PRESS RELEASE
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KARDAN: EUR 32 MILLION LOSS FOR 2012 (2011: EUR 148 MILLION): Deleveraging and improvement of result from operations Negative revaluations particularly in South Eastern Europe

Highlights segments full year and Q4 of 2012:

<u>Kardan N.V.</u>
2012:
- EUR 43 million financial income through repurchase of debentures;
- EUR 32 million loss attributable to equity holders (2011: EUR 148 million loss);

Q4 – 2012:
- EUR 27 million loss attributable to equity holders;

<u>Real Estate Asia</u>
2012:
- Revenue up by 46% y-o-y to EUR 67 million;
- 2,272 residential apartments handed over (2011: 1,767 apartments);
- EUR 14 million profit attributable to Kardan
(2011: EUR 24 million profit, including the sale of 50% of Galleria Chengdu);

Q4 – 2012:
- Sale of SOHO apartments Europark Dalian started: 104 sold at year end;
- Increase in sale of apartments (554 versus 423 in Q3 – 2012);
- Fewer deliveries of apartments (455 versus 704 in Q3 – 2012);

<u>Real Estate Europe</u>
2012:
- GTC SA: improvement of financial position through sale of assets, rights issue and restructuring of debt;
- Result before tax but excluding revaluations and provision for share based payments increased to EUR 5 million (2011: loss of EUR 22 million);
- EUR 33 million loss attributable to Kardan (2011: EUR 84 million loss);

Q4 – 2012:
- Sale by GTC S.A. of Platinium Business Park(I-IV) in Warsaw completed;
- Devaluation of investment properties and impairment of inventory totaling EUR 78 million at GTC S.A. mainly for assets in Bulgaria, Romania and Croatia;

<u>Water Infrastructure Assets</u>
2012:
- Break even result attributable to Kardan (2011: profit of EUR 3 million);

Q4 – 2012:
- Expansion and construction of water facilities completed;

<u>Water Infrastructure Projects</u>
2012:
- Decrease in SG&A expenses following reorganization;
- Backlog position at year-end of USD 411 million (2011: USD 400 million);
- EUR 7 million loss attributable to Kardan (2011: EUR 14 million loss);

Q4 – 2012:
- Substantial y-o-y increase (51%) in revenue recognized due to projects in Africa;

<u>Banking and Retail Lending</u>
2012:
- Less provisioning, substantial cost savings and deleveraging;
- EUR 19 million loss attributable to Kardan (2011: EUR 53 million loss)

Q4 – 2012:

- Branch license for TBI Bank in Romania obtained;
- Strong growth in deposit taking in Bulgaria.

Shouky Oren, CEO of Kardan N.V. stated: "As anticipated 2012 was not easy for Kardan, struggling in difficult markets with a global macro-economy not showing signs of recovery, particularly in Central and Eastern Europe where we still faced substantial revaluations of assets and goodwill mostly in the real estate sector. As planned, we focused on the operational results and our financial position.
As can be seen in the consolidated income statement, all the sectors have shown major improvements in their operations through cost reduction, which was accompanied by an increase in revenue resulting in a gain before fair value adjustments, whereas this was a loss last year.

Dealing with our debt was our second challenge. GTC SA, the Central and Eastern European real estate company in which we hold a 28% stake, raised EUR 100 million through a rights issue, in which we participated for our full pro rate share. That, together with sale of assets and with the restructuring of their debentures brings GTC SA, even considering the substantial revaluation losses, to a much better and more robust position to face both the difficult markets and to deal with the new developments.
We also saw the necessity to deleverage on our holding level, and therefore we initiated repurchasing programs for our outstanding debentures. In the third quarter of the year we reported that we had successfully executed the repurchase plans of Kardan debentures, spending nearly EUR 100 million from existing resources whilst reducing the corresponding liability by EUR 144 million. Just recently we came to an understanding with the Debenture holders on certain concessions in order to underpin our commitment regarding our obligations to them.

It is our expectation that markets will remain challenging also in 2013 for our CEE real estate operations. We believe that our real estate activities in China will grow stronger. In addition, we expect that the improvement in the results in our water infrastructure and our financial services operations will continue to show a real turnaround. Our main priority at the holding level is deleveraging and servicing our debt. We remain committed to making Kardan stronger and more valuable to our stakeholders".

The 2012 quarterly results of Kardan N.V. are presented in the table below.

Condensed consolidated income statement 2012
Kardan NV by Quarter

	Q1/2012	Q2/2012	Q3/2012	Q4/2012	2012
Total revenues	85	91	115	92	383
Total expenses	79	79	95	94	347
Profit (loss) from operation before fair value adjustments, disposal of assets and financial expenses	6	12	20	(2)	36
Profit (loss) from fair value adjustments and on disposal of assets and investments	5	(12)	(33)	(56)	(96)
Result from operations before finance expenses	**11**	**-**	**(13)**	**(58)**	**(60)**
Financing income (expenses), net	(25)	(18)	18	(31)	(56)
Share of profit of associates accounted for using the equity method	(1)	(4)	(1)	(4)	(10)
Profit (Loss) before income tax	(15)	(22)	4	(93)	(126)
Income tax (expenses)/benefit	2	(8)	(3)	(4)	(13)
Profit (Loss) from continuing operations	**(13)**	**(30)**	**1**	**(97)**	**(139)**
Profit (Loss) from discontinued operations	-	1	-	-	1
Profit (Loss) for the period	(13)	(29)	1	(97)	(138)

Attributable to:					
Non-controlling interest	1	(18)	(19)	(70)	(106)
Equity holders	**(14)**	**(11)**	**20**	**(27)**	**(32)**
Profit (Loss) for the period	(13)	(29)	1	(97)	(138)

The 2012 condensed consolidated income statement split into the different segments of Kardan N.V., is shown in the table below. Management analyses the segment performance based on result from operations before finance expenses (in note 28 of the consolidated financial statements called "Segment result"). In this press release, additional segment information is provided for information purposes.

Following the overall analysis, the Q4 and 2012 results of every individual segment is analyzed in more detail.

Condensed Consolidated Income Statement Kardan N.V.

For the **full year** ended December 31, 2012 (in EUR million)

	Real Estate		Infrastructure		Banking and Retail lending		**Total**		
	Asia	Europe	Assets	Projects	lending	Other	**2012**	**2011***	**2010***
Total revenues	67	150	38	108	20	-	383	332	377
Total expenses	59	102	31	113	34	8	347	391	337
Profit (loss) from operation before fair value adjustments, disposal of assets and financial expenses	8	48	7	(5)	(14)	(8)	36	(59)	40
Profit (loss) from fair value adjustments and on disposal of assets and investments	13	(105)	-	(1)	(3)	-	(96)	(214)	50
Result from operations before finance expenses	**21**	**(57)**	**7**	**(6)**	**(17)**	**(8)**	**(60)**	**(273)**	**90**
Financing income (expenses), net	-	(65)	(5)	(2)	(3)	19	(56)	(123)	(125)
Share of profit of associates accounted for using the equity method	-	(10)	-	-	-	-	(10)	(3)	6
Profit (Loss) before income tax	21	(132)	2	(8)	(20)	11	(126)	(399)	(29)
Income tax (expenses)/benefit	(7)	(7)	(2)	1	-	2	(13)	(28)	(22)
Profit (Loss) from continuing operations	**14**	**(139)**	**-**	**(7)**	**(20)**	**13**	**(139)**	**(427)**	**(51)**
Profit (Loss) from discontinued operations	-	-	-	-	1	-	1	18	22
Profit (Loss) for the period	14	(139)	-	(7)	(19)	13	(138)	(409)	(29)
Attributable to:									
Non-controlling interest	-	(106)	-	-	-	-	(106)	(261)	(2)
Net result for the segment	**14**	**(33)**	**-**	**(7)**	**(19)**	**13**	**(32)**	**(148)**	**(27)**
Profit (Loss) for the period	14	(139)	-	(7)	(19)	13	(138)	(409)	(29)

* The results of Sovcombank in 2012, 2011 and 2010 have been classified as discontinued operations. Additional reclassification of comparatives has been done to conform to current period presentation.

KARDAN N.V.

Overall 2012 review

If developments are specifically attributable to Q4 these are mentioned separately.

Total consolidated **result from continuing operations** in 2012 arrived at a loss of EUR 139 million, compared to a loss of EUR 427 million in the corresponding period last year, similarly to last year in particular due to losses in Real Estate Europe and in Banking and Retail lending:

The result from continuing operations of Real Estate Asia was a profit of EUR 14 million, including a EUR 11 million revaluation profit (net of tax) on the retail center in Europark Dalian and the shopping mall in Chengdu. In 2011, the EUR 24 million profit included a EUR 17 million revaluation profit on the sale of 50% of the shopping mall in Chengdu as well as a gain mainly on the sale of the stake in Chengdu (EUR 12 million). 2012 showed a notable increase in revenues following a significant number of deliveries of apartments as well as an improvement in gross profit. SG&A expenses in 2012 decreased: although sales and marketing expenses increased mainly due to the new mixed-use project Europark Dalian, for which construction started in May and the sale of Small Office Home Office apartments in October, general and administrative expenses decreased compared to those in 2011 which included a one-off expense for a share option plan.

Real Estate Europe recorded a loss from continuing operations of EUR 139 million, of which 27.75% is attributable to Kardan, compared to a loss of EUR 346 million in 2011. Revenues in 2012 decreased y-o-y by 6%, mainly the result of substantially lower revenue from the delivery of apartments and slightly lower property rental and service recharge revenues despite the sale by GTC SA of its 50% stake in Galeria Mokotow in Q3 2011 and the sale of the Platinium office buildings (I-IV) in Q3 2012. As a result of cost optimization measures and lower financing expenses at GTC SA, the direct result (i.e. gross profit from operations, excluding impairments on inventory - recorded under "Other expenses, net"- and deducting SG&A and finance expenses) in 2012 is positive: EUR 4 million whereas this was a loss of EUR 15 million in 2011. The largest impact, however, on the loss from continuing operations in both years was the negative revaluation result and impairments on real estate assets (2012: EUR 122 million, 2011: EUR 299 million). GTC SA strengthened its financial position in 2012 by raising EUR 100 million through a rights issue, in which Kardan participated for its 27.75% pro rata share, prolonging EUR 73 million bonds and repayment of other loans and liabilities (including repayment of bonds and related hedges in the amount of EUR 46 million). Consequently, the loan to value ratio of GTC SA improved to 53% at year end (from 60% year end 2011).

A EUR 7 million loss from continuing operations was recorded in 2012 for Water infrastructure (2011: loss of EUR 12 million). Following a significant increase in revenues, tight cost control and less financing expenses, Tahal Projects could decrease its loss to EUR 7 million, compared to a loss of EUR 14 million in 2011.
Tahal "Assets" reported a break even result (2011: EUR 2 million profit), following a decrease in the gross profit mainly resulting from construction and expansion of facilities (particularly in China).

