KARDAN N.V.

PRESS RELEASE
Amsterdam/Tel Aviv, May 30, 2012
Number of pages: 16

KARDAN Q1–2012 RESULTS:

LOSS OF EUR 14 MILLION TO EQUITY HOLDERS

CONTINUING DIFFICULT MARKETS

Highlights segments Q1-2012:

Kardan N.V.

- EUR 14 million loss attributable to equity holders, mainly due to loss in financial services division
- 32% of the Debenture Plan (to buy back debentures up to EUR 50 million) executed as of March 31, 2012

Real Estate Asia

- Profit of EUR 1 million: balanced contribution between substantial deliveries of units and shopping mall in Chengdu
- Continued slowdown of sale of apartments resulting from measures by Chinese government

Real Estate Europe

- Profit of EUR 2 million mainly due to positive net revaluation gains at GTC S.A.
- GTC S.A. rental and service revenues up by 3%, despite sale of remaining 50% of Galeria Mokotow (Poland) in Q3 - 2011
- Average occupancy in completed properties of GTC S.A. increased to 89%
- Intended rights issue by GTC S.A. of EUR 100 million approved by GTC S.A. shareholders meeting; Kardan intends to participate to its full pro rata share (i.e. EUR 28 million)

Water Infrastructure Assets

- Profit of EUR 1 million as result of growth of Kardan Water activities in China

Water Infrastructure Projects

- Loss of EUR 2 million due to lower gross margin on fairly stable revenues, resulting from a different project mix than last year

Banking and Retail Lending

- Loss of EUR 11 million due to continuing impairments on non performing consumer credits

The Management Board of Kardan N.V. stated: “The loss of EUR 14 million in the first three months of 2012, is a result of the extension of the unexpected stalling of the economic recovery in Europe in late 2011 into Q1 of 2012. Consumer confidence remains low and the weakening of global demand is ongoing. Growth differentials between the various member states of the European Community are, however, set to remain substantial. Whereas Poland showed a healthy GDP growth (y-o-y) in Q1-2012, both Romania and Bulgaria’s economy contracted, which we experienced in our Banking and Retail Lending in these countries. In China, the sluggish external market and the measures taken by the government to control inflation, cool down the speculative property market and simultaneously stimulate internal demand and purchasing power, resulted in a slightly slower growth of the Chinese economy in Q1-2012. The sale of apartments consequently, significantly decreased due to the stringent mortgage conditions and the decreasing trend in prices for apartments. Both in Central and Eastern Europe as well as in China we are pacing our construction in line with market circumstances in order not to build up unsold inventory.

The water infrastructure sector is also experiencing the impact of the current economic environment. Delays in project assignment and challenges in funding for wastewater treatment plants are currently common aspects of the business to be taken into account. Our water infrastructure division has reorganized and refocused to meet the requirements in the markets of today.
We do not expect that the worldwide macroeconomic situation or sentiment will improve substantially during 2012. Our focus and priorities consequently lie with preemptively working on servicing our debt positions on holding company levels, while also managing our operating entities in the most efficient manner. Our vision, that the emerging markets will grow faster than the developed markets on the back of the growing economic power of the middle class, has not changed. The European Commission published their “Spring 2012 Economic Forecast” on May 11 last, indicating an expectation of careful recovery for the EU in 2013, with positive growth returning mainly in the CEE region. Taking into account all the existing macro economic uncertainties, however, we remain careful”.

The condensed consolidated income statement split into the different segments of Kardan N.V. is shown in the table below. Management analyses the segment performance based on result from operations before finance expenses (in note 3 of the condensed interim consolidated financial statements called "Segment result"). In this press release, additional segment information is provided for information purposes.

Following this analysis, the results of every individual segment is analyzed in more detail. For the sake of clarity, the results of every individual segment is based on the consolidated figures, thus including management fees and other holding costs on the Kardan N.V. level.

Condensed Consolidated Income Statement Kardan N.V.

For the first three months ended March 31, 2012
(in EUR million)

	Real Estate		Infrastructure		Banking and Retail lending		**Total**	**Total**	**Total**
	Asia	Europe	Assets	Projects		Other	**Q1-2012**	**Q1 - 2011**	**FY 2011***
Total revenues	17	38	9	22	(1)	-	85	77	334
Total expenses	16	21	7	24	9	2	79	63	394
Profit (loss) from operation before fair value adjustments, disposal of assets and financial expenses	1	17	2	(2)	(10)	(2)	6	14	(60)
Profit (loss) from fair value adjustments and on disposal of assets and investments	3	1	-	-	-	-	4	16	(217)
Result from operations before finance expenses	**4**	**18**	**2**	**(2)**	**(10)**	**(2)**	**10**	**30**	**(277)**
Financing income (expenses), net	(2)	(17)	-	-	(1)	(5)	(25)	(23)	(123)
Profit (Loss) before income tax	2	1	2	(2)	(11)	(7)	(15)	7	(400)
Income tax (expenses)/benefit	(1)	1	(1)	-	-	3	2	6	27
Profit (Loss) from continuing operations	**1**	**2**	**1**	**(2)**	**(11)**	**(4)**	**(13)**	**1**	**(427)**
Profit (Loss) from discontinued operations	-	-	-	-	-	-	-	3	18
Profit (Loss) for the period	1	2	1	(2)	(11)	(4)	(13)	4	(409)
Attributable to:									
Non-controlling interest	-	1	-	-	-	-	1	4	(261)
Net result for equity holders	**1**	**1**	**1**	**(2)**	**(11)**	**(4)**	**(14)**	**-**	**(148)**
Profit (Loss) for the period	1	2	1	(2)	(11)	(4)	(13)	4	(409)

* The results of 2011 have been restated as the results of Sovcombank have been classified as discontinued operations.

Total consolidated **net result from continuing operations** decreased to a loss of EUR 13 million in Q1-2012, from a profit of EUR 1 million in the first quarter of 2011.

