KARDAN N.V.

PRESS RELEASE
Amsterdam/Tel Aviv, August 30, 2012
Number of pages: 18

KARDAN Q2–2012 RESULTS:

EUR 11 MILLION LOSS TO EQUITY HOLDERS IN STILL DIFFICULT MARKETS; FOCUS ON CASH FLOW CONTINUES

Highlights segments Q2 and H1 – 2012:

Kardan N.V.
Q2 – 2012:
- Successful repurchases of Debentures
- Increased strategic focus on cost efficiency in segments

H1 – 2012:
- EUR 25 million loss attributable to equity holders (H1 – 2011: EUR 36 million loss)

Real Estate Asia
Q2 – 2012:
- Contribution shopping center Chengdu the same (y-o-y), despite sale of 50% stake
- Construction of mixed-use project Europark Dalian under way
- Substantial deliveries of apartments (601) compared to Q2 – 2011 (350)
- Continued hesitant market for sale of residential apartments

H1 – 2012:
- EUR 4 million profit attributable to Kardan (H1 – 2011: EUR 11 million profit)

Real Estate Europe
Q2 – 2012:
- GTC S.A. rights issue of EUR 100 million placed successfully; Kardan retains 28% stake
- GTC S.A. signed agreement to sell Platinium (I-V)

H1 – 2012:
- EUR 4 million loss attributable to Kardan (H1 – 2011: EUR 8 million loss)

Water Infrastructure Assets
H1 – 2012:
- EUR 1 million loss attributable to Kardan, mainly due to one-off expenses (H1 – 2011: EUR 2 million profit)
- Capacity increase plan of Kardan Water in China on track

Water Infrastructure Projects
Q2 – 2012:
- Positive effect of reorganization on SG&A expenses

H1 – 2012:
- EUR 4 million loss attributable to Kardan (H1 – 2011: EUR 6 million loss)
- Delay in initiation of projects impacts revenue negatively
- Significant backlog position of EUR 347 million

Banking and Retail Lending
Q2 – 2012:
- Loss in Q2 – 2012 reduced to EUR 4 million (Q1 – 2012: loss of EUR 11 million)
- Sale of 50% stake in Sovcombank (Russia) completed successfully
- Deposit raising by TBI Bank (Bulgaria) successful, consumer and leasing markets in Romania and Bulgaria difficult

H1 – 2012:
- EUR 15 million loss attributable to Kardan (H1 – 2011: EUR 9 million loss)

Shouky Oren, CEO of Kardan N.V. stated: "The global macro-economic circumstances have not improved in the first half of 2012 compared to last year. Year-end 2011 we have had to report substantial negative revaluations and impairments, leading Kardan into a phase of setting short to mid - term priorities. Our strategy remains, i.e. to initiate, develop and manage cash generating assets in promising emerging markets, primarily in real estate and water infrastructure and to deliver financial services in selected markets.
We are currently focusing on our debt servicing capacity and thus on optimizing our future cash flows, in order to deal with the outstanding debentures of Kardan. We have recently repurchased debentures, which are listed on the Tel Aviv Stock Exchange, at prices which will allow us to reduce net debt and to bring back the leverage on the holding company levels. In addition, all our divisions are geared towards optimizing results and cash flows from their existing assets, whilst being very selective in possibilities to grow our asset base in line with our long term strategy".

The condensed consolidated income statement, both for Q2 – 2012 as well as for H1 – 2012, split into the different segments of Kardan N.V. are shown in the tables 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 the overall analysis, the Q2 and H1 – 2012 results of every individual segment is analyzed in more detail.

Condensed Consolidated Income Statement Kardan N.V.

For the **three months** ended June 30, 2012 (in EUR million)

	Real Estate		Infrastructure		Banking and Retail		Total	Total
	Asia	**Europe**	**Assets**	**Projects**	**lending**	**Other**	**Q2 - 2012**	**Q2 - 2011**
Total revenues	17	39	9	20	6	-	91	89
Total expenses	17	23	8	22	8	1	79	101
Profit (loss) from operation before fair value adjustments, disposal of assets and financial expenses	-	16	1	(2)	(2)	(1)	12	(12)
Profit (loss) from fair value adjustments and on disposal of assets and investments	-	(17)	1	-	-	-	(16)	(23)
Result from operations before finance expenses	**-**	**(1)**	**2**	**(2)**	**(2)**	**(1)**	**(4)**	**(35)**
Financing income (expenses), net	4	(16)	(4)	-	(3)	1	(18)	(32)
Profit (Loss) before income tax	4	(17)	(2)	(2)	(5)	-	(22)	(67)
Income tax (expenses)/benefit	(1)	(6)	-	-	-	(1)	(8)	5
Profit (Loss) from continuing operations	**3**	**(23)**	**(2)**	**(2)**	**(5)**	**(1)**	**(30)**	**(62)**
Profit (Loss) from discontinued operations	-	-	-	-	1	-	1	(14)
Profit (Loss) for the period	**3**	**(23)**	**(2)**	**(2)**	**(4)**	**(1)**	**(29)**	(76)
Attributable to:								
Non-controlling interest	-	(18)	-	-	-	-	(18)	(40)
Net result for equity holders	**3**	**(5)**	**(2)**	**(2)**	**(4)**	**(1)**	**(11)**	**(36)**
Profit (Loss) for the period	3	(23)	(2)	(2)	(4)	(1)	(29)	(76)

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

For the **first half year** ended June 30, 2012 (in EUR million)

	Real Estate		Infrastructure		Banking and Retail		Total	Total	Total
	Asia	Europe	Assets	Projects	lending	Other	HY- 2012	HY - 2011	FY 2011*
Total revenues	34	77	18	42	5	-	176	166	334
Total expenses	33	44	15	46	17	3	158	164	394
Profit (loss) from operation before fair value adjustments, disposal of assets and financial expenses	1	33	3	(4)	(12)	(3)	18	2	(60)
Profit (loss) from fair value adjustments and on disposal of assets and investments	3	(16)	1	-	-	-	(12)	(7)	(217)
Result from operations before finance expenses	**4**	**17**	**4**	**(4)**	**(12)**	**(3)**	**6**	**(5)**	**(277)**
Financing income (expenses), net	2	(33)	(4)	-	(4)	(4)	(43)	(55)	(123)
Profit (Loss) before income tax	6	(16)	-	(4)	(16)	(7)	(37)	(60)	(400)
Income tax (expenses)/benefit	(2)	(5)	(1)	-	-	2	(6)	(1)	27
Profit (Loss) from continuing operations	**4**	**(21)**	**(1)**	**(4)**	**(16)**	**(5)**	**(43)**	**(61)**	**(427)**
Profit (Loss) from discontinued operations	-	-	-	-	1	-	1	(11)	18
Profit (Loss) for the period	4	(21)	(1)	(4)	(15)	(5)	(42)	(72)	(409)
Attributable to:									
Non-controlling interest	-	(17)	-	-	-	-	(17)	(36)	(261)
Net result for equity holders	**4**	**(4)**	**(1)**	**(4)**	**(15)**	**(5)**	**(25)**	**(36)**	**(148)**
Profit (Loss) for the period	4	(21)	(1)	(4)	(15)	(5)	(42)	(72)	(409)

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

Overall H1 – 2012 review

The developments in Q2 – 2012 do not differ materially from the developments in H1 – 2012. If developments are specifically attributable to Q2 these are mentioned separately.

Total consolidated **result from continuing operations** in H1 – 2012 arrived at EUR 43 million loss (H1 – 2011: EUR 61 million loss), mainly due to losses in Real Estate Europe and Banking and Retail Lending:

The result from continuing operations of Real Estate Asia decreased by EUR 7 million to EUR 4 million. On the one hand, the profit from rental operations and delivery of apartments increased while selling, general and administrative expenses ("SG&A") in H1 – 2012 decreased compared to H1 – 2011 (in which one-off expenses for a share option plan were recognized). On the other hand, in Q2 – 2012, the revaluation adjustment and gain on disposal of assets was much lower than in the second quarter of last year, when a significant revaluation profit on the sale of 50% of the shopping mall in Chengdu as well as a gain on the sale of a land plot were recognized.

Real Estate Europe (mainly GTC S.A.) recorded a loss from continuing operations of EUR 21 million, better by EUR 18 million than the loss of EUR 39 million recorded in H1 – 2011. In both years, negative revaluation results and impairments after tax were the main contributors to the loss. Although the revenue decreased marginally, the gross margin improved, leading to a slightly better operational gross profit (i.e. excluding impairments on inventory, which are recorded under "Other expenses, net" in the segment analysis). The development of the revenue in H1 – 2012 was negatively impacted by the sale of the 50% share in a retail center in Warsaw (Galeria Mokotow) in

Q3 of 2011, but positively influenced by the opening of new retail centers and office buildings. General and administrative expenses decreased and also finance expenses were slightly lower in the first half of 2012 when compared to the same period last year.