The Banking and Retail Lending segment improved its results from a loss from continuing operations of EUR 61 million in 2011 to a loss of EUR 20 million in 2012. Revenues improved significantly following lower provisioning (which is deducted from revenues). The majority of the provisions in 2012 were taken in the first quarter of the year on mainly legacy portfolio's; the subsequent quarters indicated an improving and stabilizing trend and improvement in the quality of the portfolios.
In addition, cost cutting measures and deleveraging contributed to the improvement in results. Impairment losses on goodwill were EUR 4 million (2011: EUR 19 million).

Included in "Other" are the expenses and finance costs of the holding companies Kardan N.V. and GTC Real Estate Holding B.V. In 2012 the result was a profit of EUR 13 million (2011: loss of EUR 22 million), primarily due to the result of financing income (EUR 43 million) recognized on the repurchase plans of debentures during the reporting period.

The **profit from discontinued operations** in 2012 is the effect of the closing of the sale of Sovcombank in Russia. In 2011 the result also reflects the Israeli activities, which were spun-off in Q4 – 2011 as well as the completion of the sale of VAB bank in Ukraine.

The **net result** for equity holders of Kardan N.V. amounted to a loss of EUR 32 million (2011: loss of EUR 148 million and 2010: loss of EUR 27 million).

The result in 2010 is mostly attributed to the holdings in VAB Bank which contributed a loss of EUR 97 million, mitigated by the sale of 16% of Sovcombank and the sale of TBIH which contributed a gain of EUR 31 million.

Equity

Kardan N.V. – balance sheet (company only, in EUR million)	**December 31, 2012**	**December 31, 2011**
Total Assets	644	864
Total Equity	169	203
Equity/Total assets (%)	26%	23%

Shareholder's equity of Kardan N.V. decreased from EUR 203 million as of December 31, 2011 to EUR 169 million as of December 31, 2012, mainly due to the result in the period.

Covenants

As at reporting date, December 31, 2012, the Company and its intermediate holding companies meet the majority of their covenants.
On the operating subsidiary level a few loans exist for which not all the financial covenants were met as at December 31, 2012.

For additional information on covenants, see note 27 in the 2012 Financial Statements.

Highlights per segment:

Every segment result for 2012 is analyzed separately below. It is noted that only if the development in Q4 – 2012 significantly differs from the general trend during the year, the last 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 SA, of which it holds 28%, and a relatively small investment in Germany (49% holding in GTC Investments) which it intends to sell in the near future.

Real Estate Asia

General developments China and Kardan Land China

The fourth quarter of 2012 showed a year-end growth spurt for China; GDP grew by 7.9% y-o-y, an increase after seven straight quarters of slow down. This was largely supported by a strong December month: industrial output in the month increased y-o-y by 10.3%, retail sales which grew by 15.2% y-o-y and exports showed a surprising 14.1% increase y-o-y. Full year 2012 GDP growth arrived at 7.8%, ahead of the targeted 7.5% by the Chinese Government, but still making 2012 the weakest year of economic expansion since 1999. Shifting the focus of the Chinese economy to internal consumption and away from the investment and export model is the main aim of the Chinese Government. However, the global economic slowdown has impacted foreign demand for Chinese products, whilst the increasing purchasing power of the Chinese population cannot yet mitigate the effect of generally diminishing export. Consequently, the focus of the new leaders, who have recently taken office, is to keep employment high, inflation low and to increase spending on infrastructure.

Real estate investment, which accounted for 13.8% of China's GDP in 2012, rose by 16.2% y-o-y in 2012 and remains a key component of overall fixed asset investment, one of the cornerstones of Beijing's growth strategy.

Kardan Land China ("KLC") mainly focuses on mixed-use projects, combining shopping centers with residential and small office home office apartments, and is active in the sale of residential apartments for own use in Tier 2 and Tier 3 cities. As purchasing power and internal consumption are stimulated, the urbanization continues and the middle class expands, the underlying fundamentals for shopping centers and for low to mid-end residential real estate in Tier 2 and Tier 3 cities remains.

The construction of the large mixed-use project in Dalian, which was started in Q2 of 2012, is progressing according to plan. At the end of October, 2012, the sale of the SOHO (Small Office Home Office) apartments commenced and up to December 31, 2012, 104 such apartments were sold. Europark Dalian is a project combining a shopping center with SOHO as well as residential apartments. The project is expected to be completed at the end of 2014.
KLC also manages a large shopping center in Chengdu, which it initiated and developed and of which it now owns 50%. The cities Dalian and Chengdu reported over 9% and over 12% y-o-y 2012 GDP growth respectively, underpinning the strategy of KLC to develop malls in places where GDP growth is above country average.

Results Real Estate Asia

	Real Estate Asia			
	For the year ended December 31		For the three months ended December 31	
	In EUR million			
	2012	**2011**	**2012**	**2011***
Property rental and service recharge revenues	7	6	3	1
Delivery of apartments	60	40	11	23
Total revenues	67	46	14	24
Costs of property rental and service recharge operations	3	2	1	-
Cost of delivery of apartments	43	31	5	18
Other expenses, net	-	1	-	-
Gross profit	21	12	8	6
SG&A expenses	13	16	4	4
Adjustment to fair value (impairment) of investment properties	13	17	10	-
Gain on disposal of assets and other income	-	16	-	-
Result from operations before finance expenses	21	29	14	2
Financing income (expenses), net	-	3	-	3
Income tax (expenses) / benefit	(7)	(8)	(4)	(1)
Net profit (loss)	14	24	10	4
Attributable to:				
Equity holders (Kardan N.V.)	**14**	**24**	**10**	**4**
	14	24	10	4

*Reclassified in line with 2012 presentation

Additional information Real Estate Asia	**2012 (31.12)**	**2011 (31.12)**
Balance sheet (in EUR million)		
Completed investment property	69	68
Investment Property Under Construction	82	54
Inventory	245	231
Cash & short term investments	44	67
Total Assets	526	514
Loans and Borrowings	54	43
Advance payments from buyers	120	136
Total Equity	258	247

Other		
Apartments sold in period *	1,194	1,883
Apartments delivered in period *	2,272	1,767
Total apartments sold, not yet delivered *	4,037	5,115

* reflects number of apartments 100%; Kardan Land China holds 50%; numbers relate to nine months 2012, 2011 and 12 months 2011. 2012: 9% and 2011: 3% of units in reservation (i.e. deposit paid but no signed contract received by Kardan Land China)

Revenues

"Property rental and service recharge revenues", attributable to the 50% owned shopping center in Chengdu, increased by 3% in 2012 vis-a-vis 2011 despite the fact that until September 1, 2011, Kardan Land China owned 100% of the mall. As of that date Kardan Land China is entitled to 50% of the rental income, but still to 100% of the asset management fees. As at December 31, 2012, Galleria Chengdu is fully occupied.

Residential revenue is recognized when apartments are handed over. In 2012, revenue from the delivery of apartments increased by 50% compared to the same period last year on the back of a larger number of deliveries and a higher average price per apartment. From the start of 2012 until end of December 2012, 2,272 apartments were handed over, compared to 1,767 in the full year 2011. These deliveries 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.

In Q4 – 2012, the effect of the slowdown in the sale of apartments which occurred in 2011 started to show in the decreasing pace of the deliveries of apartments: 455 apartments were handed over (Q3: 704, Q2: 601, Q1: 512), leading to a noticeable lower revenue than in the corresponding period last year.

Gross margin

The gross margin on rental and service recharge revenues in 2012 increased to 61% compared to 57% in 2011, mainly due to one-off items, such as a bonus which was received by Galleria Chengdu on meeting certain operational targets.

The gross margin on delivery of apartments in 2012 was 28% (2011: 19%), largely due to a different mix of, and on average higher priced, apartments.
The high gross margin on delivery of apartments in Q4 of 2012 (50% versus 19% in Q4 – 2011) is to be explained mainly by the delivery of commercial space (part of the residential projects) with higher margins.

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

SG&A expenses in 2012 were 16% lower than in 2011 to be explained as follows. G&A expenses in 2011 included a one off expense of EUR 5 million relating to employee options. Sales & Marketing expenses, however, notably increased following higher commission costs in line with the larger number of deliveries of apartments which were recorded in 2012. And finally, as the mixed-use project Dalian was initiated in the beginning of 2012, additional marketing expenses were incurred in 2012 in comparison to last year.

Adjustment to fair value of investment properties

The positive adjustment to fair value in 2011 relates fully to the shopping mall in Chengdu. In 2012, the valuation profit relates to both Chengdu and to the shopping mall in Europark Dalian.

Gain on disposal of assets and other income

The gain in 2011 reflects the sale of a land plot in Hangzhou (EUR 4 million) and the sale of 50% of the shopping mall in Chengdu (EUR 12 million).

Financing Income/expenses

Net financing income decreased in 2012 compared to 2011. In 2012, this was mainly due to the fact that Kardan Land China repaid an intercompany loan of EUR 25 million. In 2011, a positive translation effect of the RMB compared to the Euro contributed EUR 5 million to the financing income, whereas there was no material translation effect in 2012.

Income tax (expenses) / benefit
Income tax expenses in 2012 mainly included the deferred tax charge on the valuation gain on Europark Dalian. In 2011, the tax expenses related mainly to the sale of the Hangzhou project and the 50% stake in Galleria Chengdu, as well as to positive valuation gains on Galleria Chengdu.

Additional Information
At year end 2012 "Loans and Borrowings" had increased by EUR 11 million when compared to end of 2011, as the result of the loan for Europark Dalian (year end 2012: EUR 36 million) and mitigated by the repayment of the shareholder loan of EUR 25 million to GTC Real Estate Holding during 2012.

"Advance payments from buyers" at December 31, 2012, was lower than at end of 2011 in line with a high number of deliveries of apartments and a lower number of apartments sold (y-o-y) during the year. Kardan Land China sold 450 residential apartments in the fourth quarter of 2012 (Q3 2012: 423) due to successful marketing efforts and a slightly better buyers' sentiment. In addition, in Q4 – 2012, 104 SOHO small home offices were sold of the large mixed-use project Europark Dalian. This brings the total number of sold apartments in 2012 to 1,194 (2011:1,883), reflecting the effect of the measures – until mid year 2012 approximately - of the Chinese government to cool down the property markets.
Kardan Land China aligns the pace of construction to match the market conditions and to keep the percentage of completed unsold apartments in the inventory low (December 31, 2012: 4%).

Real Estate Europe

General developments Central and Eastern Europe (CEE) and GTC S.A.

