KARDAN N.V.
AMSTERDAM, THE NETHERLANDS

Condensed Interim Consolidated Financial Statements
As of March 31, 2013

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CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

A s s e t s

	March 31, 2013	March 31, 2012(*)	December 31, 2012(*)
		In €'000	
Non-current assets			
Tangible fixed assets	69,182	65,053	69,377
Investment properties	90,442	1,632,197	1,565,044
Investment in associates	319,205	255,948	226,827
Other financial assets	-	7,448	-
Loans to bank customers	27,436	11,765	20,553
Long-term loans and receivables	102,884	100,401	106,273
Derivatives	-	55,874	-
Intangible assets and goodwill	37,562	43,323	37,754
Long term inventory	-	112,196	98,985
Deferred income tax assets	6,779	16,751	18,767
	653,490	2,300,956	2,143,580
Current assets			
Inventories, contract work and buildings inventory in progress	118,845	197,782	182,661
Derivatives (Note 5)	12,290	11,671	12,895
Current maturities of long-term loans and receivables	36,722	90,869	47,340
Loans to bank customers	44,835	17,804	40,242
Trade receivables	56,025	35,979	58,718
Income tax receivables	1,233	2,742	2,353
Other receivables and prepayments	54,055	34,228	55,205
Short-term investments	788	85,815	23,705
Cash and cash equivalents	99,383	279,512	369,110
	424,176	756,402	792,229
Assets held for sale	9,113	847,338	51,709
Total current assets	433,289	1,603,740	843,938
Total assets	1,086,779	3,904,696	2,987,518

(*) Retrospectively adjusted due to the impact of new accounting standard and reclassifications (Note 2)

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

E q u i t y   a n d   l i a b i l i t i e s

	March 31, 2013	March 31, 2012(*)	December 31, 2012(*)
		In €'000	
Equity attributable to equity holders of the parent			
Issued and paid-in capital	23,041	23,041	23,041
Share premium	208,117	208,165	208,165
Foreign currency translation reserve	11,517	(577)	732
Property revaluation reserve	41,673	55,320	57,802
Other reserves	8,022	13,316	8,156
Non-controlling interest holders transactions reserve	19,902	19,530	20,128
Treasury shares	(2,786)	(2,847)	(2,847)
Accumulated deficit	(149,632)	(126,455)	(148,133)
	159,854	189,493	167,044
Non-controlling interests	8,029	545,866	542,454
Total equity	167,883	735,359	709,498
Non-current liabilities			
Interest-bearing loans and borrowings	68,879	849,445	885,521
Banking customers accounts	108	41	58
Derivatives	-	64,577	33,490
Other long-term liabilities	2,050	19,897	20,307
Options	4,933	6,413	5,446
Debentures	327,886	750,532	543,909
Deferred income tax liabilities	10,499	121,672	121,059
Accrued severance pay, net	1,591	1,912	1,485
	415,946	1,814,489	1,611,275
Current liabilities			
Advances from customers in respect of contracts	25,843	10,217	16,441
Banking customers accounts	89,502	16,323	68,262
Trade payables	16,090	27,608	31,882
Current maturities of debentures	93,336	70,362	130,307
Interest-bearing loans and borrowings	151,309	437,795	165,614
Income tax payables	3,149	4,074	5,244
Advances from apartment buyers	15,210	5,394	12,936
Derivatives	-	22,811	32,362
Other payables and accrued expenses	108,511	116,171	176,229
	502,950	710,755	639,277
Liabilities associated with assets held for sale	-	644,093	27,468
Total current liabilities	502,950	1,354,848	666,745
Total liabilities	918,896	3,169,337	2,278,020
Total equity and liabilities	1,086,779	3,904,696	2,987,518

(*) Retrospectively adjusted due to the impact of new accounting standard and reclassifications (Note 2)

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CONDENSED INTERIM CONSOLIDATED INCOME STATEMENT

	For the three months ended March 31, **2013**	For the three months ended March 31, **2012**(*)	For the year ended December 31, 2012(*)
		In €'000	
Contract revenues	34,008	30,447	142,967
Retail lending activities	5,698	(2,973)	10,966
Management fee and other revenues	1,586	1,519	7,845
Total revenues	41,292	28,993	161,778
Contract costs	27,412	25,470	121,962
Costs of retail lending activities	6,392	6,712	23,601
Other expenses, net	590	747	5,355
Total expenses	34,394	32,929	150,918
Gross margin	6,898	(3,936)	10,860
Selling and marketing expenses	1,548	1,764	8,210
General and administration expenses	6,651	6,716	27,757
Profit (loss) from operations before fair value adjustments, disposal of assets and financial expenses	(1,301)	(12,416)	(25,107)
Adjustment to fair value of investment properties	2,535	-	10,383
Impairment losses on goodwill	-	-	(3,850)
Gain (loss) on disposal of assets and other income	9,960	159	(6,151)
Profit (loss) from fair value adjustments and on disposal of assets and investments	12,495	159	382
Profit (loss) from operations before finance expenses and income taxes	11,194	(12,257)	(24,725)
Other financial income	7,958	6,175	62,370
Other financing expenses	(32,429)	(14,949)	(53,687)
Adjustment to fair value of other financial instruments	-	(608)	1,073
Total financial expenses, net	(24,471)	(9,382)	9,756
Loss from operations	(13,277)	(21,639)	(14,969)
Share of profit (loss) of associates and joint ventures accounted for using the equity method	31,846	3,262	8,675
Profit (loss) before income taxes	18,569	(18,377)	(6,294)
Income tax expenses (benefit)	4,633	(2,364)	938
Profit (loss) for the period from continuing operations	13,936	(16,013)	(7,232)
Net profit (loss) for the period from discontinued operations (Note 6B)	(56,508)	3,099	(131,948)
Loss for the period	(42,572)	(12,914)	(139,180)
Attributable to:			
Equity holders	(22,443)	(13,980)	(33,176)
Non-controlling interest holders	(20,129)	1,066	(106,004)
Earnings (loss) per share attributable to shareholders			
Basic from continuing operations	0.33	(0.15)	0.89
Basic from discontinued operations	(0.51)	0.02	(1.19)
	(0.18)	(0.13)	(0.30)
Diluted from continuing operations	0.32	(0.15)	0.89
Diluted from discontinued operations	(0.51)	0.02	(1.19)
	(0.19)	(0.13)	(0.30)

(*) Retrospectively adjusted due to the impact of new accounting standard and reclassifications (Note 2)

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

CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the three months ended March 31 **2013**	For the three months ended March 31**,** **2012**	For the year ended December 31, 2012
	In €'000		
Loss for the period	(42,572)	(12,914)	(139,180)
Foreign currency translation differences (Note 6B)	9,161	(5,258)	(4,737)
Change in hedge reserve, net of tax (1)	8,433	6,869	10,123
Other comprehensive income for the period) to be reclassified to profit or loss in subsequent periods (2)	17,594	1,611	5,386
Total comprehensive income (loss	(24,978)	(11,303)	(133,794)
Attributable to:			
Equity holders	(7,041)	(13,521)	(36,771)
Non-controlling interest holders	(17,937)	2,218	(97,023)
	(24,978)	(11,303)	(133,794)

(1) Including reclassification of reserve of €366 thousand for the three months ended March 31, 2013, €341 thousand for the three months period ended March 31, 2012 and €3,204 thousand for the year ended December 31, 2012.
The amounts presented are net of tax amounting to €101 thousand, €2,837 thousand and €2,207 thousand for the three months and the year ended March 31, 2013, March 31, 2012 and December 31, 2012 respectively;

(2) Including impact resulted from associates of less than €1 million for all the reported periods.