The result from operations before finance expenses of Real Estate Asia amounting to EUR 4 million is mainly derived from delivery of apartments and a revaluation of the shopping mall in Chengdu. After deduction of financial expenses caused by foreign exchange losses due to the strengthening of the Euro against the Chinese RMB and income taxes, the net profit from continuing operations amounts to EUR 1 million, similar to in Q1-2011.

Real Estate Europe (mainly GTC S.A.) contributed EUR 2 million. This is mainly attributable to a positive revaluation of investment property.

Water infrastructure lost EUR 1 million in Q1-2012, similar to Q1 – 2011. Positive results of Assets in China, were offset by lower results of Projects due to delays in projects, so recognized revenues in the quarter were too low to generate sufficient margin to cover the SG&A expenses.

The Banking and Retail Lending segment contributed a loss of EUR 11 million (Q1-2011: EUR 5 million loss), mainly as due to continued deterioration of the quality of the consumer credit portfolio in Bulgaria, further provisions on non performing loans had to be recognized. The performance of the portfolio of TBI Bank that was acquired last year did not require additional provisions.

Included in “Other” are the expenses and finance costs of the holding companies Kardan N.V. and GTC Real Estate Holding BV. In Q1-2012 the result was a loss of EUR 4 million, compared to EUR 2 million in Q1-2011.

The **profit from discontinued operations** in Q1-2011 includes losses amounting to EUR 7 million relating to the Israeli activities, mainly Kardan Israel. These activities were distributed as dividend in kind in October 2011 to the shareholders of Kardan N.V. The profit also includes a profit on the sale of Ukrainian VAB bank in the beginning of 2011 (EUR 6 million), as well as the Q1-2011 profit of Sovcombank (EUR 4 million), for which there is an agreement to sell the shares to the partner in the bank; the transaction is expected to be closed soon.

The **net result** for equity holders of Kardan N.V. amounted to a loss of EUR 14 million (Q1-2011 break even result).

Equity

Kardan N.V. – balance sheet (company only, in EUR million)	**31.03.2012**	**31.12. 2011**
Total Assets	828	864
Total Equity	191	203
Equity/Total assets (%)	23%	23%

Shareholder’s equity of Kardan N.V. decreased from EUR 203 million as of December 31, 2011 to EUR 191 million as of March 31, 2012, mainly as a result of the loss of EUR 14 million.

Covenants

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 required with respect to two loans in the amount of EUR 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 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 Group Assets.

Subsequent to balance sheet date, in April 2012, the Company, GTC RE Holding and Tahal Group Assets made the early repayment of EUR 35 million as agreed.

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 has not been signed yet, the Company and its subsidiaries had to present loans amounting to EUR 174 million as current liabilities.

GTC S.A. was in breach of a 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:

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 first quarter 2012: 8.1% y-o-y
- Annual inflation lower than 4%, in line with Chinese government target
- Retail sales grew 15.2% in –March 2012 (y-o-y)
- House prices in 70 largest cities in China decreased by 0.5% on average in March 2012 (y-o-y)

China's economy expanded by 8.1% (y-o-y) in the first quarter of 2012, down from 9.2% (y-o-y) in 2011. As a result of the sluggish external market, the Chinese government lowered its full year growth target for 2012 to 7.5%, in order to stabilize the economy. The focus of the government is on stimulating internal demand and purchasing power, which is, among others, reflected in an increase in retail sales of 15.2% (y-o-y) in March 2012, which underpins the possibilities for development of retail centers.
The slowdown in GDP growth is largely the result of the measures taken by the Chinese government to fight inflation and to cool down the speculative property markets, by, among others, increasing interest rates and by enforcing restrictive lending measures. In line with the decrease of the inflation rate and the slowdown in the residential sector, the bank's reserve requirements were eased. The People's Bank of China has cut the proportion of deposits that banks must keep as reserves by more than 100 basis points in three moves since late 2011. This could lead to a careful recovery of the residential real estate market, as obtaining mortgages at favorable interest rates by first time buyers could be made easier where currently potential buyers are postponing their buying decision. The process of urbanization continues. Consequently, the underlying characteristics for residential real estate demand as well as for shopping centers, in Tier 2 and Tier 3 cities remains.

Kardan Land China's strategy is to focus on the development of mixed use projects, i.e. retail centers in combination with residential apartments in China's Tier 2 and Tier 3 cities.

Results Real Estate Asia

	Real Estate Asia		
	For the quarter ended March 31		Full Year
	In EUR million		
	2012	**2011**	**2011**
Property rental and service recharge revenues	2	2	6
Delivery of units	15	3	43
Total revenues	17	5	49
Costs of property rental and service recharge operations	1	1	3
Cost of delivery of units	12	3	34
Other expenses, net	-	-	1
Gross profit	4	1	11
SG&A expenses	3	2	16
Adjustment to fair value (impairment) of investment properties	3	3	17
Gain on disposal of assets and other income	-	-	16
Result from operations before finance expenses	**4**	**2**	**28**
Financing income (expenses), net	(2)	(1)	3
Income tax (expenses) / benefit	(1)	-	(7)
Profit (loss) from continuing operations	**1**	**1**	**24**
Net profit (loss)	1	1	24
Attributable to:			
Equity holders (Kardan N.V.)	**1**	**1**	**24**

Additional information Real Estate Asia	**2012 (31.03)**	**2011 (31.03)**	**2011 (31.12)**
Balance sheet (in EUR million)			
Completed investment property	68	105	68
Investment Property Under Construction	53		54
Inventory	216	113	231
Cash & short term investments	65	51	67
Total Assets	489	464	514
Loans and Borrowings	42	140	43
Advance payments from buyers	124	111	136
Total Equity	242	150	247
Other			
Units sold in period *	81	599	1,883
Units delivered in period *	512	143	1,767
Total units sold, not yet delivered *	4,684	5,455	5,115

*reflects number of units 100%; Kardan Land China holds 50%

<u>Revenues</u>

"Property rental and service recharge revenues" is attributable to the shopping center in Chengdu. 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.
The occupancy rate as of March 31, 2012 is 98% compared to 97% as of December 31, 2011.