Water infrastructure lost EUR 5 million (H1 – 2011: loss of EUR 5 million). The results of "Projects" improved by EUR 2 million compared to H1 – 2011, primarily due to the reduction of overhead costs. On the other hand, the gross profit on "Projects" was lower, with revenues almost similar to the first half of last year.
The result of "Assets" was similar to last year. Revenues and gross profit were higher especially in China, also due to a contribution from the progress of construction/expansion of plants. Finance expenses also increased: in the second quarter of this year a combined loan/warrant agreement – which was signed in 2010 with private equity investor FIMI – was extended, resulting in an additional finance expense (revaluation of warrant due to the extension).

The Banking and Retail Lending segment recorded a loss of EUR 16 million (H1 – 2011: EUR 9 million loss). The economies of Bulgaria and Romania are weak, resulting in significant provisions on non performing loans which were taken particularly in the first quarter of this year, while the contribution of the performing portfolio could not off-set these provisions. New business originated by TBI Bank, that was acquired last year, should increase business volume and raise deposits. In H1 – 2012 the deposit base more than tripled to EUR 36 million when compared to year end 2011. New loan business is still slow, specifically in the SME segment.

Included in "Other" are the expenses and finance costs of the holding companies Kardan N.V. and GTC Real Estate Holding B.V. In H1 – 2012 the result was a loss of EUR 5 million (H1 – 2011: loss of EUR 16 million), primarily due to the result of profit recognized on the buy-back of debentures during the first six months of 2012.

The **profit from discontinued operations** in H1 – 2012 is the effect of the closing of the sale of Sovcombank in Russia. In H1 – 2011 the losses are also attributable to the Israeli activities, which were spun-off in Q4 – 2011.

The **net result** for equity holders of Kardan N.V. amounted to a loss of EUR 25 million (H1 – 2011: loss of EUR 36 million).

Equity

Kardan N.V. – balance sheet (company only, in EUR million)	**30.06.2012**	**31.12. 2011**
Total Assets	812	864
Total Equity	196	203
Equity/Total assets (%)	24%	23%

Shareholder's equity of Kardan N.V. decreased from EUR 203 million as of December 31, 2011 to EUR 196 million as of June 30, 2012, as the result of the loss of EUR 25 million which was off-set largely by positive foreign exchange results on the back of the strengthening of the RMB versus the Euro (EUR 12 million) and by positive hedge results amounting to EUR 4 million.

Covenants

In March 2012, the Company received a signed letter from a lending bank describing principal agreements between the Company and the bank relating to a change in required financial covenants relating to two loans in the amount of EUR 15 million each. According to the principal agreement, the financial covenants will be amended so that the Company is required to maintain a minimum shareholders' equity of EUR 160 million, and a ratio of equity to total stand-alone balance sheet of the Company of 21%. In addition, Kardan agreed to early repay an amount of EUR 35 million from the total outstanding loans of Kardan, GTC RE Holding and Tahal Group Assets, which was done in April 2012.

KARDAN N.V.

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 had not yet been signed on June 30, 2012, the Company and its subsidiaries had to present loans amounting to EUR 109 million as current liabilities. After reporting date, in August 2012, the new loan agreement was signed.

On June 30, 2012, a subsidiary of GTC S.A. was in breach of covenantsrelating to a loan in the amount of EUR 29 million, which was reclassified as current liability. In July, 2012, GTC S.A. received a waiver from the bank until March 2013.

For additional information on covenants, see note 8 in the Financial Statements.

Highlights per segment:

Every segment result for H1 – 2012 is analyzed separately hereunder. It is noted that only if the development in Q2 – 2012 significantly differs from the Q1 – 2012 development, the second quarter of 2012 is discussed separately.

Real Estate

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

Real Estate Asia

General developments China

- GDP growth second quarter 2012: 7.6% (y-o-y, 8.1% y-o-y in Q1 2012);
- Inflation low at 2.2% end of June 2012;
- Slight slowdown in retail sales growth (June 2012: 13.7% y-o-y, March 2012: 15.2% y-o-y);
- Residential Real Estate market showing signs of recovery; Government stimulating buying apartments for own use.

GDP growth in China was 7.6% (y-o-y) in the second quarter of 2012, as the result of the policies that the Chinese government has installed in the past five quarters to slow down the economy. Due to the ongoing Eurozone issues and the slowdown of the global economy, which affects the Chinese export, the government lowered its full year growth target for 2012 to 7.5%. Inflation, however, has come down to around 2% as the result of the mentioned policies as well as on the back of lower food prices. Currently measures are being taken to support growth again by loosening up the monetary policy, such as lowering interest rates, permitting banks to have more flexibility in setting interest rates and easing the bank's reserve requirements. The government continues to focus on facilitating China's economic transformation to a more consumer based economy over the medium term, among others by measures to increase household income and by improving living standards. In line herewith, attention is given to relaxing restrictions for first time home buyers, owner occupied housing and low income groups. The process of urbanization continues, underpinning the ongoing demand for low to mid end residential real estate as well as for shopping centers in Tier 2 and Tier 3 cities, the two focal areas for Kardan Land China.

Retail sales growth (y-o-y: June 2012: 13.7%, vs March 2012: 15.2%) has shown some slowdown, but is still strong. This is reflected in the good performance of the shopping center in Chengdu. In the residential sector, Kardan Land China continued to feel the effect of the stringent mortgage measures imposed by the Chinese government, and of its decision not to decrease prices. Consequently, in Q1 of 2012, buyers were extremely hesitant to buy apartments (81 apartments sold vs 599 in Q1 – 2011). As of May of this year, interest rates have come down, which has created a slightly positive movement in the market again (Q2 – 2012: 136 apartments sold vs 541 in Q2 – 2011).

KARDAN N.V.

Results Real Estate Asia

	For the six months ended June 30		For the three months ended June 30		Full Year
	In EUR million				
	2012	**2011**	**2012**	**2011**	**2011**
Property rental and service recharge revenues	3	3	1	1	6
Delivery of apartments	31	14	16	11	43
Total revenues	34	17	17	12	49
Costs of property rental and service recharge operations	2	2	2	1	3
Cost of delivery of apartments	25	10	12	7	34
Other expenses, net	-	1	-	1	1
Gross profit	7	4	3	3	11
SG&A expenses	6	9	3	7	16
Adjustment to fair value (impairment) of investment properties	3	17	-	14	17
Gain on disposal of assets and other income	-	4	-	4	16
Result from operations before finance expenses	**4**	**16**	**-**	**14**	**28**
Financing income (expenses), net	2	(1)	4	-	3
Income tax (expenses) / benefit	(2)	(4)	(1)	(4)	(7)
Net profit (loss)	4	11	3	10	24
Attributable to:					
Equity holders (Kardan N.V.)	**4**	**11**	**3**	**10**	**24**

Additional information Real Estate Asia	**2012 (30.06)**	**2011 (30.06)**	**2011 (31.12)**
Balance sheet (in EUR million)			
Completed investment property	73	59	68
Investment Property Under Construction	59	-	54
Inventory	235	218	231
Cash & short term investments	63	48	67
Total Assets	518	461	514
Loans and Borrowings	44	52	43
Advance payments from buyers	124	118	136
Total Equity	259	208	247
Other			
Apartments sold in period *	217	1,140	1,883
Apartments delivered in period *	1,113	493	1,767
Total apartments sold, not yet delivered *	4,219	5,646	5,115

* reflects number of apartments 100%; Kardan Land China holds 50%; numbers relate to six months 2012, 2011 and 12 months 2011

Revenues

"Property rental and service recharge revenues", attributable to the shopping center in Chengdu, remained the same in H1 – 2012 as in the comparable period last year
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 June 30, 2012 is 98%.

Residential revenue is recognized when apartments are handed over. In H1 – 2012, Kardan Land China delivered 1,113 apartments vis-à-vis 493 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).

Gross margin
The gross margin on rental and service recharge revenues was 47% compared to 50% in H1 – 2011; the margin was negatively impacted by a one-off property tax charge. Without this one-off charge, the gross margin in H1-2012 would have been 55%.
The gross margin on delivery of apartments was 20%, nearly equal to the margin in the full year 2011.

Sales & Marketing, and General Administrative expenses (SG&A)
Expenses in H1 – 2012 were substantially lower than in H1 – 2011: in Q2 – 2011, EUR 5 million expenses relating to employee options were recognized (in H1 – 2012: EUR 0.1 million). In the first half of 2012, higher commission costs, in line with higher deliveries of apartments, were recorded than in the corresponding period last year. And finally, marketing costs for the Dalian mixed-use project were incurred in H1 – 2012, but not in last year.

Adjustment to fair value of investment properties
The positive adjustment to fair value in both H1 – 2012 (recorded in Q1 – 2012) as in H1-2011, is attributable to the shopping mall in Chengdu (recorded mainly in Q2 – 2011).

Gain on disposal of assets and other income
The gain in H1 – 2011 was realized on the sale of a land plot in Hangzhou, China.

Financing Income/expenses
In H1 – 2012 a finance income was recognized on positive foreign exchange results of EUR 2 million (H1 – 2011: EUR 0.5 million profit), as the RMB strengthened versus the Euro particularly in the second quarter of this year.

Additional Information
From the outstanding “Loans and Borrowings”, approximately EUR 25 million relates to the shareholder loan, which was repaid in full after the reporting date.

