KARDAN N.V.
AMSTERDAM, THE NETHERLANDS

Condensed Interim Consolidated Financial Statements
As of March 31, 2012

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Condensed Interim Consolidated Financial Statements page

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

| | **March 31, 2012** | March 31, 2011 | December 31, 2011 |
|---|---|---|---|
| | | € in millions | |
| **Non-current assets** | | | |
| Tangible fixed assets | 77 | 101 | 103 |
| Rental vehicles | - | 407 | - |
| Investment properties (Note 6) | 1,903 | 2,359 | 1,885 |
| Investments in associates | 54 | 144 | 54 |
| Other financial assets | 7 | 13 | 6 |
| Loans to bank customers | 12 | 101 | 189 |
| Long-term loans and receivables | 157 | 193 | 172 |
| Derivatives | 56 | 106 | 57 |
| Intangible assets and goodwill | 60 | 193 | 94 |
| Long term inventory | 107 | 231 | 106 |
| Deferred income tax assets | 19 | 23 | 20 |
| | 2,452 | 3,871 | 2,686 |
| **Current assets** | | | |
| Inventories, contract work and buildings inventory in progress | 350 | 383 | 364 |
| Derivatives | 12 | 1 | 1 |
| Current maturities of long-term loans and receivables | 90 | 131 | 115 |
| Loans to bank customers | 18 | 172 | 241 |
| Trade receivables | 39 | 100 | 37 |
| Income tax receivables | 3 | 3 | 4 |
| Other receivables and prepayments | 80 | 267 | 102 |
| Short-term investments | 87 | 288 | 259 |
| Cash and cash equivalents | 297 | 388 | 407 |
| | 976 | 1,733 | 1,530 |
| Assets held for sale | 847 | 33 | 139 |
| Total current assets | 1,823 | 1,766 | 1,669 |
| **Total assets** | 4,275 | 5,637 | 4,355 |

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

**Equity and liabilities**

| | **March 31, 2012** | March 31, 2011 | December 31, 2011 |
|---|---|---|---|
| | | € in millions | |
| **Equity attributable to equity holders of the parent** | | | |
| Issued and paid-in capital | 23 | 23 | 23 |
| Share premium | 208 | 235 | 208 |
| Foreign currency translation reserve | - | (8) | 7 |
| Property revaluation reserve | 55 | 60 | 52 |
| Revaluation reserve, other | 15 | 11 | 5 |
| Non-controlling interest holders transaction reserve | 20 | 20 | 19 |
| Treasury shares | (3) | (27) | (3) |
| Retained earnings (accumulated deficit) | (127) | 37 | (108) |
| | 191 | 351 | 203 |
| **Non-controlling interests** | 550 | 909 | 537 |
| **Total equity** | 741 | 1,260 | 740 |
| **Non-current liabilities** | | | |
| Interest-bearing loans and borrowings | 945 | 1,545 | 972 |
| Banking customers accounts | - | 53 | 270 |
| Derivatives | 67 | 44 | 81 |
| Other long-term liabilities | 25 | 34 | 24 |
| Options | 6 | 23 | 16 |
| Convertible debentures | - | 15 | - |
| Other debentures | 755 | 1,063 | 811 |
| Deferred income tax liabilities | 145 | 187 | 149 |
| Accrued severance pay, net | 2 | 2 | 2 |
| | 1,945 | 2,966 | 2,325 |
| **Current liabilities** | | | |
| Advances from customers in respect of contracts | 11 | 13 | 13 |
| Banking customers accounts | 16 | 312 | 250 |
| Trade payables | 60 | 164 | 79 |
| Current maturities of other debentures | 87 | - | 21 |
| Interest-bearing loans and borrowings | 476 | 501 | 542 |
| Income tax payables | 4 | 4 | 5 |
| Advances from apartment buyers | 129 | 174 | 144 |
| Derivatives | 23 | 12 | 22 |
| Other payables and accrued expenses | 142 | 217 | 214 |
| | 948 | 1,397 | 1,290 |
| Liabilities associated with assets held for sale | 641 | 14 | - |
| **Total current liabilities** | 1,589 | 1,411 | 1,290 |
| **Total liabilities** | 3,534 | 4,377 | 3,615 |
| **Total equity and liabilities** | 4,275 | 5,637 | 4,355 |

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

## CONDENSED INTERIM CONSOLIDATED INCOME STATEMENT

| | For the three months ended March 31, | | For the year ended December 31, |
|---|---|---|---|
| | **2012** | 2011 | 2011 |
| | € in millions | | |
| Sales of goods | 20 | 7 | 67 |
| Contract revenues | 31 | 30 | 114 |
| Retail lending activities (Note 4) | (3) | 5 | 5 |
| Property rental and service recharge revenues | 35 | 33 | 142 |
| Other revenues | 2 | 2 | 6 |
| *Total revenues* | 85 | 77 | 334 |
| Cost of goods sold | 17 | 7 | 57 |
| Contract costs | 25 | 20 | 92 |
| Costs of retail lending activities | 8 | 8 | 35 |
| Costs of property rental and service recharge operations | 10 | 10 | 40 |
| Other expenses, net | 2 | 2 | 88 |
| *Total expenses* | 62 | 47 | 312 |
| **Gross margin** | 23 | 30 | 22 |
| Selling and marketing expenses | 4 | 4 | 21 |
| General and administration expenses | 13 | 12 | 61 |
| **Profit (loss) from operations before fair value adjustments, disposal of assets and financial expenses** | 6 | 14 | (60) |
| Adjustment to fair value of investment properties, net (Note 6) | 4 | 16 | (205) |
| Impairment losses on goodwill | - | - | (30) |
| Gain on disposal of assets and other income | 1 | - | 21 |
| *Profit (loss) from fair value adjustments and on disposal of assets and investments* | 5 | 16 | (214) |
| **Profit (loss) from operations before finance expenses and income tax** | 11 | 30 | (274) |
| Other financial income | 8 | 10 | 21 |
| Other financing expenses | (33) | (33) | (141) |
| Adjustment to fair value of other financial instruments | - | - | (3) |
| *Total financial expenses, net* | (25) | (23) | (123) |
| **Profit (loss) from operations** | (14) | 7 | (397) |
| Share of loss of associates accounted for using the equity method, net | (1) | - | (3) |
| **Profit (Loss) before income taxes** | (15) | 7 | (400) |
| Income tax expenses (benefit) | (2) | 6 | 27 |
| **Profit (loss) for the period from continuing operations** | (13) | 1 | (427) |
| Net profit (loss) for the period from discontinued operations (Note 7) | - | 3 | 18 |
| **Net profit (loss) for the period** | (13) | 4 | (409) |
| Attributable to: | | | |
| Equity holders | (14) | - | (148) |
| Non-controlling interest holders | 1 | 4 | (261) |
| | (13) | 4 | (409) |
| Earnings (loss) per share attributable to shareholders | | | |
| Basic from continuing operations | (0.12) | (0.03) | (1.34) |
| Basic from discontinued operations | - | 0.03 | 0.16 |
| | (0.12) | - | (1.18) |
| Diluted from continuing operations | (0.12) | (0.03) | (1.36) |
| Diluted from discontinued operations | - | 0.03 | 0.16 |
| | (0.12) | - | (1.2) |