In Q1-2012, Kardan Land China delivered 512 apartments vis-à-vis 143 in the same period in 2011 (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 the large number of deliveries of apartments as well as to a different mix of the type of apartments and parking spaces delivered.

Gross margin
The gross margin on rental and service recharge revenues was 44% compared to 35% in Q1- 2011; the margin was negatively impacted by an additional one-off property tax charge of EUR 0.2 million. Without the charge the margin would have been 57% (full year 2011: 55%).
The gross margin on delivery of units was 21%, equal to the margin in the full year 2011.

Sales & Marketing, and General Administrative expenses (SG&A)
These expenses were a bit higher compared to Q1 - 2011, mainly due to sales expenses attributable to the higher number of delivered apartments in Q1-2012, as well as due to the start of marketing activities related to the new project in Dalian.

Adjustment to fair value of investment properties
The adjustment to fair value in both Q1-2012 as in Q1-2011 is a valuation gain attributable to the shopping mall in Chengdu.

Financing Income/expenses
In Q1-2012, the financing expenses increased by EUR 1 million compared to in the same period last year. The financial assets of Kardan Land China are mainly denominated in RMB. As a result of the strengthening of the Euro against the RMB, foreign exchange losses of approximately EUR 1 million were recognized.

Additional Information:
As at March 31, 2012, total assets were lower by EUR 25 million compared to December 31, 2011, due to, among others delivery of sold apartments, resulting in lower inventory. For the same reason, “Advance payments received from buyers” decreased. The balance as of March 31, 2012, approximates the amount of revenue that is expected to be recognized in the income statement over the next two to three years, depending on the moment of delivery to the buyers.

From the outstanding “Loans and Borrowings”, approximately EUR 24 million relates to the shareholder loan.

As can be seen in the table above, sale of units substantially decreased in Q1-2012 when compared to Q1-2011; a result of the hesitation noticeable with buyers pending the measurements taken by the Chinese government. The significant slowdown started in Q4-2011 (just over 100 units). The pace of construction has been adjusted by Kardan Land China to match the market conditions. Consequently, as at March 31, 2012, the percentage of completed unsold units in the inventory remained equal vis-á-vis December 31, 2011, at 3%.

Real Estate Europe

General Market developments Central and Eastern Europe (CEE)

- No economic recovery yet in Q1-2012 in Europe
- Substantial growth differentials between member states EU: Poland positive, Romania and Bulgaria struggling
- Consumer confidence still low

The unexpected stalling of the economic recovery in late 2011 is expected by the European Commission to extend into the first two quarters of 2012. Member States of the European Union have adopted additional measures to pursue necessary fiscal consolidation as the sovereign debt crisis lingers on. Most of the Central and Eastern European (CEE) countries have been affected by the sovereign debt crisis through weaker exports and reduced capital inflows. The European Commission consequently expects overall global GDP and world trade growth to show signs of recovery only in 2013. Growth differentials are set to remain substantial between the various member states.

Poland's GDP increased by approximately 3.5% year on year in Q1-2012, in comparison to an increase of 4.3% in Q4-2011. Lower private spending due to inflation eroding purchasing power, a deteriorated consumer confidence and a worsened labor market are the main reasons for the slower growth, which, however, remains one of the highest GDP growth percentages in CEE, with an expected annual growth of 2.7% for 2012. The spending power of the inhabitants of Warsaw exceeds the national average by some 58%, underpinning the fact that the Warsaw retail market remains highly demand driven. GTC S.A. is planning to start the construction of two new retail centers in Warsaw in 2013, currently the only two developments which GTC S.A. plans to start.

In Romania, GDP contracted by 0.6% y-o-y in Q1 – 2012. The annual inflation rate fell to 2.4% in March reaching a new historic low from 2.7% in February, which could open up the way for further easing of the monetary policy according to macro economists. In addition, the newly elected Prime Minister of Romania aims to restore public sector wages and pensions which have been severely cut in the past years. As the somber outlook for Western Europe for 2012 is likely to dampen export growth to some extent, Romania's GDP is expected to grow by 1.4% for the full year 2012.

GDP contracted in the first quarter of 2012 in Bulgaria, one of the weakest countries in CEE. Exports decreased and domestic consumption remained stagnant, among others due to the high precautionary savings that consumers are setting aside. The European Commission expects Bulgaria's economy to grow by 0.5% in 2012.

Results Real Estate Europe

Real Estate Europe comprises GTC S.A. which operates in Central and Eastern Europe, as well as the small entity GTC Western Europe, in which Kardan holds 49%. 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. Consequently, the results of Real Estate Europe are mainly reflective of the results of GTC S.A.

	Real Estate Europe		
	For the three months ended March 31,		Full Year
	in EUR million		
	2012	**2011**	**2011**
Property rental and service recharge revenues	32	32	136
Delivery of units	6	4	25
Total revenues	38	36	161
Costs of property rental and service recharge operations	9	9	38
Cost of delivery of units	5	4	23
Operational Gross Profit	24	23	100
Other expenses, net	1	1	(77)
Gross profit	23	22	23
SG&A expenses	6	6	29
Adjustment to fair value (impairment) of investment properties	2	14	(221)
Gain on disposal of assets and other income	-	-	-
Impairment losses on goodwill	-	-	(11)
Equity in net earnings of associated companies	(1)	(1)	(4)
Result from operations before financing expenses	**18**	**29**	**(242)**
Financing income (expenses), net	(17)	(15)	(86)
Income tax (expenses) / benefit	1	(6)	(18)
Profit (loss) from continuing operations	**2**	**8**	**(346)**
Net profit (loss) from discontinued operations	-	-	-
Net profit (loss)	2	8	(346)
Attributable to:			
Non-controlling interest holders	1	5	(262)
Equity holders (Kardan N.V.)	**1**	**3**	**(84)**