Sale of apartments is showing a slight increase in Q2 – 2012 (136) versus the first quarter of this year (81), but H1 – 2012 is still substantially slower than H1 of 2011. Now that the Chinese government is lowering the interest rates, buyers are carefully returning to the market. Kardan Land China has, however, slowed down the pace of construction to match the market conditions and to keep the percentage of completed unsold apartments in the inventory low (June 30, 2012: 4%).

Kardan Land China started the construction of a mixed-use project in Dalian, comprising of a shopping center (NRA – net rentable area – of approx. 65,000 sqm), residential apartments and small home offices (GFA -gross floor area- of approx. 100,000 sqm). The estimated total development cost, including land, amounts to approximately EUR 475 million. Besides Equity which has already been invested, the development of the project will be financed by a bank loan and proceeds from sale of apartments.

Real Estate Europe

General developments Central and Eastern Europe (CEE)

- Eurozone sovereign crisis deteriorated in Q2 2012;
- Consumer confidence low, particularly in Romania and Bulgaria;
- Polish market continues to demand quality assets in prime locations.

As of the beginning of May 2012, the Euro crisis ignited again. Trade declines and a higher volatility of capital flows are impacting CEE, as these countries are closely connected to the Euro area. Most of the CEE countries still report a positive GDP growth, but there are significant differences per country and overall the growth expectations have been brought down for 2012. In the Real Estate markets in CEE, the number of active investors and financiers has reduced considerably. However, prime locations and high quality assets, particularly in Warsaw, are still sought after.
Across CEE, office leasing activity is mostly driven by contract renewals, as new companies are hesitant in executing their expansion plans in the volatile economic markets. In addition, most active investors are showing a preference for retail real estate. GTC S.A. is planning to develop two large retail centers in Warsaw (by end of 2014), which have a combined NRA of 98,000 sqm (GTC S.A. share).

KARDAN N.V.

The pace of economic growth in Poland in the first half of 2012 was slower than in the comparative period in 2011. Consumer purchasing power in comparison to H1 – 2011 decreased slightly as the result of increased inflation. The demand for modern office space in Poland, particularly in Warsaw, remains strong. Rents are stable, although the average vacancy rate has increased slightly in comparison to year end 2011. Evidence of the strong demand for quality is the sale of the Platinium Business Park (I-V) by GTC S.A. in June 2012, which is in line with GTC S.A's indicated intention to sell assets to generate free cash of EUR 180 million by end of 2014 in order to deleverage. With the sale of Platinium 30% of this target has been achieved.

Although wages and salaries in Bulgaria and Romania have increased lately, the macro-economic and political (noteably in Romania) sentiment in both counties is holding consumers back in their spending behavior. Consequently, particularly the retail real estate markets remain challenging.

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.

	For the six months ended June 30,		**For the three months ended June 30,**		**Full Year**
	in EUR million				
	2012	**2011**	**2012**	**2011**	**2011**
Property rental and service recharge revenues	67	69	35	37	136
Delivery of apartments	10	10	4	6	25
Total revenues	77	79	39	43	161
Costs of property rental and service recharge operations	18	19	9	10	38
Cost of delivery of apartments	9	11	4	7	23
Operational Gross Profit	50	49	26	26	100
Other expenses, net	3	14	2	13	77
Gross profit	47	35	24	13	23
SG&A expenses	14	17	8	11	29
Adjustment to fair value (impairment) of investment properties	(11)	(26)	(13)	(40)	(221)
Impairment losses on goodwill	-	-	-	-	(11)
Equity in net earnings of associated companies	(5)	(1)	(4)	-	(4)
Result from operations before financing expenses	**17**	**(9)**	**(1)**	**(38)**	**(242)**
Financing income (expenses), net	(33)	(35)	(16)	(20)	(86)
Income tax (expenses) / benefit	(5)	5	(6)	11	(18)
Net profit (loss)	(21)	(39)	(23)	(47)	(346)
Attributable to:					
Non-controlling interest holders	(17)	(31)	(18)	(36)	(262)
Equity holders (Kardan N.V.)	**(4)**	**(8)**	**(5)**	**(11)**	**(84)**
	(21)	(39)	(23)	(47)	(346)

Additional information GTC S.A.	2012 (30.06)	2011 (30.06)	2011 (31.12)
Balance sheet (in EUR million)			
Inventory & residential land bank	176	252	182
Investment property	1,690	1,947	1,704
Assets held for sale	175	244	134
Cash & short term investments	239	110	179
Total Assets	2,385	2,694	2,310
Total bank debts and financial liabilities	1,376	1,448	1,395
Total Equity	816	1,032	724
Other			
Loan to Value*	55%	54%	60%
Completed commercial space(sqm)**	634,917	536,000	579,856
Value completed commercial space (EUR million)**	1,621	1,702	1,465
Average occupancy	89%	84%	87%
Average yield completed assets	8.4%	8%	8.1%

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

Revenues
"Property rental and service recharge revenues" decreased by 3% y-o-y in H1 – 2012, to EUR 67 million (Q2 – 2012: EUR 35 million and Q1 – 2012: EUR 32 million) mainly due to the sale in Q3 – 2011 of 50% of Galeria Mokotow, the former retail center of GTC S.A. in Warsaw. The loss of revenue of Galeria Mokotow was almost fully compensated by the opening of new retail/office centers and increased occupancy versus H1 – 2011. Currently, average occupancy at GTC S.A. stands at 89%. In some retail centers, lease income per sqm is low as it is based on turnover of tenants which is low, as well as due to measures taken by GTC S.A. to maintain occupancy levels.

The residential market in CEE/SEE remains weak, with revenues in the first half of 2012 similar to the comparable period last year.

Operational Gross profit
H1 – 2012 gross profit on property rental and service recharge revenues remained almost the same as in H1 – 2011. The margin of GTC S.A. improved slightly to 73% from 72% (H1 – 2011). The gross profit (residential) was improved slightly compared to H1 – 2011. "Other expenses, net" includes, among others, impairment of inventory in the amount of EUR 1 million (H1 – 2011: EUR 12 million), reflecting the weak market, mainly recognized in Q2 in both years.

Sales & Marketing, and General Administrative expenses (SG&A)
The decrease in SG&A expenses was mainly recognized at GTC S.A. in Q2 of 2012. Due to the completion of leasing activities in newly completed assets, sales and marketing expenses decreased. In addition, administrative expenses were lower in Q2 of this year compared to last year – which included a one-off cost related to the sale of Galeria Mokotow – as the result of cost optimization measures taken by the management of GTC S.A.

Adjustment to fair value of investment properties
Semi-annual valuations were performed, as usual, by external appraisers. Both in Q2 – 2011 as in Q2 – 2012, revaluation losses on the GTC S.A. assets in Romania, Bulgaria and Croatia were partially compensated by gains in Poland. In the first quarter of this year, GTC S.A. reported a small positive revaluation result of EUR 2 million.
In addition, the portfolio of GTC Investments in Germany faced negative revaluations in Q2 – 2012; GTC RE's share in these losses amounted to EUR 2 million (H1 – 2011: nil).

Share in net earnings (loss) of associated companies
The negative contribution in H1 – 2012 mainly includes the negative revaluation results which were recorded (in Q2) in the Czech Republic and Ukraine by associated companies of GTC S.A.

Financing Income /expense
In the half year comparison 2012 versus 2011, financing expenses decreased by EUR 2 million. The composition of this decrease can be explained as follows: in the second quarter of this year the

financing expense decreased y-o-y by EUR 5 million, mainly due to one-off expenses in Q2 – 2011 related to the sale of Galeria Mokotow. In the first quarter of this year, however, financing expenses were higher by EUR 3 million (y-o-y) following the completion of new assets (until completion, the majority of finance expenses are capitalized).
The average interest rate payable by GTC S.A. in H1 – 2012 remained stable at 5%.

Direct result
The gross profit from operations, excluding impairments on inventory (recorded under "Other expenses, net"), and deducting SG&A and finance expenses, is slightly positive: EUR 1 million in H1 – 2012 compared to a loss of EUR 4 million in H1 – 2011. The improvement is mainly attributable to a reduction of the SG&A expenses by EUR 4 million compared to H1 – 2011.

Income tax
The income tax expense is largely the result of positive results of GTC S.A. in Poland, as well as the effect of a deferred tax liability which became smaller, as the difference between the tax base and the value of assets due to the strengthening of the PLN against the Euro decreased. For negative results in those activities where no turnaround is expected in the foreseeable future, no deferred tax asset is recognized. In H1 – 2011, GTC S.A. in Poland recognized a tax income largely relating to the sale of retail center Galeria Mokotow in Warsaw.

Net profit/ (loss) attributable to Equity holders
Kardan holds an indirect 28% stake in GTC S.A. Consequently, the majority of the consolidated result for shareholders is attributable to the non-controlling shareholders. In H1 – 2012 the contribution to the equity holders of Kardan from the Real Estate Europe segment was a loss of EUR 4 million (H1 – 2011: loss of EUR 8 million).