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

**CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

| | For the three months ended March 31, | | For the year ended December 31, |
|---|---|---|---|
| | **2012** | 2011 | 2011 |
| | € in millions | | |
| **Result for the period** | (13) | 4 | (409) |
| Foreign currency translation differences | (5) | (20) | (9) |
| Change in hedge reserve, net of tax (1) | 7 | 17 | 3 |
| Unrealized revaluations, net of tax (2) | - | (1) | (1) |
| Other comprehensive income for the period (3) | 2 | (4) | (7) |
| **Total comprehensive expense** | (11) | - | (416) |
| Attributable to: | | | |
| Equity holders | (13) | (11) | (150) |
| Non-controlling interest holders | 2 | 11 | (266) |
| | (11) | - | (416) |

(1) Net of tax amounting to €3 million for the period ended March 31, 2012, €2 million for the period ended December 31, 2011, and € (1) million for the period ended March 31, 2011.
(2) Net of tax which amounted to less than €1 million for all the reported periods.
(3) Including impact resulted from associates of less than €1 million for all the reported periods.

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

**CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

| | Attributable to equity holders of the parent | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Issued and paid-in capital | Share premium | Property revaluation reserve (*) | Revaluation reserve, other (*) (**) | Foreign currency translation reserve(*) | Non controlling interest holders transactions reserve | Treasury shares | Retained Earnings (accumulated deficit) | Total | Non-controlling interest | Total equity |
| | € in millions | | | | | | | | | | |
| **Balance as of January 1, 2012** | 23 | 208 | 52 | 5 | 7 | 19 | (3) | (108) | 203 | 537 | 740 |
| Other comprehensive income (loss) | - | - | - | 8 | (7) | - | - | - | 1 | 1 | 2 |
| Net result for the period | - | - | - | - | - | - | - | (14) | (14) | 1 | (13) |
| Total comprehensive income /loss | - | - | - | 8 | (7) | - | - | (14) | (13) | 2 | (11) |
| Share-based payment | - | - | - | - | - | - | - | - | - | 1 | 1 |
| Shares purchased in consolidated subsidiaries | - | - | - | - | - | 1 | - | - | 1 | 10 | 11 |
| Reclassification according to the Netherlands civil code requirements and Chinese law(*) | - | - | 3 | 2 | - | - | - | (5) | - | - | - |
| **Balance as of March 31, 2012** | 23 | 208 | 55 | 15 | - | 20 | (3) | (127) | 191 | 550 | 741 |

*(*) In accordance with the Netherlands civil code, part of the retained earnings is restricted for distribution.*
*(**) A portion of the retained earnings of the Group's jointly-controlled entities, which were established in China is restricted for distribution.*

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

## CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

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

*(*) In accordance with the Netherlands civil code, part of the retained earnings is restricted for distribution.*

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

# CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

| | *Attributable to equity holders of the parent* | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Issued and paid-in capital | Share premium | Property revaluation reserve(*) | Other reserves(*) | Foreign currency translation reserve (*) | Non controlling interest holders transactions reserve | Treasury Shares | Retained Earnings (accumulated deficit) | Total | Non-controlling interest | Total equity |
| | € in millions | | | | | | | | | | |
| **Balance as of January 1, 2011** | 23 | 235 | 114 | - | 9 | (1) | (27) | (19) | 334 | 733 | 1,067 |
| Other comprehensive income (expenses) | - | - | - | (1) | (1) | - | - | - | (2) | (5) | (7) |
| Loss for the year | - | - | - | - | - | - | - | (148) | (148) | (261) | (409) |
| Total comprehensive loss for the year | - | - | - | (1) | (1) | - | - | (148) | (150) | (266) | (416) |
| Share-based payment | - | - | - | - | - | - | - | - | - | 8 | 8 |
| Issuance shares to non-controlling shareholders | - | - | - | 6 | (1) | 22 | - | - | 27 | 166 | 193 |
| Shares purchased in subsidiaries and first time consolidation of subsidiary | - | - | - | - | - | (2) | - | - | (2) | 6 | 4 |
| Purchase of treasury shares | - | - | - | - | - | - | (3) | - | (3) | | (3) |
| Deconsolidation of proportionally consolidated entities | - | - | - | - | - | - | - | - | - | (35) | (35) |
| Dividend paid to non-controlling shareholders | - | - | - | - | - | - | - | - | - | (4) | (4) |
| Distribution of a subsidiary as dividend in kind | - | (27) | - | - | - | - | 27 | (3) | (3) | (71) | (74) |
| Reclassification according to the Netherlands civil code requirements (*) | - | - | (62) | - | - | - | - | 62 | - | - | - |
| **Balance as of December 31, 2011** | 23 | 208 | 52 | 5 | 7 | 19 | (3) | (108) | 203 | 537 | 740 |