The economic development in Central and (South) Eastern Europe during 2012 was affected by the European sovereign debt crisis through weaker exports and reduced capital inflows. In May and June 2012 the Euro crisis re-ignited, leaving consumer confidence very subdued and in some of the CEE countries even diminished the purchasing behavior to the bare minimum. This has had its effect on real estate markets particularly in South Eastern European countries and on some assets situated in secondary locations. Mortgage availability deteriorated in many of the CEE countries, negatively affecting the residential market. GTC SA has consequently implemented a strategic re-orientation, which includes focusing on its large scale shopping centers, selling selected assets to generate free cash flow and improving its operating results.

Although Poland continued to show a positive GDP growth in 2012 y-o-y (2.0%), a slowdown in GDP growth was noticeable during the year, resulting from among other a lower domestic demand and less gross value added in industry and construction. Among Polish cities, Warsaw still features one of the lowest retail saturation levels, which, when combined with high purchasing power values displayed by its residents, suggests room for new retail projects. GTC SA plans to develop two shopping centers in the rapidly growing residential clusters Wilanów and Bialoleka in Warsaw, with a combined Net Rentable Area of 140,000 sqm, which are expected to be completed in 2015. Gross demand for office space (i.e. including renewals) was 6% higher (y-o-y) than the record breaking 2011. Most of the transactions took place in Q4 of 2012. GTC SA benefited from this demand as it completed the sale of four offices of Platinium Business Park in Warsaw in the fourth quarter of 2012.

In Romania, household consumption appeared to have revived in Q2 of 2012 but the economy retracted again as of the third quarter leading to a near break-even GDP development for the full year 2012. Consumer price inflation was 4.95% in 2012, due to surging food prices (following the poor harvest), higher energy prices and administered price increases. Besides by the lagging consumer confidence, the real estate market was also impacted by the political instability in the country in the third quarter of 2012. The parliament which was chosen in December last year has expressed its intention to honor the country's commitments to its international creditors and to maintain its pro-EU and pro-US policy, thereby attempting to improve the reliability externally and to boost consumer sentiment internally.

Bulgaria's 2012 GDP growth arrived at 0.6% (y-o-y), mainly due to weak export resulting from low demand from its key trading partners. At the end of the year, however, there were slight signs that households are starting to spend more due to, among other, reduced household debts and lower inflation. It must be noted though that the level of purchasing power is still low. Retail centers, particularly in secondary locations, are still suffering from lack of footfall and buying behavior.

Results Real Estate Europe

Real Estate Europe comprises GTC SA which operates in Central and (South) Eastern Europe, as well as the small entity GTC Investments, in which Kardan holds 49%. As the 28% that Kardan holds in GTC SA is a controlling stake as of December 31, 2012, the results of GTC SA are 100% consolidated in the financial statements of Kardan. The results of GTC Investments are not included as of July 2012, as the investment in GTC Investments was classified as held for sale. Consequently, the results of Real Estate Europe for the full year 2012 mainly reflect the results of GTC SA. For Q4 – 2012 the results only reflect GTC SA.

	Real Estate Europe			
	For the year ended December 31,		For the three months ended December 31	
	in EUR million			
	2012	**2011**	**2012**	**2011**
Property rental and service recharge revenues	131	136	30	34
Delivery of apartments	19	25	3	4
Total revenues	150	161	33	38
Costs of property rental and service recharge operations	39	38	11	10
Cost of delivery of apartments	19	23	4	3
Operational Gross Profit	92	100	18	25
Other expenses, net	21	77	16	24
Gross profit	71	23	2	1
SG&A expenses	23	29	4	8
Adjustment to fair value (impairment) of investment properties	(101)	(222)	(62)	(96)
Gain on disposal of assets and other income	(4)	1	-	1
Impairment losses on goodwill	-	(11)	-	(1)
Result from operations before financing expenses	(57)	(238)	(64)	(103)
Financing income (expenses), net	(65)	(86)	(19)	(19)
Equity in net earnings of associated companies	(10)	(4)	(4)	(3)
Income tax (expenses) / benefit	(7)	(18)	(2)	(11)
Profit (loss) from continuing operations	(139)	(346)	(89)	(136)
Net profit (loss) from discontinued operations	-	-	-	-
Net profit (loss)	(139)	(346)	(89)	(136)
Attributable to:				
Non-controlling interest holders	(106)	(262)	(70)	(104)
Equity holders (Kardan N.V.)	**(33)**	**(84)**	**(19)**	**(32)**
	(139)	(346)	(89)	(136)

Additional information GTC S.A.	**2012 (31.12)**	**2011 (31.12)**
Balance sheet (in EUR million)		
Inventory & residential land bank	155	182
Investment property	1,614	1,704
Assets held for sale	42	134
Cash & short term investments	254	179
Total Assets	2,153	2,310
Total bank debts and financial liabilities	1,205	1,395
Total Equity	741	724

Other		
Loan to Value*	53%	60%
Completed commercial space(sqm)**	576,221	579,856
Value completed commercial space (EUR million)**	1,308	1,395
Average occupancy	91%	87%
Average yield completed assets	8.3%	8.1%

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

Revenues

In 2012, “Property rental and service recharge revenues” decreased by 3% compared to the same period last year, mainly due to the sale in Q3 – 2011 of 50% of the GTC SA retail center Galeria Mokotow and to the sale of Platinium Business Park (I-IV) in Q4 2012. The opening of new offices and retail centers in Poland and Bulgaria, as well as new leases partially mitigated the effect of the sale of mentioned two assets. On a like-for-like basis, rental and service revenue at GTC SA increased in 2012 by 3% compared to 2011. Average occupancy of completed properties at GTC SA has improved from 87% as at year-end 2011 to 91% at December 31, 2012.

Residential revenues (recognized on deliveries of apartments), declined in 2012 by 22%. The residential market in CEE/SEE remains weak as consumer sentiment is low and mortgage availability is scarce.

Operational Gross profit

The operational gross profit margin in 2012 (62%) was at the same level as in 2011.
The gross profit margin in 2012 of GTC SA on property rental and service recharge revenues decreased y-o-y to 70% (2011: 72%), due to the sale of Galeria Mokotow and Platinium Business Park, as mentioned above, which could not as yet be balanced out by the gross profit margins of the newly opened and younger assets.

“Other expenses, net” relates to an impairment of inventory, reflecting the weak market. When compared to 2011, impairment of inventory was substantially less in 2012 (2011: EUR 77 million; 2012: EUR 21 million). Whereas in the first three quarters of the year only small impairments were recognized, in Q4 2012 EUR 16 million impairment was recognized mainly with respect to Romania due to a delay in the projected start date and a decrease of the future expected sales prices relating to the continued weak economies and mortgage scarcity.

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

The quarterly decreasing trend of SG&A expenses in 2012 is mainly to be explained by less sales and marketing activities following completion of leasing activities in newly completed assets and improved occupancy. Also on a like for like basis (i.e. excluding a one-off cost in 2011 which related to the sale of Galeria Mokotow and excluding the value of the share based payments in both years) the administrative expenses decreased significantly during 2012 compared to 2011.
In the last quarter of 2012, SG&A expenses were notably lower than in the same period last year, due to the sale of Galeria Mokotow in Q3 of 2011.

Adjustment to fair value of investment properties and other income (loss)

Although substantially lower than in 2011 (EUR 222 million), a total amount of EUR 101 million of negative adjustment to fair value of investment properties at GTC SA had to be recognized in 2012, of which the majority (EUR 62 million) in the fourth quarter. Devaluations took place particularly in Bulgaria, Romania and Croatia and mainly with respect to retail centers following a decrease in the expected rental values on the back of the lagging economies. In Poland, valuation gains were recognized mainly on Platinium Business Park.

In addition, following the reclassification of GTC Investments to “Assets Held for Sale” as of July 1, 2012, EUR 4 million impairment loss was recognized in Q3 – 2012 as other expenses.

Financing Income /expense

Net financing expenses in 2012 decreased by 25% in comparison to 2011 particularly on the back of a decrease in the average debt balance of GTC SA, following the sale of Galeria Mokotow and of Platinium Business Park (I-IV) (Platinium generating free cash of approximately EUR 44 million) and repayment of other loans and liabilities (including repayment of bonds and related hedges in the amount of EUR 46 million). In addition, it should be noted that in 2011, a hedge related amount of EUR 8 million related to the sale of Galeria Mokotow was reclassified to the income statement. The average interest rate (including hedges) on GTC SA's loans remained stable during 2012 at 5% p.a.

Equity in net earnings of associated companies
The negative contribution in2012 mainly includes the negative revaluation results which were recorded in the Czech Republic and Ukraine by associated companies of GTC SA.

Direct result
The direct result (i.e. gross profit from operations, excluding impairments on inventory (recorded under "Other expenses, net", and deducting SG&A and finance expenses) in 2012 is positive: EUR 4 million, largely due to substantially lower net financing expenses as well as a reduction in SG&A expenses following cost optimization measures at GTC SA. In 2011 the direct result was negative, a loss of EUR 15 million.

Income tax
The income tax expense is largely the result of a change in deferred taxes at GTC SA. In 2011, GTC SA 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
The contribution to the equity holders of Kardan from the Real Estate Europe segment in 2012 was a loss of EUR 33 million (2011: loss of EUR 84 million).

Additional Information GTC SA
Total Equity of GTC SA increased to EUR 741 million (December 31, 2012) from EUR 724 million as of year-end 2011, mainly resulting from the rights issue amounting to EUR 100 million (net), which was placed successfully in Q2 of 2012, combined with the recorded results (EUR 132 million loss) and other equity movements.

Following the capital raised through the rights issue and repayment of bond and loans, the loan to assets value ratio arrived at 53% as at December 31, 2012 (December 31, 2011: 60%). GTC SA also successfully extended the maturity of EUR 73 million bonds until 2017 – 2018. The short term loans (including derivatives) amount to EUR 253 million (September 30, 2012: EUR 359 million). As at December 31, 2012, EUR 99 million relates to bonds (including hedges) to be redeemed by May 2013. After balance sheet date, EUR 10 million has been repaid on the completion of the sale of Platinium V, which took place at end of February 2013 and which generated approximately EUR 16 million of free cash.

GTC SA is listed on the Warsaw Stock Exchange. For full details on the GTC SA 2012 results, which were published on March 11, 2013, 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 but also in Turkey, whilst Tahal Projects is mostly involved in projects in Africa, Central and Eastern Europe, Latin America as well as in Israel.