Additional Information GTC S.A.
Total Equity of GTC S.A. increased to EUR 816 million (June 30, 2012) from EUR 724 million as of year-end 2011 mainly due to the rights issue amounting to EUR 100 million (net), which was placed successfully.
Resulting from the cash raised through the rights issue, the loan to assets value improved to 55% as at June 30, 2012 (March 31, 2012: 60%). The short term loans (including derivatives) amount to EUR 337 million (March 31, 2012: EUR 251 million), of which EUR 139 million is repayable only upon (the completion of the) sale of the related assets (Platinium and residential apartments). As at June 30, 2012, the breached covenants of one loan of EUR 29 million were still under negotiation, consequently the loan was classified as a short term liability. After reporting date, these negotiations lead to a waiver of the breached covenant until March 2013. EUR 106 million relates to bonds (including hedges) to be redeemed by May 2013.

GTC S.A. is listed on the Warsaw Stock Exchange. For full details on the GTC S.A. H1 – 2012 results, which were published on August 16, 2012, reference is also made to the company website: www.gtc.com.pl.

Water Infrastructure

Tahal Group International ("TGI"), 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 developments water infrastructure

TGI focuses on emerging and frontier markets. Relevant market characteristics that Tahal takes into account in its assessment of entering a market / country are, among other, the political stability of a country as well as its legal infrastructure, the national Public Private Partnership policy and of course the local attitude and facilities to foreign investment. Market size, number of residents and present competition are of course also factors which are considered. In order to optimally secure its investment / income, Tahal frequently collaborates with International Finance Institutions, such as the EBRD. Due to the global economic challenges and the impact this has on the financial closing of projects, the initiation of projects tends to show delays when compared to the original plans.

Results Infrastructure Assets*

	For the six months ended June 30		For the three months ended June 30		Full year
	in EUR million				
	2012	2011	2012	2011	2011*
Contract revenues	18	12	9	6	29
Contract cost	11	6	6	3	16
Other expenses, net	-	1	-	1	1
Gross profit	7	5	3	2	12
SG&A expenses	4	4	2	3	7
Gain on disposal of assets and other income	1	-	1	-	2
Result from operations before financing expenses	**4**	**1**	**2**	**(1)**	**7**
Financing income (expenses) net	(4)	(3)	(4)	-	(5)
Income tax (expenses) / benefit	(1)	-	-	-	(2)
Profit (loss) from continuing operations	**(1)**	**(2)**	**(2)**	**(1)**	**-**
Net profit (loss) from discontinued operations	-	3	-	3	2
Net profit (loss)	(1)	1	(2)	2	2
Attributable to:					
Non-controlling interest holders	-	(1)	-	(1)	(1)
Equity holders (Kardan N.V.)	**(1)**	**2**	**(2)**	**3**	**3**

(*) Finance expenses of Tahal Group International have been allocated to Tahal Assets

Additional Information Assets (in EUR million)	**2012 (30.06)**	**2011* (30.06)**	**2011* (31.12)**
Cash & short term investments	12	9	17
Total Assets	179	208	171
Net Debt (excl shareholder loans)***	54	78	54
Equity**	84	73	84
Equity**/ Assets	47%	35%	49%

* Adjusted for reversal of discontinued operations
** Group equity including shareholder loan
*** Bank loans net of cash and cash equivalents

Revenues

Revenue increased by 50% compared to H1 – 2011, generated mainly by Kardan Water in China, which activity accounts for the greater majority of the total revenue of Tahal Assets. The revenue increase in China is the result of the effect of value increase which is recognized under revenue during construction of two plants as well as of capacity expansion following the acquisition in H1 – 2011 of a new waste water treatment plant in Xuanhua with a capacity of 120 tons a day.

Gross profit

The gross profit margin, net of other expenses, decreased to 42% in H1 – 2012 (H1 – 2011: 46%), due to lower profit margins on younger plants.

Financing income (expenses) net

In Q2 – 2012, Tahal agreed to extend repayment of a loan (signed in 2010) of USD 25 million (approximately EUR 20 million) to FIMI, a private equity investor. In the original agreement, FIMI was granted a warrant to take a stake in the company for the same amount as the loan; the period to exercise the warrant was extended by two years. The change of the agreement combined with foreign exchange results resulted in a financing expense of EUR 2.5 million in the period compared to a financing income in H1 – 2011 of EUR 0.5 million.

Income tax (expense)/benefit

The relatively large income tax expense related to profits recognized in China, which could not be off-set against negative results of activities in other countries.

Net profit/(loss) from discontinued operations
The discontinued operations mainly concern Milgam, an Israeli company that was sold as part of the spin-off of Kardan Yazamut (the Israeli activities) which was affected in October 2011.

Results Infrastructure Projects*

	For the six months ended June 30		For the three months ended June 30		Full Year
	in EUR million				
	2012	2011	2012	2011	2011
Contract revenues	42	43	20	20	85
Contract cost	39	37	19	20	76
Other expenses, net	-	3	-	2	3
Gross profit	3	3	1	(2)	6
SG&A expenses	7	9	3	4	19
Gain on disposal of assets and other income	-	1	-	-	1
Result from operations before financing expenses	**(4)**	**(5)**	**(2)**	**(6)**	**(12)**
Financing income (expenses), net	-	(2)	-	(1)	(3)
Income tax (expenses) / benefits	-	1	-	1	1
Profit (loss) from continuing operations	**(4)**	**(6)**	**(2)**	**(6)**	**(14)**
Net profit (loss)	(4)	(6)	(2)	(6)	(14)
Attributable to:					
Equity holders (Kardan N.V.)	**(4)**	**(6)**	**(2)**	**(6)**	**(14)**

(*) General and Administrative expenses of Tahal Group International have been allocated to Tahal Projects

Additional Information Projects	**2012 (30.06)**	**2011 (30.06)**	**2011 (31.12)**
Balance sheet (in EUR million)			
Cash & short term investments	20	16	26
Total Assets	123	111	119
Net debt (excl. shareholder loans)**	(14)	7	(18)
Equity*	35	36	34
Equity* / Assets	29%	32%	29%
Other (in EUR million)			
Backlog	347	163	316
New business	80	35	203

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

Revenues
Revenue from Projects in the first half of 2012 remained nearly equal to the revenue in H1 – 2011, but was lower than expected. This is largely due to delays in initiation of a couple of projects, and more difficult economic circumstances in certain countries of activities.

Gross profit
In Q2 – 2012, the gross profit margin arrived at 2%, similar to the corresponding period last year.
In comparison to H1 – 2011, the gross profit margin excluding the reorganization expenses decreased from 14% to 6% in H1 – 2012. In H1 – 2011, reorganization charges of EUR 2.5 million were recorded as “Other expenses, net”.The currently delayed projects (see Revenue) are expected to have higher margins than the margins recognized in H1 - 2012.

Sales and Marketing, and General & Administrative expenses (SG&A)
In H1 – 2012 the expenses substantially decreased in comparison to the corresponding period last year, mainly to be explained by the effect of the reorganization which was initiated last year, which has resulted in a saving of over EUR 2 million (staff, closing of offices etc.). The saving specifically kicked in during Q2 – 2012.

Gain on disposal of assets and other income
In H1 – 2011, this included the participation in an Israeli desalination company that was sold in H2 – 2011.

Financing income/(expenses) net
These expenses decreased significantly, reflecting the improved cash position following the receipt of outstanding debts and advance payments on projects.

Additional information Tahal Projects
The new business in H1 – 2012 amounted to EUR 80 million , leading to a significant backlog position.
The main contract was the 3K project with the National Water Company of Ghana to design, construct, expand and upgrade the drinking water systems in the Kumawu, Konongo and Kwahu region of Ghana. This will take approximately three years from commencement. In Q2 – 2012, some smaller projects were signed.

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 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. End of May, 2012, TBIF closed the sale of its 50% in the Russian Sovcombank to its co shareholder in the bank.

General developments Bulgaria and Romania

Amidst an ongoing sovereign crisis in Europe, the macro-economic developments in both Bulgaria and Romania have showed modest recoveries in the second quarter of 2012.Consumer confidence remains low, however, which is reflected in a stagnant consumer credit market and a continuation of challenging market conditions for SME bank loans. In Bulgaria unemployment in Q2 – 2012 decreased, but remained at a level of over 10%. Although the labor market in Romania is in a somewhat better situation, the country does face issues, such as a.o. slow export growth and growing political instability due to the upcoming parliamentary election in November.

Results Banking & Retail Lending

	For the six months ended June 30		or the three month ended June 30		Full Year
	2012	2011	2012	2011	2011
	in EUR million				
Banking and retail lending activities	2	12	5	7	4
Other revenues	3	3	1	1	6
Total revenues	5	15	6	8	10
Costs of banking and lending activities	14	15	6	7	35
Other expenses, net	2	2	1	2	5
Gross profit	(11)	(2)	(1)	(1)	(30)
SG&A expenses	1	2	1	1	3
Gain (loss) on disposal of assets and other income	-	(2)	-	(1)	2
Impairment losses on goodwill	-	-	-	-	(19)
Result from operations before financing expenses	**(12)**	**(6)**	**(2)**	**(3)**	**(50)**
Financing income (expenses), net	(4)	(4)	(3)	(2)	(12)
Income tax (expenses) / benefits	-	1	-	1	1
Profit (loss) from continuing operations	**(16)**	**(9)**	**(5)**	**(4)**	**(61)**

Net profit (loss) from discontinued operations	1	-	1	(10)	8
Net profit (loss)	**(15)**	**(9)**	**(4)**	**(14)**	**(53)**
Attributable to:					
Equity holders (Kardan N.V.)	**(15)**	**(9)**	**(4)**	**(14)**	**(53)**

Additional Information KFS* Banking & Retail Lending	**2012 (30.06)**	**2011 (30.06)**	**2011 (31.12)**
Balance sheet (in EUR million)			
Gross loan portfolio	167	195	226
Cash & Short term investments	30	13	15
Total Assets	253	195	211
Total Equity	47	41	46
Other			
Provisions	39%	19.6%	29.5%

* Excluding Sovcombank

General

In the first half of 2011 Kardan signed the agreement to sell its remaining 50% in its Russian Sovcombank, for a pre-agreed fixed transaction price. No additional results from Sovcombank were recognized in the H1 – 2012 income statement, except for the interest received on the part of the purchase price that was paid on the closing date, as well as to the release of capital reserves.

