

KARDAN N.V.
AMSTERDAM, THE NETHERLANDS

Condensed Interim Consolidated Financial Statements
As of March 31, 2014

CONTENTS

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

page

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION.....	1
CONDENSED INTERIM CONSOLIDATED INCOME STATEMENT	3
CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	4
CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY.....	5
CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT.....	10
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS.....	14
REVIEW REPORT.....	28

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

	March 31, 2014	March 31, 2013	December 31, 2013
		In €000	
Non-current assets			
Tangible fixed assets	54,882	69,182	56,227
Investment property	127,176	90,442	118,068
Investment in associates	6,438	204,717	5,695
Investment in joint ventures	128,724	115,547	128,658
Loans to bank customers	49,125	27,436	50,392
Long-term loans and receivables	94,704	102,884	86,762
Intangible assets and goodwill, net	22,122	36,503	22,513
Deferred income tax assets	3,030	6,779	3,985
	<u>486,201</u>	<u>653,490</u>	<u>472,300</u>
 Current assets			
Inventories, contract work and buildings inventory in progress	112,820	118,845	109,957
Derivatives	-	12,290	22
Current maturities of long-term loans and receivables	27,931	36,722	29,735
Loans to bank customers	48,667	44,835	48,522
Trade receivables	61,798	56,025	67,259
Income tax receivables	283	1,233	1,298
Other receivables and prepayments	55,021	54,055	56,187
Short-term investments	8,071	788	14,427
Cash and cash equivalents	78,034	99,383	118,268
	<u>392,625</u>	<u>424,176</u>	<u>445,675</u>
 Assets held for sale	7,806	8,243	6,640
 Total current assets	<u>400,431</u>	<u>432,419</u>	<u>452,315</u>
 Total assets	<u><u>886,632</u></u>	<u><u>1,085,909</u></u>	<u><u>924,615</u></u>

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, 2014	March 31, 2013	December 31, 2013
		In €000	
Equity attributable to equity holders of the parent			
Issued and paid-in capital	23,041	23,041	23,041
Share premium	208,002	208,117	208,117
Foreign currency translation reserve	(6,653)	10,323	(4,680)
Property revaluation reserve	35,025	41,673	34,300
Revaluation reserve, other	11,950	8,022	12,296
Non-controlling interest holders transactions reserve	15,968	19,902	21,104
Treasury shares	(2,625)	(2,786)	(2,786)
Accumulated deficit	(222,990)	(149,308)	(225,297)
	<u>61,718</u>	<u>158,984</u>	<u>66,095</u>
Non-controlling interests	<u>3,898</u>	<u>8,029</u>	<u>5,655</u>
Total equity	<u>65,616</u>	<u>167,013</u>	<u>71,750</u>
Non-current liabilities			
Interest-bearing loans and borrowings	78,094	68,879	70,423
Banking customers accounts	128	108	128
Other long-term liabilities	5,756	2,050	6,887
Options	1,352	4,933	4,317
Debentures	242,493	327,886	327,240
Deferred income tax liabilities	12,773	10,499	12,584
Accrued severance pay, net	1,217	1,591	1,488
	<u>341,813</u>	<u>415,946</u>	<u>423,067</u>
Current liabilities			
Advances from customers in respect of contracts	38,563	25,843	40,214
Banking customers accounts	139,090	89,502	137,593
Trade payables	22,082	16,090	21,296
Current maturities of debentures	84,546	93,336	67,409
Interest-bearing loans and borrowings	79,359	151,309	47,786
Income tax payables	1,341	3,149	1,419
Advances from apartment buyers	1,474	15,210	5,667
Derivatives	179	-	273
Other payables and accrued expenses	112,318	108,511	108,141
	<u>478,952</u>	<u>502,950</u>	<u>429,798</u>
Liabilities associated with assets held for sale	<u>251</u>	<u>-</u>	<u>-</u>
Total current liabilities	<u>479,203</u>	<u>502,950</u>	<u>429,798</u>
Total liabilities	<u>821,016</u>	<u>918,896</u>	<u>852,865</u>
Total equity and liabilities	<u>886,632</u>	<u>1,085,909</u>	<u>924,615</u>