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CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent										
	Issued and paid-in capital	Share premium	Property revaluation reserve (*)	Revaluation reserve, other (*)	Foreign currency translation reserve(*)	Non controlling interest holders transactions reserve	Treasury shares	Accumulate deficit	Total	Non-controlling Interest	Total equity
	In €'000										
Balance as of January 1, 2013	23,041	208,165	57,802	8,156	732	20,128	(2,847)	(148,133)	167,044	542,454	709,498
Other comprehensive income (loss)	-	-	-	5,898	9,504	-	-	-	15,402	2,192	17,594
Loss for the period	-	-	-	-	-	-	-	(22,443)	(22,443)	(20,129)	(42,572)
Total comprehensive income /loss	-	-	-	5,898	9,504	-	-	(22,443)	(7,041)	(17,937)	(24,978)
Share-based payment	-	-	-	77	-	-	-	-	77	(2,515)	(2,438)
Issuance of treasury shares	-	(48)	-	(13)	-	-	61	-	-	-	-
Exercise option plans in a subsidiary	-	-	-	-	-	(226)	-	-	(226)	757	531
Disposal of a subsidiary	-	-	-	(314)	-	-	-	314	-	(514,810)	(514,810)
Other reserves	-	-	-	-	-	-	-	-	-	80	80
Reclassification according to the Netherlands civil code requirements law(*)	-	-	(16,129)	(5,782)	1,281	-	-	20,630	-	-	-
Balance as of March 31, 2013	23,041	208,117	41,673	8,022	11,517	19,902	(2,786)	(149,632)	159,854	8,029	167,883

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

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

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Attributable to equity holders of the parent										
	Issued and paid-in capital	Share premium	Property revaluation reserve(*)	Revaluation reserve, other (*)(**)	Foreign currency translation reserve (*)	Non controlling interest holders transactions reserve	Treasury Shares	Accumulate deficit	Total	Non-controlling interest	Total equity
	In €'000										
Balance as of January 1, 2012	23,041	208,165	52,169	5,328	6,868	18,765	(2,847)	(109,324)	202,165	533,137	735,302
Other comprehensive income (loss)	-	-	-	7,904	(7,445)	-	-	-	459	1,152	1,611
Loss for the period	-	-	-	-	-	-	-	(13,980)	(13,980)	1,066	(12,914)
Total comprehensive loss for the period	-	-	-	7,904	(7,445)	-	-	(13,980)	(13,521)	2,218	(11,303)
Share-based payment	-	-	-	88	-	-	-	-	88	817	905
Shares purchased in consolidated subsidiaries	-	-	-	-	-	765	-	-	765	9,572	10,337
Other	-	-	-	(4)	-	-	-	-	(4)	122	118
Reclassification according to the Netherlands civil code requirements (*)	-	-	3,151	-	-	-	-	(3,151)	-	-	-
Balance as of March 31, 2012	23,041	208,165	55,320	13,316	(577)	19,530	(2,847)	(126,455)	189,493	545,866	735,359

(*) In accordance with the Netherlands civil code, part of the equity is restricted for distribution.
(**) reclassified – see note 2D

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

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Attributable to equity holders of the parent										
	Issued and paid-in capital	Share premium	Property revaluation reserve (*)	Revaluation reserve, other (*) (**)	Foreign currency translation Reserve(*)	Non controlling interest holders transactions reserve	Treasury Shares	Accumulate deficit	Total	Non-controlling interest	Total equity
	In €'000										
Balance as of January 1, 2012	23,041	208,165	52,169	5,328	6,868	18,765	(2,847)	(109,324)	202,165	533,137	735,302
Other comprehensive income (loss)	-	-	-	2,541	(6,136)	-	-	-	(3,595)	8,981	5,386
Net result for the year	-	-	-	-	-	-	-	(33,176)	(33,176)	(106,004)	(139,180)
Total comprehensive income /loss	-	-	-	2,541	(6,136)	-	-	(33,176)	(36,771)	(97,023)	(133,794)
Share-based payment	-	-	-	287	-	-	-		287	2,627	2,914
Issuance of shares to non-controlling interest holders	-	-	-	-	-	-	-	-	-	72,403	72,403
Shares purchased in consolidated and newly consolidated subsidiaries	-	-	-	-	-	1,233	-	-	1,233	33,061	34,294
Expired option plans for shares in a subsidiary	-	-	-	-	-	130	-	-	130	(1,751)	(1,621)
Reclassification according to the Netherlands civil code requirements and Chinese law (*)	-	-	5,633	-	-	-	-	(5,633)	-	-	-
Balance as of December 31, 2012	23,041	208,165	57,802	8,156	732	20,128	(2,847)	(148,133)	167,044	542,454	709,498

(*) In accordance with the Netherlands civil code, part of the equity is restricted for distribution.
(**) reclassified – see note 2D

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

CONSOLIDATED CASH FLOW STATEMENT

	For three months period ended March 31,		For the year ended December 31,
	2013	2012(*)	2012(*)
	In €'000		
Cash flow from operating activities			
Profit (loss) from continuing operations before taxes on income	18,569	(18,377)	(6,294)
Profit (loss) from discontinued operations before taxes on income	(50,864)	1,572	(125,852)
Adjustments required to present cash flow from operating activities (**see A below**)	12,897	(8,889)	81,152
Net cash provided by (used in) operating activities	(19,398)	(25,694)	(50,994)
Cash flow from investing activities			
Acquisition of tangible fixed assets and investment properties	(12,079)	(23,563)	(77,916)
Collection (granting) loans from (to) associated companies and joint ventures, net	1,984	-	13,856
Investments in associated companies and joint ventures	(332)	(198)	(273)
Proceeds from sale of assets and investments	44,794	122	146,234
Granting of long-term loans	(901)	(130)	-
Change in loans to bank customers	(10,810)	(3,676)	(40,530)
Change in long-term loans and receivables	14,843	13,239	49,513
Change in short-term investments	116	(1,917)	2,492
Change from consolidation to equity method , net of cash disposed (see appendix B below)	(197,151)	-	-
Disposal of formerly consolidated subsidiaries, net of cash disposed (see appendix C below)	-	-	32,643
Change from equity method to full consolidation, net of cash acquired (see appendix D below)	-	-	(13,888)
VAT and tax received (paid) on disposal of investment properties	(35,719)	-	22,888
Capital withdrawal from investment in joint ventures	-	952	952
Change in deferred brokerage fees	(3)	(219)	(999)
Change in other assets	1,346	256	1,410
Net cash provided by (used in) investing activities	(193,912)	(15,134)	136,382

(*) Retrospectively adjusted due to the impact of new accounting standard and reclassifications (Note 2)

CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

	For the three months period ended March 31,		For the year ended December 31,
	2013	2012	2012
	In €'000		
Cash flows from financing activities			
Proceeds from issuance and sale of shares in subsidiaries to non controlling interest holders	-	-	72,403
Issuance of debentures	-	1,391	866
Repayment and repurchase of debentures	(43,915)	(9,147)	(100,381)
Change in loans from bank customers	21,291	5,920	57,883
Proceeds from long-term loans	8,168	43,673	198,351
Repayment of long-term loans	(37,762)	(60,088)	(426,510)
Change in short-term loans and borrowings, net	(5,455)	1,266	53,676
Cost related to issuance of debt and shares	(19)	(670)	(1,414)
Proceeds from sale of hedge instruments	-	-	52,155
Transaction with non controlling interest holders	-	-	(2,870)
Net cash (used in) provided by financing activities	(57,692)	(17,655)	(95,841)
Foreign exchange differences relating to cash and cash equivalents	1,144	(81)	800
Decrease in cash and cash equivalents	(269,858)	(58,564)	(9,653)
Decrease of cash of assets held for sale	131	(40,974)	(287)
Cash and cash equivalents at the beginning of the period	369,110	379,050	379,050
Cash and cash equivalents at the end of the period	99,383	279,512	369,110