Additional information GTC S.A.	2012 (31.03)	2011 (31.03)	2011 (31.12)
Balance sheet (in EUR million)			
Inventory & residential land bank	179	259	182
Investment property	1,723	2,192	1,704
Assets held for sale	136	-	134
Cash & short term investments	163	160	179
Total Assets	2,311	2,748	2,314
Total bank debts and financial liabilities	1,397	1,435	1,395
Total Equity	739	1,078	724
Other			
Loan to Value*	60%	53%	60%
Completed commercial space(sqm)	579,856	544,000	579,856
Value completed commercial space (EUR million)	1,469	1,702	1,465
Average occupancy	89%	84%	87%
Average yield	8.1%	9.1%	8.1%

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

<u>Revenues</u>
"Property rental and service recharge revenues" at GTC S.A. increased by 3% y-o-y in Q1 - 2012, to EUR 32 million despite the sale in Q3 -2011 of 50% of Galeria Mokotow, the retail center of GTC S.A. in Warsaw. The increase is due to opening of new retail/office centers and improved average occupancy at GTC S.A. to 89%. In some retail centers, lease income per sqm is low as it is based on low revenue of tenants, as well as due to measures taken by GTC S.A. to maintain occupancy levels.

The residential market in CEE/SEE remains weak, however, the revenue from residential apartments increased from EUR 4 million (Q1-2011) to EUR 6 million in the first three months of this year.

<u>Operational Gross profit</u>
The gross profit on property rental and service recharge revenues amounted to EUR 23 million, similar to in Q1-2011, with the margin remaining at 72%.

<u>Adjustment to fair value of investment properties</u>
Profit from revaluations at GTC S.A. in Q1-2012 amounted to EUR 2 million net. Revaluation gains on the assets in Poland were offset by some losses in the South Eastern European region.

<u>Financing Income /expense</u>
The financing expense increased y-o-y in the first three months of 2012 mainly due to completion of investment properties. Until completion, the majority of finance expenses are capitalized.
The average interest rate payable by GTC S.A. in Q1-2012 remained stable at 5%.

<u>Direct result</u>
The gross margin from operations less the SG&A and finance expenses and excluding the one off expenses is slightly positive: EUR 1 million in Q1-2012 compared to EUR 2 million in Q1-2011.

<u>Income tax</u>
The income tax benefit is mainly attributable to the release of a deferred tax liability due to the decreasing difference between the assets tax base and the assets value, resulting from the strengthening of the PLN against the Euro.

<u>Net profit/ (loss) attributable to Equity holders</u>
Kardan holds an indirect 28% stake in GTC S.A. Consequently, the majority of the consolidated profit for shareholders is attributable to the non-controlling shareholders. Due to the Q1-2012 result of GTC S.A., the contribution to the equity holders of Kardan from the Real Estate Europe segment was a profit of EUR 1 million (Q1-2011: profit of EUR 3 million).

<u>Additional Information GTC S.A.</u>

Total Equity of GTC S.A. increased to EUR 739 million from EUR 724 million as of year-end 2011 mainly due to the profit for the period and strengthening of the PLN versus the Euro.
At March 31, 2012 the loan to assets value remained stable at 60% (December 31, 2011: 60%). The loans classified as short term amount to EUR 251 million. However, it should be noted that

EUR 152 million is repayable only upon sale of the related assets (Platinum and residential apartments). For one loan of EUR 29 million covenants are under negotiation. As long as the negotiations are not finalized, the loan is classified as a short term liability. The first tranche of bonds maturing in April 2012 has been repaid in the mean time.

GTC S.A. is listed on the Warsaw Stock Exchange. For full details on the GTC S.A. Q1 2012 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

- Water, and clean water, scarcity is ever increasing.
- Governments worldwide are allocating more funds to water infrastructure projects and stimulating Public Private Partnerships (PPP's).

The need for access to (clean) water continues to increase worldwide. In China, 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. Public Private Partnerships, specifically with regard to wastewater treatment plants, in China are showing a growing trend.

In other Asian countries and in Africa, water management is also high on the agenda. Water is imperative for food security and thus to the stability within countries.

Results Infrastructure Assets

	Assets		
	For the three months ended March 31		Full year
	in EUR million		
	2012	**2011**	**2011**
Contract revenues	9	6	29
Contract cost	5	3	16
Other expenses, net	-	-	1
Gross profit	4	3	12
SG&A expenses	2	1	7
Gain on disposal of assets and other income	-	-	2
Result from operations before financing expenses	**2**	**2**	**7**
Financing income (expenses) net	-	(3)	(5)
Income tax (expenses) / benefit	(1)	-	(2)
Profit (loss) from continuing operations	**1**	**(1)**	**-**
Net profit (loss) from discontinued operations	-	-	2
Net profit (loss)	1	(1)	2
Attributable to:			
Non-controlling interest holders	-	-	(1)
Equity holders (Kardan N.V.)	**1**	**(1)**	**3**

Additional Information Assets (in EUR million)	**2012 (31.03)**	**2011 (31.03)**	**2011 (31.12)**
Cash & short term investments	8	8	17
Total Assets	163	204	171
Net Debt (excl shareholder loans)**	51	63	44
Equity*	79	70	84
Equity* / Assets	48%	34%	49%

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

Revenues

Revenue increased by 50% compared to Q1-2011, fully attributable to Kardan Water in China, which activity accounts for approximately 80% of the total revenue of Tahal Assets. The revenue increase in China is attributable to expansion of the capacity through the acquisition of a new waste water treatment plant in Xuanhua with a capacity of 120 tons a day and revenue that is recognized during construction or development of the ZiChuan plant.

Gross profit

The gross profit margin decreased slightly to 39% in Q1-2012 on the back of slightly higher concession agreement costs. The gross profit is largely attributable to Kardan Water in China.

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 mainly attributable to the acquisition of the plant in Xuanhua.