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

CONDENSED INTERIM CONSOLIDATED INCOME STATEMENT

	For the three months ended March 31,		For the year ended December 31,
	2014	2013	2013
	In €000		
Contract revenues	40,785	34,395	153,010
Retail lending activities	8,555	5,698	24,406
Sale of apartments	5,347	-	23,984
Management fee and other revenues	1,658	1,578	6,595
<i>Total revenues</i>	<u>56,345</u>	<u>41,671</u>	<u>207,995</u>
Contract costs	32,476	27,321	121,342
Costs of retail lending activities	5,800	6,392	25,182
Cost of sale of apartments	4,439	-	19,697
Other expenses, net	1,417	590	3,358
<i>Total expenses</i>	<u>44,132</u>	<u>34,303</u>	<u>169,579</u>
Gross margin	12,213	7,368	38,416
Selling and marketing expenses	1,590	1,548	7,912
General and administration expenses	5,214	6,643	25,513
Profit (loss) from operations before fair value adjustments, disposal of assets and investment and other income	5,409	(823)	4,991
Adjustment to fair value of investment properties	989	2,535	8,802
Impairment losses on goodwill	-	-	(3,926)
Gain (loss) on disposal of assets and other income, net	(53)	9,482	(8,947)
<i>Profit (loss) from fair value adjustments, disposal of assets and investments and other income</i>	<u>936</u>	<u>12,017</u>	<u>(4,071)</u>
Profit (loss) from operations	6,345	11,194	920
Financial income	6,697	7,958	6,185
Financial expenses	(8,615)	(32,429)	(51,803)
<i>Total financial expenses, net</i>	<u>(1,918)</u>	<u>(24,471)</u>	<u>(45,618)</u>
Profit (loss) before share of profit (loss) from investments accounted for using the equity method	4,427	(13,277)	(44,698)
Share of profit (loss) of investments accounted for using the equity method, net	461	(21)	12,345
Profit (loss) before income taxes	4,888	(13,298)	(32,353)
Income tax expenses	1,881	4,633	14,443
Profit (loss) for the year from continuing operations	3,007	(17,931)	(46,796)
Net loss from discontinued operations	-	(24,641)	(75,177)
Net profit (loss) for the period	<u>3,007</u>	<u>(42,572)</u>	<u>(121,973)</u>
Attributable to:			
Equity holders	3,032	(22,443)	(101,333)
Non-controlling interest holders	(25)	(20,129)	(20,640)
	<u>3,007</u>	<u>(42,572)</u>	<u>(121,973)</u>
Earnings (loss) per share attributable to shareholders			
Basic from continuing operations	0.03	0.02	(0.42)
Basic from discontinued operations	-	(0.22)	(0.50)
	0.03	(0.20)	(0.92)
Diluted from continuing operations	0.03	0.01	(0.42)
Diluted from discontinued operations	-	(0.21)	(0.50)
	0.03	(0.21)	(0.92)

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

KARDAN N.V., AMSTERDAM

CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the three months ended March 31,	For the year ended December 31,
	2014	2013
	In €000	
Net profit (loss) for the period	3,007	(42,572)
Foreign currency translation differences	(2,135)	9,161
Change in hedge reserve, net of tax (1)	(363)	8,433
Other comprehensive income (expense) for the year to be reclassified to profit or loss in subsequent periods (2)	(2,498)	17,594
Total comprehensive expenses	509	(24,978)
Attributable to:		
Equity holders	696	(7,041)
Non controlling interests holders	(187)	(17,937)
	509	(24,978)

(1) Including reclassification of unwinding of hedges reserve of €363 thousand for the three months ended March 31, 2014, €341 thousand for the three months period ended March 31, 2013 and €2,201 thousand for the year ended December 31, 2013.

The amounts presented are net of tax amounting to €105 thousand for the three months ended March 31, 2014, €101 thousand for the three months ended March 31, 2013 and €662 thousand for the year ended December 31, 2013.

(2) Including impact resulted from associates and joint ventures of €727 thousand and €4,016 thousand for the three months ended March 31, 2014 and March 31, 2013 respectively €(1,059) thousand for the year 2013.

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

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent										
	Issued and paid-in capital	Share premium	Property revaluation reserve (*)	Revaluation reserve, other (*)	Foreign currency translation reserve(*)	Non controlling interest holders transactions reserve	Treasury shares	Accumulated deficit	Total	Non-controlling Interests	Total equity
	In €000										
Balance as of January 1, 2014	23,041	208,117	34,300	12,296	(4,680)	21,104	(2,786)	(225,297)	66,095	5,655	71,750
Other comprehensive loss	-	-	-	(363)	(1,973)	-	-	-	(2,336)	(162)	(2,498)
Profit for the period	-	-	-	-	-	-	-	3,032	3,032	(25)	3,007
Total comprehensive income (loss)	-	-	-	(363)	(1,973)	-	-	3,032	696	(187)	509
Share-based payment	-	-	-	63	-	-	-	-	63	67	130
Transactions with non-controlling interest holders (refer to Note 7B, 7C and 8(2))	-	-	-	-	-	(5,136)	-	-	(5,136)	(1,637)	(6,773)
Issuance of treasury shares	-	(115)	-	(46)	-	-	161	-	-	-	-
Reclassification according to the Netherlands civil code requirements law (*)	-	-	725	-	-	-	-	(725)	-	-	-
Balance as of March 31, 2014	<u>23,041</u>	<u>208,002</u>	<u>35,025</u>	<u>11,950</u>	<u>(6,653)</u>	<u>15,968</u>	<u>(2,625)</u>	<u>(222,990)</u>	<u>61,718</u>	<u>3,898</u>	<u>65,616</u>

(*) 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	Accumulated deficit	Total	Non-controlling Interests	Total equity
	In €000										
Balance as of January 1, 2013	23,041	208,165	57,802	8,156	(462)	20,128	(2,847)	(147,809)	166,174	542,454	708,628
Other comprehensive income	-	-	-	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 of 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	10,323	19,902	(2,786)	(149,308)	158,984	8,029	167,013

(*) 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	Accumulated deficit (*)	Total	Non-controlling interests	Total equity
	In €000										
Balance as of January 1, 2013	23,041	208,165	57,802	8,156	(462)	20,128	(2,847)	(147,809)	166,174	542,454	708,628
Other comprehensive income (loss)	-	-	-	4,142	(4,218)	-	-	-	(76)	2,157	2,081
Loss for the period	-	-	-	-	-	-	-	(101,333)	(101,333)	(20,640)	(121,973)
Total comprehensive income (loss)	-	-	-	4,142	(4,218)	-	-	(101,333)	(101,409)	(18,483)	(119,892)
Share-based payment	-	-	-	295	-	1,766	-	-	2,061	(4,207)	(2,146)
Issuance of treasury shares	-	(48)	-	(13)	-	-	61	-	-	-	-
Transactions with non controlling interest holders	-	-	-	-	-	(790)	-	-	(790)	622	(168)
Disposal of a subsidiary	-	-	-	(343)	-	-	-	343	-	(514,810)	(514,810)
Other reserves	-	-	-	59	-	-	-	-	59	79	138
Reclassification according to the Netherlands civil code requirements law (*)	-	-	(23,502)	-	-	-	-	23,502	-	-	-
Balance as of December 31, 2013	<u>23,041</u>	<u>208,117</u>	<u>34,300</u>	<u>12,296</u>	<u>(4,680)</u>	<u>21,104</u>	<u>(2,786)</u>	<u>(225,297)</u>	<u>66,095</u>	<u>5,655</u>	<u>71,750</u>