General developments water infrastructure and Tahal

The necessity for clean water, as a pre requisite for economic and social development, is recognized throughout the world. In many emerging markets, access to (treated) water is a focal point ,as is addressing the pollution resulting from industrialization.
In China, for instance, more than half of the water is polluted, over 300 million people use contaminated water supplies and a third of China's waterways are below the Government's own safety standards. Among 32 of China's big cities, 30 face water shortage. Moreover, the urban population percentage is expected to increase from 45.7% in 2010 to 75% in 2050 or earlier, putting a heavy burden on water accessibility. The Chinese Government acknowledges the country's environmental deficit as an ongoing challenge and has identified it as one of its focal points in their

Five Year Plan. They have therefore embraced a Public Private Partnership ("PPP") policy, making it possible for (non) Chinese companies, such as Tahal Assets, to initiate and execute infrastructure projects.

For Tahal Projects, availability of funding for the execution of projects is crucial. In recent times, funding generally needs to be arranged through banks and international financial institutions – such as the European Bank for Reconstruction and Development. This has increasingly become the situation as governments tend to allocate less funds to infrastructure projects because of the overall savings they need to enforce, due to the macro-economic situation. In order to deal with this problem, Tahal Projects includes the organization of funding, as part of their tender offers.

Results Infrastructure Assets*

	Tahal Assets*			
	For the year ended December 31		For the three months ended December 31	
	in EUR million			
	2012	**2011**	**2012**	**2011**
Contract revenues	38	29	10	7
Contract cost	23	18	6	7
Other expenses, net	-	1	-	-
Gross profit	15	10	4	-
SG&A expenses	8	5	3	1
Gain (loss) on disposal of assets and other income	-	2	(1)	-
Result from operations before financing expenses	7	7	-	(1)
Financing income (expenses) net	(5)	(5)	-	1
Income tax (expenses) / benefit	(2)	(2)	-	-
Profit (loss) from continuing operations	-	-	-	-
Net profit (loss) from discontinued operations	-	2	-	(1)
Net profit (loss)	-	2	-	(1)
Attributable to:				
Non-controlling interest holders	-	(1)	-	-
Equity holders (Kardan N.V.)	-	3	-	(1)
	-	2	-	(1)

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

Additional Information Assets (in EUR million)	**2012 (31.12)**	**2011 (31.12)**
Cash & short term investments	5	17
Total Assets	170	171
Net Debt (excl shareholder loans)**	57	45
Equity*	95	91
Equity*/ Assets	56%	53%

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

Revenues

The revenue of Tahal Assets is mainly generated by Kardan Water in China. Tahal Assets recorded a 30% higher revenue in 2012 than in the corresponding period last year. The increase can largely be attributed to revenue which is recognized during construction of plants in China as well as to capacity expansion following the acquisition in 2011 of a new waste water treatment plant in Xuanhua with a capacity of 120,000 m3 a day.

Gross Profit
The gross profit margin increased slightly to 38% in 2012 from 36% in 2011.

Sales & Marketing, and General & Administrative expenses (SG&A)
SG&A expenses increased during 2012 following a one off expense relating to the change in management in China as well as following the growth of the Chinese operations.

Financing income (expenses) net
Net financing costs in 2012 includes the valuation of the warrant and call option related to a USD 25 million loan (signed in 2010) which was provided by private equity investor FIMI. This was offset by slightly increased expenses related to new loans received by Kardan Water in China to invest in new facilities and upgrade current ones.

Net profit/(loss) from discontinued operations
The discontinued operations in 2011 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*

	Tahal Projects*			
	For the year ended December 31		For the three months ended December 31	
	in EUR million			
	2012	**2011****	**2012**	**2011**
Contract revenues	108	85	29	19
Contract cost	100	81	27	19
Other expenses, net	-	3	-	-
Gross profit	8	1	2	-
SG&A expenses	13	14	2	6
Gain (loss) on disposal of assets and other income	(1)	1	(1)	-
Result from operations before financing expenses	(6)	(12)	(1)	(6)
Financing income (expenses), net	(2)	(3)	(1)	-
Income tax (expenses) / benefits	1	1	1	-
Net profit (loss)	(7)	(14)	(1)	(6)
Attributable to:				
Equity holders (Kardan N.V.)	(7)	(14)	(1)	(6)
	(7)	(14)	(1)	(6)

(*) General and Administrative expenses of Tahal Group International have been allocated to Tahal Projects
(**) Reclassification of comparatives has been done to conform to current period presentation.

Additional Information Projects	**2012 (31.12)**	**2011 (31.12)**
Balance sheet (in EUR million)		
Cash & short term investments	23	29
Total Assets	142	118
Net debt (excl. shareholder loans)**	(18)	(22)
Equity*	33	34
Equity* / Assets	23%	29%
Other (in EUR million)		
Backlog	312	316

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

Revenues
Revenues in 2012 increased significantly by 27% y-o-y. The growth is mainly attributable to new projects in Africa, which started in 2012. In addition, there was a slight positive impact following the strengthening of the US dollar vis-a-vis the euro: the majority of the projects are in denominated in US dollars.
In the fourth quarter of 2012, as a result of the materialization of new projects, revenue increased by 51% compared to Q4 of 2011.

Only when the first down payment of a new project has been received does Tahal Projects recognize the full value of the project into its backlog. Revenue starts to be recognized on these projects according to the relevant agreements, which is generally after the first invoice has been sent or the first agreed upon phase of the project has been completed.

Gross profit
The gross profit margin in 2012 is 8% and includes a one-off provision (EUR 2 million) regarding an older project. Reorganization costs of EUR 2.5 million were recognized in 2011 (reported under “other expenses, net”).The improvement in gross profit in Q4 2012 versus the same quarter last year is following the significant improvement in revenue.

Sales & Marketing, and General & Administrative expenses (SG&A)
In 2011, Tahal initiated a reorganization, among other things, to bring down SG&A costs: in 2012, these expenses decreased by more than 10% y-o-y.
SG&A expenses in Q4 2012 were significantly lower than in Q4 2011, due to the departure of a number of managers and other employees.

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

Financing income /(expenses) net
These expenses decreased, reflecting successful hedging, as well as less use of credit facilities following receipt of outstanding debts and advance payments on projects.

Additional information Tahal Projects
The new business in 2012 amounted to USD 147 million (EUR 114 million), leading to a backlog position of USD 411 million (EUR 312 million) as at year end 2012. 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. The estimated revenues for this project are USD 97.5 million (approximately EUR 73 million); the project will take approximately three years from commencement.
Furthermore, contracts were signed for 2 projects in Russia and Ukraine with an average revenue value of USD 28 million (approximately EUR 21 million) and an average duration of 2 years.

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 addition, KFS is active in Ukraine with rental and leasing activities through its 66% holding in Avis Ukraine. 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. In 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 and TBIF

The economic development in Bulgaria and Romania during 2012 was affected by the European sovereign debt crisis, leaving consumer confidence very subdued. This has impacted the lending activities in both countries, particularly in the SME sector, whereas credits to individuals slowly improved during the year.

In Bulgaria, in light of the economic situation, households tended to prefer putting their money on deposit than to borrowing money. At the end of 2012, there were slight signs that households were starting to spend a little more due to, among other, reduced household debts and lower inflation. The unemployment rate has, however, risen to above 12% and spending levels remain low.

In Romania, the political instability in the third quarter of 2012 did no good for consumer confidence. Although the employment rate recovered slightly during the year, both retail clients as small and medium sized corporate clients were cautious in taking on new loans or credits. The parliament which was chosen in December last year has expressed its intention to honour the country's commitments to its international creditors and to maintain its pro-EU and pro-US policy, thereby attempting to improve the reliability externally and to boost consumer sentiment internally.

Results Banking & Retail Lending

	For the year ended December 31		For the three months ended December 31	
	2012	**2011***	**2012**	**2011***
	in EUR million		in EUR million	
Banking and retail lending activities	13	5	4	(9)
Other revenues	7	6	2	1
Total revenues	20	11	6	(8)
Costs of banking and lending activities	30	35	8	11
Other expenses, net	3	6	-	1
Gross profit	(13)	(30)	(2)	(20)
SG&A expenses	1	3	-	-
Gain on disposal of assets and other income	1	2		-
Impairment losses on goodwill	4	19	2	18
Result from operations before financing expenses	(17)	(50)	(4)	(38)
Financing income (expenses), net	(3)	(12)	2	(7)
Income tax (expenses) / benefits	-	1	-	-
Profit (loss) from continuing operations	(20)	(61)	(2)	(45)
Net profit (loss) from discontinued operations	1	8	-	(1)
Net profit (loss)	(19)	(53)	(2)	(46)
Attributable to:				
Non-controlling interest holders	-	-	-	-
Equity holders (Kardan N.V.)	(19)	(53)	(2)	(46)
	(19)	(53)	(2)	(46)

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

Additional Information KFS Banking & Retail Lending	**2012 (31.12)**	**2011* (31.12)**
Balance sheet (in EUR million)		
Net loan portfolio	141	158
Cash	33	28
Total Assets	244	979
Deposits	67	11
Total Equity	45	63
Other		
Provisions	34%	32%

* Amounts for 2011 exclude Sovcombank, which has since been sold.

KARDAN N.V.

General
In the first half of 2011, Kardan signed the agreement to sell its remaining 50% in the Russian Sovcombank for a fixed transaction price. The transaction was completed in May 2012. Consequently, both the 2011 as well as the 2012 results of Sovcombank are presented as discontinued operations.

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 2012 results.

Revenues
During 2012, quarterly reported revenues showed an increasing trend, as a result of less provisioning during the year (approximately EUR 5 million less than in 2011), which are deducted from revenues. In addition, “other revenues” which relates largely to the revenue from rental and leasing activities at Avis in the Ukraine improved by 9% y-o-y.

Gross profit
The improvement in revenues led to a better 2012 “Gross Profit” amounting to a loss of EUR 13 million (2011: a loss of EUR 30 million). In addition, costs of banking and lending activities combined with other expenses decreased by 18% following, among other, decrease in operational expenses, mainly in Romania, reflecting optimization of the cost structure which was adjusted in line with lower portfolio levels.

Sales & Marketing, and General & Administrative expenses (SG&A)
These expenses comprise of employee and other expenses such as amortization of intangible assets of KFS, the holding company of the banking & retail lending activities. The decrease in 2012 compared to the same period last year is the result of efficiency measures taken in 2012. In 2011 some one-off severance costs were incurred resulting from the sale of activities. SG&A expenses of the operating companies of KFS are allocated in costs of banking.

Impairment losses on goodwill
In 2011 impairment losses on goodwill were attributable mostly to the consumer finance and leasing operations in Bulgaria and in Romania. In 2012, the amounts relate to the Romanian operations, to reflect the development of the macro-economic situation and the effect this has on the value in use of these operations to TBIF.

Financing income (expenses), net
In 2012, significantly less financing expenses were recognized following steps taken to deleverage the operations as well as a net income in 2012 relating to the settlement of an option, for which its revaluation in 2011 resulted in net expenses.