It should also be noted that the results of TBI Bank are not included in H1 – 2011 results, as TBI Bank was acquired in Q3 of 2011. The results of TBI Bank are fully consolidated in the H1 – 2012 results.

Revenues

Excluding Sovcombank, the revenues in H1 – 2012 amounted to EUR 5 million compared to EUR 15 million in H1 – 2011.
The weak economic situations in Bulgaria and Romania have lead to a decrease of the average portfolio in H1 – 2012 in comparison to the corresponding period last year. Impairments on loans (deducted from revenues) amounted to EUR 10 million in H1 – 2012 (H1 – 2011: EUR 4 million), of which the majority (EUR 8 million) was recognized in Q1 – 2012.

Gross profit

The "gross profit" amounted to a loss of EUR 11 million (H1 – 2011: a loss of EUR 2 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. The majority of the loss (EUR 10 million) was recognized in Q1 – 2012 as a consequence of the impairment on loans.

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. In the first half of 2011 some one-off severance costs were incurred resulting from the sale of activities. In addition, a decrease in overhead costs was achieved. Consequently, SG&A expenses were substantially lower in the first half of 2012 than in H1 – 2011.

Gain on Disposal of Assets and other income

In H1 – 2011, the loss is attributable to the sale of VAB Leasing.

Net profit (loss) from discontinued operations

In the first half of 2011 the result is nil. In H1 – 2012 the profit relates to the interest income paid by the buyer of Sovcombank on the remainder of the purchase price as paid upon closing of the transaction, as well as to the release of capital reserves.
It is noted though, that the result in H1 – 2011 consisted of two substantial movements in Q1 and Q2, relating to VAB bank and Sovcombank respectively.

Additional Information
In H1 – 2012, the gross loan portfolio excludes Sovcombank, but includes the Bulgarian bank portfolio. Although the gross loan portfolio at TBI bank is showing an increasing trend, the total portfolio of KFS decreased resulting mostly from the macro economic situation in Bulgaria, particularly noticeable in the SME segment.
Deposits showed substantial growth in the first half of 2012, from EUR 11 million year-end 2011 to EUR 36 million by end of June, 2012. This growth derives mainly from retail clients, and was particularly strong in Q2 of 2012.

Other Expenses

	For the six months ended June 30		For the three months ended June 30		Full Year
	2012	2011	2012	2011	2011
	in EUR million				
General and administration expenses	3	2	1	1	8
Financing income (expenses), net	(4)	(10)	1	(9)	(20)
Income tax (expenses) / benefit	2	(4)	(1)	(4)	(2)
Profit (loss) from continuing operations	**(5)**	**(16)**	**(1)**	**(14)**	**(30)**
Net profit (loss) from discontinued operations	-	(14)	-	(7)	8
Net profit (loss)	**(5)**	**(30)**	**(1)**	**(21)**	**(22)**
Attributable to:					
Non-controlling interest holders	-	(4)	-	(3)	2
Equity holders (Kardan N.V.)	**(5)**	**(26)**	**(1)**	**(18)**	**(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).

General and Administrative expenses
These expenses increased in H1 – 2012, due to one-off management expenses, largely recognized in Q2 – 2012.

Financing expenses (net)
In H1–2012, the financing expenses were positively impacted by a profit of EUR 10.4 million (Q2 – 2012: EUR 9.4 million) related to the repurchase of debentures issued by Kardan N.V., and were negatively impacted by a loss from revaluation of unhedged debentures in the amount of EUR 2 million (EUR 3 million in Q2 – 2012). In H1 – 2011 a profit of EUR 2.5 million was associated with exchange rate differences related to unhedged debentures.

Income tax
These amounts relate to deferred tax on hedge instruments. The same amount is recorded to shareholder’s equity.

Net profit (loss) from discontinued operations and non controlling interest holders
In H1 – 2011 the amounts are attributable to Kardan Israel Ltd., the subsidiary that was spun off in Q4 – 2011.

Additional Information
In the first half of 2012, Kardan, through GTC RE, repurchased 209,118,413 Debentures Series A of Kardan for a total amount of EUR 41 million, reducing the total outstanding debt by EUR 52 million when compared to the situation as at year end 2011. As at June 30, 2012, Kardan, through GTC RE and TCE, held 28.8% of Debentures Series A and 3.62% of Debentures Series B.

Subsequent to balance sheet date, Kardan, through GTC RE, purchased 222,118,772 Debentures Series A for a total amount of EUR 35.9 million and 120,222,513 Debentures Series B for a total amount of EUR 15.5 million, reducing the total outstanding debt by EUR 84 million. As a result of the purchases, Kardan will recognize a financial income from early repayment of debentures amounting to approximately EUR 33 million in the third quarter of 2012.

These purchases were funded by the proceeds from the sale of cross currency swaps and own cash sources. The sale of these swaps is justified by the change of the profile of the assets of Kardan N.V. and GTC RE Holding from a predominantly Euro related company into a company with increased exposure to the Chinese RMB.

Outlook 2012

Kardan N.V.
Management attention in 2012 will continue to 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 13.
The Debenture repurchase plans will contribute a profit of EUR 43 million in total to the 2012 results, of which approximately EUR 10 million has been recorded in the first half of this year; on the other hand the volatility of the finance expenses has increased due to the exposure to the exchange rate between the Euro and the Israeli NIS, in which currency the debentures are denominated.

Real Estate Asia
Kardan Land does not expect a noticeable recovery of the residential markets before the fourth quarter of 2012. For the full year 2012, we expect to deliver approximately 1,800 – 2,100 apartments (H1 – 2012: 1,113 delivered, Kardan Land has 50%), which were purchased over a year ago.
The construction of the mixed–use project in Dalian (approximately 300,000 sqm of residential, retail and parking space) was initiated. Sales activities for the first apartments are planned for the fourth quarter of 2012.

Real Estate Europe
Markets outside of Poland will remain difficult. GTC S.A. Management aims to continue to decrease the leverage of GTC S.A. (55% as at June 30, 2012), mainly through the sale of assets which should generate free cash of EUR 180 million by end of 2014. In addition, GTC S.A. will continue to focus on active asset management, sale of assets and further improvement in operating margin and reducing general expenses.

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 (end of 2011: 605,000 m3/day). Revenues in H 2–2012 (y-o-y) 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 (y-o-y).

Banking and Retail Lending
In the second half of 2012, TBIF will continue to merge its consumer finance and leasing activities in Bulgaria into the new bank, TBI Bank, allowing the Bank to sell new products more efficiently and to increase funding by raising deposits. The consumer and leasing markets in Bulgaria and Romania continue to be difficult. 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's attempt to obtain a branch license in Romania is ongoing, but is not expected to be successful before end of 2012. If the markets are not deteriorating any further, the company expects that no further major provisions need to be taken.

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

Macro-economic reports
National Bureau of Statistics, China
International Monetary Fund; *Economic Report Asia*, April 2012
International Monetary Fund, *World Economic Outlook* (July 2012)
KBC, *Economic Outlook Update, & Economic Outlook Central Europe, August & June 2012*
European Commission; *Economic Forecast Spring 2012*
Center for Economic Development Bulgaria, (www.ced.bg); *The economy of Bulgaria, July 2012*
World Bank; *Global Economic Prospects, Managing Growth in a Volatile World, June 2012*
McKinsey Quarterly; *Going for gold in emerging markets, August 2012*

Real Estate:
Jones Lang LaSalle: *City Reports H1–2012*
CBRE: *Market View CEE Offices & European Valuation Monitor, August 2012*

Water Infrastructure
www.globalwaterintel.com

Financial Services
Bulgarian National Bank, *Economic Review Summaries, February 2012*
Unicredit; *Equity daily, August 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: 4555779
Dial in number UK: +44 (0)207 1532027	Conference ID: 4555779

Please confirm your attendance to eventmanagement@citigateff.nl.