*(*) In accordance with the Netherlands civil code, part of the retained earnings is restricted for distribution.*

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

**CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT**

| | Three months period ended March 31, | | For the year ended December 31, |
|---|---|---|---|
| | **2012** | 2011 | 2011 |
| | | € in millions | |
| **Cash flow from operating activities** | | | |
| Net profit (loss) from continuing operations before taxes on income | (15) | 7 | (400) |
| Profit from discontinuing operations before taxes on income | - | 5 | 31 |
| Adjustments required to present cash flow from operating activities (see A below) | (18) | (73) | 421 |
| **Net cash provided by (used in) operating activities** | (33) | (61) | 52 |
| **Cash flow from investing activities** | | | |
| Acquisition of tangible fixed assets and investment properties | (26) | (69) | (264) |
| Collecting (granting) of loans from (to) associated companies and joint ventures, net | - | (1) | (1) |
| Investment in companies and joint ventures | - | - | (1) |
| Proceeds from sale of assets and investments | - | 2 | 4 |
| Granting of long-term loans | - | (1) | (1) |
| Change in loans to bank customers | (4) | (27) | (175) |
| Change in long-term loans and receivables | 15 | 25 | 33 |
| Change in short-term investments, net | (1) | (48) | (50) |
| Acquisition of newly consolidated subsidiaries, net of cash acquired (see B below) | - | (3) | (13) |
| Deconsolidation of a joint venture (see appendix C below) | - | - | 160 |
| Disposal of formerly consolidated subsidiaries, net of cash disposed (see D below) | - | - | 26 |
| Change from proportional consolidation to full consolidation (see E below) | - | 10 | 10 |
| Change from full consolidation to proportional consolidation (see appendix F below) | - | - | 46 |
| Tax paid on disposal of investment properties | - | (17) | (27) |
| Change in deferred brokerage fees | - | - | (1) |
| Change in other assets | (2) | (15) | (23) |
| **Net cash used in investing activities** | (18) | (144) | (277) |

## CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

| | Three months period ended March 31, | | For the year ended December 31, |
|---|---|---|---|
| | **2012** | 2011 | 2011 |
| | | € in millions | |
| **Cash flows from financing activities** | | | |
| Dividend paid to non-controlling interest holders | - | (3) | (4) |
| Cash distributed as dividend in kind | - | - | (19) |
| Proceeds from sale of shares in subsidiary to non controlling interest holders | - | 188 | 189 |
| Issuance of debentures | 1 | 18 | 83 |
| Repayment and repurchase of debentures | (9) | (7) | (71) |
| Change in loans from bank customers | 6 | (19) | 132 |
| Proceeds from long-term loans | 44 | 75 | 333 |
| Repayment of long-term loans | (61) | (205) | (525) |
| Change in short-term loans and borrowings, net | 2 | 61 | (12) |
| Costs related to issuance of debt and shares | (1) | - | (4) |
| Proceeds from sale of hedge instruments | - | - | 45 |
| Purchase of treasury shares | - | - | (3) |
| Investments in companies | - | - | (12) |
| Transaction with non controlling interest holders | - | - | (3) |
| **Net cash provided by (used in) financing activities** | (18) | 108 | 129 |
| **Foreign exchange differences relating to cash and cash equivalents** | - | (10) | 5 |
| **Decrease in cash and cash equivalents** | (69) | (107) | (91) |
| **Decrease of cash of assets held for sale** | (41) | (3) | - |
| **Cash and cash equivalents at the beginning of the period** | 407 | 498 | 498 |
| **Cash and cash equivalents at the end of the period** | 297 | 388 | 407 |

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

## CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

| | Three months period ended March 31, | | For the year ended December 31, |
|---|---|---|---|
| | **2012** | 2011 | 2011 |
| | € in millions | | |
| **A. Adjustments to reconcile net profit (loss) to net cash** | | | |
| **Charges / (credits) to profit / loss not affecting operating cash flows:** | | | |
| Share of (profit) /loss of associated companies accounted for using the equity method | 1 | (1) | (3) |
| Dividend from associated companies | - | 2 | 7 |
| Impairment of goodwill | - | - | 68 |
| Loss (gain) on disposal of assets and investments, net | - | 4 | (6) |
| Share-based payment | 1 | 2 | 4 |
| Depreciation and amortization | 2 | 19 | 77 |
| Fair value adjustments of investment properties | (4) | (21) | 273 |
| Financial expenses and exchange rate differences, net | 20 | 28 | 88 |
| Change in fair value of options and share appreciation rights | (8) | (3) | (4) |
| Decrease (increase) in fair value of securities held for trading, and hedge instruments, net | (1) | 6 | 8 |
| Increase in provision for bad debts in the financial services segment | 8 | 13 | 47 |
| Impairment of assets | - | - | 2 |
| **Changes in operating assets and liabilities** | | | |
| Purchase of rental vehicles | - | (26) | (125) |
| Proceeds from sale of rental vehicles | - | 23 | 75 |
| Change in trade and other receivables | (28) | (113) | (91) |
| Change in inventories and in contract work in progress, net of advances from customers | (3) | (16) | (58) |
| Change in trade and other payables | 11 | 40 | 111 |
| Interest paid | (53) | (61) | (184) |
| Interest received | 40 | 36 | 147 |
| Income taxes paid | (4) | (5) | (15) |
| | (18) | (73) | 421 |

## CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

| | Three months period ended March 31, | | For the year ended December 31, |
|---|---|---|---|
| | **2012** | 2011 | 2011 |
| | | € in millions | |
| **B. Acquisition of newly consolidated subsidiaries, net of cash acquired** | | | |
| Working capital (excluding cash) | - | (18) | 8 |
| Non-current assets | - | 21 | (58) |
| Goodwill on acquisition | - | (6) | (10) |
| Long-term liabilities | - | - | 33 |
| Total purchase price | - | (3) | (27) |
| Less – cash in subsidiaries acquired | - | - | 14 |
| **Cash used in acquisition, net of cash acquired** | - | (3) | (13) |
| **C. Deconsolidation of a joint venture net of cash disposed** | | | |
| Working capital (excluding cash) | - | - | 34 |
| Non-current assets | - | - | 238 |
| Goodwill | - | - | 2 |
| Long-term liabilities | - | - | (108) |
| Change in capital reserves | - | - | (2) |
| Gain on disposal of investment | - | - | 4 |
| Total consideration | - | - | 168 |
| Cash of joint ventures which ceased to be proportionally consolidated | - | - | (8) |
| **Cash flows from disposal, net of cash disposed** | - | - | 160 |
| **D. Disposal of formerly consolidated subsidiaries, net of cash disposed** | | | |
| Working capital (excluding cash) | - | - | (7) |
| Non-current assets | - | - | (30) |
| Intangible assets on acquisition | - | - | 13 |
| Rental vehicles | - | - | 395 |
| Non-controlling interests | - | - | (30) |
| Long-term liabilities | - | - | (323) |
| Gain on disposal of investment | - | - | 8 |
| **Cash flows from disposal, net of cash disposed** | - | - | 26 |

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

## CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

| | Three months period ended March 31, | | For the year ended December 31, |
|---|---|---|---|
| | **2012** | 2011 | 2011 |
| | € in millions | | |
| **E. Change from proportional consolidation to full consolidation** | | | |
| Working capital | - | (3) | (3) |
| Investment property | - | 55 | 55 |
| Other non-current assets | - | (185) | (185) |
| Goodwill on acquisition | - | (4) | (4) |
| Gain on disposal of investment | - | (3) | (3) |
| Non-controlling interests | - | 11 | 11 |
| Long-term liabilities | - | 139 | 139 |
| **Cash flow from acquisition, net of cash acquired** | - | 10 | 10 |
| **F. Change from full consolidation to proportional consolidation** | | | |
| Working capital | - | - | (2) |
| Investment property | - | - | 60 |
| Goodwill on acquisition | - | - | (3) |
| Gain on disposal of joint venture | - | - | 12 |
| Long-term liabilities | - | - | (21) |
| Total purchase price | - | - | 46 |
| Foreign currency translation on cash | - | - | 1 |
| Less – cash of disposed joint venture | - | - | (1) |
| | - | - | 46 |

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

# 1. Corporate information

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

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

These condensed interim financial statements were approved by the Management Board on May 30, 2012.

In March 2012 the Company received a letter from the Israeli Securities Authority (hereafter – the ISA) regarding sampling audit that was conducted by the ISA and included, inter alia, the examination of the values of five real estate assets owned by a consolidated subsidiary in the financial statements as of December 31, 2009 (refer to Note 8 in December 31, 2011 financial statements). The Company sent a response letter to the ISA, and is currently in discussions with ISA.

**Going concern**

During 2011 the Company incurred losses (attributable to equity holders of the Company) in an amount of €148 million mainly due to complex uncertain macroeconomic conditions existing in world markets and especially in Europe, which affected the Company primarily by a decrease in the valuations of its investment properties and inventory as well as the need to take additional provisions on its loans and credit portfolios. This loss has contributed to a decline of the Company's equity to €203 million as of December 31, 2011 and a breach of financial covenants (refer to Note 8 for additional information).

In the first quarter of 2012 the Company incurred additional losses in the amount of €14 million, which contributed to a further decline of equity to €191 million.
As of March 31, 2012, the Company (on a standalone basis) has a working capital deficiency of €54 million, mainly due to current maturities of debentures which are due to be paid in February 2013. In addition, the Group (on a consolidated basis) had negative cash flows from operations of €33 million in the three months ended March 31, 2012.

The Company's condensed interim consolidated financial statements as of March 31, 2012 have been prepared on the assumption the Company will continue as a going concern. This is based, among others, on the current cash balances and its available assets as well as considering cash from future operations and transactions. In Q1/2013 and Q1/2014 the first installments of the Company's debentures mature in the respective amounts of €74 million and €115 million (including interest). These repayments will be funded through existing cash balances, cash generated from the repayment of certain shareholder's loans by some of the Company's subsidiaries, and cash generated mainly through sale of certain assets. The realization of the Company's plans depends on factors that are not wholly within the Company's control, however the Company believes that it will be able to repay its liabilities as they mature in the foreseeable future.

**Liquidity risk management**

Liquidity risk is defined as the risk that the Company will encounter difficulties in meeting short and long term obligations associated with financial liabilities that are settled by delivering cash or other financial assets. The Company prepared a two year liquidity analysis as part of its normal course of business which addresses the required liquidity to be able to repay the debentures in Q1 2013 and Q1 2014 and all other loans and to finance its investments and operating activities, and believes that it will be able to repay its liabilities as they mature in the foreseeable future.

## 2. Basis of presentation and preparation

### A. Basis of preparation

The interim condensed consolidated financial statements for the three months ended March 31, 2012 have been prepared in accordance with International Accounting Standard (IAS) 34 as defined by the International Accounting Standards Board and as endorsed by the European Union to be used for the preparation of interim consolidated financial statements.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual statutory financial statements as at December 31, 2011.

The accounting policies adopted in the preparation of these interim condensed consolidated financial statements are consistent with those followed in the preparation of the Company's annual statutory financial statements for the year ended December 31, 2011 - except for the adoption of new standards and interpretations as of January 1, 2012:

- IFRS 7 Financial Instruments: Disclosures – Transfers of Financial Assets
- IAS 12 Income Taxes – Recovery of Tax Assets

When the adoption of the standard or interpretation is deemed to have an impact on the financial statements or the performance of the Group, its impact is described below:

**IFRS 7 Financial Instruments: Disclosures – Transfers of Financial Assets**
The amendment requires additional disclosure about financial assets that have been transferred but not derecognized. In addition, the amendment requires disclosures about continuing involvement in derecognized assets. The amendment will affect disclosure only and will have no impact on the Group's financial position or performance.

**IAS 12 Income Taxes – Deferred Tax: Recovery of Underlying Assets**
The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. This amendment was not yet endorsed by the EU

as per March 31, 2012. The amendment is not expected to have impact on the Group’s financial position or performance once endorsed and adopted by the EU.