Net profit (loss) from discontinued operations
The amounts relate to operations sold: Sovcombank (2012 and 2011), as well as to VAB bank (2011 only).

Additional Information
At December 31, 2012, the total portfolio of KFS showed a 10% decrease in comparison to December 31, 2011, mainly due to write offs of fully provided legacy portfolios in the first half of 2012 which were not yet fully compensated by new loan generation
In Bulgaria, where TBI Bank is active in deposit taking, the strong growth in deposits throughout the year continues. At December 31, 2012, deposits amounted to EUR 67 million, more than 6 times the amount as at December 31, 2011. The growth derives mostly from retail clients.

“Other”

	For the year ended December 31		For the three months ended December 31	
	2012	**2011**	**2012**	**2011**
	in EUR million		in EUR million	
General and administration expenses	(8)	(8)	(3)	(4)
	19	(20)		

KARDAN N.V.

Financing income (expenses), net			(13)	(6)
Income tax (expenses) / benefit	2	(2)	1	3
Profit (loss) from continuing operations	13	(30)	(15)	(7)
Net profit (loss) from discontinued operations	-	8	-	8
Net profit (loss)	13	(22)	(15)	(1)
Attributable to:				
Non-controlling interest holders	-	(2)	-	(3)
Equity holders (Kardan N.V.)	13	(20)	(15)	4
	13	(22)	(15)	(1)

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 decreased in 2012 by 10% in comparison to 2011, following a decrease in management at Kardan holding, no bonus payments and a reduction in other professional service costs.

Financing income (expenses), net
The financing expenses in 2012 were substantially positively impacted by a profit of EUR 43 million related to the repurchase of debentures issued by Kardan N.V. In Q4 of 2012, EUR 8 million financing expenses were recognized due to foreign exchange differences relating to the strengthening of the Israeli Shekel (NIS) compared to the Euro.

Income tax
In 2012, a tax benefit of EUR 2 million was recognized, split evenly over a tax benefit on hedge instruments and a reduction on the tax provision relating to a past sale of Kardan NV debentures by a subsidiary. In 2011, income tax expenses amounted to EUR 2 million. These amounts relate to deferred tax on hedge instruments. The same amount is recorded to shareholders' equity.

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

Additional Information
In December 2011 and in July 2012, Kardan announced to repurchase its Debentures, listed on the Tel Aviv stock exchange, through its subsidiary GTC Real Estate Holding BV ("GTC RE"), for a combined total amount of at maximum EUR 100 million.
Mainly during 2012, Kardan, through GTC RE, repurchased 431.2 million Debentures Series A of Kardan for a total amount of approximately EUR 77 million and 120.2million Debentures Series B for a total amount of EUR 15.5 million.
Through the repurchases of the two plans, Kardan has reduced the corresponding liability by approximately EUR 144 million. The total profit on these two plans amounted to EUR 44 million, of which EUR 9 million was recognized in Q2 of 2012 as financial income and EUR 33 million in the third quarter. A profit of EUR 2 million was recognized in earlier periods.
As of December 31, 2012, Kardan, through its subsidiaries, held 47.5% of Debentures Series A and 12.6% of Series B.

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

KARDAN N.V.

OUTLOOK 2013

Kardan N.V.
Management attention in 2013 will continue to be focused on the cash flow and bringing down the debt position of Kardan N.V. and of its intermediate holding companies mainly by selling assets. In addition, attention is on consistent improvement of operations.
A cash flow forecast for the coming two years can be found in the Directors' Report on page 15.

Real Estate Asia
Kardan Land China expects to deliver approximately 2,000 apartments during 2013, similar to the number delivered in 2012. The sale of residential apartments is dependent on the economy in China, which appears to be stabilizing, as well as on measures which the Chinese government may take to control the real estate market, in particular speculation in this market. As purchasing power is continuing to increase in China, Kardan Land China anticipates growth in revenue from the Chengdu retail center. With respect to the large project Europark Dalian, Kardan Land China anticipates to continue to sell apartments and to sign lease agreements with retailers. Completion of the mall is planned for the end of 2014. The focus of Kardan Land China will continue to be on developing mixed-use projects.

Real Estate Europe
GTC S.A management aims to continue to decrease the leverage of GTC SA (Loan to Value: 53% as at December 31, 2012), mainly through the sale of assets which should generate free cash of in total EUR 120 million by the end of 2014 and will be utilized to repay its liabilities (including bonds and project loans). In addition, despite unfavorable market conditions, GTC SA will continue to focus on active asset management and further improvement in operating margin and reducing general expenses.

Water infrastructure Assets
Tahal Assets expects to increase the capacity of its plants in China to 670,000m3/day by the end of 2013 (end of 2012: 630,000.m3/day), which will have a positive impact on its revenues.

Water Infrastructure Projects
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. Revenues and profitability are expected to increase from existing and recently signed projects (y-o-y). The backlog (in USD) is expected to increase by approximately 10% (y-o-y) by the end of 2013.

In addition, Tahal expects to continue to make progress with its large Pump Storage project in Israel to build an electricity generating plant, the funding of which is expected to be largely provided by external parties in the form of project finance as well as an equity contribution.

Banking and Retail Lending
TBIF will continue to operationally merge its consumer finance and leasing activities in Bulgaria and Romania into TBI Bank, allowing the Bank to increase loan origination by raising deposits and to enjoy synergetic effects of business consolidation. TBIF plans to open at least 5 branches of TBI Bank in Romania; 3 will be new branches and 2 are conversions of existing TBI points of sale to bank branches. The consumer and leasing markets in Bulgaria and Romania are expected to remain difficult. TBI Bank Romania expects to be able to raise deposits during 2013, which is expected to positively support its activity.

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, *World Economic Outlook* (January 2013)
European Commission; *Economic Forecast Winter 2013*
World Bank; *Global Economic Prospects, Managing Growth in a Volatile World, January 2013*

Real Estate:
Jones Lang LaSalle: *City Reports Q4–2012*
DTZ Research: *Property Times, China City Reports (Chengdu Q4 2012 and Dalian Q4 2012)*
CBRE: *MarketView, Warsaw Retail & Warsaw Office, February 2013*
Water Infrastructure
www.globalwaterintel.com
Water21, *Magazine of the International Water Association*, October 2012
McKinsey Quarterly: *Infrastructure productivity: how to save USD 1 trillion a year, January 2013*

Financial Services
Bulgarian National Bank, *Economic Review Summaries, Q3 – 2012*
Unicredit; *EEMEA Macro Flashes 2012 / 2013*

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 ***tomorrow, Monday March 25, 2013*** at **10.00** CET.
To take part in the call, please use the following dial-in number:

Dial in number NL: +31 (0)45 6316902 — Conference ID: 4598965

Dial in number UK: +44 (0)207 1532027 — Conference ID: 4598965

Please confirm your attendance to eventmanagement@citigateff.nl.

About Kardan

Kardan identifies and develops assets in promising emerging markets, mainly in the CEE, CIS and China. Its activities are mainly focused on three sectors that benefit from the rising middle class: Real Estate, Water Infrastructure and Retail Lending. Company headquarters are in the Netherlands. Kardan aims at holding controlling interests in its investments and, through the development of local business platforms, is actively involved in the definition and implementation of their strategy. Total assets as of December 31, 2012 amounted to EUR 3.3 billion; revenues totaled EUR 383 million in 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.

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

KARDAN N.V.

Director's Report and Financial Statements Kardan NV 2012

Amsterdam/Tel Aviv, March 24, 2013
Number of pages: 22

The Additional Information and the Financial Statements of Kardan N.V., 2012, are drawn up in accordance with the Dutch and Israeli regulations and together with the separately presented press release on the Q4 and full year 2012 results of Kardan form an integral part of the regulatory requirements and presentation.

FINANCIAL REPORTS
FOR THE FULL YEAR ENDED DECEMBER 31, 2012

The Financial Reports contain the following sections:

1. ADDITIONAL INFORMATION FOR 2012

1.1. Main events in 2012

Kardan

- In August 2012, Kardan finalized its second plan to repurchase debentures of up to EUR 50 million. Mainly during 2012, Kardan, through its subsidiary GTC Real Estate Holding BV ("GTC RE"),purchased 431.2 million of debentures Series A for a total consideration of EUR 77 million, and 120.2 million of Debentures Series B for a total consideration of EUR 15.5 million. This was following the announcements on December 15, 2011 and July 12, 2012, of 2 repurchase plans of Debentures, listed on the Tel Aviv Stock Exchange ("TASE"), up to a maximum of EUR 100 million (for both plans combined).
  Through the repurchases of the two plans, the Company reduced the corresponding liability by approximately EUR 144 million. The total profit on these two plans amounted to EUR 44 million, of which EUR 9 million is recognized in the second quarter 2012 results of the Company as financial income, and EUR 33 million has been recognized in the Q3 results of 2012. A profit of EUR 2 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 through its subsidiaries presently owns 47.5% of Debentures A and 12.6% of Debentures B.

- In March, 2012, Kardan 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 the Investment Property Note in the 2012 IFRS financial statements of Kardan.

- In May 2012, the proposal to change the Two Tier Board structure to a One Tier Board structure was approved by the Annual General Meeting of shareholders ("AGM"). The move to a one tier model should simplify the corporate governance structure and result in a more efficient and simple decision making process. In addition, the AGM approved the appointment of Mr. Shouky Oren as CEO and member of the Board. Mr. Alain Ickovics, former Chairman of the Management Board of Kardan, 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 SA.
  The following members were appointed to the Board 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 (Independent)
  - Mr. A. May as non-executive member of the Board (Independent)
  - Mr. P. Sheldon as non-executive member of the Board (Independent)
  - 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, based on 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 GTC SA 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 reflected the challenges that S&P believed Kardan will likely face in light of its liquidity profile in 2014.
  Furthermore, in July 2012, 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, - following the completion of the repurchase plan by the Company as announced in July 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.

Real estate (GTC Real Estate)

- In March 2012, GTC SA - in which Kardan N.V. holds a 27.75% stake – announced a recommendation to raise approximately EUR 100 million through a rights issue, to strengthen the capital structure and to improve GTC SA's cash position, which was approved by the General Meeting of shareholders of GTC SA in April 2012. In June 2012, GTC SA announced that its rights issue was more than two times over-subscribed, 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%. At reporting date, all the rights have been exercised; GTC RE's share in the capital of GTC SA remains 27.75%.

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

- In October, 2012, GTC Real Estate Holding B.V. ("GTC RE") sold its indirectly held (40%) real estate portfolio of 7 assets, mostly offices, in Switzerland to a Swiss Investment Fund for an amount of EUR 61 million. The transaction generated nearly EUR 6 million of free cash for GTC RE after repayments of bank loans and expenses. The sale of these assets is in line with the strategy of Kardan to withdraw from the Western European Real Estate market as well as to generate free cash in order to fulfill the obligations to its bond holders.