---

actual results, performance or achievements of Kardan Group to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. For Kardan Group, particular uncertainties arise, amongst others but not limited to and not in any order of importance, (i) from dependence on external financing with the risk that insufficient access to capital threatens its capacity to grow, execute its business model, and generate future financial returns (ii) from concentration of its business in Central Eastern Europe and China as a result of which Kardan Group is strongly exposed to these particular markets (iii) from risks related to the financial markets as a result of Kardan N.V.'s listings on NYSE Euronext Amsterdam and the Tel Aviv Stock Exchange and (iv) from it being a decentralized organization with a large number of separate entities spread over different geographic areas in emerging markets, so that Kardan Group is exposed to the risk of fraudulent activities or illegal acts perpetrated by managers, employees, customers, suppliers or third parties which expose the organization to fines, sanctions and loss of customers, profits and reputation etc. and may adversely impact Kardan Group's ability to achieve its objectives and (v) from any of the risk factors specified in Kardan N.V.'s Annual Report 2010 and in the "Periodic Report for 2011" published by Kardan N.V. in Israel on March 30, 2012 and which is also available at the Kardan website. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in the relevant forward-looking statement as expected, anticipated, intended, planned, believed, sought, estimated or projected. Kardan N.V. does not intend or assume any obligation to update or revise these forward-looking statements in light of developments which differ from those anticipated.

About Kardan

Kardan identifies and develops assets in promising emerging markets, mainly in the CEE, CIS and China. Its activities are mainly focused on three sectors that benefit from the rising middle class: Real Estate, Water Infrastructure and Retail Lending. Company headquarters are in the Netherlands. Kardan aims at holding controlling interests in its investments and, through the development of local business platforms, is actively involved in the definition and implementation of their strategy. Total assets as of June 30, 2012 amounted to EUR 3.6 billion; revenues totalled EUR 176 million in H1 – 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
Senior Executive Officer
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)"

Director's Report and Financial Statements Kardan NV H1 – 2012

Amsterdam/Tel Aviv, August 30, 2012
Number of pages: 17

The Additional Information and the Financial Statements of Kardan NV, H1 – 2012, are drawn up in accordance with the Dutch and Israeli regulations and together with the separately presented press release on the Q2 and H1 – 2012 results of Kardan form an integral part of the regulatory requirements and presentation.

FINANCIAL REPORTS
FOR THE FIRST HALF YEAR ENDED JUNE 30, 2012

The Financial Reports contain the following sections:

1. ADDITIONAL INFORMATION FOR H1 - 2012

1.1. Main events in the first half year of 2012

Kardan

- In H1-2012, Kardan purchased EUR 41.3 million of debentures Series A, following the announcement on December 15, 2011, to repurchase Debentures up to a maximum of EUR 50 million. As at June 30, 2012, approximately 97% of the Debenture Plan had been completed.
Kardan - through its subsidiaries GTC Real Estate Holding BV ("GTC RE") and Tahal Consulting Engineers Ltd.- owned 28.8% of Kardan Debentures Series A and 3.6% of Kardan Debentures Series B by the end of the first half of 2012.
On July 12, 2012, Kardan announced a new plan to repurchase debentures up to a maximum of EUR 50 million (see under Subsequent Events).

- In February 2012, Kardan announced that the Supervisory Board of Kardan decided to recommend to the Annual General Meeting of Shareholders (May 31, 2012) to appoint Mr. Shouky Oren as Chairman of the Management Board of Kardan as successor to Mr. Alain Ickovics, who has remained in the Kardan Group as Chairman of the Management Board of Kardan's real estate subsidiary GTC Real Estate Holding B.V. and as Chairman of the Supervisory Board of GTC S.A.

- On March 15, 2012, the Company received a letter from the Israeli Securities Authority regarding a 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 H1-2012 IFRS financial statements of Kardan.

- In April, 2012, Mr. Joseph Krant and Mr. Hendrik Benjamins, Chairman and Member of the Supervisory Board of Kardan N.V., announced their resignation from the Supervisory Board as per the Annual General Meeting ("AGM") of shareholders of Kardan N.V. which was held on May 31, 2012. During the AGM the proposal to change the Two Tier Board structure to a One Tier Board structure was approved. 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 expected to become effective soon. The move to a one tier model should simplify the corporate governance structure and result in a more efficient and simplified decision making process.

  The following Board members were appointed during the AGM:
  - Mr. A.A. Schnur as non-executive member of the Board
  - Mr. M.I. Groen as non-executive member of the Board
  - Mr. A. May as non-executive member of the Board
  - Mr. P. Sheldon as non-executive member of the Board
  - Mr. S. Oren as CEO and executive member of the Board

- On June 18, 2012, Maalot, the Israeli subsidiary of Standard & Poor's ("S&P"), reported that it had changed the rating of the debentures issued by Kardan, from ilBBB+ positive outlook into ilBBB negative outlook on higher leverage and difficult business environment. S&P stated that the change of the rating is based upon Kardan's increased LTV (loan-to-value ratio) to nearly 60% in June 2012 (July 2011: nearly 50%), mainly due to a sharp devaluation in Kardan's stake in the listed real estate company Globe Trade Centre S.A. ("GTC S.A.") as well as due to impairment in its private holdings, mostly stemming from very difficult business environments in Central and South Eastern European markets. The negative outlook reflects the challenges that S&P believes Kardan will likely face in light of its liquidity profile in 2014. In July 2012 and in August 2012, (see under Subsequent Events), Maalot announced new changes in rating.

Real estate (GTC Real Estate)

- In March 2012, GTC S.A., in which Kardan NV holds a 27.75% stake, mentioned in the press release presenting their 2011 results, that they had identified a need for new capital in order to strengthen the capital structure and to improve GTC S.A.'s cash position, and that they recommended to raise approximately EUR 100 million through a rights issue.
  During the General Meeting of shareholders of GTC S.A., on April 16, 2012, the proposal for the rights issue was approved.
  In June 2012, GTC S.A. announced that its rights issue was more than two times oversubscribed, and that its share capital was strengthened by PLN 445 million (net EUR 100 million). Kardan participated in the rights issue through its fully owned subsidiary GTC RE to its pro rata share of 27.75%. When all the rights have will have been exercised, GTC RE's share in the capital of GTC SA will remain 27.75%.

- In April 2012, during the General Meeting of shareholders of GTC S.A., Mr. Alain Ickovics was appointed Chairman of the Supervisory Board of the company. Mr. Shouky Oren, CEO of Kardan N.V., was also appointed to the Supervisory Board of GTC S.A.

Water Infrastructure (Tahal)

- In February 2012, the Memorandum of Agreement ("MoA") with respect to a water and agriculture project in Botswana between Tahal Group B.V. ("Tahal") and the Government of Botswana was cancelled by Tahal. Tahal reserves all its rights with respect to the MoA.

- In March 2012, Kardan's indirectly owned water infrastructure subsidiary Tahal Consulting Engineers Ltd. ("TCEl") 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 TCE 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. TCE has organized the financing for the Project, which will be the fourth project for TCE in Ghana. Including this Project, total combined revenues for TCE's current projects in Ghana amount to USD 282 million (approximately EUR 210 million).

Banking and Retail Lending (TBIF)

- In May 2012, TBIF Financial Services B.V. ("TBIF") closed the sale of its 50% stake in the Russian Sovcombank to the other shareholder in the Bank ("the Transaction"), following the agreement which was signed in June 2011. The total consideration for the Transaction amounted to EUR 123 million, the remainder of which (EUR 71 million) was received upon closing of the Transaction.
  Approximately EUR 38 million of the proceeds was used to repay a loan that Kardan Financial Services, that holds 100% of TBIF, has from Kardan. Over the years, Kardan invested approximately EUR 100 million in the Bank. This sale, together with the sale of a 16% interest in the Bank in 2010, generated accumulated proceeds of approximately Euro 160 million for Kardan.

1.2. Subsequent events

- On July 12, 2012, Kardan announced a new plan to purchase Kardan Debentures, listed on the Tel Aviv Stock Exchange ("TASE"), of up to an amount of EUR 50 million through its subsidiary GTC RE. The plan is in line with the Company's focus to decrease the leverage on the holding and intermediate holding company levels, and will be funded mostly by the existing resources of Kardan and of GTC RE.

  In August, 2012, Kardan announced that it had completed the plan. Through this plan Kardan has repurchased 211,945,290 Debentures Series A and 120,222,513 Debentures Series B for the total amount of NIS 245 million (approximately EUR 50 million), which were presented in the Company's financial statements as a total liability in the amount of NIS 401 million (approximately EUR 82 million). Through the repurchases of two plans (announced on December 15, 2011 and on July 12, 2012, both for EUR 50 million) combined, the Company has reduced the corresponding liability by NIS 705 million (approximately EUR 144 million). The total profit on these two plans amounted to EUR 44.2 million, of which EUR 9.4 million is recognized in the second quarter 2012 results of the Company as financial income, and EUR 32.7 million will be reported in the Q3 results of 2012. A profit of EUR 2.1 million was recognized in earlier periods. It is estimated that execution of the repurchases will not result in any taxes payable.

Taking into account earlier made repurchases made in June through beginning August 2011, Kardan – mainly through its subsidiary GTC RE - presently owns 47.5% of Debentures A and 12.6% of Debentures B.