Results Infrastructure Projects

	Projects		
	For the three months ended March 31		Full Year
	in EUR million		
	2012	**2011**	**2011**
Contract revenues	22	23	85
Contract cost	20	17	76
Other expenses, net	-	-	3
Gross profit	2	6	6
SG&A expenses	4	5	19
Gain on disposal of assets and other income	-	-	1
Result from operations before financing expenses	**(2)**	**1**	**(12)**
Financing income (expenses), net	-	(1)	(3)
Income tax (expenses) / benefits	-	-	1
Profit (loss) from continuing operations	**(2)**	**-**	**(14)**
Net profit (loss)	(2)	-	(14)
Attributable to:			
Equity holders (Kardan N.V.)	**(2)**	**-**	**(14)**

Additional Information Projects	**2012 (31.03)**	**2011 (31.03)**	**2011 (31.12)**
Balance sheet (in EUR million)			
Cash & short term investments	33	17	26
Total Assets	129	106	119
Net debt (excl. shareholder loans)**	(26)	(1)	(18)
Equity*	38	41	34
Equity* / Assets	29%	39%	29%
Other (in EUR million)			
Backlog	351	174	316
New business	67	18	203

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

Revenues
Revenue is similar to Q1-2011 and develops in line with the expectations.

Gross profit
In comparison to Q1 – 2011, the gross profit margin decreased to 9% in Q1-2012 (December 31, 2011: 7%) The decrease of the margin is caused by a change in the mix of projects: projects with a relatively high margin in Q1-2011 were replaced by projects with lower margins in Q1-2012.

Sales and Marketing, and General & Administrative expenses (SG&A)
In Q1-2012 the expenses decreased among others resulting from the reorganization that took place in 2011.

Additional information Tahal Projects
The new business in Q1-2012 amounted to EUR 67 million. The main contract was with the National Water Company of Ghana for a project to design, construct, expand and upgrade the drinking water systems in the Kumawu, Konongo and Kwahu region of Ghana, which 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 owns 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 soon. 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

As exports decreased and domestic consumption remained stagnant in Bulgaria, GDP contracted in Q1 – 2012. The weak labor market is only expected to stabilize in 2013. Consequently, the market condition for SME bank loans is still challenging. The market for consumer credits appears to be stabilizing.

GDP in Romania contracted in Q1 – 2012. Macro economists expect a further easing of the monetary policy, due to the low level of the inflation rate of (2.4% in March 2012). In addition, the newly elected Prime Minister of Romania aims to improve wages and pensions which have been severely cut in the past years. This should support real disposable income. Although credit standards for consumer lending remain strict, it is expected that credit demand will gradually improve.

Results Banking & Retail Lending

	For the year ended March 31		Full Year
	2012	**2011**	**2011**
	in EUR million		in EUR million
Banking and retail lending activities	(3)	6	4
Other revenues	2	1	6
Total revenues	(1)	7	10
Costs of banking and lending activities	8	8	35
Other expenses, net	1	-	5
Gross profit	(10)	(1)	(30)
SG&A expenses	-	1	3
Gain on disposal of assets and other income	-	(1)	2
Impairment losses on goodwill	-	-	(19)
Result from operations before financing expenses	**(10)**	**(3)**	**(50)**

Financing income (expenses), net	(1)	(2)	(12)
Income tax (expenses) / benefits	-	-	1
Profit (loss) from continuing operations	**(11)**	**(5)**	**(61)**
Net profit (loss) from discontinued operations	-	10	8
Net profit (loss)	(11)	5	(53)
Attributable to:			
Equity holders (Kardan N.V.)	**(11)**	**5**	**(53)**

Additional Information KFS Banking & Retail Lending	**2012* (31.03)**	**2011 (31.03)**	**2011 (31.12)**
Balance sheet (in EUR million)			
Gross loan portfolio	225	503	579
Cash & Short term investments	27	274	252
Total Assets	244	923	979
Total Equity	49	119	61
Other			
Provisions**	33%	17.3%	29.5%

* Excluding Sovcombank
** Excluding Sovcombank. Including Sovcombank the percentages would be 10.7% for Q1-2011 and 8.5% for 2011 respectively

General
In the first half of 2011 Kardan signed a Share Purchase Agreement (SPA) to sell its remaining 50% in Sovcombank. 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. As the conditions, precedent for the transaction, have been met in Q1-2012, the closing is expected to happen soon. Because the probability that the transaction will be closed is high, in 2012 no results from Sovcombank are recognized in the income statement whereas with respect to the assets and liabilities, these are classified as" Assets held for sale" and "Liabilities associated with assets held for sale", respectively.

Revenues
Excluding Sovcombank, the revenues in Q1-2012 amounted to minus EUR 1 million compared to EUR 7 million in Q1-2011, attributable to the banking, 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 Q1-2012 in comparison to Q1-2011, 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.

Gross profit
The gross profit amounted to a loss of EUR 10 million (Q1-2011: a loss of EUR 1 million) due to the provisions on consumer credits, deducted from "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.

Net profit (loss) from discontinued operations
In Q1-2011, a profit of EUR 4 million is attributable to Sovcombank (see before "General") and an amount of EUR 6 million to VAB bank. This bank was sold in the beginning of 2011.

Additional Information
In Q1-2012, the gross loan portfolio excludes Sovcombank, but includes the Bulgarian bank portfolio. The gross loan portfolio at TBI bank increased slightly in comparison to the situation as at year-end 2011.

The percentage of provisions shown excludes Sovcombank. The significant increase in Q1-2012 in comparison to Q1 – 2011 reflects the deterioration of the economic situation in Bulgaria and Romania during the period.

Other Expenses

	For the three months ended March 31		Full Year
	2012	**2011**	**2011**
	in EUR million		
General and administration expenses	2	1	8
Financing income (expenses), net	(5)	(1)	(20)
Income tax (expenses) / benefit	3	-	(2)
Profit (loss) from continuing operations	**(4)**	**(2)**	**(30)**
Net profit (loss) from discontinued operations	-	(7)	8
Net profit (loss)	**(4)**	**(9)**	**(22)**
Attributable to:			
Non-controlling interest holders	-	(1)	2
Equity holders (Kardan N.V.)	**(4)**	**(8)**	**(24)**

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).