- In October 2012, GTC SA announced that it had signed an agreement with a private investor ("the Agreement") on the sale of its three small-size shopping centers in tier 2 and tier 3 cities in Romania, for an estimated amount of EUR 6 million. As a result of this transaction, Kardan NV recognized a revaluation loss of EUR 4 million (net of minority impact) in the third quarter of 2012. Subsequent to balance sheet date, in January 2013, GTC SA announced that the transaction was cancelled due to the fact that an agreement on final conditions could not be reached. GTC is reviewing its alternatives.

Water Infrastructure (Tahal)

- In February 2012, the Memorandum of Agreement ("MoA"), that was signed in May 2007, 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 does not expect to recognize any losses relating to the MoA and its cancellation. Tahal reserves all its rights with respect to the MoA.

- In March 2012, Kardan's indirectly owned water infrastructure subsidiary Tahal Consulting Engineers Ltd. ("TCE") 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.

- In August, 2012, Tahal, 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 license 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 largely provided by external parties in the form of project finance as well as an equity contribution. Since the initial announcement in 2009, it is expected that the total investment to construct the Plant will amount 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. As of December 31, 2012, approximately 2% of the expected total investment has been invested in the project by Tahal.

- In December 2012, Tahal Water Planning for Israel Ltd. ("Tahal"), an indirectly held subsidiary of Tahal Group International, the 100% owned water infrastructure company of Kardan, signed an Agreement to sell its rights in a leased real esate asset in Tel Aviv, Israel, to an unrelated third party for NIS 74 million (approximately EUR 15 million)("the Transaction"). This was following the termination in December 2012 of the real estate agreement which Tahal entered into in 2010 with Kardan Real Estate, a separately listed subsidiary of the Tel Aviv listed company Kardan Israel, with respect to the sale of Tahal's rights in the leased real estate asset in Tel Aviv.
  In January 2013, the Transaction was completed. The expected profit for Kardan is approximately EUR 7 million.

Banking and Retail Lending (KFS)

- 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 ("KFS"), 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 EUR 160 million for Kardan.

- In 2010, in parallel to the sale of TBIH, the Group's former insurance and pension segment holding company, KFS acquired an option to purchase the Bulgarian pension fund Doverie. As part of this transaction, KFS undertook a loan in the amount of EUR 10 million from the purchaser.
  In December 2012, KFS signed an agreement to waive the option and pay down EUR 2.5 million, in favor of the purchase foregoing the loan. The profit from the completion of this transaction amounted to EUR 2.5 million.

1.2. Subsequent events

- In February 2013, Kardan announced that the Extraordinary General meeting of Shareholders had approved four nominated new Board members. Mr. C. van den Bos and Mrs. Seinstra as independent non-executive members and Mr. Y. Grunfeld and, Mr. E. Rechter as non-executive members in the Board. In addition, the remuneration proposals for the new Board members were approved as was the revised exercise price of the Chief Executive Officer's option package whilst respecting the other terms of the option package that were submitted for approval in the Annual General Meeting of shareholders in May 2012.

- In February 2013, Kardan announced that its indirect wholly owned indirect Kardan Land China Ltd.("KLC") was in negotiations with an international fund to sell a 50% stake in its mixed-use project Europark Dalian ("the Transaction"), following the signing of a non binding Letter of Intent ("LoI") on December 28, 2012. Europark Dalian is a mixed-use project comprised of a shopping center, two SOHO (Small Office Home Office) buildings, two luxury apartment buildings, a service apartment/office building and parking spaces, totaling a gross buildable area of 327,006 sqm located at the East Port Area, Dalian, China. The LoI included an exclusivity period until February 18, 2013, which had been extended by mutual consent. According to the LoI, the purchase price for the 50% stake of the Project is RMB 710,000,000 (approximately EUR 85 million).
  In March 2013, Kardan Land China was informed by the international fund that it had decided not to pursue the Transaction. Kardan Land China is now resuming discussions with other international funds and investors, with which discussions were stopped due to the

exclusivity term in the LoI.
The ending of the negotiations does not have any impact on the further development of Europark Dalian.

- The Company owns (indirectly, through GTC Real Estate Holding ("GTC RE")) a 27.75% stake in GTC SA. As of December 31, 2012, this stake allows the Company to have effective control over GTC SA, inter alia because the Company has the majority of the Supervisory Board members (5 directors out of 9).
  Subsequent to the balance sheet date, at the end of February 2013, one of the other shareholders of GTC SA (the 'other shareholder') increased its stake in GTC SA to 10.04%, which gave it the right to appoint an additional Supervisory Board member, which it did in March 2013. As of now, the total number of Supervisory Board members appointed by GTC RE to the Supervisory Board of GTC SA amounts to 5 out of 10, including the Chairman of the Supervisory Board who has a casting vote in the event of a tie.

  In accordance with accounting standards, effective control exists when a company has the power, indirectly or directly, to steer the financial and operating policies of an entity. Effective control takes into account the effect of potential voting rights which are exercisable at the reporting date. Consolidation of the financial statements of the entity is from the date control is obtained till the date that effective control ceases.
  As a result of these developments, the Company concluded that in the first quarter of 2013 its accounting effective control over GTC SA ceased to exist, although the Company believes it could be argued that the effective control still exists given that another shareholder has been entitled to appoint another director since June 2012 and has not used this right, and that there is no certainty that this shareholder will indeed appoint a director in its behalf. Accordingly the Company will stop consolidating the financial statements of GTC SA as of the first quarter of 2013.

  Within the financial covenants of GTC RE towards a lending bank, GTC RE is required to keep its ability to steer the activities of GTC SA through the directors it has appointed. At the date of approving these financial statements, GTC RE maintained its ability to steer the activities of GTC SA, since the entire executive management of GTC SA (the management board) was appointed by GTC RE, as well as the chairman of the Supervisory Board who has a casting vote in case of a tie. It should further be noted that the Company is still the largest shareholder and that the other shareholders which hold over 5% are pension funds which do not tend to engage themselves in executive management.
  Accordingly, the Company is of the opinion that even though from an accounting perspective, effective control over GTC SA ceased to exist, this fact does not impact meeting the aforementioned financial covenant.

  For further details see the Subsequent Event Note in the Financial Statements.

- In March 2013, the holders of Debentures Series A unanimously approved the proposed amendments to the Deed of Trust, and 99.95% of the holders of Debentures Series B approved.

  For details of the amendments, please see page 21.

- In March 2013, GTC SA, in which Kardan holds a 27.75% stake, announced that the Romanian Chamber of Deputies approved an Ordinance (no. 114/2007) which provides that it will no longer be possible to designate lands that are currently classified as green areas for any other use or purpose. For as long as the Ordinance is valid in its current adopted version, GTC SA will not be permitted to develop its land plot in Bucharest that was intended for a shopping mall project (Galleria Bucharest) and is currently classified as green area. The land plot is presented in GTC SA's 2012 Financial Statements with a value of EUR 20.4 million (at cost). GTC SA is examining the legal, accounting and economic implications of such approval of the Ordinance. The adoption of the Ordinance in its current form (i.e. without any amendments) was not possible to predict, as previous reports have suggested that the Ordinance should be approved with amendments in order to allow change of designation of green areas being held in private ownership.

- In March 2013, Maalot, the Israeli subsidiary of Standard & Poor's ("S&P"), reported that – following the press release in which the Company announced that the negotiations to sell 50% of the mixed-use project Europark Dalian in China had ended - it had changed the rating of the Company and its Debentures Series A and Series B from ilBBB- negative outlook into ilBB negative outlook, due to a worsening liquidity profile. In addition, S&P has put the Company and the Debentures on CreditWatch with negative implications until the end of June 2013, when it will again review the ratings.

1.3. Book value of investments Kardan N.V.

The following table summarizes the book value of the companies held directly by Kardan as of December 31, 2012 and 2011 (amounts in EUR million):

Holding Company	Name of subsidiary	Share in subsidiary	Book Value in Kardan NV	Loans granted by Kardan NV	Total Investment in books 31.12.12	Total Investment in books 31.12.11
Kardan NV	GTC RE Holding	100%	314	-	314	510
	KFS	100%	48	-	48	161
	Tahal	100%	46	-	46	98
	Emerging Investments XII*	100%	170	-	170	-

Holding Company	Name of subsidiary	Share in subsidiary	GTC Holding Book Value	Loans granted by GTC Holding	Total Investment in books 31.12.12	Total Investment in books 31.12.11
GTC RE Holding	GTC SA	27.75%	204	-	204	199
	Kardan Land China	100%	255	-	255	269
	GTC Investments	48.75%	1	-	1	14

Holding Company	Name of subsidiary	Share in subsidiary	KFS Book Value	Loans granted by KFS	Total Investment in books 31.12.12	Total Investment in books 31.12.11
KFS	TBIF	100%	83	18	101	194

(*) In October 2012, the Company assigned its shareholders' loans (provided to its subsidiaries) to Emerging Investments XII.

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

- **Net debt**

The net debt position of Kardan N.V., GTC RE BV, Emerging Investments XII BV, KFS BV and TBIF BV as of December 31, 2012 decreased to EUR 425 million from EUR 477 million as of December 31, 2011, mainly as a result of the sale of Sovcombank, and the impact of the repurchase of the debentures.

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

Company	Net Debt (in EUR million)**	
Kardan NV/GTC RE/Emerging Investments XII* **	**Liabilities:**	
	Debentures(*)	(443)
	Loans from banks	(107)
	Assets:	
	Loan to KFS	59
	Loan to TGI	10
	Cash and short term investments	53
	Net debt	**(428)**
KFS/TBIF	**Liabilities:**	
	Loans from Emerging Investments XII	(59)
	Assets:	
	Cash and short term investments	2
	Loans to others	7
	Loans to subsidiaries	53
	Net asset	**3**
TGI	**Liabilities:**	
	Loans from Emerging Investments XII (and related warrants)	(19)
	Loan from Kardan NV	(10)
	Assets:	
	Loan to related party	10
	Net debt	**(19)**

(*) Approximately 11% of the debentures are presented in EUR in accordance with a currency hedging transaction.
(**) Net debt includes interest bearing loans and borrowings, debentures, less cash and cash equivalents and interest bearing receivables
(***) Emerging Investments XII is a wholly owned subsidiary of Kardan N.V. During Q4 2012, Kardan assigned all the loans provided to its subsidiaries to Emerging Investments XII. In addition, the majority of the repurchased Debentures are held by Emerging Investments XII.