- In July, 2012, Maalot, the Israeli subsidiary of Standard & Poor's ("S&P"), reported that – following the announcement on July 12 of the Company to initiate a new repurchase plan of its debentures to an amount of EUR 50 million- it had changed the rating of the Company from ilBBB+ negative outlook into ilCC as well as for the Debentures Series A of the Company. The rating of Debentures Series B was not adjusted by S&P.
  On August 13, 2012, S&P changed the rating for Kardan upwards to ilBBB- negative outlook. The Debentures Series A and Series B were also rated ilBBB- negative outlook.
  S&P reassigned Kardan's rating after having downgraded the rating for the Company to "Selective Default" (SD) and a "Default" rating for Debenture Series A on the same day.

- In August, 2012, Tahal, the water infrastructure subsidiary of Kardan, announced that it had received an extension of deadlines for its Pump Storage Project ("the Project"); an 81% subsidiary of Tahal (Tahal Water Energy Ltd.) was granted a conditional licence in 2009 to build an electricity generating facility ("the Plant"), providing up to 300 Megawatt of electricity to the Israel Electric Company, conditional to achieving certain milestones. The extension of deadlines relates specifically to the arrangement of the funding, which has been extended until June 24, 2013. The funding is expected to be arranged in the form of an Equity contribution and Project Finance by external parties. Since the initial announcement in 2009, it is expected that the total investment to construct the Plant amounts to approximately USD 410 million (approximately EUR 310 million) and that it will take approximately four to five years to complete the construction as of the start.

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 June 30, 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 30.06.12	Total Investment in books 31.12.11
Kardan NV	GTC RE Holding	100%	368	142	510	510
	KFS	100%	55	58	113	161
	Tahal	100%	51	53	104	98

Holding Company	Name of subsidiary	Share in subsidiary	GTC Holding Book Value	Loans granted by GTC Holding	Total Investment in books 30.06.12	Total Investment in books 31.12.11
GTC RE Holding	GTC SA	27.75%	227	-	227	199
	Kardan Land China	100%	257	25	282	269
	GTC Investments	48.75%	1	10	11	14

Holding Company	Name of subsidiary	Share in subsidiary	KFS Book Value	Loans granted by KFS	Total Investment in books 30.06.12	Total Investment in books 31.12.11
KFS	TBIF	100%	89	21	110	194

1.4. Financial Position of holding companies of the Kardan Group as of June 30, 2012

- **Net debt** [1]

The net debt position of Kardan N.V., GTC RE BV, KFS BV and TBIF BV as of June 30, 2012 decreased to EUR 444 million from EUR 477 million as of December 31, 2011, mainly as a result of the sale of Sovcombank.

The following table summarizes the net debt of Kardan NV and if applicable of its directly held subsidiaries (company only) as of June 30, 2012:

Company	Net Debt (in EUR million)	
Kardan NV/GTC RE	**Liabilities:**	
	Debentures (*)	(468)
	Loans from banks **	(107)
	Assets:	
	Loan to KFS	58
	Loan to TGI	8
	Loan to Kardan Land China	25
	Cash and short term investments	40
	Net debt	**(444)**
KFS/TBIF	**Liabilities:**	
	Loans from Kardan NV	(58)
	Loans from banks and others	(15)
	Assets:	
	Cash and short term investments	3
	Loans to others	13
	Loans to subsidiaries	57
	Net debt	**-**
TGI	**Liabilities:**	
	Loans from others (and related warrants)	(19)
	Loan from Kardan NV	(8)
	Assets:	
	Loan to related party	-
	Net debt	**(27)**

(*) Approximately 60% 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

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. Jan Slootweg, Senior Executive Officer reporting to the CEO and one of the members of Executive Management,is responsible for Kardan NV risk management. For more details on Mr. Jan Slootweg's resume, reference is made to the chapter "Composition of the Boards" in the annual report 2011.

The 2011 Annual Report 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 N.V., 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 CEO and the members of the Executive Management and the local management of Kardan's 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)

	30.6.12	30.6.11	31.12.11	Notes
Total balance sheet	3,632	5,578	4,355	The decrease as of June 30, 2012 compared to December 31, 2011 is mainly a result of the sale of Sovcom bank in Russia in May 2012.
Current assets	1,209	2,028	1,669	The decrease as of June 30, 2012 compared to December 31, 2011 is mainly a result of the disposal of the current assets of Sovcom bank.
Non-current assets	2,423	3,550	2,686	The Decrease as of June 30, 2012 compared to December 31, 2011 is mainly a result of the disposal of the non current assets of Sovcom .
Current liabilities	1,022	1,514	1,290	The decrease as of June 30, 2012 compared to December 31, 2011 is mainly a result of the disposal of the liabilities of Sovcom and an increase in the current maturities related to debentures (of both Kardan and GTC SA).
Other debentures	631	1,093	811	The decrease as of June 30, 2012 compared to December 31, 2011 is mainly a result repurchase of debentures and reclassification of the first installments (of both Kardan and GTC SA) to current maturity.
Interest-bearing loans and borrowings	958	1,417	972	-
Equity attributable to equity holders of the parent	196	301	203	The decrease as of June 30, 2012, compared to December 31, 2011 is mainly a result of the net loss in the period which was offset by positive exchange differences and positive changes in hedge reserves.

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

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,	Notes
	2012	2011	2012	2011	2011	
Revenues						
Sale of goods	41	24	21	17	67	The increase in sale of goods in H1-2012 compared to H1-2011 is mainly a result of increase in deliveries of apartments in China.
Contract revenues	60	55	29	25	114	This income represents revenues from projects in the (Water) Infrastructure segment. the increase relate mainly to an increase in capacity in China and exchange differences on the RMB.
Banking and retail lending activities	2	12	5	7	5	The decrease in revenues from banking and retail lending activities in H1-2012 compared to H1-2011 is mainly a result of provisions on vintage loan portfolios. In previous periods the results of Sovcombank are already presented as discontinued operations.
Property rental revenues	70	72	35	39	142	The decrease in property rental revenues in H1-2012 in comparison to H1-2011 is mainly as a result of the sale of Galeria Mokotow, this decrease was offset by the completion of construction and leasing of a number of retail and commercial projects during 2011.
Other income	3	3	1	1	6	This income mainly represents the revenues generated by Avis Ukraine.
Total Revenues	**176**	**166**	**91**	**89**	**334**	

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

Expenses						
Cost of goods sold	34	21	17	14	57	See explanations for the changes in sale of goods.
Contract costs	50	43	25	23	92	See explanations for the changes in revenues from contract works.
Cost of banking and lending	14	15	6	7	35	-

activities						
Cost of property rental operations	20	21	10	11	40	See the explanations for the changes in rental revenues.
Other expenses, net	5	21	3	19	88	Other expenses in H1-2011 relate mainly to impairment of residential land bank and investment property at cost in CEE. In H1-2012 the expenses are mainly those associated with the revenues generated by Avis Ukraine.
Total expenses	**123**	**121**	**61**	**74**	**312**	
Gross margin	**53**	**45**	**30**	**15**	**22**	-
Selling and marketing expenses	8	9	4	5	21	-
General and administration expenses	27	34	14	22	61	The decrease in G&A expenses mainly relate to a one-time expense in H1-2011 related to share based payment to an executive and bonuses.
Profit (loss) from operations before fair value adjustments, disposals of assets and financial expenses	**18**	**2**	**12**	**(12)**	**(60)**	-

Adjustment to fair value of investment properties	(8)	(10)	(12)	(26)	(205)	The adjustment to fair value in H1-2012 relates mainly to negative revaluation adjustments of investment properties in Romania.
Impairment losses on goodwill	-	(1)	-	(1)	(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	4	-	4	21	In H1-2011 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	**(7)**	**(7)**	**(12)**	**(23)**	**(214)**	-
Profit (loss) before finance expenses and income taxes	**11**	**(5)**	**-**	**(35)**	**(274)**	**-**
Financial Income	22	13	14	3	21	Finance income is mainly the result of interest on the cash balances and deposits of the Group. In H1-2012 the Company recognized a profit from early repurchase of debentures in the amount of EUR 10 million.
Financial expenses	(64)	(67)	(31)	(34)	(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	(1)	(1)	(1)	(1)	(3)	-
Total financial expenses, net	**(43)**	**(55)**	**(18)**	**(32)**	**(123)**	-

	Six months ended June 30,		Three months ended June 30,		Year ended December 31	Notes
	2012	2011	2012	2011	2011	
Profit (loss) from operations	**(32)**	**(60)**	**(18)**	**(67)**	**(397)**	-
Share of profit (loss) of associates accounted for using the equity method	(5)	-	(4)	-	(3)	The equity losses relate mainly to a negative revaluations of associates in the Czech Republic.
Net profit (loss) before income taxes	**(37)**	**(60)**	**(22)**	**(67)**	**(400)**	-
Income tax (benefit) expenses	6	1	8	(5)	27	Tax expenses/benefits in the Group mainly are a result of deferred and current taxes related to delivery of apartments in China.
Net profit (loss) for the year from continuing operations	**(43)**	**(61)**	**(30)**	**(62)**	**(427)**	-
Net profit (loss) for the year from discontinued operations	1	(11)	1	(14)	18	In H1- 2011 the loss derives from the sale of VAB bank, the results of Kardan Yazamut and the results of Sovcombank which are presented as discontinued operations due to their disposal.
Net profit (loss) for the period	**(42)**	**(72)**	**(29)**	**(76)**	**(409)**	-
Net profit (loss) attributed to equity holders of the parent	(25)	**(36)**	(11)	**(40)**	(148)	-
Net profit (loss) attributed to non controlling interest holders	(17)	**(36)**	(18)	(36)	(261)	-