The accompanying Notes are an integral part of these IFRS Consolidated financial statements

CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

	For the three months period ended March 31,		For the year ended December 31,
	2013	2012	2012
	In €'000		
A. Adjustments to reconcile net profit (loss) to net cash			
Charges / (credits) to profit / loss not affecting operating cash flows:			
Bargain gain	(31,868)	-	-
Share of profit of associated companies and joint ventures accounte for using the equity method	(391)	(3,121)	(646)
Impairment of goodwill	-	-	4,005
Loss from revaluation of investment in formally consolidated company	25,707	-	4,337
Release of capital reserves	4,501	-	-
Loss on disposal of investments in subsidiary, net	205	-	-
Share-based payment	(1,651)	741	7,075
Depreciation and amortization	1,896	1,968	9,297
Fair value adjustments of investment properties	22,821	(2,367)	90,814
Financial expense and exchange differences, net	46,935	23,691	106,550
Change in fair value of options and share appreciation rights	-	303	1,480
Capital loss gain from sale property plant and equipment	(8,526)	(87)	(949)
Decrease (increase) in fair value of securities held for trading and hedge instruments, net	582	(1,959)	(12,697)
Increase in provision for bad debts in the financial services segment	1,480	8,395	14,077
Provision for impairment of inventory	110	-	13,434
Gain from early repayment of loans and debentures	-	(990)	(43,035)
Loss on disposal of investment property	-	-	215
Changes in operating assets and liabilities:			
Change in trade and other receivables	(28,499)	(5,958)	(129,987)
Change in inventories and in contract work in progress, net of advances from customers	7,182	(1,061)	15,963
Change in trade and other payables	(5,743)	(5,633)	46,775
Interest paid	(27,717)	(38,546)	(133,551)
Interest received	8,113	5,964	79,833
Income taxes paid	(2,240)	(711)	(3,009)
Dividend received from joint ventures	-	10,482	12,803
Other	-	-	(1,632)
	12,897	**(8,889)**	**81,152**

CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

	For the three months period ended March 31,		For the year ended December 31,
	2013	2012	2012
		In €'000	
B. Change from consolidation to equity method , net of cash disposed (Note 6B)			
Working capital (excluding cash and cash equivalents)	(161,058)	-	-
Non-current assets	1,689,273	-	-
Non-current liabilities	(1,012,011)	-	-
Non-controlling interests	(514,810)	-	-
Recycling of reserves to the income statement	4,501	-	-
Loss from revaluation of formally consolidated company	(30,208)	-	-
Bargain gain	31,868	-	-
Investment in company accounted for at equity	(204,706)	-	-
Cash disposed	(197,151)	**-**	**-**

C. Disposal of formerly consolidated subsidiaries, net of cash disposed			
Working capital	-	-	120,933
Non-current assets	-	-	457,517
Change in capital reserves	-	-	1,133
Goodwill	-	-	16,180
Long-term liabilities	-	-	(525,174)
Gain on disposal of investment	-	-	528
Total consideration	-	-	71,117
Cash of subsidiary which ceased to be consolidated	-	-	(38,474)
	-	-	**32,643**

CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

	For the three months period ended March 31,		For the year ended
	2013	2012	2012
D. Change from equity method to full consolidation			
Working capital	-	-	1,030
Investment property	-	-	(26,355)
Investment in company accounted for at equity	-	-	11,299
Total purchase price	-	-	(14,026)
Less – cash in subsidiaries acquired	-	-	138
	-	-	**(13,888)**

The accompanying Notes are an integral part of these IFRS Consolidated financial statements

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2013

1. Corporate information

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

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

These condensed interim financial statements were approved by the Board of Directors on May 30, 2013.

Going concern

As of March 31, 2013 the Group (on a consolidated basis) had a working capital deficit of €69,661 thousands (on a company only basis a working capital deficit of €75,169 thousands) that result mainly from reclassification of bank loans to short term due to breach of financial covenants (for which a waiver was received subsequent to balance sheet date) and from the current maturities of the company debentures. In addition, in the first three months of 2013 the Company incurred losses in the amount of €22,443 thousand, which contributed to a decline of shareholders' equity to €159,854 thousands. In addition, The Group (on a consolidated basis) had negative cash flows from operations of €19,398 thousand in the three months ended March 31, 2013. The cash balance of the Company as of March 31, 2013 amount to €4,850 thousands.

The Company's consolidated financial statements as of March 31, 2013 have been prepared on the assumption the Company will continue as a going concern. This is based, among others, on the current cash balances and its available assets as well as considering cash from future operations and transactions.

In February 2014 and 2015 installments of the Company's debentures series A and B mature in the total amount of €103,467 thousand and €99,563 thousand respectively (including interest) have to be repaid. These repayments are likely to be funded through existing cash balances, cash generated from the repayment of certain shareholder's loans by some of the Company's subsidiaries, cash generated through sale of certain assets, raising loans (against assets free from collaterals) or equity transactions. The Company prepared a two year liquidity analysis as part of its normal course of business which addresses the required liquidity to be able to repay the debentures in February 2014, February 2015 and all its other liabilities and to finance its operating activities. However these plans can only be achieved within the limitations of an agreement reached with debentures holders, as disclosed in Note 6 financial statements.

With respect to a waiver the Company received from a bank subsequent to the balance sheet date, see note 7.

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 however the Company believes that it will be able to repay its liabilities as they mature in the foreseeable future.

ISA Letter

Further to Note 7 to the annual financial statements, after the balance sheet date, on May 20, 2013, the Company received a letter from the Israeli Securities Authority (hereafter - ISA), further to the letter dated 15 March 2012 and earlier discussions and correspondence between the ISA and the Company, in light of a sample audit conducted by the ISA regarding the audited financial statements of the Company as at 31 December 2009 and included, among other things, an examination of their carrying amount of five investment properties (three income generating properties and two land plots) owned by a former subsidiary (GTC SA). According to this letter, "The purpose of the audit was to examine the accounting treatment for investment property presented in the financial statements of the Company at their fair value and investment property presented in the financial statements at cost for which impairment testing was performed."

The findings of ISA specified in the letter, show according to the ISA staff some of the assumptions, estimates and methodology used by the Company in estimating the fair value and the recoverable amount as at December 31, 2009, of the properties and lands that were sampled, as applicable, were outside the reasonability range. In light of these findings, the ISA staff believes that the sampled value of the assets as stated in the financial statements did not reflect adequately the fair value (or their recoverable amount, as applicable) as of December 31, 2009, as required by International Financial Reporting Standards (IFRS).

According to the letter, the Company is required to transfer to the authority staff a draft immediate report regarding the said audit, which will include the Company's response and the letter of the ISA. In addition, the Company is required to examine the validity of the findings of the ISA in relation to the book value of its investment property which were not included in the sample and examine the need to amend the financial statements, subject to materiality. According to the ISA letter such review should be carried out taking into account also the accounting implications of the above Note 40 (c) the Company's 2012 financial statement on the expected deconsolidation of GTC SA in the first quarter of 2013 as relevant.

Note that these valuations performed by the Company for most investment property included in the financial statements of the Company are carried out at least twice a year by independent external appraisers of the leading international firms in their fields. Likewise, it should be noted that the financial statements of the former subsidiary (GTC SA) are audited by the accounting firm Ernst & Young.