Financing expenses (net)
In Q1-2012 the finance expenses were positively impacted by a profit of EUR 1 million attributable to the repurchase of debentures issued by Kardan NV. In Q1-2011 a profit of EUR 4 million was associated with exchange rate differences related to unhedged debentures.

Income tax
These amounts relate to deferred tax on hedge instruments.

Net profit (loss) from discontinued operations and Non controlling interest holders
In Q1-2011 the amounts are attributable to Kardan Israel Ltd., the subsidiary that was spun off in Q4-2011.

Outlook 2012

Kardan N.V.
Management attention in 2012 will be focused on the cash flow and debt position of Kardan N.V. and of its intermediate holding company GTC RE in view of coming redemption of (part of) the outstanding debentures, starting in 2013. A cash flow forecast for the coming two years can be found in the Director's Report on page 11.

During the Annual Shareholder's Meeting, the shareholders of GTC S.A. approved the proposal for a rights issue to raise EUR 100 million to further improve liquidity and to lower leverage. Kardan is expected to participate to its pro-rata share, as Kardan believes in the return of the real estate markets in CEE in the mid to long term.

Real Estate Asia
In China, sale of apartments 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. Analysts expect that the measures could be softened in the course of the second half of 2012 or in the beginning of 2013. As buyers are postponing the take up of sold and paid apartments, we expect to deliver approximately 1,800 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.

Real Estate Europe
In 2012, GTC S.A. plans to complete two new properties: a shopping mall in Burgas Bulgaria, which was opened on May 15, 2012, currently 90% pre-let, as well as an office building in Warsaw, with a current pre-let also of 90%. 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 record date for the issue is set for June 4 coming.

Water infrastructure
The company will increase its focus to investment in water related assets. In China we expect that the capacity of our plants increases to 655,000 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 is 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 continue to 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 branch license in Romania, but this is not expected until late 2012. In Q1-2012, the companies took additional provisions on the consumer credit portfolio, mainly in Bulgaria. If the markets are not deteriorating any further, the company expects that no further major provisions need to be taken.
Finally, in Q1-2012 all conditions precedent with respect to the sale of Sovcombank were met. Consequently, the sale transaction is expected to be closed soon, when the remaining part of the sale price amounting to EUR 71 million will be received. 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:
National Bureau of Statistics, China
IMF; *Economic Report Asia*, April 2012

European Commission; *Interim forecast; February 2012*International Monetary Fund, *World Economic Outlook* (April 2012)
KBC Securities; *CEE Real Estate, Upside Lurking in battered sector* (February 2012)
Jones Lang LaSalle: *City Reports Q1-2012*
European Commission; *Economic Forecast Spring 2012*
Savills Research: *Market Report Poland, Investment market, Q1 - 2012*

Water Infrastructure
www.globalwaterintel.com

Financial Services
European Commission, *Economic Forecast Spring 2012*
Jones Lang LaSalle: *City Reports Q1-2012;*
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 14.00 CET. To take part in the call, please use the following dial-in number:

Dial in number NL: +31 (0)45 6316902 Conference ID: 4541604

Dial in number UK: +44 (0)207 1532027 Conference ID: 4541604

Please confirm your attendance to eventmanagement@citigateff.nl.

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 March 31, 2012 amounted to EUR 3.4 billion; revenues totaled EUR 85 million in Q1 - 2012. 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.

For further information please contact:

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

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

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

KARDAN N.V.

Director's Report and Financial Statements Kardan NV Q1 – 2012

Amsterdam/Tel Aviv, May 30, 2012
Number of pages: 13

The Additional Information and the Financial Statements of Kardan NV, Q1 – 2012, are drawn up in accordance with the Dutch and Israeli regulations and together with the separately presented press release on the Q1 – 2012 results of Kardan form an integral part of the regulatory requirements and presentation.

FINANCIAL REPORTS
FOR THE FIRST QUARTER ENDED MARCH 31, 2012

The Financial Reports contain the following sections:

1. ADDITIONAL INFORMATION FOR Q1 - 2012

1.1. Main events in the first quarter of 2012

Kardan

- In Q1-2012, Kardan purchased EUR 9.1 million of debentures A as part of the Debenture Plan. As at February 14, 2012, 32% of the Debenture Plan had been completed. 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 by the end of the first quarter of 2012.

- 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's 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.

- 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. Reference is made to Note 1 in the Q1-2012 IFRS financial statements of Kardan.

Real estate (GTC Real Estate)

- 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 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%).
  During the General Meeting of shareholders of GTC S.A., on April 16, 2012, the proposal to raise EUR 100 million through a rights issue was approved. Furthermore, Mr. Alain Ickovics was appointed Chairman of the Supervisory Board of the company, replacing Mr. Eli Alroy. Mr. Shouky Oren has also been appointed to the Supervisory Board of GTC S.A.

Water Infrastructure (Tahal)

- In February 2012, it was announced that due to disagreements between 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 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.

1.2. Subsequent events

- In April, 2012, it was announced that Mr. Joseph Krant and Mr. Hendrik Benjamins, Chairman and Member of the Supervisory Board of Kardan N.V., had announced their resignation from the Supervisory Board as per the Annual General Meeting ("AGM") of shareholders of Kardan N.V. to be held on May 31, 2012. In addition, in the upcoming AGM, Kardan is proposing to change the current Two Tier Board to a One Tier Board. The one-tier structure is the prevailing corporate governance structure globally. A new Dutch legislation that is aimed at facilitating the implementation of the one tier model is also expected to become effective July 1, 2012, or soon thereafter. The move to a one tier model should simplify the corporate governance structure and result in a more efficient and simplified decision making process. New nominees will be proposed for appointment as Board members in the upcoming general meeting. Details with respect to such nominees will be further provided in the AGM notes, to be published on April 18, 2012.

