings	972	1,582	The decrease as of December 31, 2011 compared to December 31, 2010 is mainly as a result of classification of long term loans as current liabilities due to breach of covenants [EUR 233 million] , early repayment of loans within the Group and the distribution of Kardan Yazamut (EUR 145 million)
Equity attributable to equity holders of the parent	203	334	The decrease as of December 31, 2011, compared to December 31, 2010 is mainly a result of the net loss in the year.

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

	Year 2011	Year 2010	Year 2009	Notes
Revenues				
Sale of goods	67	83	105	The decrease in sale of goods in 2011 compared to 2010 is mainly a result of decrease in sale prices of apartments and less deliveries in Central Eastern Europe. The decrease was slightly mitigated by an increase in revenues from sales of apartments in China.
Contract revenues	114	138	125	This income represents revenues from projects in the (Water) Infrastructure segment. The decrease in 2011 compared to 2010 is a result of delays in some projects and devaluation of the USD compared to the EUR.
Banking and retail lending activities	107	35	40	The increase in revenues from banking and retail lending activities in 2011 compared to previous years is mainly a result of the proportional consolidation of Sovcombank which is in effect since September 2010. In previous periods the results of Sovcombank are presented as discontinued operations.
Property rental revenues	142	131	103	The increase in property rental revenues in 2011 in comparison to 2010 is mainly as a result of completion of construction and leasing of a number of retail and commercial projects during 2010 which generated rental income starting 2010 and 2011.
Other income	6	7	8	This income mainly represents the revenues generated by Avis Ukraine.
Total Revenues	**436**	**394**	**381**	

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

Expenses				
Cost of goods sold	57	75	58	See explanations for the changes in sale of goods.
Contract costs	92	105	120	See explanations for the changes in revenues from contract works.
Cost of banking and lending activities	87	43	41	See explanations for the changes in revenues from banking and lending activities.
Cost of property rental operations	40	32	24	See the explanations for the changes in rental revenues, in addition there were some bad debt charges in Romania.
Other expenses, net	88	13	22	Other expenses in 2011 relate mainly to impairment of residential land bank and investment property at cost in CEE.
Total expenses	**364**	**268**	**265**	

Gross margin	**72**	**126**	**116**	-
Selling and marketing expenses	21	20	13	-
General and administration expenses	61	57	46	The increase in general and administration expenses is mainly due to employee option plans approved late 2010 and in 2011.
Profit (loss) from operations before fair value adjustments, disposals of assets and financial expenses	**(10)**	**49**	**57**	-

Adjustment to fair value of investment properties	(205)	71	(183)	Substantially all investment properties in GTC Group were revaluated to their fair value and resulted in a loss of EUR 167 million in 2011 largely due to worsening of the macro economic situation in Europe.
Impairment losses on goodwill	(68)	(28)	(1)	In 2011 the impairment losses on goodwill relate primarily to the Group's holdings in the Banking and Retail lending segment.
Gain on disposal of assets and other income	22	7	10	In 2011 the gain on disposal of assets and other income relates primarily to gains on assets sold in Kardan Land China.
Profit (loss) on disposal of assets and investments	**(251)**	**50**	**(174)**	-
Profit (loss) before finance expenses and income taxes	**(261)**	**99**	**(117)**	**-**

	Year 2011	Year 2010	Year 2009	Notes
Financial Income	22	19	48	Finance income in 2011 is mainly the result of interest on the cash balances and deposits of the Group.
Financial expenses	(141)	(143)	(137)	The financial expenses in 2011 are mainly related to financing costs of loans and debentures in the group.
Adjustments to fair value of other financial instruments	(4)	(1)	2	-
Total financial expenses, net	**(123)**	**(125)**	**(87)**	-
Profit (loss) from operations	**(384)**	**(26)**	**(204)**	-

Share of profit (loss) of associates accounted for using the equity method	(3)	6	-	The decrease in equity profits relates to a decrease in the results of the real estate associates in the GTC Group.
Net profit (loss) before income taxes	**(387)**	**(20)**	**(204)**	-
Income tax (benefit) expenses	38	24	(22)	Tax expenses/benefits in the Group mainly are a result of deferred taxes related to revaluation/devaluation of investment properties. The tax expenses in 2011 increased mainly due to the proportional consolidation of Sovcombank which is in effect since September 2010. In the first 3 quarters of 2010 the results of Sovcombank are presented as discontinued operations.
Net profit (loss) for the year from continuing operations	**(425)**	**(44)**	**(182)**	-
Net profit (loss) for the year from discontinued operations	16	15	6	In 2011 the profit derives from the sale of VAB bank which was completed in Q1 2011 and the results of Kardan Yazamut which are presented as discontinued operation due to their distribution.