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

	For the six months ended June 30,		For the three months ended June 30,		For the year ended December 31,	Notes
	2012	2011	2012	2011	2011	
Net cash provided by (used in) operating activities	(42)	6	(9)	67	52	-
Net cash used in investing activities	(7)	(224)	11	(80)	(277)	In H1-2012, EUR 45 million were used for acquisition of tangible fixed assets and EUR 19 million were received from long-term loans and EUR 33 million were received from deconsolidation of a joint venture. In H1-2011, EUR 33 million were received from collecting of loans to associated companies and joint ventures, EUR 157 million were used for acquisition of tangible fixed assets and investment properties and EUR 92 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 160 million has been added from a disposal of joint ventures and about EUR 33 million was received from long-term loans and receivables.
Net cash provided by financing activities	-	89	18	(19)	(129)	In H1-2012, EUR 72 million were added from sale of shares in subsidiaries to non controlling interest holders, EUR 167 million were used in repayment of long term loans. In H1-2011, EUR 189 million were generated from issuing shares to a third party, EUR 134 million were from proceeds from long-term loans and EUR 289 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	July 1, 2012 – December 31, 2012	January 1, 2013 - December 31, 2013	January 1, 2014 – June 30, 2014
	in EUR million		
Cash and cash equivalents at the beginning of the period	**39**	**69**	**97**
Company only resources			
From operating activities			
General and administration expenses	(3)	(5)	(3)
From investing activities			
Sale of assets	51	70	-
Resources from investee companies			
From operating activities in investments – Loan repayment	34	33	15
From operating activities in investments – Management fees	1	1	1
Total Resources	**122**	**168**	**110**
Expected Uses			
From financing activities			
Repayment of a loan	-	6	-
Interest payment of loans	2	5	2
Repurchase of debentures	51	-	-
Interest payment of debentures – Series A	-	7	5
Interest payment of debentures – Series B	-	14	14
Principle payment of debentures – Series A	-	39	39
Principle payment of debentures – Series B	-	-	40
Total Uses	**53**	**71**	**100**
Cash and cash equivalents at the end of the period	**69**	**97**	**10**

Assumptions and Notes to the cash flow forecast:

1. The Cash-flow projection has been jointly drawn for both Kardan NV company-only and GTC Real Estate Holding BV company-only because the treasury of these companies is centralized. With respect to limitations regarding the transfer of funds between Kardan NV and GTC RE please refer to the below.
2. The opening balance of the cash flow forecast includes pledged deposits in the amount of approximately EUR 15 million which the Company expects will be released in the near future. Subsequent to balance sheet date, an amount of EUR 2 million was released from pledge. The Company expects the remaining balance of the pledged deposits to be released in the near future upon signing of a new loan agreement with a lending bank.
3. The forecasted General and administration expenses are based on estimates of the Company according to its past experience.
4. Sale of assets in 2012 includes sale of hedge instruments. In 2012, subsequent to the balance sheet date, the Company sold hedge instruments in the amount of EUR 40.5 million. Following these sales, the Company holds an additional hedge instrument which is presented in the Company's financial statements in the amount of EUR 12 million. The Company, based on its past experience, estimates that the probability of the sale is highand is not aware of any restrictions with respect to the sale. The Company estimated, from conservative reasons, an inflow of EUR 10 million from the sale of the remaining hedge instrument. Sale of assets also includes the sale of shares in subsidiaries and other group companies and of real estate assets.
5. Subsequent to the balance sheet date, in July and August 2012, the Company received loan repayments from subsidiaries in the amount of EUR 33 million. The remainder of the repayments from subsidiaries is expected to be received from KFS. The balance of the shareholder's loan to KFS amounted to EUR 58 million as of the balance sheet date.
6. The amount of management fees from subsidiaries is based on existing agreements between the Company and its subsidiaries as of the balance sheet date.
7. The Interest calculations are based on CPI, exchange rates and interest rates which are applicable as of June 30, 2012. The principal and interest payments for the debentures include the amount net of the interest which relates to the debentures purchased by GTC RE but not net of the debentures which are held by TCE (a subsidiary of TGI).
8. With respect to the payments relating to debentures it should be noted that part of the debentures which are presented in the financial statements of GTC RE were transferred to a lending bank to be used as a security under a REPO arrangement. The impact of this transaction was fully taken into account , in all aspects thereof, in the cash flow forecast with respect to the repayment date in October 2013. Accordingly, payment of the interest and principal for Series A debentures in February 2013 was calculated such that the debentures serving as collateral for the REPO transaction are not regarded as being held by GTC RE. In this context, it should be noted that, pursuant to the REPO transaction, the principal and interest payments accrue in favor of GTC RE and will be remitted to it upon full repayment of the loan. Accordingly, the net impact throughout 2013 is zero.
9. Subsequent to the balance sheet date GTC RE repurchased debentures in the amount of EUR 51 million (please also refer to the 'Subsequent events section' of this report).
10. 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. As of the authorization of these financial statements, the Company did not approve any new investments.
11. Limitations on transferring funds: transfer of funds between Kardan NV and GTC RE is done through repayment of shareholder's loan, which balance amounts to EUR 142 million as of 30 June 2012. In addition, GTC RE has free distributable reserves according to Dutch law amounting to EUR 167 million as of 30 June 2012. In accordance with the contractual obligations of the Company and of GTC RE, all the shares of KFS and 25% of the shares of GTC SA (out of the 27.75% stake held by GTC RE) are pledged in favor of a bank, as such, all cash dividends due to GTC RE in relation to its share holdings in GTC SA, will be used to pay back the loan or as additional collateral, as required. The market value of the shares of GTC SA which are held by GTC RE on the Warsaw stock exchange amounts to EUR 135 million, close to the date of approving these financial statements. The Company and GTC RE own shares in other subsidiaries (as specified in section 'value of investments' in this report) which are not pledged. The Company and GTC RE have several financial covenants, and, accordingly, it is impossible to transfer in a way that will

result in breach of these financial covenants (for additional information please refer to note 8 in the interim financial statements).

12. 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 June 30, 2012:

	Debenture series A	Debenture series B
Par value of issued debentures	EUR 241 million (NIS 1,190,000,000)	EUR 270 million (NIS 1,333,967,977)
Linkage basis	Principal and interest linked to Israeli CPI (CPI of January 2007)	Principal and interest linked to Israeli CPI (CPI of December 2006)
Par value of debentures as of June 30, 2012	EUR 241 million (NIS 1,190,000,000 par value)	EUR 270 million (NIS 1,333,967,977 par value)
Debentures held by subsidiaries	342,752,276 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 207 million (net of debentures held by subsidiaries) (*)	EUR 315 million (net of debentures held by subsidiaries) (*)
Market capitalization as of June 30, 2012	EUR 176 million (net of debentures held by subsidiaries)	EUR 139 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 (June 2012) (**)	BBB (June 2012)

(*) Approximately 60% of the debentures are swapped to EUR using hedge transactions.

(**) Subsequent to the balance sheet date, the rating of Series A decreased to ilBBB- (please see “subsequent event” , 1.2., for additional information).

Subsequent to the balance sheet date, several meetings were held between the Company and the Trustee Debenture Series B (the “Trustee”), Following those meetings, a letter was received from the Trustee requesting the Company to commit to notifying the Trustee prior to the occurrence of certain events, including, among others, significant changes in the Company’s credit structure, transactions involving material assets and more. Following the decline of the Trustee’s request, the Trustee according to his request, summoned a meeting with the holders of the Company‘s Series B debentures. The meeting was summoned following the publication and execution of the Company’s plan to repurchase its debentures and the downgrading of the company rating that followed.
The agenda of the meeting scheduled by the Trustee included: (1) A report by the Company describing its business and its ability to meet its obligations on schedule, including reporting on the downgrading of the Company rating and its implications. (2) A discussion on possible ways of the debentures holders to protect their rights and to decide what actions, if any, should be taken according to the options discussed in the meeting. On July 25, 2012, the first session of the meeting was held and on July 27, 2012, the second session of the meeting was held. On the first and second sessions, discussions were held and information was provided to the Trustee and the debenture holders (Series B) mainly relating to cash flow projections, however no decisions were taken. As of the date of authorizing the Company’s Financial Statements, the meeting is yet to be adjourned.

Declaration

In accordance with Article 5:25d of the Financial Supervision Act (Wet op het financieel toezicht) the Board declares, to the best of its knowledge, that:

- *(i) The condensed consolidated semi-annual financial statements as at June 30, 3012 and for the six months ended June 30, 2012, give a true and fair view of the assets, liabilities, financial position and the result of Kardan N.V. and of the group companies included in the consolidation;*
- *(ii) The semi-annual directors’ report gives a fair view of the information required pursuant to Article 5:25d sub 8 and 9 of the Financial Supervision Act.*

Per August 29, 2012

Board of Directors

S. Oren (CEO)
P. Sheldon (Chairman of the Board)
A. May
M. Groen
A. Schnur

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.