- In May 2012, at the start of the closed period (May 9, 2012) approximately 46% of the Debenture Plan was completed, and Kardan - through its subsidiaries GTC RE and Tahal Consulting Engineers Ltd.- owned 17.6% of Kardan Debentures Series A and 3.6% of Kardan Debentures Series B. The Company may continue to purchase debentures according to the Plan as of May 30, 2012.

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 March 31, 2012 and December 31, 2011 (amounts in EUR million):

Holding Company	Name of subsidiary	Share in subsidiary	Book Value in Kardan NV	Loans granted by Kardan NV	Total Investment in books 31.03.12	Total Investment in books 31.12.11
Kardan NV	GTC RE Holding	100%	356	117	473	510
	KFS	100%	56	93	149	161
	Tahal	100%	51	45	96	98

Holding Company	Name of subsidiary	Share in subsidiary	GTC Holding Book Value	Loans granted by GTC Holding	Total Investment in books 31.03.12	Total Investment in books 31.12.11
GTC RE Holding	GTC SA	27.75%	202	-	202	199
	Kardan Land China	100%	241	24	265	269
	GTC Investments	48.75%	2	11	13	14

Holding Company	Name of subsidiary	Share in subsidiary	KFS Book Value	Loans granted by KFS	Total Investment in books 31.03.12	Total Investment in books 31.12.11
KFS	TBIF	100%	90	86	176	194

1.4. Financial Position of holding companies of the Kardan Group as of March 31, 2012

- **Net debt** [1]

The net debt position of Kardan N.V., GTC RE BV, KFS BV and TBIF BV as of March 31, 2012 increased to EUR 482 million from EUR 477 million as of December 31, 2011, mainly as a result of accrued interest.

The following table summarizes the net debt of Kardan NV and if applicable of its directly held subsidiaries (company only) as of March 31, 2012:

Company	Net Debt (in EUR million)	
Kardan NV/GTC RE	**Liabilities:**	
	Debentures (*)	(488)
	Loans from banks **	(131)
	Assets:	
	Loan to KFS	93
	Loan to Kardan Land China	24
	Cash and short term investments	85
	Net debt	**(417)**
KFS/TBIF	**Liabilities:**	
	Loans from Kardan NV	(93)
	Loans from banks and others	(43)
	Assets:	
	Cash and short term investments	9
	Loans to others	8
	Loans to subsidiaries	54
	Net debt	**(65)**
TGI	**Liabilities:**	
	Loans from others	(19)
	(and related warrants)	
	Assets:	
	Loan to related party	-
	Net debt	**(19)**

(*) Approximately 58% of the debentures are presented in EUR in accordance with the currency hedging transactions.

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

(**) Subsequent to balance sheet date, in accordance with the agreement reached with the lending bank, an amount of EUR 30 million was repaid.

(***) In the financial statements of TBIF, the positions with respect to Sovcombank are not included in the current assets. As it is expected that the sale of the shares will be completed before September 2012, EUR 71 million, which is the amount payable by the buyers less an amount due to Sovcombank,is not included in the net cash position.

1.5. 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.

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.

For an 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.

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.

2. 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)

	31.3.12	31.3.11	31.12.11	Notes
Total balance sheet	4,275	5,637	4,355	The decrease as of March 31, 2012 compared to December 31, 2011 is mainly a result of repayment of loans and increased delivery of apartments.
Current assets	1,823	1,766	1,669	The increase as of March 31, 2012 compared to December 31, 2011 is mainly a result of presenting the assets of Sovcombank as 'Assets held for sale'.
Non-current assets	2,452	3,871	2,686	The Decrease as of March 31, 2012 compared to December 31, 2011 is mainly a result of presenting the assets of Sovcombank as 'Assets held for sale'.
Current liabilities	1,589	1,411	1,290	The increase as of March 31, 2012 compared to December 31, 2011 is mainly a result of presenting the liabilities of Sovcombank as 'Liabilities associated with assets held for sale'.
Other debentures	755	1,063	811	The decrease as of March 31, 2012 compared to December 31, 2011 is mainly a result repurchase of debentures and reclassification of first installments to current maturity.
Interest-bearing loans and borrowings	945	1,545	972	-
Equity attributable to equity holders of the parent	191	351	203	The decrease as of March 31, 2012, compared to December 31, 2011 is mainly a result of the net loss in the year.

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

	Three months ended March 31, 2012	Three months ended March 31, 2011	Year ended December 31, 2011	Notes
Revenues				
Sale of goods	20	7	67	The increase in sale of goods in Q1-2012 compared to Q1-2011 is mainly a result of increase in deliveries of apartments in China.
Contract revenues	31	30	114	This income represents revenues from projects in the (Water) Infrastructure segment.
Banking and retail lending activities	(3)	5	5	The Decrease in revenues from banking and retail lending activities in Q1-2012 compared to Q1-2011 is mainly a result of provisions on vintage loan portfolios. In previous periods the results of Sovcombank are presented as discontinued operations.
Property rental revenues	35	33	142	The increase in property rental revenues in Q1-2012 in comparison to Q1-2011 is mainly as a result of completion of construction and leasing of a number of retail and commercial projects during 2011.
Other income	2	2	6	This income mainly represents the revenues generated by Avis Ukraine.
Total Revenues	**85**	**77**	**334**	

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

Expenses				
Cost of goods sold	17	7	57	See explanations for the changes in sale of goods.
Contract costs	25	20	92	See explanations for the changes in revenues from contract works.
Cost of banking and lending activities	8	8	35	See explanations for the changes in revenues from banking and lending activities.
Cost of property rental operations	10	10	40	See the explanations for the changes in rental revenues.
Other expenses, net	2	2	88	Other expenses in 2011 relate mainly to impairment of residential land bank and investment property at cost in CEE.
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, disposals of assets and financial expenses	**6**	**14**	**(60)**	-