Following earlier discussions and correspondences between the ISA and the Company, the Company examined, during the discussions with the ISA staff, the test results received and also obtained the view of leading experts in the field as to the reasonableness of estimates, assumptions and methodology used by the former subsidiary to estimate the fair value or recoverable amount of the real estate assets, Based on the discussions and information obtained, the Company was of the opinion that there were no material deficiencies in these valuations, neither at December 31, 2009 nor at subsequent dates. Following receipt of the ISA letter, the Company continues to review the findings and their implications.

2. Basis of presentation and preparation

A. Basis of preparation

The condensed interim consolidated financial statements for the three months ended March 31, 2013 have been prepared in accordance with International Accounting Standard (IAS) 34 as defined by the International Accounting Standards Board and as endorsed by the European Union to be used for the preparation of interim consolidated financial statements.

The condensed interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as at December 31, 2012.

The accounting policies adopted in the preparation of these condensed interim consolidated financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended December 31, 2012 - except for the adoption of new standards and interpretations as of January 1, 2013:

B. New standards, interpretations and amendments adopted by the Company:

The Group early adopted certain standards and amendments that require restatement of comparative numbers which were reported in previous financial statements. These include IFRS 10 Consolidated Financial Statements and IFRS 11 Joint Arrangements. Additionally the Group applies for the first time IFRS 13 Fair Value Measurement, IAS 27 Separate Financial Statements, IAS 28 Investment in Associates and Joint Ventures, IFRS 12 Disclosure of Interests in Other Entities and amendments to IAS 1 Presentation of Financial Statements.
In addition, the application of IFRS 12 Disclosure of Interest in Other Entities would result in additional disclosures in the annual consolidated financial statements.
Several other new standards and amendments apply for the first time in 2013. However, they do not impact materially the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group.

The nature and the impact of each new standard/amendment are described below:

IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1

The amendments to IAS 1 introduce a grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to profit or loss at a future point in time (e.g., net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) now have to be presented separately from items that will never be reclassified (e.g., actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affected presentation only and had no impact on the Group's financial position or performance.

IAS 34 Interim financial reporting and segment information for total assets and liabilities (Amendment)

The amendment clarifies the requirements in IAS 34 relating to segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in IFRS 8 Operating Segments. Total assets and liabilities for a reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity’s previous annual consolidated financial statements for that reportable segment.

IAS 19 Employee Benefits (Revised 2011) (IAS 19R)

IAS 19R includes a number of amendments to the accounting for defined benefit plans, including actuarial gains and losses that are now recognized in other comprehensive income (OCI) and permanently excluded from profit and loss; expected returns on plan assets that are no longer recognized in profit or loss, instead, there is a requirement to recognize interest on the net defined benefit liability (asset) in profit or loss, calculated using the discount rate used to measure the defined benefit obligation, and; unvested past service costs are now recognized in profit or loss at the earlier of when the amendment occurs or when the related restructuring or termination costs are recognized. Other amendments include new disclosures, such as, quantitative sensitivity disclosures. In case of the Group, the transition to IAS 19R had no impact on the net defined benefit plan obligations.

IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. IFRS 10 replaces the parts of previously existing IAS 27 Consolidated and Separate Financial Statements that dealt with consolidated financial statements and SIC-12 Consolidation – Special Purpose Entities. IAS 27R replaces IAS 27 and addresses the separate financial statements only. Existing guidance for separate financial statements remained unchanged in IAS 27R. IFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in IFRS 10, all three criteria must be met, including:
(a) an investor has power over an investee;
(b) the investor has exposure, or rights, to variable returns from its involvement with the investee;
(c) the investor has the ability to use its power over the investee to affect the amount of the investor’s returns.
IFRS 10 had no impact on the consolidation of investments held by the Group.

IFRS 11 Joint Arrangements and IAS 28 Investment in Associates and Joint Ventures

IFRS 11 replaces IAS 31 - ‘Interests in Joint Ventures’ and SIC-13 ‘Jointly-controlled Entities — Non-monetary Contributions by Venturers’. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture under IFRS 11 must be accounted for using the equity method.
The application of this new standard impacted the statement of financial position of the Company by replacing proportionate consolidation of the joint venture in several entities with the equity method of accounting.

IAS 28R replaces IAS 28, the main changes relate to equity method accounting treatment for investments in joint ventures. IAS 28R also states to apply the requirements of IFRS 5 and only in respect of the part that is reclassified as held for sale; the remaining part of the investment continues to be accounted for by the equity method. The amendment of IAS 28R had no impact on the consolidated financial statements.

The effect of applying IFRS 11 is as follows:

Amendments to IFRS 10, IFRS 11 and IFRS 12 – Consolidated financial statements, Joint arrangements and Disclosure of Interests in Other Entities

In July 2012, the IASB published amendments to the standards allowing to adjust the comparatives of one year only. The adjustment of prior comparatives is possible, but not mandatory. The amendments also eliminated the requirement to present comparative information for prior periods in relation to non-consolidated structured entities.

Impact of IFRS 11 on the income statement

	For the three months ended March 31, 2012	For the year ended December 31, 2012
	In €'000	
Total decrease in revenues	21,390	82,141
Total decrease in expenses	15,280	54,414
Decrease in Gross margin	6,110	27,727
Decrease in Selling and marketing and general and administration expenses	2,371	7,800
Decrease in profit (loss) from operations before fair value adjustments, disposal of assets and financial expenses	3,739	19,927
Decrease in Profit (loss) from fair value adjustments and on disposal of assets and investments	(2,325)	(1,871)
Decrease in profit (loss) from operations before finance expenses and income taxes	6,064	21,798
Total decrease (Increase) in financial expenses, net	(511)	4,322
Decrease in profit (loss) from operations	5,553	17,476
Increase in Share of profit (loss) of associates accounted for using the equity method	3,717	10,638
Increase in profit (loss) before income taxes	(1,836)	(6,838)
Income tax expenses (benefit)	1,465	6,399
Decrease in profit (loss) for the period from continuing operations	(371)	(439)
Net profit (loss) for the period	(371)	(439)
Attributable to:		
Equity holders	(81)	(146)
Non-controlling interest holders	(290)	(293)

Impact of IFRS 11 on the statement of financial position

	March 31, 2012	December 31, 2012
	In €'000	
Non-current assets		
Decrease in investment properties	(270,339)	(183,061)
Increase in investment in associates	201,703	184,988
Decrease in intangible assets and goodwill	(16,847)	(12,472)
Decrease in other assets	(66,712)	(50,150)
	(152,195)	(60,695)
Current assets		
Decrease in inventories, contract work and buildings inventory in progress	(151,863)	(156,775)
Decrease in other assets	(49,831)	(60,192)
Decrease in cash and cash equivalents	(17,928)	(13,860)
	(219,622)	(230,827)
Decrease in assets held for sale	-	(3,821)
Total decrease in current assets	(219,622)	(234,648)
Total decrease in assets	(371,817)	(295,343)

	March 31, 2012	December 31, 2012
	In €'000	
Decrease in equity attributable to equity holders of the parent	(1,367)	(1,356)
Decrease in non-controlling interests	(4,207)	(4,443)
Total impact on equity	(5,574)	(5,799)
Non-current liabilities		
Decrease in interest-bearing loans and borrowings	(95,529)	(71,504)
Decrease in other long-term liabilities	(11,887)	(3,200)
Decrease in deferred income tax liabilities	(22,889)	(19,994)
	(130,305)	(94,698)
Current liabilities		
Decrease in interest-bearing loans and borrowings	(54,905)	(18,089)
Decrease in other liabilities	(60,205)	(65,763)
Decrease in advances from apartment buyers	(123,527)	(110,994)
	(238,637)	(194,846)
Increase in liabilities associated with assets held for distribution	2,699	-
Total decrease in current liabilities	(235,938)	(194,846)
Total decrease in liabilities	(366,243)	(289,544)
Total decrease in equity and liabilities	(371,817)	(295,343)

	For the three months ended March 31,2012	For the year ended December 31,2012
	In €'000	
From operating activities	(1,687)	(15,976)
From investing activities	12,562	24,281
From financing activities	(1,376)	635
	9,499	8,940

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. None of these disclosure requirements are applicable for interim condensed consolidated financial statements, unless significant events and transactions in the interim period require that they are provided. Accordingly, the Company provided disclosures for those significant transactions in Note 6.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Group. IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 – 'Financial Instruments: Disclosures'. Some of these disclosures are specifically required for financial instruments by IAS 34.16A(j), thereby affecting the interim condensed consolidated financial statements period. The Company provides these disclosures in Note 5.