**B.** Hedging

The fair value of swap contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by independent valuators using agreed-upon valuation models. For March 31, 2012 valuation , the independent valuators used an updated measurement.
The “Basis Swap” curve is based on inter-bank interest rate and includes liquidity premium that compensate on liquidity differences between currencies. Also, the maturity table was linked to the actual change in the CPI from the date of transaction until the date of valuation, and the maturity table was linked to the future CPI based on inflation expectations derived from the difference from the Government curve linked to the NIS.

**C. Foreign currency translation**

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

| | USD | NIS | RMB | CPI |
|---|---|---|---|---|
| March 31, 2012 | 0.750 | 0.202 | 8.4191 | 129.1 |
| March 31, 2011 | 0.703 | 0.202 | 9.2343 | 126.7 |
| December 31, 2011 | 0.774 | 0.203 | 8.2253 | 128.6 |
| Change in 2012 (3 months) | (3.1)% | - | 2.4% | 0.4% |
| Change in 2011 (3 months) | (6.3)% | (4.3)% | 5.7% | 0.7% |
| Change in 2011 (12 months) | 3.0% | (4.1)% | (5.8%) | 2.2% |

# 3. Segment information

Segments results

For three months ended March 31, 2012:

| | Real Estate | | Banking and Retail lending | Infrastructure | | |
|---|---|---|---|---|---|---|
| | Asia | Europe | | Projects | Assets | Total |
| Revenue | 17 | 38 | (1) | 22 | 9 | 85 |
| Other income/expense (*) | 2 | 2 | - | - | - | 4 |
| Total Income | 19 | 40 | (1) | 22 | 9 | 89 |
| Segment result | 4 | 18 | (10) | (2) | 2 | 12 |
| Unallocated expenses | | | | | | (2) |
| Profit from operations and share in profit of associates companies before finance expenses, net | | | | | | 10 |
| Finance expenses, net | | | | | | (25) |
| Loss before income tax | | | | | | (15) |
| Income tax benefit | | | | | | 2 |
| Loss from continuing operations | | | | | | (13) |
| Profit from discontinued operations | | | | | | - |
| Loss for the period | | | | | | (13) |

For three months ended March 31, 2011:

| | Real Estate | | Banking and Retail lending | Infrastructure | | |
|---|---|---|---|---|---|---|
| | Asia | Europe | | Projects | Assets | Total |
| Revenue | 5 | 36 | 7 | 23 | 6 | 77 |
| Other income/expense (*) | 3 | 13 | (1) | - | - | 15 |
| Total Income | 8 | 49 | 6 | 23 | 6 | 92 |
| Segment result | 2 | 29 | (3) | 1 | 2 | 31 |
| Unallocated expenses | | | | | | (1) |
| Profit from operations and share in profit of associates companies before finance expenses, net | | | | | | 30 |
| Finance expenses, net | | | | | | (23) |
| Profit before income tax | | | | | | 7 |
| Income tax expenses | | | | | | (6) |
| Profit from continuing operations | | | | | | 1 |
| Profit from discontinued operations | | | | | | 3 |
| Profit for the period | | | | | | 4 |

For the year ended December 31, 2011:

| | Real Estate | | | Infrastructure | | |
|---|---|---|---|---|---|---|
| | Asia | Europe | Banking and Retail lending | Projects | Assets | Total |
| Revenue | 49 | 161 | 10 | 85 | 29 | 334 |
| Other income/expense (*) | 33 | (235) | (18) | 1 | 2 | (217) |
| Total Income | 82 | (74) | (8) | 86 | 31 | 117 |
| Segment result | 28 | (242) | (50) | (12) | 7 | (269) |
| Unallocated expenses | | | | | | (8) |
| Loss from operations and share in profit of associates companies before finance expenses, net | | | | | | (277) |
| Finance expenses, net | | | | | | (123) |
| Loss before income tax | | | | | | (400) |
| Income tax expenses | | | | | | (27) |
| Loss from continuing operations | | | | | | (427) |
| Profit from discontinued operations | | | | | | 18 |
| Loss for the year | | | | | | (409) |

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

Following the distribution of Kardan Yazamut, the Company's reportable segments include 5 segments (for additional information refer to Note 5 in the Company's annual statutory financial statements as at December 31, 2011)

As a result of the sale of 50% of Sovcom Bank, (see Note 7), the comparative numbers classified as ' profit from discontinued operations'.

## 4. Revenues from retail lending activities

In the first quarter of 2012 TBIF's management evaluated it's consumer credit portfolio and following their evaluation recognized and additional provision for doubtful debt for impairment losses in the amount of €6 million, presented net of 'Revenues from retail lending activities'.

## 5. Share capital

A. Composition

| | **March 31, 2012** | | December 31, 2011 | |
|---|---|---|---|---|
| | Authorized | Issued and Paid-in | Authorized | Issued and Paid-in |
| | Number of shares | | Number of shares | |
| Ordinary shares with nominal value of €0.20 each | 225,000,000 | 111,824,638 | 225,000,000 | 111,824,638 |

During the three month period ended on March 31, 2012 there were no changes to the share capital of the Company.

## 6. Investment properties

Further to Note 8 to the Company's annual financial statements as at December 31, 2011, below we present updated information regarding investment properties:

A. Investment properties can be split up as follows:

| | March 31, | | December 31, |
|---|---|---|---|
| | **2012** | 2011 | 2011 |
| | € in millions | | |
| Completed investment properties | 1,480 | 1,901 | 1,477 |
| Investment properties under construction carried at fair value | 79 | 168 | 64 |
| Investment properties under construction carried at cost | 344 | 290 | 344 |
| | 1,903 | 2,359 | 1,885 |

B. Fair value adjustments comprise:

| | For the three months ended March 31, 2012 | For the three months ended March 31, 2011 | For the year ended December 31, 2011 |
|---|---|---|---|
| | € in millions | | |
| Adjustment to fair value of newly completed investment properties | 1 | - | (48) |
| Adjustment to fair value of investment properties completed in prior years | (1) | 21 | (60) |
| Adjustment to fair value of investment property under construction, net of goodwill released | 5 | (5) | (3) |
| Impairment of receivables and accruals | - | - | (5) |
| Impairment adjustments to investment properties under construction measured at cost | (1) | - | (89) |
| | 4 | 16 | 205 |

During the first quarter of 2012 most of the all investment properties were subject to an internal evaluation and if required, an update was done to the December 31, 2011 external valuation.