1.5. Risk Management

Kardan has three divisions: Real-Estate (GTC Real Estate), Water Infrastructure (Tahal), and Banking and Retail lending (KFS). These divisions are divided into five segments, which can each consist of one or more operating company(ies). 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. Shouky Oren, Chief Executive Officer of Kardan N.V., is responsible for Kardan N.V. risk management. For more details on Mr. Shouky Oren's resume, reference is made to the corporate site of Kardan, www.kardan.nl.

The 2012 Annual Report describes the main categories of risks relating to Kardan's strategy, such as capital availability and financial market risks (which includes interest rate and currency 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.

As a diversified holding company, focusing on emerging markets, it is a challenge to "control" all the risks related to our businesses. Emerging markets are by nature less developed and potentially more volatile in various aspects and therefore often exposed to risks arising from unforeseen changes such as (geo)political, regulatory and economic changes.

Developments and shocks in global markets and particularly in the Chinese and 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 2012 Annual Report (which will be posted on the corporate site (www.kardan.nl) on April 17, 2013), notably the consolidated financial statements and the Board report as well as to the 2012 Israeli Annual Report (Barnea). In addition, there may be other significant risks Kardan has not yet identified or that have not been assessed as having a significant potential impact on the business but which in a later stage could materialize as such.

Disclaimer

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

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

2. PART 2 ADDITIONAL INFORMATION

2.1. Financial analysis

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

	31.12.12	31.12.11	Notes
Total balance sheet	3,283	4,355	The decrease as of December 31, 2012, compared to December 31, 2011, is mainly a result of the sale of Sovcombank in Russia in May 2012, deleverage on the level of the holding companies and impairment losses on investment properties.
Current assets	1,078	1,681	The decrease as of December 31, 2012, compared to December 31, 2011, is mainly a result of the disposal of the current assets of Sovcombank in May 2012.
Non-current assets	2,205	2,674	The decrease as of December 31, 2012, compared to December 31, 2011, is mainly a result of the disposal of the non- current assets of Sovcombank and to impairment losses on investment properties.
Current liabilities	861	1,293	The decrease as of December 31, 2012, compared to December 31, 2011, is mainly a result of the disposal of the liabilities of Sovcombank which was partially offset by an increase in the current maturities related to debentures (of both Kardan and GTC SA).
Debentures	544	811	The decrease as of December 31, 2012, compared to December 31, 2011, is mainly a result of the repurchase and repayments of debentures and classification of debentures (of both Kardan and GTC SA) as current maturities.
Interest-bearing loans and borrowings	957	969	-
Equity attributable to equity holders of the parent	169	203	The decrease as of December 31, 2012, compared to December 31, 2011, is mainly a result of the net loss in the period.

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

Year ended December 31,				Notes
	2012	**2011**	**2010**	
Revenues				
Sale of goods	79	65	83	The increase in sale of goods in 2012 compared to 2011 is mainly a result of increase in deliveries of apartments in China.
Contract revenues	146	114	138	The increase relates mainly to an increase in capacity of WWTPs in China and revenue which was recognized on projects in Africa.
Banking and retail lending activities	13	5	18	The increase in revenues from banking and retail lending activities in 2012 compared to 2011 is mainly a result to a decrease in provisions on vintage loan portfolios.
Property rental revenues	138	142	131	The decrease in property rental revenues in 2012 in comparison to 2011 is mainly as a result of the sale of Galeria Mokotow in Q3-2011, this decrease was offset by the completion of construction and leasing of a number of retail and commercial projects in CEE during 2011.
Other income	7	6	7	This income mainly represents the vehicle rental revenues generated by Avis Ukraine.
Total Revenues	**383**	**332**	**377**	

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

Expenses				
Cost of goods sold	62	54	75	See explanations for the changes in sale of goods.
Contract costs	123	99	110	See explanations for the changes in revenues from contract works.
Cost of banking and lending activities	30	35	35	See explanations for the changes in revenues from banking and lending activities
Cost of property rental operations	42	40	32	See explanations for the changes in rental revenues.
Other expenses, net	24	88	13	In 2012 the other expenses include the expenses associated with the revenues generated by Avis Ukraine and impairment charges on residential projects in CEE. Other expenses in 2011 relate mainly to impairment of residential land bank and investment property at cost in CEE.
Total expenses	**281**	**316**	**265**	
Gross margin	**102**	**16**	**112**	-
Selling and marketing expenses	15	18	18	The decrease in selling and marketing expenses relate primarily to the restructuring of the group's Infrastructure (Projects) segment.
General and administration expenses	51	57	54	The decrease in G&A expenses mainly relate to one-time expenses in 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	**36**	**(59)**	**40**	-

Adjustment to fair value of investment properties	(88)	(205)	71	The adjustment to fair value in 2012 relates mainly to negative revaluation adjustments of investment properties in Romania, Bulgaria and Ukraine which were off-set by positive revaluation relating to the Platinium Project in Poland.
Impairment losses on goodwill	(4)	(30)	(28)	Impairment losses on goodwill in 2011 relate primarily to the Group's holdings in the Banking and Retail lending segment.
Gain on disposal of assets and other income	(4)	21	7	In 2012 the loss mainly relates to fair value adjustments recognized due to the reclassification of GTC Investments as held for sale. In 2011 the gain on disposal of assets and other income relates primarily to gains on real estate assets sold by Kardan Land China.
Profit (loss) on disposal of assets and investments	**(96)**	**(214)**	**50**	-
Profit (loss) before finance expenses and income taxes	**(60)**	**(273)**	**90**	**-**
Financial Income	72	21	19	Finance income usually includes primarily interest on the cash balances and deposits of the Group. In 2012 the Company recognized a profit from early repurchase of debentures in the amount of EUR 43 million.
Financial expenses	(129)	(141)	(143)	The financial expenses are mainly related to financing costs of loans and debentures in the group. Finance expense decreased primarily due to deleverage in the Group.
Adjustments to fair value of other financial instruments	1	(3)	(1)	-
Total financial income (expenses), net	**(56)**	**(123)**	**(125)**	-

	Year ended December 31			Notes
	2012	**2011**	**2010**	
Profit (loss) from operations	**(116)**	**(396)**	**(35)**	-
Share of profit (loss) of associates accounted for using the equity method	(10)	(3)	6	The equity losses relate mainly to negative revaluations of IP in associates in the Czech Republic and Ukraine.
Net profit (loss) before income taxes	**(126)**	**(399)**	**(29)**	-
Income tax (benefit) expenses	13	28	22	Tax expenses/benefits in the Group mainly are a result of deferred and current taxes related to delivery of apartments in China and changes in deferred taxes in GTC SA.
Net profit (loss) for the year from continuing operations	**(139)**	**(427)**	**(51)**	-
Net profit (loss) for the year from discontinued operations	1	18	22	In 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	**(138)**	**(409)**	**(29)**	-
Net profit (loss) attributed to equity holders of the parent	**(32)**	**(148)**	**(27)**	-
Net profit (loss) attributed to non controlling interest holders	**(106)**	**(261)**	**(2)**	-

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

	2012	2011	2010	Notes
Net cash provided by (used in) operating activities	(46)	49	(2)	-
Net cash used in investing activities	124	(277)	(16)	In 2012, EUR 88 million were used for acquisition of tangible fixed assets and investment property, EUR 41 million were used for loans to bank costumers. Conversely, about EUR 146 million have been added from sale of assets and investments. 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 186 million has been added from a disposal of joint ventures and about EUR 33 million was received from long-term loans and receivables. In 2010, EUR 196 million were used for acquisition of tangible fixed assets and investment properties and EUR 124 million were used for loans to bank customers. Conversely, EUR 69 million were generated from Disposal of formerly consolidated subsidiaries and EUR 237 million was generated from sale of assets and investments.
Net cash provided by financing activities	(97)	129	120	In 2012, EUR 438 million were used in repayment of long term loans, EUR 101 million were used for repayment and repurchase of debentures. Conversely, EUR 210 million were added from proceeds from long-term loans, EUR 72 million were added from sale of shares in subsidiaries to non controlling interest holders. In 2011, EUR 189 million were generated from issuing shares to a third party, EUR 83 million from issuance of debentures, EUR 132 million from change in loans to bank customers and EUR 333 million from proceeds from long-term loans. Conversely, EUR 525 million were used in repayment of long term loans and EUR 71 million were used in repayment and early repayment of debentures. In 2010, EUR 275 million were generated from change in loans to bank customers, EUR 29 million were generated from sale of hedge instruments. Conversely, EUR 184 million were used in repayment of short term credit.

In the company only cash-flow, the Company presents a negative cash-flow from operating activities. Additionally, the Auditors' Report in the Financial Statements as of December 31, 2012 includes an emphasis of matter paragraph, which is one of the "warning signs" as defined in Regulation 10 (b) (14) of the Israeli Securities Authority regulations. The emphasis of a matter paragraph states that the realization of some of the Company's plans and continued compliance with the loan covenants are uncertain and depend on factors that are not wholly within the Company’s control.

In accordance with the Israeli Securities Authority regulations the Company hereby provides the cash-flow forecast:

Forecast cash flow	**January 1, 2013 - December 31, 2013**	**January 1, 2014 – December 31, 2014**
	in EUR million	
Cash and cash equivalents at the beginning of the period – Kardan NV	**51**	**22**
Cash and cash equivalents at the beginning of the period – GTC RE	**1**	**74**
Company only resources		
From operating activities		
General and administration expenses	(6)	(6)
From investing activities		
Sale of assets	85	120
Resources from investee companies		
From operating activities in investments – Loan repayment	30	18
From operating activities in investments – Management fees	1	1
Total Resources	**162**	**229**
Expected Uses		
From financing activities		
Repayment of a loan	6	4
Interest payment of loans	5	4
Interest payment of debentures – Series A	6	5
Interest payment of debentures – Series B	14	14
Principle payment of debentures – Series A	35	39
Principle payment of debentures – Series B	-	40
Total Uses	**66**	**106**
Cash and cash equivalents at the end of the period	**96**	**123**

Assumptions and Notes to the cash flow forecast:

