KARDAN N.V.

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

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

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

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

The Financial Reports contain the following sections:

KARDAN N.V.

1. ADDITIONAL INFORMATION FOR H1 - 2012

1.1. Main events in the first half year of 2012

Kardan

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

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

- On March 15, 2012, the Company received a letter from the Israeli Securities Authority regarding a sampling audit that was conducted by the ISA and included, inter alia, the examination of the values in the financial statements of five real estate assets owned by a consolidated subsidiary financial statement as of December 31, 2009. Reference is made to Note 1 in the H1-2012 IFRS financial statements of Kardan.

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

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

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

Real estate (GTC Real Estate)

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

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

Water Infrastructure (Tahal)

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

- In March 2012, Kardan's indirectly owned water infrastructure subsidiary Tahal Consulting Engineers Ltd. ("TCEl") and the National Water Company of Ghana signed an agreement for a project ("the Project") to design, construct, expand and upgrade the drinking water systems in the Kumawu, Konongo and Kwahu region of Ghana. The Project is the sequel to an existing project also executed by TCE in the same area ("the 3K project "). Estimated revenues for the Project are USD 97.5 million (approximately EUR 73 million). According to the agreement, the Project is anticipated to take three years from commencement. TCE has organized the financing for the Project, which will be the fourth project for TCE in Ghana. Including this Project, total combined revenues for TCE's current projects in Ghana amount to USD 282 million (approximately EUR 210 million).

Banking and Retail Lending (TBIF)

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

1.2. Subsequent events

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

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

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

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

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

1.3. Book value of investments Kardan N.V.

The following table summarizes the book value of the companies held directly by Kardan as of June 30, 2012 and December 31, 2011 (amounts in EUR million):

Holding Company	Name of subsidiary	Share in subsidiary	Book Value in Kardan NV	Loans granted by Kardan NV	Total Investment in books 30.06.12	Total Investment in books 31.12.11
Kardan NV	GTC RE Holding	100%	368	142	510	510
	KFS	100%	55	58	113	161
	Tahal	100%	51	53	104	98

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

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

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

- **Net debt** [1]

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

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

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

(*) Approximately 60% of the debentures are presented in EUR in accordance with the currency hedging transactions.

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

1.5. Risk Management

Kardan has three fields of activity (divisions) Real-Estate (GTC), Water Infrastructure (Tahal), Banking and Retail lending (KFS). These divisions are divided into five segments, which can each consist of one or more operating company. Each segment is managed by an executive director or Board of Directors, responsible for managing the market segment risks. In addition, in each operating company a senior manager is responsible for managing its risks. Mr. Jan Slootweg, Senior Executive Officer reporting to the CEO and one of the members of Executive Management,is responsible for Kardan NV risk management. For more details on Mr. Jan Slootweg's resume, reference is made to the chapter "Composition of the Boards" in the annual report 2011.

The 2011 Annual Report describes the main risks relating to Kardan's strategy, such as interest rate and currency risks, capital availability and financial market risks etc. These risks are deemed incorporated and repeated in this Press Release by reference. The above described risks should be seen as re-quoted in this report by way of reference.

Kardan is focused on further expanding its businesses in emerging markets. By nature, these markets are relatively underdeveloped and unstable in various aspects and therefore often exposed to risks arising from unforeseen changes such as (geo) political, regulatory, legal and economic changes.

Developments and shocks in global markets and particularly in the European markets, may affect the liquidity of Kardan N.V., its equity value, the value of its assets, its ability to realize its assets, the state of its business (including the demand for its assets), its ability to distribute dividends and its ability to raise finance for its ongoing activities and long-term activities, as well as the terms of such financing.

Contacts between the CEO and the members of the Executive Management and the local management of Kardan's subsidiaries remain frequent and intensive, to discuss the latest development and expectations in the respective markets as well as the (financial) resilience of these subsidiaries.

For an overview of the main risks the Group is exposed to, reference is made to the 2011 Annual Report, notably the consolidated financial statements and the management board report and the 2011 Israeli Annual Report (Barnea). In addition, there may be other significant risks Kardan has not yet identified or that have not been assessed as having a significant potential impact on the business but which in a later stage could materialize as such.