C. Foreign currency translation

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

	USD	NIS	RMB	CPI
March 31, 2013	0.78	0.21	0.124	130.7
March 31, 2012	0.75	0.20	0.119	129.1
December 31, 2012	0.76	0.20	0.120	130.7
Change in 2013 (3 months)	3.2%	5.3%	3.34%	-
Change in 2012 (3 months)	(3.1%)	(1.5%)	(1.65%)	0.4%
Change in 2012 (12 months)	(1.5%)	1.9%	(0.83%)	1.7%

D. Reclassifications

The comparative information in the statement of financial position as of March 31, 2012 was reclassified to conform to current period's presentation. The reclassifications were not material in relation to the total assets and liabilities.

In addition, the comparative information in the income statement and cash flow statement for the period of three months ended March 31, 2012 and for the year ended December 31, 2012 was reclassified to conform to current period's presentation. The classifications were not material.

3. Segment information

Segments results

For three months ended March 31, 2013:

	Real Estate		Banking and Retail lending	Infrastructure		
	Asia	Europe (A)(B)		Projects	Assets	Total
			In €'000			
Revenue	1,172	-	6,103	27,761	6,247	41,283
Other income (expense) (*)	2,166	(6,338)	1,482	8,348	495	6,153
Total Income	3,338	(6,338)	7,585	36,109	6,742	47,436
Segment result	1,295	(6,338)	826	8,421	1,884	6,088
Unallocated expenses						(1,236)
Bargain gain						31,868
Gain from operations and share in profit of associates companies before finance expenses, net						36,720
Finance expenses, net						(24,471)
Gain before income tax						12,249
Income tax expenses						(4,633)
Gain from continuing operations						7,616
Loss from discontinued operations						(50,188)
Loss for the period						(42,572)

(A) As a result of the loss of control in GTC SA, the main company in Real Estate – Europe segment, the Company ceased consolidating the financial statements of GTC SA – see also note 6B. For future comparative purposes, the Q1 2013 segment information has (already) been prepared accounting for the retained investment in GTC SA using the equity method as defined in IAS 28. The comparative information has been amended accordingly.

(B) The result of the Real Estate Europe segment includes the company share (27.75%) in the operational result of GTC SA (using the equity method).

The loss from discontinued operation, represent the loss from revaluation of the investment in (formally consolidated) GTC SA and the non controlling interest portion (72.25%) of GTC SA operational results.

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

For three months ended March 31, 2012:

	Real Estate			Infrastructure		
	Asia	Europe (A)(B)	Banking and Retail lending	Projects	Assets	Total
			In €'000			
Revenue	1,072	-	(2,527)	21,866	8,582	28,993
Other income (expense) (*)	3,572	1,269	224	(33)	166	5,198
Total Income	4,644	1,269	(2,303)	21,833	8,748	34,191
Segment result	2,728	1,269	(9,366)	(1,924)	1,800	(5,493)
Unallocated expenses						(1,725)
Loss from operations and share in profit of associates companies before finance expenses, net						(7,218)
Finance expenses, net						(9,382)
Loss before income tax						(16,600)
Income tax benefit						2,364
Loss from continuing operations						(14,236)
Gain from discontinued operations						1,322
Loss for the period						(12,914)

(A) As a result of the loss of control in GTC SA, the main company in Real Estate – Europe segment, the Company ceased consolidating the financial statements of GTC SA – see also note 6B. For future comparative purposes, the Q1 2012 segment information has (already) been prepared accounting for the retained investment in GTC SA using the equity method as defined in IAS 28. The comparative information has been amended accordingly.

(B) The result of the Real Estate Europe segment includes the company share (27.75%) in the result of GTC SA (using the equity method) to be included as part of the continuing operations.

The gain from discontinued operation, represent the non controlling interest portion (72.25%) GTC SA operational results.

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

For the year ended December 31, 2012:

	Real Estate		Banking and Retail lending	Infrastructure		
	Asia	Europe(A)(B)		Projects	Assets	Total
Revenue	4,937	-	13,871	107,351	35,619	161,778
Other income (expense) (*)	20,035	(34,072)	(4,118)	(873)	531	(18,497)
Total Income	24,972	(34,072)	9,753	106,478	36,150	143,281
Segment result	15,289	(34,072)	(18,198)	(6,150)	6,755	(36,376)
Unallocated expenses						(7,228)
Loss from operations and share in profit of associates companies before finance expenses, net						(43,604)
Finance income, net						9,756
Loss before income tax						(33,848)
Income tax expenses						(938)
Loss from continuing operations						(34,786)
Gain from discontinued operations						(104,394)
Loss for the year						(139,180)

(A) As a result of the loss of control in GTC SA, the main company in Real Estate – Europe segment, the Company ceased consolidating the financial statements of GTC SA – see also note 6B. For future comparative purposes, the year ended December 2012 segment information has (already) been prepared accounting for the retained investment in GTC SA using the equity method as defined in IAS 28. The comparative information has been amended accordingly.

(B) The result of the Real Estate Europe segment includes the company share (27.75%) in the result of GTC SA (using the equity method) to be included as part of the continuing operations.

The remaining gain from discontinued operation, represent the non controlling interest portion (72.25%) GTC SA operational results.

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

Segments assets

	March 31,		December 31,
	2013	2012	2012
	In €'000		
Real estate – Asia	337,840	277,892	315,373
Real estate – Europe(*)	204,706	202,297	204,059
Banking and Retail lending	233,057	232,866	221,753
Infrastructure – Assets	152,117	151,206	155,477
Infrastructure - Projects	127,916	127,365	131,394
	1,055,636	991,626	1,028,056
Unallocated assets	22,030	159,152	67,708
	1,077,666	1,150,778	1,095,764

Segments liabilities

	March 31,		December 31,
	2013	2012	2012
	In €'000		
Real estate – Asia	84,893	43,818	69,734
Real estate – Europe(*)	-	-	-
Banking and Retail lending	140,023	142,737	121,952
Infrastructure – Assets	107,924	107,763	67,931
Infrastructure - Projects	92,775	97,397	86,509
	425,615	391,715	346,126
Unallocated liabilities	493,281	626,589	585,115
	918,896	1,018,304	931,241

(*) The assets and liabilities balances of the Real Estate segment for all presented periods, are presented net and represent the investment balance in GTC SA.

4. Share capital

A. Composition

	March 31, 2013		December 31, 2012	
	Authorized	Issued and Paid-in	Authorized	Issued and Paid-in
	Number of shares		Number of shares	
Ordinary shares with nominal value of €0.20 each	225,000,000	111,824,638	225,000,000	111,824,638

In March 2013, the Company repurchased 27,832 shares which were held by the Company fully owned subsidiary GTC Holding. The shares were transferred to a former office of the Company. The transaction was accounted for as issuance of shares to settle a share based payment transaction.