C. Significant assumptions

Significant assumptions used in the valuations as of March 31, 2012 and December 31, 2011 are presented below on the basis of weighted averages:

| | Asia | | Europe | |
|---|---|---|---|---|
| | **March 31,2012** | December 31, 2011 | **March 31,2012** | December 31, 2011 |
| Completed investment properties | | | | |
| Average rental rate per sqm per month (in €) (*) | 20 | 19 | 16.1 | 15.9 |
| Average Yield | 9.5% | 9.5% | 7.9% | 8.1% |
| ERV per sqm per month (in €) (*) | 24 | 21 | 16.2 | 16.2 |
| Current Vacancy | 2.5% | 2.5% | 16% | 13% |
| Long term vacancy | 2% | 5% | 0%-5% | 0%-5% |
| Vacancy duration assumed in valuations (months) | 0-12 | n/a | 24 | 24 |
| Assets under construction (only assets at fair value) | | | | |
| Yield | n/a | n/a | 8.7% | 8.7% |
| Average % completed | n/a | n/a | 62% | 53% |

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

# 7. Significant transactions

## A. Kardan N.V.

### 1. Purchase of Debentures

In January 2012 GTC Holding purchased NIS 40,711,000 par value Debentures Series A issued by the Company in 2007 at an average price of NIS 1.1 per debenture, for a consideration of €9.1 million (approximately NIS 44.8 million). The Company accounted for these transactions as an early repayment of debentures. The repurchase resulted in a gain of €1 million which was included as 'finance income' in the income statement.

Subsequent to the balance sheet date, in May 2012, GTC Holding purchased additional NIS 34,466,200 par value Debentures Series A at an average price of NIS 1 for a consideration of €6.9 million (approximately NIS 34.5 million). As a result of the purchase the Company will recognize a profit from early repayment of debentures amounting to €1.3 million.

### 2. Share plan

In March 2012, the Supervisory Board of the Company approved a grant of 148,419 new non-listed shares of the Company ('the Unreleased Shares') under the 2010 share plan of the Company to four Management Board members and one former member.
According to the share plan, the Unreleased Shares will be held by the Company as custodian for two years, and will be released for trade at the moment the participant has accumulated (at least) five consecutive years of service with the Company since January 1, 2009.

The participants may elect to receive up to 50% of this incentive by way of a cash payment, subject to the approval of the Supervisory Board of the Company. The grant is pending the final approval of the Annual General meeting.

The grant was accounted for assuming equity settlement and the total expenses booked in the period were immaterial and included in the 'General and administration expenses'.

### 3. Discontinued operation - Israeli activities

In 2011, the Company distributed its shares of Kardan Yazamut (2011) Ltd. as dividend in kind. As a result of the distribution, Kardan Yazamut's results for the comparative periods are presented as discontinued operations (see Note 5 in December 31, 2011 financial statements)

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

| | For the three months ended March 31 | | For the year ended December 31, |
|---|---|---|---|
| | 2012 | 2011 | 2011 |
| | € in millions | | |
| Total income | - | 90 | 286 |
| Total expenses | - | (96) | (273) |
| Profit (loss) before tax | - | (6) | 13 |
| Income tax expenses | - | 1 | 2 |
| Net profit (loss) from discontinued operations | - | (7) | 11 |
| Attributable to: | | | |
| Equity holders | - | (5) | 10 |
| Non-controlling interest holders | - | (2) | 1 |
| | - | (7) | 11 |

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

| | For the three months ended March 31 | | For the year ended December 31, |
|---|---|---|---|
| | 2012 | 2011 | 2011 |
| | € in millions | | |
| Net cash flow from operating activities | - | 6 | 15 |
| Net cash flow from investing activities | - | 5 | (61) |
| Net cash flow from financing activities | - | (1) | 40 |
| Net cash flows from discontinued operations | - | 10 | (6) |

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

| | For the three months ended March 31 | | For the year ended December 31, |
|---|---|---|---|
| | 2012 | 2011 | 2011 |
| | € in millions | | |
| Change in hedge reserves, net of tax | - | - | 6 |
| Foreign currency translation differences | - | (2) | (15) |
| | - | (2) | (9) |

**B. <u>KFS</u>**

## Discontinued operations in KFS (VAB Bank, Sovcom Bank)

The discontinued operation in the Banking and Retail lending includes capital gain from the sale of VAB in Q1 2011(see Note 5 in the December 31, 2011 financial statements) and the operating results of Sovcom Bank

Sale of 50% of Sovcom Bank

In June 2011 TBIF signed an agreement with Sovco Capital Partners B.V. (TBIF's partner in Sovcom bank) to sell the shares in Sovcom bank owned by TBIF (a total of 50% of the share capital of the bank) in consideration of €123 million.

In the beginning of 2012, after receiving the approval from the Bank of Russia with regards to the closing of the transaction, the sale is considered highly probable. Accordingly, under the requirements of IAS 31 and IFRS 5 and because the results of January 2012 were deemed insignificant, as of January 1, 2012 TBIF has stopped applying proportionate consolidation to the investment in Sovcom bank from the same date.
The assets of Sovcom Bank were classified as 'Assets held for sale' and the liabilities were classified as 'Liabilities associated with assets held for sale'.
In accordance with the requirements of IFRS 5, and as management considers Sovcom bank operations as a major geographical area, past results of the bank were included in 'Net profit for the period from discontinued operations' in the consolidated income statement

With the completion on the transaction, the accumulated foreign translation reserve relating to investment in Sovcom Bank in the amount of €(1) million will be classified to the income statement.