(*) 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

CONSOLIDATED CASH FLOW STATEMENT

	For the three months period ended March 31,		For the year ended December 31,
	2014	2013	2013
	In €000		
Cash flow from operating activities			
Profit (loss) from continuing operations before taxes on income	4,888	(13,298)	(32,353)
Loss from discontinued operations before taxes on income	-	(18,996)	(69,531)
Adjustments to reconcile net profit (loss) to net cash (see A below)	(6,648)	(10,724)	(20,235)
Adjustment on operating activities from discontinued operations	-	31,181	81,720
Net cash used in operating activities	(1,760)	(11,837)	(40,399)
Cash flow from investing activities			
Acquisition of tangible fixed assets and investment properties	(7,621)	(4,326)	(36,128)
Investments and Collection (granting) loans from (to) companies accounted for using the equity method, net	(831)	(332)	471
Proceeds from sale of assets and investments	582	12,255	18,439
Change in loans to bank customers, net	730	(10,810)	(41,965)
Change in long-term loans and receivables	(3,630)	13,937	26,174
Change in short-term investments	594	116	(286)
Change from full consolidation to equity method (see B below)	-	-	1,223
Disposal of a previously consolidated subsidiary due to bankruptcy (see C below)	-	-	(22)
Change from equity method to full consolidation (see D below)	-	-	208
Change in deferred brokerage fees and other assets	-	1,351	(1,990)
Net cash provided by (used in) investing activities from continuing operation	(10,176)	12,191	(33,876)
Change from full consolidation to equity method (see E below) (discontinued operation)	-	(197,151)	(197,151)
Disposal of an investment accounted for using the equity method (discontinued operation)	-	-	157,349
Net cash provided by (used in) investing activities from discontinued operation	-	(8,181)	(8,181)
Net cash used in investing activities	(10,176)	(193,141)	(81,859)

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,
	2014	2013	2013
	In €000		
Cash flows from financing activities			
Issuance of debentures	2,155	-	-
Repayment and repurchase of debentures	(68,538)	(43,915)	(58,390)
Change in loans from bank customers	1,497	21,291	69,401
Proceeds from long-term loans	46,937	7,978	30,849
Repayment of long-term loans	(5,517)	(17,545)	(132,045)
Change in short-term loans and borrowings	(1,113)	(2,126)	(8,432)
Release of pledged deposit	8,016	-	-
Repayment of long term liability	(8,031)	-	-
Change in short term deposits	(350)	-	(8,029)
Proceeds from sale of a hedge instrument	-	-	11,634
Costs related to issuance of loans	(250)	-	-
Change in other long term liabilities	(35)	-	-
Transactions with non controlling interest holders (See note 7B)	(3,279)	-	(356)
Net cash used in financing activities from continuing operation	(28,508)	(34,317)	(95,368)
Net cash used in financing activities from discontinued operation	-	(31,707)	(31,707)
Net cash used in financing activities	(28,508)	(66,024)	(127,075)
Foreign exchange differences relating to cash and cash equivalents	210	1,144	(1,640)
Decrease in cash and cash equivalents	(40,234)	(269,858)	(250,973)
Change in cash of assets held for sale	-	131	131
Cash and cash equivalents at the beginning of the period	118,268	369,110	369,110
Cash and cash equivalents at the end of the period	78,034	99,383	118,268

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,
	2014	2013	2013
	In €000		
A. Adjustments to reconcile profit before tax to net cash flows:			
Share of loss (profit) of associated companies and joint ventures accounted for using the equity method	(461)	21	(12,345)
Impairment of investment in investee	-	-	8,254
Impairment of goodwill and other intangible assets	-	-	13,588
Share-based payment	187	687	1,804
Depreciation and amortization	1,308	1,766	7,196
Fair value adjustments of investment properties	(989)	(2,535)	(8,802)
Financial expense and exchange differences, net	7,435	34,358	54,277
Capital loss (gain) from sale property plant and equipment	(124)	(8,526)	(7,886)
Decrease (increase) in fair value of securities held for trading and hedge instruments, net	-	582	(1,736)
Increase in provision for bad debts in the banking and retail lending segment	465	1,480	7,026
Changes in operating assets and liabilities:			
Change in trade and other receivables	(5,685)	(24,251)	(71,225)
Change in inventories and in contract work in progress, net of advances from customers	(7,727)	5,066	2,368
Change in trade and other payables	689	(3,178)	16,688
Increase of concession finance receivables	(1,872)	(2,150)	(4,854)
Movement in pledged time deposit	(1,446)	-	-
Interest paid	(6,550)	(19,175)	(54,746)
Interest received	8,495	7,373	36,412
Income taxes paid	(375)	(2,006)	(6,027)
Other	2	(236)	(227)
	(6,648)	(10,724)	(20,235)