<u>Disclaimer</u>

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

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

KARDAN N.V.

2. PART 2 ADDITIONAL INFORMATION

2.1. Financial analysis

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

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

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

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

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

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

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

Adjustment to fair value of investment properties	(8)	(10)	(12)	(26)	(205)	The adjustment to fair value in H1-2012 relates mainly to negative revaluation adjustments of investment properties in Romania.
Impairment losses on goodwill	-	(1)	-	(1)	(30)	In 2011 the impairment losses on goodwill relate primarily to the Group's holdings in the Banking and Retail lending segment.
Gain on disposal of assets and other income	1	4	-	4	21	In H1-2011 the gain on disposal of assets and other income relates primarily to gains on real estate assets sold in Kardan Land China.
Profit (loss) on disposal of assets and investments	**(7)**	**(7)**	**(12)**	**(23)**	**(214)**	-
Profit (loss) before finance expenses and income taxes	**11**	**(5)**	**-**	**(35)**	**(274)**	**-**
Financial Income	22	13	14	3	21	Finance income is mainly the result of interest on the cash balances and deposits of the Group. In H1-2012 the Company recognized a profit from early repurchase of debentures in the amount of EUR 10 million.
Financial expenses	(64)	(67)	(31)	(34)	(141)	The financial expenses are mainly related to financing costs of loans and debentures in the group.
Adjustments to fair value of other financial instruments	(1)	(1)	(1)	(1)	(3)	-
Total financial expenses, net	**(43)**	**(55)**	**(18)**	**(32)**	**(123)**	-

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

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

	For the six months ended June 30,		For the three months ended June 30,		For the year ended December 31,	Notes
	2012	2011	2012	2011	2011	
Net cash provided by (used in) operating activities	(42)	6	(9)	67	52	-
Net cash used in investing activities	(7)	(224)	11	(80)	(277)	In H1-2012, EUR 45 million were used for acquisition of tangible fixed assets and EUR 19 million were received from long-term loans and EUR 33 million were received from deconsolidation of a joint venture. In H1-2011, EUR 33 million were received from collecting of loans to associated companies and joint ventures, EUR 157 million were used for acquisition of tangible fixed assets and investment properties and EUR 92 million were used for loans to bank customers. In 2011, EUR 264 million were used for acquisition of tangible fixed assets and investment properties, EUR 175 million were used for loans to bank customers and EUR 50 million were used for short-term investments, net. Conversely, about EUR 160 million has been added from a disposal of joint ventures and about EUR 33 million was received from long-term loans and receivables.
Net cash provided by financing activities	-	89	18	(19)	(129)	In H1-2012, EUR 72 million were added from sale of shares in subsidiaries to non controlling interest holders, EUR 167 million were used in repayment of long term loans. In H1-2011, EUR 189 million were generated from issuing shares to a third party, EUR 134 million were from proceeds from long-term loans and EUR 289 million were used in repayment of long term loans. In 2011, EUR 189 million were generated from issuing shares to a third party, EUR 83 from issuance of debentures, EUR 132 from change in loans to bank customers, and EUR 333 from proceeds from long-term loans. EUR 525 million were used in repayment of long term loans and EUR 71 million were used in repayment and early repayment of debentures.

In the company only cash-flow, the Company presents a negative cash-flow from operating activities and a negative working capital. In accordance with ISA regulations the Company hereby provides the cash-flow forecast:

Forecast cash flow	July 1, 2012 – December 31, 2012	January 1, 2013 - December 31, 2013	January 1, 2014 – June 30, 2014
	in EUR million		
Cash and cash equivalents at the beginning of the period	**39**	**69**	**97**
Company only resources			
From operating activities			
General and administration expenses	(3)	(5)	(3)
From investing activities			
Sale of assets	51	70	-
Resources from investee companies			
From operating activities in investments – Loan repayment	34	33	15
From operating activities in investments – Management fees	1	1	1
Total Resources	**122**	**168**	**110**
Expected Uses			
From financing activities			
Repayment of a loan	-	6	-
Interest payment of loans	2	5	2
Repurchase of debentures	51	-	-
Interest payment of debentures – Series A	-	7	5
Interest payment of debentures – Series B	-	14	14
Principle payment of debentures – Series A	-	39	39
Principle payment of debentures – Series B	-	-	40
Total Uses	**53**	**71**	**100**
Cash and cash equivalents at the end of the period	**69**	**97**	**10**