Net profit (loss) for the period	**(409)**	**(29)**	**(176)**	-
Net profit (loss) attributed to equity holders of the parent	(148)	(27)	(92)	See also analysis of the net result to the equity holders of Kardan N.V.
Net profit (loss) attributed to non controlling interest holders	(261)	(2)	(84)	-

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

	2010	2010	2009	Notes
Net cash provided by (used in) operating activities	**52**	**(2)**	**51**	-
Net cash used in investing activities	(277)	(16)	(568)	In 2011, EUR 264 million were used for acquisition of tangible fixed assets and investment properties, EUR 176 million were used for loans to bank customers and EUR 50 million were used for short-term investments, net. Conversely, about EUR 232 million s have been added from a disposal of Investment in companies and partnerships in the past and about EUR 33 million were received from long-term loans and receivables. In 2010, EUR 196 million were used for acquisition of tangible fixed assets and investment properties and EUR 124 million were used for loans to bank customers. In addition, EUR 237 million was generated from sale of assets and investments and EUR 69 were generated from Disposal of formerly consolidated subsidiaries, net of cash disposed. In 2009, EUR 313 million were used for acquisition of tangible fixed assets and investment, EUR 256 million were used for short term investment ,EUR 318 million were generated from long term loans and receivables.
Net cash provided by financing activities	148	120	472	In 2011, EUR 189 million were generated from issuing shares to a third party, EUR 83 from issuance of debentures, EUR 132 from change in loans to bank customers, and EUR 333 from proceeds from long-term loans. EUR 525 million were used in repayment of long term loans and EUR 71 million were used in repayment and early repayment of debentures. In 2010, EUR 275 million were generated from change in loans to bank customers, , EUR 29 million were generated from sale of hedge instruments, EUR 448 million were used in repayment of long term loans and EUR 184 million were used in repayment

				of short term credit. In 2009, EUR 886 million were generated following the receipt of long term loans, EUR 178 million were generated from short term loans and borrowings, EUR 22 million were generated from issuance of debentures and EUR 585 million were used for repayment of long term loans.

In the company only cash-flow, the Company presents a negative cash-flow from operating activities. The Management Board of Kardan NV believes however that there is no reason for concern that Kardan NV and GTC real estate holding BV will not be able to meet its current financial obligations and those expected in the coming two years following publication of the financial statements.

This assumption is based on the cash flow forecast of Kardan NV and GTC real estate holding BV, including a breakdown of the resources, uses and the available assets for pledge as of December 31, 2011.

Notwithstanding the above, the Management Board has voluntarily decided to provide information regarding the 2 Companies cash-flow projection for the period of 2 years ending on December 31, 2013, the Company hereby provides the cash-flow forecast:

Forecast cash flow	**January 1, 2012 – December 31, 2012**	**January 1, 2013 – December 31, 2013**
	in EUR million	
Cash and cash equivalents at the beginning of the period	**123**	**89**
<u>Company only resources</u>		
From operating activities		
General and administration expenses	(7)	(6)
From investing activities		
Sale of assets	15	
<u>Resources from investee companies</u>		
From operating activities in investments – Loan repayment	52	41
From operating activities in investments – Management fees	1	1
Total Resources	**184**	**125**
<u>Expected Uses</u>		
From investing activities		
Investment in GTC SA	28	**-**
From financing activities		
Repayment of a loan	30	-
Interest payment of loans	5	4
Repurchase of debentures – Series A	8	-
Interest payment of debentures – Series A	9	9
Interest payment of debentures – Series B	15	15
Principle payment of debentures – Series A	-	51
Total Uses	**95**	**79**
Cash and cash equivalents at the end of the period	**89**	**46**

Assumptions and Notes to the cash flow forecast:

1. The opening balance of the cash flow forecast includes pledged deposits in the amount of approximately EUR 49 million which the Company expects will be released in the near future.
2. The Cash-flow projection was jointly drawn for both Kardan NV Company only and GTC real estate holding BV because the treasury of these companies is centralized.
3. The interest payment for the debentures includes the amount of hedged interest, less the interest which relates to the debentures purchased by a subsidiary.
4. The cash flows do not include any additional investments the company will make once those will be approved by the appropriate organs in the company.
5. The Interest calculations are based on CPI, exchange rates and interest rates which are as of December 31, 2011.
6. This estimate is forward looking information as defined in the Israeli Securities Act, based on management assumptions and expectations. The aforesaid may not materialize completely or part thereof, or materialize in a different manner, including materially different from what is expected as a result of changes in the state of the market, difficulties in raising credit, decrease in value of investments and change in cash amounts expected to be received from affiliated companies.