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
	2014	2013	2013
In €000			
B. Change from full consolidation to equity method			
Working capital (excluding cash and cash equivalents)	-	-	(475)
Receivable from sale of an investment in a subsidiary	-	-	(3,759)
Non-current assets	-	-	10,768
Investment in an associate accounted using the equity	-	-	(5,681)
Gain on disposal of investment	-	-	370
Total	-	-	1,223
Foreign currency translation on cash	-	-	-
	-	-	1,223
	For three months period ended March 31,		For the year ended December 31,
	2014	2013	2013
In €000			
C. Disposal of a previously consolidated subsidiary due to bankruptcy			
Working capital (excluding cash and cash equivalents)	-	-	(2,921)
Non-current assets	-	-	2,571
Deferred tax	-	-	328
	-	-	(22)

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,
	2014	2013	2013
In €000			
D. Change from equity method to full consolidation			
Working capital (excluding cash and cash equivalents)	-	-	254
Non-current assets	-	-	(2)
Investment in an associate accounted using the equity	-	-	(94)
Goodwill	-	-	(1,241)
Option granted to non-controlling interest	-	-	667
Deferred tax liability	-	-	50
Non-controlling interest	-	-	(94)
Gain on disposal of investment	-	-	668
	-	-	208

	For the three months period ended March 31,		For the year Ended December 31,
	2014	2013	2013
In €000			
E. Change from full consolidation to equity method			
Working capital (excluding cash and cash equivalents)	-	(161,058)	(161,058)
Non-current assets	-	1,689,273	1,689,273
Non-current liabilities	-	(1,012,011)	(1,012,011)
Non-controlling interests	-	(514,810)	(514,810)
Recycling of reserves to the income statement	-	4,501	4,501
Loss from revaluation of formally consolidated company	-	(30,208)	(30,208)
Bargain gain	-	31,868	31,868
Investment in company accounted for at equity	-	(204,706)	(204,706)
	-	(197,151)	(197,151)

	For three months period ended March 31,		For the year ended December 31,
	2014	2013	2013
In €000			
F. Material non cash transaction			
Liability to repurchase shares from Non controlling interest holders	6,535	-	-
	6,535	-	-

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

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2014

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 27, 2014.

Going concern

As of March 31, 2014 the Company had, on a stand-alone basis, a working capital deficit of €9,774 thousand, which is mainly due to the current maturities of the Company's debentures. The Company also reported negative consolidated cash flows from operations of €1,760 thousand for the three months ended March 31, 2014.

In December 2013 and in January and February 2014, the Company repaid the second installment of principal and interest of debentures series A, and the first installment of principal and interest of debentures series B, totaling €102 million (including interest) and a liability in the amount of €8 million using the proceeds from the sale of the investment in GTC SA, repayment of shareholder's loans and receipt of a bank loan in the amount of €33 million by GTC RE.

The Company's consolidated financial statements as of March 31, 2014 have been prepared under the assumption that the Company will continue as a going concern. This is based, among others, on the Company's current cash balances and the estimated cash flow that will derive from the sale of assets and/or repayment of shareholder's loans or dividend distribution by some of the Company's subsidiaries.

The Company, together with GTC RE, has prepared a liquidity analysis for the next two years as of the balance sheet date, which addresses the required liquidity for the Company to be able to repay the principal and interest of debentures (series A and B) in February 2015 and 2016 in the total amounts of €8 million and €4 million respectively, the abovementioned bank loan for an amount of €28 million in December 2014, and its other liabilities and to finance its operations.

The repayments are likely to be funded mostly by cash to be generated through the sale of certain assets, including the sale of investments in shares of certain subsidiaries, by raising loans (against pledge of free assets) and / or repayment of certain shareholder's loans and dividend distribution by some of the Company's subsidiaries. In this context it should be noted that the Company is engaged directly and through its subsidiaries in a number of negotiations - in various stages - regarding materialization of such assets. The proceeds from the realization of these above mentioned plans will serve the Company within the limitations of the agreements reached with the debentures holders and with Discount Bank, as disclosed in Note 28 and 41 to the annual financial statements and in Note 7 to these condensed interim consolidated financial statements.

The realization, the price and the timing of the Company's plans in relation to the sale of assets, repayment of shareholder's loans by certain subsidiaries and raising debt are uncertain and depend also on factors that are not wholly within the Company's control and on the willingness of third parties to invest and grant credit. The Company believes that, the value of its total assets remains considerably higher than its total liabilities, and in light of the current indications regarding the ability to realize a sale of assets and/or obtain credit in the required timeframe, it will be able to realize its plans and that it will be able to repay its liabilities as they mature in the foreseeable future.

2. Basis of presentation and preparation

A. Basis of preparation

The condensed interim consolidated financial statements for the three months ended March 31, 2014 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, 2013.

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, 2013 - except for the adoption of new standards and interpretations as of January 1, 2014:

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

IAS 32 Offsetting Financial Assets and Financial Liabilities — Amendments to IAS 32

These amendments clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments did not impact the Group's financial position.

IFRIC 21 Levies

IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 has no material impact on the Group's financial position and performance.

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:

	<u>USD</u>	<u>NIS</u>	<u>RMB</u>	<u>CPI</u>
March 31, 2014	0.72	0.21	8.4607	132.3
March 31, 2013	0.78	0.21	8.0383	130.7
December 31, 2013	0.73	0.21	8.4189	133.0
Change in 2014 (3 months)	(0.18%)	(0.56%)	0.50%	(0.56%)
Change in 2013 (3 months)	3.16%	5.3%	(3.36%)	0.02%
Change in 2013 (12 months)	(4.32%)	2.9%	(1.22%)	1.81%

D. Reclassifications

The comparative information in the statement of financial position as of March 31, 2013 was reclassified to conform to current period's presentation. The reclassifications were not material in relation to the total assets and liabilities.