5. Financial Instruments

Further to note 38 to the annual consolidated financial statements, below are presented additional information regarding financial instruments:

A. Set out below is a comparison by class of the differences between the carrying amounts and fair values of the Group's financial instruments.

Fair value schedule

	Level	March 31, 2013 € 000'	
		Carrying amount(*)	Fair value
Liabilities			
Debentures issued by the Company	1	416,100	215,447

(*) Including accrued interest

Financial instruments for which fair value could not be determined are immaterial.

B. Level 3 financial assets and liabilities reconciliation

10.3 Level 3 reconciliation:

	As of January 1, 2013	Additions	Fair Value gain (loss) recorded in P&L	Fair value gain in OCI	Deconsolidation	Settlements	As of March 31, 2013
Derivative assets	12,895	210	2,129	405	-	(3,349)	12,290
Total assets	12,895	210	2,129	405	-	(3,349)	12,290
Derivative liabilities	(65,852)	-	(5,288)	4,267	66,873	-	-
Warrants and call options	(5,446)	-	-	513	-	-	(4,933)
Total liabilities	(71,298)	-	(5,288)	4,780	66,873	-	(4,933)

There were no material changes in the valuation processes, the valuation methods used, and the assumptions applied and (narrative) sensitivities, for recurring fair value measurements of investment properties and the above mentioned financial assets and liabilities.

6. Significant transactions

A. **Kardan N.V.**

A. In March 2013, the Company signed an agreement with the trustees of debentures series A and B holders. The agreements included among other the following:

(1) Commitment not to pledge 51% of the Company's shares in Kardan Land China (a fully owned subsidiary of the Company) till the repayment of the debentures in February 2014 (principle and interest) and a not to pledge 49% of Kardan Land China shares till the repayment of the debentures in February 2015 (principle and interest).

(2) The Company committed to give a prior notice before pledging part of Kardan Land China shares (which may be pledged subject to the restriction in section 1 above) and/or the pledge of the Company's shares in Tahal Group International BV. The notification is required till the repayment of the debentures (principle and Interest) in February 2015. The Company's shares in Kardan Land China and Tahal Group International will be referred to as the "Target assets".

(3) 80% of the credit received against the pledge of the Target Assets will be used to repay the debentures payment in February 2014. From the repayment in February 2014 and till the repayment in February 2015 the Company committed that 60% of such credit received against the pledge of the Target Assets will be used to reduce the debentures debt, provided that: (a) only half of the above mentioned 60% credit will be used to reduce the debt trough a repurchase of the Company debentures; (b) From funds that are used to repurchase the debentures, the amount used to purchase one of the debentures series will not exceed 80% of the total purchase.

(4) 50% of the proceeds received from the sale of assets or any part of them, will be used to repay the debentures payment in February 2014. The commitment will not apply to amounts that are less than €15 million.

(5) The Company is allowed, at any time, to early repay the next debenture payment, provided that the amount of each early repayment will not be less than €10 million.

(6) The Company committed not to distribute dividends until the debenture payment (principle and interest) in February 2015 and in any case not before the Company publishes the financial statements for the year 2013.

(7) Limitations on pledge of repurchased debentures and on sale of repurchased debentures to third parties.

B. GTC Holding

1. Loss of effective control in GTC SA

The Company, through GTC Holding, has a 27.75% stake in GTC SA, whose results are included in 'Real Estate - Europe' segment.

In February 2013, one of the shareholders of GTC SA increased its stake to 10.04%, and in March 2013 appointed an additional supervisory board member in GTC SA. As a result GTC Holding had 5 supervisory directors in GTC SA out of 10, including the Chairman of the supervisory board who has a casting vote. As of March 31, 2013 there still was an additional shareholder ('the Additional Shareholder') who was entitled to appoint a supervisory board member, but had not used that right as of the balance sheet date.

As a result of these developments, the Company concluded that its accounting effective control (de facto control) over GTC SA ceased to exist and accordingly it stopped consolidating the financial statements of GTC SA on February 22, 2013.

Subsequent to the balance sheet date, in April 2013, the Additional Shareholder exercised its right and appointed a member in the supervisory board of GTC SA, bringing the total number of members to 11, of which 5 members were appointed by GTC Holding. In addition during April 2013, the term of one of the supervisory board members, which was appointed by one of the other shareholders, has expired. As a result, as of the date of issuing these financial statements, GTC Holding once again have 5 supervisory directors in GTC SA out of 10.

As a result of the loss of control in GTC SA, and based on the requirements of IFRS 10, the Company re-measured the investment in GTC SA at fair value upon the date when control was lost based on the market price of the share in the Warsaw Stock Exchange. As a result of the re-measurement of the investment in GTC SA the Company recognized a loss of €30 million. In addition, the Company reclassified to the Income Statement foreign currency translation reserve and hedge reserve, net of tax, amounting to €1.3 million gain and €5.8 million loss, respectively. These amounts were included in 'Net profit/loss from discontinued operations' in the Income Statement.

As a result of the loss of control the Company ceased consolidating the financial statements of GTC SA and accounts for the retained investment using the equity method as defined in IAS 28. The Company did not yet finalize the full purchase price allocation according to the acquisition method as described in IFRS 3, however, based on a provisional purchase price allocation, the Company recognized a bargain gain of approximately €32 million which was included in 'Share of profit (loss) of associates accounted for using the equity method' in the Income Statement.

The Company used the following assumptions for and methods for the determination of the net asset value of its share in GTC SA:
For assets which are presented at fair value or which have been impaired below their cost, which accounts for the vast majority of GTC SA balance sheet, the Company has obtained update letters

from external valuators as at the deconsolidation date. No change was recognized for these assets. For other assets the Company assumed the book value is not materially different from the fair value.

For the liabilities, the Company has analyzed the portfolio of loans and debentures at the level of GTC SA. For short term loans and recently refinanced loans the Company has estimated that there is no material difference between the book value and the fair value; For other loans and debentures the Company has analyzed the rates and terms of each loan and according to the available information to it, determined that the interest rates of the loans are either equal or lower than the market rates. The Company continues to analyze the fair value of those loans and debentures. For other liabilities the Company has provisionally assumed there is no material difference between the book value and the fair value.

Discontinued operations related to loss of effective control over GTC SA:

The activities of GTC SA are classified as discontinued operations. These activities are clearly distinguishable, operationally and for financial reporting purposes as GTC SA represent a separate business and major geographical area of operations.

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

	For the three months ended March 31,		For the year ended December 31,
	2013	2012	2012
		€ 000'	
Income	31,409	34,126	130,814
Expenses	(52,065)	(32,554)	(257,190)
Loss before tax	(20,656)	1,572	(126,376)
Income tax benefit (income), net	(5,644)	1,527	(6,097)
Net profit (loss) from discontinued operations before revaluation and release of capital reserves*	(26,300)	3,099	(132,473)
Loss from revaluation of investment*	(25,707)	-	-
Release of capital reserves*	(4,501)	-	-
Net profit (loss) from discontinued operations	(56,508)	3,099	(132,473)
Attributable to:			
Equity holders	(36,634)	1,790	(26,948)
Non-controlling interest holders	(19,874)	1,309	(105,525)
	(56,508)	3,099	(132,473)

* The net loss from discontinued operations before revaluation and release of capital reserves includes the 100% results from GTC SA, including the share attributable to the non-controlling interest holders, while the result from revaluation of investment and release of capital reserves only reflects the 27.75% interest held by the Company. In 2012, includes an immaterial amount from the Banking and Retail lending.