1. The Cash-flow projection has been jointly drawn for Kardan NV company-only and its wholly owned subsidiaries GTC Real Estate Holding BV company-only and Emerging Investments XII BV 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 forecasted General and administration expenses are based on estimates of the Company according to its past experience.
3. Sale of assets in 2013 includes a sale of a hedge instrument. The Company holds a hedge instrument which is presented in the Company's financial statements in the amount of EUR 13 million, one quarter of the hedge was realized in February 2013. The Company, based on its past experience, estimates that the probability of the sale is high and is not aware of any restrictions with respect to the sale. The Company estimated an inflow of EUR 9 million from the sale and from a release of a pledged deposit to the sale in the amount EUR 0.6 million. Sale of the remaining hedge instrument also includes the sale of shares in subsidiaries and other group companies and of real estate assets.
   Possible scenario's could be as follows:
   a) Sale of real estate projects in China and distribution of (part) of the proceeds as dividend;
   b) Sale of shares of unpledged subsidiaries, or pledging of shares for receiving a loan;
   c) Sale of shares of pledged subsidiaries and redeeming the underlying loan, whereby the potential surplus amount will be paid to Kardan NV.
4. The balance of the shareholder's loan to KFS amounted to EUR 58 million as of the balance sheet date. This loan was assigned to Emerging Investments XII BV, which in its turn distributed the proceeds as dividend. Subsequent to the balance sheet date, in January and February 2013, the Company received an amount of EUR 11 million from subsidiaries and joint ventures.
5. The amount of management fees from subsidiaries is based on existing agreements between the Company and its subsidiaries as of the balance sheet date.
6. The Interest calculations are based on CPI, exchange rates and interest rates which are applicable as of December 31, 2012. The principal and interest payments for the debentures include the amount net of the interest which relates to the debentures held by GTC RE and Emerging Investment XII BV (100% held subsidiaries of the Company) but not net of the debentures which are held by TCE (a subsidiary of TGI).
7. With respect to the payments relating to debentures it should be noted that the debentures of the Company 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. According to the agreement between the Company and the lending bank, the Company did not pay interest and principle amounts pertaining to these debentures.
8. 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.
9. 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 54 million as of December 31, 2012. In addition, GTC RE has free distributable reserves according to Dutch law amounting to EUR 154 million as of December 31 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 relating to the pledged 25% 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 215 million, as of December 31, 2012. 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 see note 8 in the financial statements).
10. Restrictions on transfer of funds: money transfer from Emerging Investments XII to the Company is done by dividend payment to Emerging Investments XII. Retained earnings according to the Dutch law are in the amount of EUR 170 million as of December 31, 2012. Emerging Investments XII BV does not have a material cash balance.
11. Repayment of material liabilities subsequent to the balance sheet date: In February 2013, the Company paid a total of EUR 55 million for the principal and interest for Debentures Series A

and interest for Debentures Series B. The primary sources used by the Company were the cash balances as of January 1, 2012 and repayment of loans from subsidiaries in the amount of EUR 11 million.

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.

Comparison table

Forecast cash flow	January 1, 2012 - December 31, 2012 (Forecast)	January 1, 2012 – December 31, 2012 (Actually)	comment
From investing activities			
Sale of assets	15	52	1
Resources from investee companies			
From operating activities in investments – Loan repayment	52	55	1
Investing activities			
Expected Uses			
From financing activities			
Repurchase of debentures – Series A	8	78	1
Repurchase of debentures – Series B	-	15	1
Cash and cash equivalents at the end of the period	**89**	**53**	

The Board of Directors comments and explains material deviations:

1. In 2012, after the publication of the 2011 annual report, the Company's management approved an additional plan to repurchase the Company’s debentures (see main events in the period). The Repurchase of Debentures was funded mostly by sale of hedging instruments at the company level, repayments of shareholders loans from subsidiaries and using the existing cash balances of the company.

KARDAN N.V.

2.2 Fair Value Disclosure

GTC group

The following table lists the main assumptions, methods used and estimates of income-producing assets, whose effect on the results of Kardan NV is material :

Income-producing assets

State	City	Name of asset	Use of asset	KNV share of the asset (משרשור)	Right on the asset	Sqm for rent, net	Average occupancy rate	Value of the project in the Financial Statements (€ 000')	Impairment during the period (€ 000')	Yield rate in the valuation	Developer profit margin rate in the valuation	Rent fees per Sqm in the valuation	Average rent fees per Sqm of the period	NOI of the period (€ 000')	Valuation Method	External valuer	Date of the last valuation
Bulgaria	Burgas	Galleria Burgas	shopping center	22.2%	ownership	retail 36,500	84%	55.7	(9.6)	9.25%	NA	13.7 EUR per Sqm in the tenth year	7.2 EUR per Sqm	(0.8)	DCF	JLL	31.12.2012
Bulgaria	Varna	Galleria Varna	shopping center in process- the process was stopped	18.0%	ownership	retail 38,300	NA	24.2	(16.0)	10.0%	24%the remaining costs	10 EUR per Sqm	7.2 EUR per Sqm	NA	Extrication	JLL	31.12.2012
Croatia	Osijek	Avenue Mall Osijek	shopping center	22.2%	ownership	retail 28,000	89%	30.5	(9.5)	12.6%	NA	12 EUR per Sqm in the tenth year	4 EUR per Sqm	(0.3)	DCF	CBRE	31.12.2012
Croatia	Zagreb	Avenue Mall Zagreb	shopping center and offices	19.45%	ownership	retail 27,930 offices 7,000	99%	142	(12.7)	8.25%	NA	Retail- 24 EUR per Sqm Offices- 13 EUR per Sqm	Retail- 24 EUR per Sqm Offices- 15 EUR per Sqm	7.6	DCF	JLL	31.12.2012
Romania	Arad	Galleria Arad	shopping center	27.75%	ownership	32,500	95%	31.3	(20.9)	9.2%	NA	12.7 EUR per Sqm in the tenth year	4 EUR per Sqm	(1.1)	DCF	Ccolliers	31.12.2012
Romania	Piatra Neamt	Galleria Piatra Neamt	shopping center	27.75%	ownership	12,800	93%	2.9	(11.4)	NA*	NA	NA*	5.2 EUR per Sqm	(0.2)	NA*	NA*	NA*
Romania	Buzau	Galleria Buzau	shopping center	27.75%	ownership	13,400	89%	2.9	(10.4)	NA*	NA	NA*	3.1 EUR per Sqm	(0.6)	NA*	NA*	NA*

China**	Chengdu	Galleria Chengdu	shopping center	50%	ownership	35,779	98%	68.3	2.4	9.5%	NA	25 EUR per Sqm	19.4 EUR per Sqm	2.8	DCF, Comparison and Direct Capitalization Approach	CBRE	31.12.2012
China	Dalian	Galleria Dalian	shopping center in process	100%	leasing	65,875	NA	82.3	10.3	8.5%	15%	29.2 EUR per Sqm	NA	NA	Extrication, Comparison and Direct Capitalization Approach	CBRE	31.12.2012

(*) In 2012 the company began actively marketing the property for sale. The property value in 2012 was determined based on the information that had accumulated by the company as a result of negotiations with potential buyers.
(**) A Consolidated Company, data about the project's value in the reports, NOI for the period and revaluation gains were given on the basis of about 50%, other data were given on the basis of 100%.

KFS group

state	Name of the asset	Valuation Method	valuer	Value as of December 31, 2012	capitalization rate (%)	Terminal growth rate	Annual growth rate of the portfolio during the period (%)	Date of the last valuation
Romania	TBI Romania	DCF	PWC	29.5	13.5	3	15-45	31.12.12

TGI group

Name of liability	Valuation Method	valuer	Value as of December 31, 2012	Standard deviation	Risk-free inetrest	Dividend yield	Option period	exercise price	Value of underlying asset	Date of the last valuation
Put and call option shares	Binomial model	PWC	(2.7)	48%	0.63%	0%	4.58 years	2.5 thousand per share	1.6 thousand per share	31.12.12

2.2 Issuance of debt

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

	Debenture series A	Debenture series B
Par value of issued debentures	EUR 242 million (NIS 1,190,000,000)	EUR 271 million (NIS 1,333,967,977)
Linkage basis	Principal and interest linked to Israeli CPI (CPI of January 2007)	Principal and interest linked to Israeli CPI (CPI of December 2006)
Par value of debentures as of December 31, 2012	EUR 242 million (NIS 1,190,000,000 par value)	EUR 271 million (NIS 1,333,967,977 par value)
Debentures held by subsidiaries	564,871,048 par value	168,534,012 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 157 million (net of debentures held by subsidiaries) (*)	EUR 294 million (net of debentures held by subsidiaries) (*)
Market capitalization as of December 31, 2012	EUR 103 million (net of debentures held by subsidiaries)	EUR 161 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	BB (March 2013)	BB (March 2013)

(*) Approximately 11% of the debentures are swapped to EUR using hedge transactions.

In January 2013, Kardan announced that it had come to understandings with representatives of the trustees and several representatives of holders of its Debentures Series A and Debentures Series B (combined "the Debentures") on certain concessions, which were approved by the general meeting of holders of the Debentures in March 2013.

The main concessions under the agreement are as follows:

1. Commitment not to pledge part of Kardan Land China ("KLC") shares:

   Until repayment of the Debentures in February 2014 (principal and accrued interest):
   - 51% of KLC shares (held by GTC RE) will not be pledged.

   After February 2014 repayment and until repayment of the Debentures in February 2015 (principal and accrued interest):
   - 49% of KLC shares (held by GTC RE) will not be pledged.

2. Prior notice will be given in the event of pledge of assets:

   Until repayment of the Debentures in February 2015, Kardan will issue an immediate report / press release, 30 days in advance, in the event it reaches a financing agreement against the pledge of shares in KLC (subject to 1 above) or in Tahal Group International B.V.

3. In the event that Kardan would obtain financing through pledge of assets:

   Until the repayment in February 2014:
   - 80% of such financing proceeds - which will be raised through pledge of assets - will be used for early repayment of the 2014 payment (including accrued interest until that date).

   After the February 2014 repayment and until the February 2015 repayment:
   - 60% of the proceeds of such financing that will be used for repayment of the debentures, as long as up to 50% (of the 60%) through repurchase of Debentures, on the condition that no more than 80% of the repurchased Debentures will be of one specific series.

4. Sale of assets:

   Until the repayment in February 2014 (principal and interest), at least 50% of the proceeds from sale of assets will be used for early repayment of the February 2014 payment. Such commitment will not apply for proceeds of less than EUR 15 million.

5. Early repayment of the Debentures principal:

   Kardan will be allowed to early repay Debentures principal amounts, any time, at the *pari* value on the condition that each such early repayment will be at an amount exceeding EUR 10 million.

6. No dividend distribution:

   No dividend will be distributed until the February 2015 repayment (principal and interest) and in any event not before the publication of the annual accounts 2013.

7. Limitations on repurchased debentures:

   The agreement will set limitations on pledge of repurchased Debentures (including REPO transactions). In addition Kardan will commit that sale of repurchased Debentures to third parties will be done only at a yield lower than 10%.

KARDAN N.V.

March 24, 2013

Board of Directors

P. Sheldon (Chairman of the Board)
S. Oren (CEO)
C. van den Bos
M. Groen
Y. Grunfeld
A. May
E. Rechter
A. Schnur
Mrs. E. Seinstra

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 and in the related "Periodic Report " (published by Kardan N.V. in Israel) published in April 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.