3. Segment information

For the three months ended March 31, 2014:

	Real Estate Asia	Banking and Retail lending	Water Infrastructure		Other	Total
			Projects	Assets		
				In €000		
Revenue	6,489	9,071	33,638	7,147	-	56,345
Other income (expense) (*)	1,806	(202)	9	(162)	(54)	1,397
Total Income	8,295	8,869	33,647	6,985	(54)	57,742
Segment result	1,629	2,521	2,125	1,794	(54)	8,015
Unallocated expenses						(1,209)
Gain from operations and share in profit of investment accounted using the equity method before finance expenses, net						6,806
Finance expenses, net						(1,918)
Profit before income tax						4,888
Income tax expenses						(1,881)
Profit from continuing operations						3,007
Profit for the period						3,007

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

For the three months ended March 31, 2013:

	Real Estate Asia	Banking and Retail lending	Water Infrastructure		Other	Total
			Projects	Assets		
				In €000		
Revenue	1,172	6,104	27,761	6,634	-	41,671
Other income (expense) (*)	2,149	1,482	8,348	17	-	11,996
Total Income	3,321	7,586	36,109	6,651	-	53,667
Segment result	1,278	827	8,421	1,884	-	12,410
Unallocated expenses						(1,237)
Gain from operations and share in profit of investment accounted using the equity method before finance expenses, net						11,173
Finance expenses, net						(24,471)
Loss before income tax						(13,298)
Income tax expenses						(4,633)
Loss from continuing operations						(17,931)
Loss from discontinued operations						(24,641)
Loss for the period						(42,572)

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

For the year ended December 31, 2013:

	Real Estate Asia	Banking and Retail lending	Water Infrastructure		Total
			Projects	Assets	
	In €000				
Revenue	28,917	26,065	122,043	30,970	207,995
Other income (expense) (*)	23,422	(14,998)	(838)	(29)	8,421
Total Income	52,339	11,067	121,205	30,941	216,416
Segment result	22,130	(16,359)	3,972	8,455	19,062
Unallocated expenses					(5,797)
Gain from operations and share in profit of investment accounted using the equity method before finance expenses, net					13,265
Finance expenses, net					(45,618)
Loss before income tax					(32,353)
Income tax expenses					(14,443)
Loss from continuing operations					(46,796)
Loss from discontinued operations					(75,177)
Loss for the year					(121,973)

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

Segments assets

	March 31,		December 31,
	2014	2013	2013
	In €000		
Real estate - Asia	356,215	337,840	354,101
Banking and Retail lending	254,568	204,706	254,829
Infrastructure - Assets	162,952	233,057	165,182
Infrastructure - Projects	107,534	152,117	110,458
Others	-	127,916	-
	881,269	1,055,636	884,570
Unallocated assets	5,363	22,030	40,045
	<u>886,632</u>	<u>1,077,666</u>	<u>924,615</u>

4. Share capital

A. Composition

	March 31, 2014		December 31, 2013	
	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	111,848,583	225,000,000	111,848,583

5. Financial Instruments

Further to Note 39 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, 2014		March 31, 2013		December 31, 2013	
		€000'					
		Carrying amount(*)	Fair value(**)	Carrying amount(*)	Fair value(**)	Carrying amount(*)	Fair value(**)
Liabilities							
Debentures issued by the Company	1	332,177	218,565	416,100	215,447	395,278	253,770

(*) Including accrued interest.

(**) Price on the Tel-Aviv Stock Exchange.

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

B. Level 3 financial assets and liabilities reconciliation

Level 3 reconciliation:

	As of January 1, 2014	Fair Value gain (loss) recorded in P&L	Fair value gain in OCI	Settlements	As of March 31, 2014
	In €000				
Derivative assets	22	(22)	-	-	-
Total assets	22	(22)	-	-	-
Derivative liabilities	(273)	44	50	-	(179)
Warrants and call options	(4,317)	65	-	2,900(*)	(1,352)
Total liabilities	(4,590)	109	50	2,900	(1,531)

(*) For additional information refer to Note 8(2).

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, for additional information on fair value refer to Note 39 in the annual financial statements.

6. Joint Ventures

The requirements of the Israeli Securities regulation stipulate that if the net results of a joint venture or an associated company exceed 10% of the net results of the Company for the period, a summary of financial information will be disclosed in the interim financial statements. The above criterion was met by Kardan Land Chengdu, whose summary of financial information is presented below:

Kardan Land Chengdu (HK) LTD.