Composition of the net cash flows related to discontinued operations:

	For the three months ended March 31,		For the year ended December 31,
	2013	2012	2012
	€ 000’		
Net cash flow from operating activities	12,292	11,094	71,606
Net cash flow from investing activities (*)	(205,332)	(20,388)	113,072
Net cash flow from financing activities	(31,707)	(6,993)	(126,580)
Net cash flows from discontinued operations	(224,747)	(16,287)	58,098

(*) Including cash disposed from deconsolidation of GTC SA.

Composition of other comprehensive income items related to discontinued operations:

	For the three months ended March 31,		For the year ended December 31,
	2013	2012	2012
	€ 000’		
Change in fair value of hedge instrument, net of tax(*)	3,467	(1,302)	10,967
Adjustments arising from translating financial statements of foreign operations	(594)	2,499	(295)
Recycling to the income statement of the hedge reserve due to loss of control over a subsidiary(*)	5,782	-	-
Recycling to the income statement of the foreign currency translation reserve due to loss of control over a subsidiary(*)	(1,281)	-	-
	7,374	1,197	10,672
Attributable to:			
Equity holders	5,276	437	3,338
Non-controlling interest holders	2,098	760	7,334
	7,374	1,197	10,672

(*) includes 100% results from GTC SA, including the share attributable to the non-controlling interest holders, while the release of capital reserves only reflects the 27.75% interest held by the Company.

The provisional fair values of the identifiable assets and liabilities of GTC SA at the deconsolidation date were as follows:

	Provisional Fair Value	Carrying value
	€ 000'	
Assets:		
Property, plant and equipment	1,728	1,728
Investment properties	1,466,063	1,466,063
Residential land bank	98,047	98,047
Investment in associates and joint ventures	116,759	116,759
Long term deposits and receivables	3,066	3,066
Deferred tax assets	7,081	7,081
Other non-current assets	49	49
Inventory	67,088	67,088
Trade receivables	5,512	5,512
VAT receivables	3,533	3,533
Income tax receivables	1,440	1,440
Other receivables and prepayments	4,992	4,992
Short-term deposits and restricted cash	25,375	25,375
Cash and cash equivalents	197,151	197,151
Assets held for sale	7,878	7,878
	2,005,762	2,005,762
Liabilities:		
Interest bearing loans and borrowings (current and non-current)	(802,943)	(802,943)
Debentures (current and non-current)	(237,019)	(237,019)
Other non- current liabilities	(9,279)	(9,279)
Derivatives financial instrument (long and short term)	(66,873)	(66,873)
Deferred tax liabilities	(111,402)	(111,402)
Trade payables	(10,458)	(10,458)
Other payables	(16,357)	(16,357)
Advances from apartment buyers	(3,264)	(3,264)
VAT payable	(1,229)	(1,229)
Income tax payables	(2,338)	(2,338)
Liabilities to be repaid upon sale	(27,078)	(27,078)
	(1,288,240)	(1,288,240)
Non controlling interests on the level of GTC SA	20,074	20,074
Net identifiable assets	737,596	737,596
Company's share (27.75%)	204,706	
Market value of retained investment	172,838	
Bargain Gain	31,868	

2. In March 2013, the Romanian Chamber of Deputies has approved an Ordinance no. 114/2007 (‘the Ordinance’), which provides that it will not be possible to designate for other use any lands that are currently classified as green areas. This Ordinance is pending upon promulgation by the Romanian President and publishing in the Official Journal. For as long as the Ordinance is valid in its current adopted version it does not allow GTC SA to develop land plot in Bucharest, that was intended for shopping mall project (Galleria Bucharest) and is currently classified as green area. As a result, GTC SA recorded an impairment loss of Euro 15 million. The green area land plot recoverable amount mainly represents the future excepted expropriation compensation, on the assumption that an average market participant is willing to pay this amount for the land plot based on the future expected expropriation compensation.

C. **TGI**

1. In March 2013, TGI granted three senior employees stock options totaling, after issuance, to 2.2% of the shares of TGI (equity settled). The fair value of the options granted is estimated at the date of grant using the Black&Scholes pricing model. The total fair value of the options is €0.6 million which will be recognized over a period of 4 years. In addition, option plan to one senior employee was extended for 1 year, valued at approximately €0.2 million.

   The following table lists the inputs to the models used to determine the fair value of the equity-settled share-based payments:

Expected volatility (%)	46.4%
Risk-free interest rate (%)	0.7%
Expected term of options (years)	5
Stock price (EUR)	3.495
Model used	Black & Scholes

2. On March 6, 2013, TGI, issued 578 shares relating to options which were issued to the a former position holder in TGI, following a written notice on behalf of the former position holder given on December 16, 2012, stating his wish to exercise the options into shares of TGI in accordance with the option agreement. A loan in the amount of €502 thousands relating to the exercise price of the options was granted by a subsidiary of TGI.

3. On January 17, 2013, a subsidiary of the Company, TCE, completed the sale of its rights in a leased real estate asset in Tel Aviv, Israel to an unrelated third party for a consideration of €15 million. The full consideration has been received in cash. The net profit on the transaction amounting to €8.3 million is presented as other income in the income statement.

7. Covenants

Following note 27 to the annual financial statements, with respect to covenants in relation to bank loans amounting to €107 million, the Group has committed to maintain certain covenants, including minimum equity of the Company of €160 million.
Subsequent to the balance sheet date, in May 2013, the Company and GTC Holding (hereafter – the borrower) reached an formal understanding with the lending bank with respect to the loan covenants and obtained a waiver for the equity covenant.

The understandings include, among others, the following for the period till November 30, 2013 (‘the determining period’):

- The equity attributed to the shareholders of the Company will not be less than €120 million;
- During the determining period the financial statements of the Company and/or GTC Holding will not include emphasize of matter paragraph related to significant doubts in the companies’ ability to continue as a going concern.
- The Company or GTC Holding will not perform any transaction related to GTC SA's shares which are not pledged to the bank (2.75% of GTC SA's shares);
- During the determining period the interest margin on the loan will increase to 4.3%;
- The market value of GTC SA shares held by the Company will be at least 125% of the outstanding debt;
- 50% of the proceeds from sale of assets by KLC and from repayment of loans by KFS will be deposited in a bank account in the lending bank, and will be subject to the bank rights with respect to the borrower account, all in line with the commitments made to the debenture holders;
- Certain conditions and clarifications upon which ‘steering the activities of GTC SA’.

In addition, due to the deconsolidation of GTC SA, certain covenants in connection with equity/balance sheet ratios and total consolidated equity were amended.

As of March 31, 2013 the Company’s equity amounts to €159.9 million. Accordingly, the Group reclassified the loans as a current liability.

To the Board of Directors and Shareholders of Kardan N.V.

Review report

Introduction

We have reviewed the accompanying condensed interim consolidated statement of financial position of Kardan N.V., Amsterdam (the "Company") as at March 31, 2013 and the related condensed interim consolidated income statement, statement of comprehensive income, changes in equity and cash flows for the three month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these condensed interim consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting ("IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these condensed interim consolidated financial statements based on our review.

Scope

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

Opinion

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

Emphasis of uncertainty with respect to the going concern assumption

We draw attention to Note 1 to the consolidated financial statements which indicates that the Group (on a consolidated basis) has a working capital deficit of €70 million (on a company only basis a working capital deficit of €75 million) and that the company has to repay €103 million and €100 million in February 2014 and 2015, respectively. This repayment is likely to be funded through existing cash balances, cash generated from the repayment of certain shareholder's loans by some of the company's subsidiaries, cash generated through sale of certain assets, cash raised through new loans or equity transactions. 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, however, the company believes that it will be able to repay its liabilities as they mature in the foreseeable future. Our opinion is not qualified in respect of this matter.