Adjustment to fair value of investment properties	4	16	(205)	The adjustment of fair value in Q1-2012 relates mainly to a positive revaluation gain of investment properties held for sale in the CEE area to the sale price and to revaluation of the shopping center in Chengdu, China.
Impairment losses on goodwill	-	-	(30)	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	1	-	21	In 2011 the gain on disposal of assets and other income relates primarily to gains on real estate assets sold in Kardan Land China.
Profit (loss) on disposal of assets and investments	**5**	**16**	**(214)**	-
Profit (loss) before finance expenses and income taxes	**11**	**30**	**(274)**	**-**
Financial Income	8	10	21	Finance income in 2011 is mainly the result of interest on the cash balances and deposits of the Group.
Financial expenses	(33)	(33)	(141)	The financial expenses are mainly related to financing costs of loans and debentures in the group.
Adjustments to fair value of other financial instruments	-	-	(3)	-
Total financial expenses, net	**(25)**	**(23)**	**(123)**	-

	Three months ended March 31, 2012	Three months ended March 31, 2011	Year ended December 31, 2011	Notes
Profit (loss) from operations	**(14)**	**7**	**(397)**	-
Share of profit (loss) of associates accounted for using the equity method	(1)	-	(3)	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	**(15)**	**7**	**(400)**	-
Income tax (benefit) expenses	(2)	6	27	Tax expenses/benefits in the Group mainly are a result of deferred taxes related to currency translation differences and revaluation of investment properties.
Net profit (loss) for the year from continuing operations	**(13)**	**1**	**(427)**	-
Net profit (loss) for the year from discontinued operations	-	3	18	In 2011 the profit derives from the sale of VAB bank which was completed in Q1- 2011, the results of Kardan Yazamut which are presented as discontinued operation due to their distribution as well as the results of Sovcombank which is presented as discontinued operations.
Net profit (loss) for the period	**(13)**	**4**	**(409)**	-
Net profit (loss) attributed to equity holders of the parent	(14)	-	(148)	-
Net profit (loss) attributed to non controlling interest holders	1	4	(261)	-

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

	For the three months ended March 31,		For the year ended December 31,	Notes
	2012	2011	2011	
Net cash provided by (used in) operating activities	(33)	(61)	52	-
Net cash used in investing activities	(18)	(144)	(277)	In Q1-2012, EUR 26 million were used for acquisition of tangible fixed assets and EUR 15 million were received from long-term loans. In Q1-2011, EUR 25 million were received from long term loans and other receivables, EUR 69 million were used for acquisition of tangible fixed assets and investment property, EUR 48 million were used for short term investments and EUR 27 million were used for loans to bank customers. In 2011, EUR 264 million were used for acquisition of tangible fixed assets and investment properties, EUR 175 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.
Net cash provided by financing activities	(18)	108	129	In Q1-2012, EUR 44 million were added from proceeds from long-term loans. EUR 61 million were used in repayment of long term loans. In Q1 2011, EUR 188 million were generated from issuing shares to a third party, EUR 75 million were from proceeds from long-term loans and EUR 205 million were used in repayment of long term loans. 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 the company only cash-flow, the Company presents a negative cash-flow from operating activities and a negative working capital. In accordance with ISA regulations the Company hereby provides the cash-flow forecast:

Forecast cash flow	April 1, 2012 – December 31, 2012	January 1, 2013 - December 31, 2013	January 1, 2014 – March 31, 2014
	in EUR million		
Cash and cash equivalents at the beginning of the period	**85**	**54**	**101**
Company only resources			
From operating activities			
General and administration expenses	(5)	(5)	(1)
From Financing activities			
Loans from Banks	6	-	-
From investing activities			
Sale of assets	22	70	-
Resources from investee companies			
From operating activities in investments – Loan repayment	40	57	15
From operating activities in investments – Management fees	1	1	-
Total Resources	**149**	**177**	**115**
Expected Uses			
From investing activities			
Investment in GTC SA	28	-	-
From financing activities			
Repayment of a loan	30	6	-
Interest payment of loans	5	6	1
Repurchase of debentures	32	-	-
Interest payment of debentures – Series A	-	9	7
Interest payment of debentures – Series B	-	15	15
Principle payment of debentures – Series A	-	40	40
Principle payment of debentures – Series B	-	-	44
Total Uses	**95**	**76**	**107**
Cash and cash equivalents at the end of the period	**54**	**101**	**8**

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 50 million which the Company expects will be released in the near future. Subsequent to balance sheet date, an amount of EUR 30 million was released from pledge and was used to repay a loan. The Company expects the remaining balance of the pledged deposits to 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 March 31, 2012.
6. Sale of assets include sale of financial instruments and shares.
7. This estimate is forward looking information as defined in the Israeli Securities Act, based on management assumptions and expectations. The aforesaid may not materialize completely or part thereof, or materialize in a different manner, including materially different from what is expected as a result of changes in the state of the market, difficulties in raising credit, decrease in value of investments and change in cash amounts expected to be received from affiliated companies.

2.2 Issuance of debt

The following are details regarding the marketable debentures of Kardan NV as of March 31, 2012:

	Debenture series A	Debenture series B
Par value of issued debentures	EUR 240 million (NIS 1,190,000,000)	EUR 269 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 March 31, 2012	EUR 240 million (NIS 1,190,000,000 par value)	EUR 269 million (NIS 1,333,967,977 par value)
Debentures held by subsidiaries	174,344,863 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	9 annual installments from February 2008 to February 2016	13 annual installments from February 2008 to February 2020
Total debt up to the date of the balance sheet (including interest and Israeli CPI linkage)	EUR 241 million (net of debentures held by subsidiaries) (*)	EUR 306 million (net of debentures held by subsidiaries) (*)
Market capitalization as of March 31, 2012	EUR 212 million (net of debentures held by subsidiaries)	EUR 230 million (net of debentures held by subsidiaries)
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)

(*) Approximately 58% 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 2011 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.

May 30, 2012

Management Board:

A. Ickovics

W. van Damme

E. Oz-Gabber

J. Slootweg

KARDAN N.V.
AMSTERDAM, THE NETHERLANDS

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

B. <u>KFS</u>

<u>Discontinued operations in KFS</u> (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

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

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) <u>Assets and liabilities which were classified as "held for sale" as a result of the sale</u>

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.