Summary of financial data from the statement of financial position:

	March 31, 2014	March 31, 2013	December 31, 2013
	In €000		
Current assets (not including cash and cash equivalent)	928	1,232	988
Cash and cash equivalent	4,422	3,168	4,296
Non-current assets	138,562	142,877	139,269
Current liabilities (not including current financial liabilities)	46,562	47,085	46,405
Current financial liabilities (*)	3,877	1,941	3,326
Non-current liabilities (not including non current financial liabilities(**))	16,657	15,985	16,700
Non-current financial liabilities (*)	17,374	23,761	19,361
	59,442	58,505	58,761
Total equity attributed to the owners			
% held in the joint venture	50	50	50
	29,721	29,253	29,380
Goodwill	5,772	6,075	5,801
Total investment in joint ventures	35,493	35,328	35,181

(*) Excluding trade and other payables and provisions

Summary of financial data from the income statement:

	For the three months period ended March 31, 2014	For the three months period ended March 31, 2013	For the year ended December 31, 2013
	In €000		
Revenues from operations	2,491	2,294	9,499
Cost of operations	356	371	1,849
Selling and marketing, other income (expenses), and administrative expenses of which depreciation and amortization for the three months ended March is €12 thousand (2013: €12 thousand and for the year ended December 31, 2013: €48 thousand)	124	175	819
Valuation gains (losses)	(45)	(16)	2,954
Interest Income	11	17	44
Interest expenses	351	409	1,602
Other financial expenses, net	(35)	(41)	(160)
Profit before tax	<u>1,591</u>	<u>1,299</u>	<u>8,067</u>
Income tax expenses	<u>405</u>	<u>330</u>	<u>2,211</u>
Profit for the year attributed to equity holders	1,186	969	5,856
% held of the joint venture	50	50	50
Group's share of profit for the year	<u>593</u>	<u>485</u>	<u>2,928</u>
Total other comprehensive income (expenses) attributed to equity holders	(506)	3,354	(1,278)
% held of the joint venture	<u>50</u>	<u>50</u>	<u>50</u>
Group share of the total other comprehensive income (expenses) before the other comprehensive impact of the goodwill	(253)	1,677	(639)
Other comprehensive relating the goodwill	<u>(29)</u>	<u>204</u>	<u>(70)</u>
Group share of the total other comprehensive income (expenses)	<u>(282)</u>	<u>1,881</u>	<u>(709)</u>

7. Significant transactions

A. Kardan NV

Early repayment of debentures

On January 12 and February 14, 2014, the Company has early repaid NIS 136,918,906 par value Debentures Series A (net of debentures held by subsidiaries) – for additional information refer to Note 24 to the annual financial statements.

B. GTC RE

2014

Exercise and repurchase of shares in Kardan Land China

Further to Note 19B(2)A of the annual financial statements, in February 2014, KLC signed an agreement with the senior executive under which the senior executive shall exercise his options using an exercise price which reflects the cost of the Company's investments in Kardan Land China and afterwards KLC shall acquire the resulting shares in three equal tranches during February, June and December 2014.

The purchase amount of the shares in the first and second tranches was agreed in advance and is equal, as for the third tranche, the purchase price will be agreed in December 2014. In the event the parties will not agree on the value of the shares, their fair value will be determined by an independent appraiser. The agreement essentially governs the exercise dates of the options which had already vested, which the senior executive has the right to exercise. The commitment to purchase the shares replaced the put option agreement which was signed between the Company and the senior executive in the past.

As a result of the Agreement, the Company recorded a negative movement in the 'Non-controlling interest holders transaction reserve' of €4.9 million, a negative movement in the 'Non-controlling interest' of €4.9 million, and recognized a financial liability amounting to €6.5 million which represents the estimated net future purchase amount of the last two tranches.

In February 2014 the first tranche was finalized and net proceeds of approximately €3.3 million were paid.

2013**a. Discontinued operations related to loss of effective control and sale of GTC SA:**

As described in Note 5C to the 2013 annual financial statements, on November 22, 2013, GTC RE completed the sale of its investment in GTC SA. Accordingly, the activities of GTC SA are classified as discontinued operations. These activities were clearly distinguishable, operationally and for financial reporting purposes as GTC SA represented 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
	2014	2013	December 31,
		€'000	2013
Income	-	31,409	31,409
Expenses	-	(52,066)	(52,066)
Loss before tax	-	(20,657)	(20,657)
Equity earnings (*)	-	-	(22,190)
Income tax expenses, net	-	(5,644)	(5,644)
Loss from discontinued operations before revaluation and release of capital reserves(**)	-	(26,301)	(48,491)
Loss from revaluation of investment(**)	-	(25,707)	(25,707)
Release of capital reserves due to deconsolidation(**)	-	(4,501)	(4,501)
	-	(56,509)	(78,699)
Discontinued operation items related to the November 2013 sale of GTC SA:			
Capital gain	-	-	3,586
Release of capital reserves due to sale	-	-	(64)
Net loss from discontinued operations	-	(56,509)	(75,177)
Attributable to:			
Equity holders	-	(36,635)	(55,303)
Non-controlling interest holders	-	(19,874)	(19,874)
	-	(56,509)	(75,177)

(*) Including equity losses from Q2 and Q3 2013, bargain gain (in the amount of €31.8 million) and impairments (in the amount of €43.9 million).

(**) The net loss from discontinued operations before revaluation and release of capital reserves relates to 100% results of GTC SA, including the share attributable to the non-controlling interest holders, while the loss from revaluation of investment and release of capital reserves only reflects the 27.75% interest held by the Company.

- 2) Composition of other comprehensive income (expenses) items related to discontinued operations:

	For the three months ended March 31,		For the year ended
	2014	2013	December 31,
	€000'		2013
Change in fair value of hedge instrument, net of tax(*)	-	3,467	3,467
Foreign currency translation differences	-	(1,875)	(1,875)
Recycling to the income statement of the hedge reserve due to loss of control over a subsidiary(*)	-	5,782	5,782
	-	7,374	7,374
Attributable to:			
Equity holders	-	5,276	5,276
Non-controlling interest holders	-	2,098	2,098
	-	7,374	7,374

- (*) includes 100% results of 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.