1) Assets and liabilities which were classified as "held for sale" as a result of the sale

Most of the assets and liabilities held for sale as of March 31, 2012 represent the assets and liabilities of Sovcom Bank. Below is the composition of main groups of these assets and liabilities:

| | **January 1, 2012** |
|---|---|
| | € in millions |
| **Assets** | |
| Tangible fixed assets | 25 |
| Investment properties | 1 |
| Long-term loans and receivables | 10 |
| Intangible assets and goodwill | 34 |
| Loan to banl customers | 404 |
| Other receivables and prepayments | 18 |
| Income tax receivables | 2 |
| Short-term investments | 172 |
| Cash and cash equivalents | 41 |
| **Total assets** | **707** |
| **Liabilities** | |
| Deferred income tax liabilities | 4 |
| Interest-bearing loans and borrowings | 62 |

| | |
|---|---|
| Banking customers accounts | 509 |
| Other payables and accrued expenses | 66 |
| **Total liabilities** | **641** |
| | **66** |

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

| | For the three months ended December 31, | | For the year ended December 31, |
|---|---|---|---|
| | **2012** | 2011 | 2011 |
| | | € in millions | |
| Total income | - | 16 | 102 |
| Total expenses | - | 5 | 84 |
| Profit before tax | - | 11 | 18 |
| Income tax expenses | - | 1 | 11 |
| Net profit from discontinued operations | - | 10 | 7 |

Discontinued operations for comparatives periods presented include the results of VAB Bank and Sovcom bank.
The sale of VAB Bank was completed in January 2011; therefore, total income and expenses from these activities in 2011 were immaterial (for additional information refer to note 5 on December 31, 2011 financial statements).

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

| | For the three months ended March 31, | | For the year ended December 31, |
|---|---|---|---|
| | **2012** | 2011 | 2011 |
| | | € in millions | |
| Net cash flow from operating activities | - | (38) | 13 |
| Net cash flow from investing activities | - | (2) | (18) |
| Net cash flow from financing activities | - | - | (8) |
| Net cash flows from discontinued operations | - | (40) | (13) |

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

| | For the three months ended March 31, | | For the year ended December 31, |
|---|---|---|---|
| | **2012** | 2011 | 2011 |
| | | € in millions | |
| Foreign currency translation differences | - | - | (3) |

5) <u>Assets held for sale</u>

The assets held for sale presented in the balance sheet also include an investment property (Platinum Business Park 1-4) in the amount of €136 million.

## 8. Covenants

The Company

As stated in Note 29 in the annual financial statements, as of December 31, 2011, the Company did not meet financial covenants relating to maintaining a minimum equity level. 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 required financial covenants with respect to two loans in the amount of €15 million each. According to the principal agreements, the financial covenants will be amended so that the Company is required to maintain a minimum shareholders' equity of €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 €35 million from the total outstanding loans of Kardan, GTC Holding and TGA. Subsequent to balance sheet date, in April 2012, the Company, GTC Holding and TGA repaid of €35 million as agreed.

Within the Group, additional loans in the amount of €144 million were referenced in the amendment letter received by the lending bank and are with the same covenants.

According to the letter received as described above, the Company and its subsidiaries meet the new agreed upon covenants. However, since an amendment to the loan agreements hasn't been signed yet, the Company and its subsidiaries had to present loans amounting to €174 million as current liabilities.

Subsequent to balance sheet date, in May 2012, the Company and the lending bank signed an extension to the principle agreement, extending the validity of the principle agreement up to the end of June, 2012.

GTC S.A

As of March 31, 2012, a subsidiary of GTC S.A. was in a breach of covenants relating to a loan in the amount of €29 million and therefore classified the loan as short term as of March 31, 2012. The breach relates mainly to debt service coverage ratio. GTC S.A. and the subsidiary currently conduct discussions with the lending Banks for possible amendments to the loan agreement.

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

## Review report

*Introduction*

We have reviewed the accompanying interim condensed consolidated statement of financial position of Kardan N.V., Amsterdam (the “Company”) as at March 31, 2012 and the related interim condensed consolidated income statement, statement of comprehensive income, changes in equity and cash flows for the three month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting (“IAS 34”) as adopted by the European Union. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

*Scope*

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

*Opinion*

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

Amsterdam, May 30, 2012

Ernst & Young Accountants LLP

Signed by: W. Van Hoeven

## ADDITIONAL INFORMATION

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

KARDAN N.V.

Presentation of separate financial data included annexed to the

Consolidated financial statements related to the Company

As of March 31, 2012

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

### March 31, 2012

| | March 31, 2012 | March 31, 2011 | December 31, 2011 |
|---|---|---|---|
| | € in millions | | |
| **Assets** | | | |
| **Non-current assets** | | | |
| Long-term receivables (Mainly fair value of derivatives) | 56 | 105 | 57 |
| **Financial fixed assets** | | | |
| Investments in consolidated subsidiaries | 464 | 618 | 482 |
| Loans to consolidated subsidiaries | 255 | 135 | 288 |
| | 719 | 753 | 770 |
| **Current assets** | | | |
| Cash and cash equivalents | 31 | 101 | 28 |
| Short-term investments | 7 | 7 | 6 |
| Other receivables | 15 | 14 | 3 |
| | 53 | 122 | 37 |
| **Total assets** | 828 | 980 | 864 |
| **Equity and liabilities** | | | |
| **Equity attributable to equity shareholders** | | | |
| Share capital | 23 | 23 | 23 |
| Share premium | 208 | 235 | 208 |
| Property revaluation reserve | 55 | 60 | 52 |
| Revaluation reserve, other | 15 | 11 | 5 |
| Currency translation reserve | - | (8) | 7 |
| Non controlling interest holders transaction reserve | 20 | 20 | 19 |
| Treasury shares | (3) | (27) | (3) |
| Retained earnings | (127) | 37 | (108) |
| | 191 | 351 | 203 |
| **Long-term liabilities** | | | |
| Debentures | 521 | 581 | 593 |
| Loans from banks and others | - | 30 | - |
| Options and other long term liabilities | 9 | 9 | 9 |
| | 530 | 620 | 602 |
| **Current liabilities** | | | |
| Current maturities of long term loans and debentures | 100 | 2 | 30 |
| Other payables | 7 | 7 | 29 |
| | 107 | 9 | 59 |
| **Total equity and liabilities** | 828 | 980 | 864 |