2.2 Fair Value disclosure

Completed Investment properties:

Country	City	Asset name	Asset use	GTC Share	Type of ownership	Net rentable area (sqm) (*)	Gross rentable area (sqm) (*)	Construction cost (Million Euro) (*)	Occupancy rate	Project book value (Million Euro) (**)	Av. rent per sqm (Euro) during Jan-Sept	NOI per sqm per month (Euro)	Jan-Sept 2011 NOI (Million Euro) (***)	Valuation method (**)	External valuator (**)	Date of last valuation (**)
China	Chengdu	Galleria Chengdu	Shopping Center	50%	Leasing	35,779	53,837	78.3	97%	67.6	18.1	8.9	3.1	DCF and comparative	No**	31.12.2011
Romania	Arad	Galeria Arad	Shopping Center	100%	Ownership	32,500	42,000	87	93%	51.5	7	N/A****	N/A****	DCF	Yes	31.12.2011

(*) Kardan Land China portion is 50%. The above (Excluding the value of the project in the financial statements presented by 50%) numbers represent 100%.
(**) In June, 2011, Kardan Land China entered into a share purchase agreement with a third party to sell 50% of Chengdu Shopping Center. The asset was revalued based on the agreed value.
(***) For areas which are already under operation. The operations of the Shopping Center started by the end of 2010
(****) The operations of the Shopping Center started in October 2011.

2.3. Issuance of debt

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

	Debenture series A	Debenture series B
Par value of issued debentures	EUR 241 million (NIS 1,190,000,000)	EUR 270 million (NIS 1,333,967,977)
Linkage basis	Principal and interest linked to Israeli CPI (CPI of January 2007)	Principal and interest linked to Israeli CPI (CPI of December 2006)
Par value of debentures as of December 31, 2011	EUR 241 million (NIS 1,190,000,000 par value)	EUR 270 million (NIS 1,333,967,977 par value)
Debentures held by subsidiary	133,633,863 par value	48,311,499 par value
Interest rate (per annum)	4.45%	4.9%
Principal repayment	Four equal installments from: From February 2013 to February 2016	Seven equal installments from: From February 2014 to February 2020
Interest payment dates	Nine annual installments from February 2008 to February 2016	13 annual installments from February 2008 to 2020
Total debt up to the date of the balance sheet (including interest and Israeli CPI linkage)	EUR 293 million (net of debentures held by a subsidiary) (*)	EUR 330 million (net of debentures held by a subsidiary) (*)
Market capitalization as of December 31, 2011	EUR 253 million	EUR 249 million
The trustee	Aurora Fidelity Trustees Ltd (CPA Daniel Vafnish +972-3-6083252)	Hermatic trustee (1957) (Adv. Dan Avnun +972-3-5274867)
Rated by	S&P Maalot	S&P Maalot
Rating at the time of issuance	AA - (February 2007)	AA - (February 2007)
Updated rating	BBB + (January 2011)	BBB+ (January 2011)
Debenture holders conference	On July 28, 2011 a conference of debenture holders was held at the request of the trustee. In order to discuss the impact of the split of Kardan Yazamut and other issues. No decisions were made in the meeting.	

(*) Approximately 57% of the debentures are swapped to EUR using hedge transactions.

DISCLAIMER

This press release contains forward-looking statements and information, for example concerning the financial condition, results of operations, businesses and potential exposure to market risks of Kardan N.V. and its group companies (jointly "Kardan Group"). All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements (including "forward looking statements" as defined in the Israeli Securities Law). Forward-looking statements are statements of future expectations that are based on management's current expectations and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in these statements. These forward-looking statements are identified by the use of terms and phrases such as ''anticipate'', ''believe'', ''could'', ''estimate'', ''expect'', ''intend'', ''may'', ''plan'', ''objectives'', ''outlook'', ''probably'', ''project'', ''will'', ''seek'', ''target'', ''risks'', ''goals'', ''should'' and similar terms and phrases. A variety of factors, many of which are beyond Kardan Group's control, affect our operations, performance, business strategy and results and could cause the actual results, performance or achievements of Kardan Group to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. For Kardan Group, particular uncertainties arise, amongst others but not limited to and not in any order of importance, (i) from dependence on external financing with the risk that insufficient access to capital threatens its capacity to grow, execute its business model, and generate future financial returns (ii) from concentration of its business in Central Eastern Europe and China as a result of which Kardan Group is strongly exposed to these particular markets (iii) from risks related to the financial markets as a result of Kardan N.V.'s listings on NYSE Euronext Amsterdam and the Tel-Aviv Stock Exchange and (iv) from it being a decentralized organization with a large number of separate entities spread over different geographic areas in emerging markets, so that Kardan Group is exposed to the risk of fraudulent activities or illegal acts perpetrated by managers, employees, customers, suppliers or third parties which expose the organization to fines, sanctions and loss of customers, profits and reputation etc. and may adversely impact Kardan Group's ability to achieve its objectives and (v) from any of the risk factors specified in Kardan N.V.'s Annual Report 2010 and in the "Periodic Report for 2011" published by Kardan N.V. in Israel on March 30, 2012 and which is also available at the Kardan website. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in the relevant forward-looking statement as expected, anticipated, intended, planned, believed, sought, estimated or projected. Kardan N.V. does not intend or assume any obligation to update or revise these forward-looking statements in light of developments which differ from those anticipated.

March 29, 2012

Management Board:

A. Ickovics

W. van Damme

E. Oz-Gabber

J. Slootweg