C. TGI

- (1) In February 2014, TGI Group, being the majority shareholder, converted approximately €17 million of shareholders loans to Foodyard in exchange for 2 additional shares. The ownership and voting rights of TGI Group in the (negative) equity of Food-Yard did not significantly increase. Since Food-Yard losses in previous periods have been split between the Company and the non-controlling interest holders, the conversion of the loans resulted in a decreased in the 'Non-controlling interest holders transaction reserve' in the shareholders equity attributable to equity holders of the Company by approximately €3.2 million, and increased of the 'Non-controlling Interests' by the same amount.
- (2) In January 2014, TCE sold its entire amount of the Company's debentures (NIS 11,955,355 par value) for a total consideration of approximately €2 million.

8. Financial Commitments and Covenants

1. In January 2014, GTC RE signed a financing agreement with Discount bank for providing a loan in the amount of €33 million. The loan bears an interest of 6 months Libor + 5.5% per annum. Most of the loan, in the amount of €28 million, will mature in December 2014, and the rest will mature in December 2015.

As security to the loan, the Company pledged shares of KFS and TGI in favor of the bank, and GTC RE pledged 51% of the shares of KLC (according to the agreed limitations with the debenture holders, as described in Note 28 to the annual financial statements).

At the date of signing the detailed loan agreement, GTC RE repaid the bank a liability of approximately €8 million.

The financing agreement includes the following main financial covenants:

- The equity attributed to the shareholders of GTC RE will not be less than €150 million and following the first installment of the loan, will not be less than €50 million;
- The equity attributed to the shareholders of Kardan Land China will not be less than €200 million (subject to exchange rate adjustments) and following the first installment of the loan, will not be less than €50 million;
- Until the first installment of the loan, the total equity to balance sheet ratio of Kardan Land China will not be less than 50% and following the first installment will not be less than 30%;
- The equity attributed to the shareholders of TGI will not be less than €90 million (subject to exchange rate adjustments), and the equity to consolidated balance sheet ratio of TGI will not be less than 28%;
- Value of the pledged shares and shareholders loans will be at any time at least 750% of the liability balance.

As of March 31, 2014 all financial covenants in relation to this loan were met.

2. In January 2014, the call option given to Discount Capital Markets to buy back an 5% stake in KFS was cancelled. As a result the Company recorded an increase in shareholder's equity (under 'Non-controlling interest holders transaction reserve') of €2.9 million, for additional information see Note 23 to the annual consolidated financial statements.

Review report

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

Introduction

We have reviewed the accompanying condensed interim consolidated statement of financial position of Kardan N.V., Amsterdam (the “Company”) as at March 31, 2014 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 indicate that the Company had, on a stand-alone basis, a working capital deficit of €90 million per March 31, 2014 and that the Company, together with GTC RE, has to repay €28 million in December 2014 and €98 million and €94 million in February 2015 and 2016, respectively. According to the Company’s plans, these repayments are to be funded by existing cash balances of the Company and the Group holding companies, repayment of certain shareholder’s loans or dividend distributions by some of the Company’s subsidiaries, cash generated through the sale of certain assets, or by raising loans (against pledge of free assets). The realization, the price and the timing of the Company’s plans in relation to the sale of assets, repayment of shareholder’s loans by certain subsidiaries, and raising debt, are uncertain and depend also on factors that are not wholly within the Company’s control and on the willingness of third parties to invest and grant credit. 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 27, 2014

Ernst & Young Accountants LLP

W.P. de Pater

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, 2014

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

March 31, 2014

	March 31,		December
	2014	2013	31, 2013
	€in thousand		
A s s e t s			
Non-current assets			
Property and equipment	141	162	147
Financial fixed assets			
Investments in consolidated subsidiaries	402,825	583,142	467,937
Loans to consolidated subsidiaries	20	20	20
	<u>402,845</u>	<u>583,162</u>	<u>467,957</u>
Current assets			
Cash and cash equivalents	1,369	4,850	16,224
Short-term investments	259	451	853
Other receivables and derivatives	422	14,388	1,109
	<u>2,050</u>	<u>19,689</u>	<u>18,186</u>
Total assets	<u><u>405,036</u></u>	<u><u>603,013</u></u>	<u><u>486,290</u></u>
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	208,002	208,117	208,117
Foreign currency translation reserve	(6,653)	10,323	(4,680)
Property revaluation reserve	35,025	41,673	34,300
Other reserves	11,950	8,022	12,296
Non-controlling interest holders transactions reserve	15,968	19,902	21,104
Treasury shares	(2,625)	(2,786)	(2,786)
Accumulated deficit	(222,990)	(149,308)	(225,297)
	<u>61,718</u>	<u>158,984</u>	<u>66,095</u>
Long-term liabilities			
Debentures	251,494	346,271	344,363
Options and other long term liabilities	-	2,900	2,900
	<u>251,494</u>	<u>349,171</u>	<u>347,263</u>
Current liabilities			
Current maturities of long term loans and debentures	88,454	90,244	71,238
Other payables	3,370	4,614	1,694
	<u>91,824</u>	<u>94,858</u>	<u>72,932</u>
Total equity and liabilities	<u><u>405,036</u></u>	<u><u>603,013</u></u>	<u><u>486,290</u></u>