## ADDITIONAL INFORMATION FROM THE COMPANY'S INCOME STATEMENT

## Period ended March 31, 2012

| | For the three months ended March 31, | | For the year ended December 31, |
|---|---|---|---|
| | **2012** | 2011 | 2011 |
| | € in millions | | |
| Net result from investments for the period | (12) | 1 | (124) |
| Other income | - | - | 1 |
| **Total revenues** | (12) | 1 | (123) |
| General and administrative expenses | 1 | 1 | 7 |
| **Loss from operations before financing expenses** | (13) | - | (130) |
| Financing expenses, net | (4) | (1) | (16) |
| **Loss from operations before tax expense (benefit)** | (17) | (1) | (146) |
| Income tax expense (benefit) | (3) | (1) | 2 |
| **Loss for the period** | (14) | - | (148) |

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

| | For the three months ended March 31, | | For the year ended December 31, |
|---|---|---|---|
| | **2012** | 2011 | 2011 |
| | € in millions | | |
| Net result for the period | (14) | - | (148) |
| Foreign currency translation differences | (7) | (16) | (1) |
| Change in hedge reserve, net | 8 | 6 | - |
| Unrealized revaluations, net of tax | - | (1) | (1) |
| Other comprehensive income for the period | 1 | (11) | (2) |
| **Total comprehensive income (expense)** | (13) | (11) | (150) |

## ADDITIONAL INFORMATION FROM THE COMPANY'S CASH FLOW STATEMENT

| | For the three months ended March 31, | | For the year ended December 31, |
|---|---|---|---|
| | **2012** | 2011 | 2011 |
| | € in millions | | |
| **Cash flow from operating activities of the Company** | | | |
| Net income/(Loss) for the period | (14) | - | (148) |
| **Adjustments to reconcile net profit to net cash of the Company** | | | |
| Charges to net loss not affecting operating cash flows: | | | |
| Change in fair value of hedge instruments | (1) | (2) | 12 |
| Financial expense | 2 | 4 | 35 |
| Equity loss (earnings) | 12 | (1) | 124 |
| **Changes in working capital of the Company** | | | |
| Change in receivables | (2) | 2 | 1 |
| Change in payables | (1) | (3) | (1) |
| **Cash amounts paid and received during the year** | | | |
| Interest paid | (28) | (29) | (29) |
| **Net cash used in operating activities of the company** | **(32)** | **(29)** | **(6)** |
| **Cash flow from investing activities of the company** | | | |
| Short term investments, net | (1) | 1 | 2 |
| Granting of loans to subsidiaries, net | 36 | 140 | (18) |
| Investments in subsidiaries | - | - | (16) |
| Proceeds from sale of investee companies | - | - | 41 |
| **Net cash provided by investing activities of the company** | **35** | **141** | **9** |
| **Cash flow from financing activities** | | | |
| Investment in shares of a subsidiary | - | - | (4) |
| Transactions with Non controlling interest | - | - | (3) |
| Proceeds from sale of hedge instruments | - | - | 45 |
| Repayment of long-term debt | - | (21) | (23) |
| **Net cash provided by (used in) financing activities of the company** | - | **(21)** | **15** |
| **Increase in cash and cash equivalents of the company** | **3** | **91** | **18** |
| Cash and cash equivalents at beginning of the period of the company | 28 | 10 | 10 |
| **Cash and cash equivalents at end of the period of the company** | **31** | **101** | **28** |

## 1. General

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

The condensed interim consolidated financial statements should be read in conjunction with the additional financial information for the year ended December 31, 2011 and the accompanying notes, and in conjunction to the consolidated interim financial statements for the three months ended March 31, 2012.

## 2. Going concern

During 2011 the Company incurred losses (attributable to equity holders of the Company) in an amount of €148 million mainly due to complex uncertain macroeconomic conditions existing in world markets and especially in Europe, which affected the Company primarily by a decrease in the valuations of its investment properties and inventory as well as the need to take additional provisions on its loans and credit portfolios. This loss has contributed to a decline of the Company's equity to €203 million as of December 31, 2011 and a breach of financial covenants (refer to Note 8 for additional information).

In the first quarter of 2012 the Company incurred additional losses in the amount of €14 million, which contributed to a further decline of equity to €191 million.
As of March 31, 2012, the Company (on a standalone basis) has a working capital deficiency of €54 million, mainly due to current maturities of debentures which are due to be paid in February 2013. In addition, the Group (on a consolidated basis) had negative cash flows from operations of €33 million in the three months ended March 31, 2012.

The Company's condensed interim consolidated financial statements as of March 31, 2012 have been prepared on the assumption the Company will continue as a going concern. This is based, among others, on the current cash balances and its available assets as well as considering cash from future operations and transactions. In Q1/2013 and Q1/2014 the first installments of the Company's debentures mature in the respective amounts of €74 million and €115 million (including interest). These repayments will be funded through existing cash balances, cash generated from the repayment of certain shareholder's loans by some of the Company's subsidiaries, and cash generated mainly through sale of certain assets. The realization of the Company's plans depends on factors that are not wholly within the Company's control, however the Company believes that it will be able to repay its liabilities as they mature in the foreseeable future.

## 3. Liquidity risk management

Liquidity risk is defined as the risk that the Company will encounter difficulties in meeting short and long term obligations associated with financial liabilities that are settled by delivering cash or other financial assets. The Company prepared a two year liquidity analysis as part of its normal course of business which addresses the required liquidity to be able to repay the debentures in Q1 2013 and Q1 2014 and all other loans and to finance its investments and operating activities, and believes that it will be able to repay its liabilities as they mature in the foreseeable future.