Amsterdam, May 30, 2013

Ernst & Young Accountants LLP

signed by W.C. van Hoeven

ADDITIONAL INFORMATION

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

KARDAN N.V.

Presentation of separate financial data included annexed to the

Consolidated financial statements related to the Company

As of March 31, 2013

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

March 31, 2013

	March 31, 2013	March 31, 2012(*)	December 31, 2012(*)
	€ in thousand		
A s s e t s			
Non-current assets			
Long-term receivables (Mainly fair value of derivatives)	162	56,003	156
Financial fixed assets			
Investments in consolidated subsidiaries	584,012	462,484	576,503
Loans to consolidated subsidiaries	20	254,507	19
	584,032	716,991	576,522
Current assets			
Cash and cash equivalents	4,850	30,977	51,237
Short-term investments	451	7,476	567
Other receivables and derivatives	14,388	15,341	13,980
	19,689	53,794	65,784
Total assets	603,883	826,788	642,462
E q u i t y a n d l i a b i l i t i e s			
Equity attributable to equity shareholders			
Issued and paid-in capital	23,041	23,041	23,041
Share premium	208,117	208,165	208,165
Foreign currency translation reserve	11,517	(577)	732
Property revaluation reserve	41,673	55,320	57,802
Other reserves	8,022	13,316	8,156
Non-controlling interest holders transactions reserve	19,902	19,530	20,128
Treasury shares	(2,786)	(2,847)	(2,847)
Accumulated deficit	(149,632)	(126,455)	(148,133)
	159,854	189,493	167,044
Long-term liabilities			
Debentures	346,271	520,879	408,256
Options and other long term liabilities	2,900	9,151	2,900
	349,171	530,030	411,156
Current liabilities			
Current maturities of long term loans and debentures	90,244	100,362	43,710
Other payables	4,614	6,903	20,552
	94,858	107,265	64,262
Total equity and liabilities	603,883	826,788	642,462

(*) Retrospectively adjusted due to the impact of new accounting standard and reclassifications

ADDITIONAL INFORMATION FROM THE COMPANY'S INCOME STATEMENT

Period ended March 31, 2013

	For the three months ended March 31,		For the year ended December 31,
	2013	2012(*)	2012(*)
	€ in thousands		
Net result from investments for the period	4,882	(12,037)	(70,780)
Gain from repurchase of debentures by a subsidiary	-	-	40,764
Other income	262	277	1,105
Total revenues	5,144	(11,760)	(28,911)
General and administrative expenses	963	1,523	6,501
Loss from operations before financing expenses	4,181	(13,283)	(35,412)
Financing expenses, net	(25,877)	(3,534)	1,419
Loss from operations before tax expense (benefit)	(21,696)	(16,817)	(33,993)
Income tax expense (benefit)	747	(2,837)	(817)
Loss for the period	(22,443)	(13,980)	(33,176)

(*) Retrospectively adjusted due to the impact of new accounting standard and reclassifications

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

	For the three months ended March 31,		For the year ended December 31,
	2013	2012	2012
	€ in thousands		
Net result for the period	(22,443)	(13,980)	(33,176)
Foreign currency translation differences	9,504	(7,445)	(6,136)
Change in hedge reserve, net	5,898	7,904	2,541
Other comprehensive income for the period	15,402	459	(3,595)
Total comprehensive income expense	(7,041)	(13,521)	(36,771)

ADDITIONAL INFORMATION FROM THE COMPANY'S CASH FLOW STATEMENT

	For the three months ended March 31,		For the year ended December 31,
	2013	2012(*)	2012(*)
	€ in thousands		
Cash flow from operating activities of the Company			
Loss for the period	(22,443)	(13,980)	(33,176)
Adjustments to reconcile net profit to net cash of the Company			
Charges to net loss not affecting operating cash flows:			
Change in fair value of hedge instruments	662	(1,733)	(9,992)
Financial expense	34,516	3,938	7,589
Gain from early repurchase of debentures	-	-	(40,764)
Share-based payment	77	88	287
Equity loss (earnings)	(4,882)	12,037	70,780
Dividend received	15,861	-	20,681
Changes in working capital of the Company			
Change in receivables	(1,216)	(1,677)	883
Change in payables	368	(357)	(480)
Cash amounts paid and received during the year			
Interest received	-	-	3,000
Interest paid	(20,256)	(28,549)	(28,549)
Net cash provided by (used in) operating activities of the company	**2,687**	**(30,233)**	**(9,741)**
Cash flow from investing activities of the company			
Short term investments, net	116	(1,917)	4,992
Granting of loans to subsidiaries, net	-	35,505	69,030
Investments in subsidiaries	(5,275)	-	(11,310)
Net cash provided by (used in) investing activities of the company	**(5,159)**	**33,588**	**62,712**
Cash flow from financing activities			
Repurchase of debentures	-	-	(76,387)
Proceeds from sale of hedge instruments	-	-	52,155
Repayment of long-term debt	(43,915)	(632)	(5,756)
Net cash used in financing activities of the company	**(43,915)**	**(632)**	**(29,988)**
Increase (decrease) in cash and cash equivalents of the company	**(46,387)**	**2,723**	**22,983**
Cash and cash equivalents at beginning of the period of the company	51,237	28,254	28,254
Cash and cash equivalents at end of the period of the company	**4,850**	**30,977**	**51,237**

(*) Retrospectively adjusted due to the impact of new accounting standard and reclassifications

1. General

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

The condensed interim consolidated financial statements should be read in conjunction with the additional financial information for the year ended December 31, 2012 and the accompanying notes, and in conjunction to the consolidated interim financial statements for the nine and three months ended March 31, 2013.

2. Going concern

As of March 31, 2013 the Group (on a consolidated basis) had a working capital deficit of €69,661 thousands (on a company only basis a working capital deficit of €75,169 thousands) that result mainly from reclassification of bank loans to short term due to breach of financial covenants (for which a waiver was received subsequent to balance sheet date) and from the current maturities of the company debentures. In addition, in the first three months of 2013 the Company incurred losses in the amount of €22,443 thousand, which contributed to a decline of shareholders' equity to €159,854 thousands. In addition, The Group (on a consolidated basis) had negative cash flows from operations of €19,398 thousand in the three months ended March 31, 2013. The cash balance of the Company as of March 31, 2013 amount to €4,850 thousands.

The Company's consolidated financial statements as of March 31, 2013 have been prepared on the assumption the Company will continue as a going concern. This is based, among others, on the current cash balances and its available assets as well as considering cash from future operations and transactions.

In February 2014 and 2015 installments of the Company's debentures series A and B mature in the total amount of €103,467 thousand and €99,563 thousand respectively (including interest) have to be repaid. These repayments are likely to be funded through existing cash balances, cash generated from the repayment of certain shareholder's loans by some of the Company's subsidiaries, cash generated through sale of certain assets, raising loans (against assets free from collaterals) or equity transactions. The Company prepared a two year liquidity analysis as part of its normal course of business which addresses the required liquidity to be able to repay the debentures in February 2014, February 2015 and all its other liabilities and to finance its operating activities. However these plans can only be achieved within the limitations of an agreement reached with debentures holders, as disclosed in note 6 of the condensed interim financial statements.

With respect to a waiver the Company received from a bank subsequent to the balance sheet date, see note 7 of the condensed interim financial statements.

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, however the Company believes that it will be able to repay its liabilities as they mature in the foreseeable future.