ADDITIONAL INFORMATION FROM THE COMPANY'S INCOME STATEMENT

	For the three months ended March 31,	For the year ended December 31,	
	<u>2014</u>	<u>2013</u>	<u>2013</u>
	<u>€in thousands</u>		
Net result from investments for the period	<u>4,065</u>	<u>4,882</u>	<u>(56,931)</u>
General and administrative expenses, net	<u>1,064</u>	<u>701</u>	<u>3,982</u>
Income (loss) from operations before financing expenses	<u>3,001</u>	<u>4,181</u>	<u>(60,913)</u>
Financing income (expenses), net	<u>146</u>	<u>(25,877)</u>	<u>(37,177)</u>
Income (loss) before tax expenses (benefit)	<u>3,147</u>	<u>(21,696)</u>	<u>(98,090)</u>
Income tax expense (benefit)	<u>115</u>	<u>747</u>	<u>3,243</u>
Net Income (loss) for the period	<u><u>3,032</u></u>	<u><u>(22,443)</u></u>	<u><u>(101,333)</u></u>

**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,
	2014	2013	2013
	€in thousands		
Net result for the period	<u>3,032</u>	<u>(22,443)</u>	<u>(101,333)</u>
Foreign currency translation differences	<u>(1,973)</u>	<u>9,504</u>	<u>(4,218)</u>
Change in hedge reserve, net	<u>(363)</u>	<u>5,898</u>	<u>4,142</u>
Other comprehensive income (loss) for the period	<u>(2,336)</u>	<u>15,402</u>	<u>(76)</u>
Total comprehensive income (loss) expense	<u>696</u>	<u>(7,041)</u>	<u>(101,409)</u>

ADDITIONAL INFORMATION FROM THE COMPANY'S CASH FLOW STATEMENT

	For the three months ended March 31,		For the year ended December 31,
	2014	2013	2013
	€in thousands		
Cash flow from operating activities of the Company			
Profit (loss) for the period	3,032	(22,443)	(101,333)
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	(1,510)
Financial expenses	3,054	34,516	36,406
Share-based payment	63	77	276
Equity (earnings) loss	(4,065)	(4,882)	56,931
Dividend received	74,272	15,861	75,474
Changes in working capital of the Company			
Change in receivables	181	(1,216)	22
Change in payables	(150)	368	(821)
Cash amounts paid and received during the year			
Interest received	9	-	151
Interest paid	(2,997)	(20,256)	(37,167)
Net cash provided by (used in) operating activities of the company	73,399	2,687	28,429
Cash flow from investing activities of the company			
Short term investments, net	594	116	(286)
Investments in subsidiaries	(21,059)	(5,275)	(24,127)
Net cash provided by (used in) investing activities of the company	(20,465)	(5,159)	(24,413)
Cash flow from financing activities			
Investment in shares in a subsidiary	-	-	(126)
Proceeds from sale of hedge instruments	-	-	11,634
Repayment of long-term debt	(67,789)	(43,915)	(50,537)
Net cash used in financing activities of the company	(67,789)	(43,915)	(39,029)
Increase (decrease) in cash and cash equivalents of the company	(14,855)	(46,387)	(35,013)
Cash and cash equivalents at beginning of the period of the company	16,224	51,237	51,237
Cash and cash equivalents at end of the period of the company	1,369	4,850	16,224

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, 2013 and the accompanying notes and in conjunction to the consolidated interim financial statements for the three months ended March 31, 2014.

2. Going concern

As of March 31, 2014 the Company had, on a stand-alone basis, a working capital deficit of €9,774 thousand, which is mainly due to the current maturities of the Company's debentures. The Company also reported negative consolidated cash flows from operations of €1,760 thousand for the three months ended March 31, 2014.

In December 2013 and in January and February 2014, the Company repaid the second installment of principal and interest of debentures series A, and the first installment of principal and interest of debentures series B, totaling €102 million (including interest) and a liability in the amount of €8 million using the proceeds from the sale of the investment in GTC SA, repayment of shareholder's loans and receipt of a bank loan in the amount of €3 million by GTC RE.

The Company's consolidated financial statements as of March 31, 2014 have been prepared under the assumption that the Company will continue as a going concern. This is based, among others, on the Company's current cash balances and the estimated cash flow that will derive from the sale of assets and/or repayment of shareholder's loans or dividend distribution by some of the Company's subsidiaries.

The Company, together with GTC RE, has prepared a liquidity analysis for the next two years as of the balance sheet date, which addresses the required liquidity for the Company to be able to repay the principal and interest of debentures (series A and B) in February 2015 and 2016 in the total amounts of €8 million and €4 million respectively, the abovementioned bank loan for an amount of €28 million in December 2014, and its other liabilities and to finance its operations.

The repayments are likely to be funded mostly by cash to be generated through the sale of certain assets, including the sale of investments in shares of certain subsidiaries, by raising loans (against pledge of free assets) and / or repayment of certain shareholder's loans and dividend distribution by some of the Company's subsidiaries. In this context it should be noted that the Company is engaged directly and through its subsidiaries in a number of negotiations - in various stages - regarding materialization of such assets. The proceeds from the realization of these above mentioned plans will serve the Company within the limitations of the agreements reached with the debentures holders and with Discount Bank, as disclosed in Note 28 and 41 to the annual financial statements and in Note 7 to the interim consolidated financial statements.

The realization, the price and the timing of the Company's plans in relation to the sale of assets, repayment of shareholder's loans by certain subsidiaries and raising debt are uncertain and depend also on factors that are not wholly within the Company's control and on the willingness of third parties to invest and grant credit. The Company believes that, the value of its total assets

remains considerably higher than its total liabilities, and in light of the current indications regarding the ability to realize a sale of assets and/or obtain credit in the required timeframe, it will be able to realize its plans and that it will be able to repay its liabilities as they mature in the foreseeable future.