Assumptions and Notes to the cash flow forecast:

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

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

12. This estimate is forward looking information as defined in the Israeli Securities Act, based on management assumptions and expectations. The aforesaid may not materialize completely or part thereof, or materialize in a different manner, including materially different from what is expected as a result of changes in the state of the market, difficulties in raising credit, decrease in value of investments and change in cash amounts expected to be received from affiliated companies.

2.2 Issuance of debt

The following are details regarding the marketable debentures of Kardan NV as of June 30, 2012:

	Debenture series A	Debenture series B
Par value of issued debentures	EUR 241 million (NIS 1,190,000,000)	EUR 270 million (NIS 1,333,967,977)
Linkage basis	Principal and interest linked to Israeli CPI (CPI of January 2007)	Principal and interest linked to Israeli CPI (CPI of December 2006)
Par value of debentures as of June 30, 2012	EUR 241 million (NIS 1,190,000,000 par value)	EUR 270 million (NIS 1,333,967,977 par value)
Debentures held by subsidiaries	342,752,276 par value	48,311,499 par value
Interest rate (per annum)	4.45%	4.9%
Principal repayment	Four equal installments from: From February 2013 to February 2016	Seven equal installments from: From February 2014 to February 2020
Interest payment dates	9 annual installments from February 2008 to February 2016	13 annual installments from February 2008 to February 2020
Total debt up to the date of the balance sheet (including interest and Israeli CPI linkage)	EUR 207 million (net of debentures held by subsidiaries) (*)	EUR 315 million (net of debentures held by subsidiaries) (*)
Market capitalization as of June 30, 2012	EUR 176 million (net of debentures held by subsidiaries)	EUR 139 million (net of debentures held by subsidiaries)
The trustee	Aurora Fidelity Trustees Ltd (CPA Daniel Vafnish +972-3-6083252)	Hermatic trustee (1957) (Adv. Dan Avnun +972-3- 5274867)
Rated by	S&P Maalot	S&P Maalot
Rating at the time of issuance	AA - (February 2007)	AA - (February 2007)
Updated rating	BBB (June 2012) (**)	BBB (June 2012)

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

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

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

Declaration

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

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

Per August 29, 2012

Board of Directors

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

DISCLAIMER

This press release contains forward-looking statements and information, for example concerning the financial condition, results of operations, businesses and potential exposure to market risks of Kardan N.V. and its group companies (jointly "Kardan Group"). All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements (including "forward looking statements" as defined in the Israeli Securities Law). Forward-looking statements are statements of future expectations that are based on management's current expectations and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in these statements. These forward-looking statements are identified by the use of terms and phrases such as ''anticipate'', ''believe'', ''could'', ''estimate'', ''expect'', ''intend'', ''may'', ''plan'', ''objectives'', ''outlook'', ''probably'', ''project'', "will'', ''seek'', ''target'', ''risks'', ''goals'', ''should'' and similar terms and phrases. A variety of factors, many of which are beyond Kardan Group's control, affect our operations, performance, business strategy and results and could cause the actual results, performance or achievements of Kardan Group to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. For Kardan Group, particular uncertainties arise, amongst others but not limited to and not in any order of importance, (i) from dependence on external financing with the risk that insufficient access to capital threatens its capacity to grow, execute its business model, and generate future financial returns (ii) from concentration of its business in Central Eastern Europe and China as a result of which Kardan Group is strongly exposed to these particular markets (iii) from risks related to the financial markets as a result of Kardan N.V.'s listings on NYSE Euronext Amsterdam and the Tel Aviv Stock Exchange and (iv) from it being a decentralized organization with a large number of separate entities spread over different geographic areas in emerging markets, so that Kardan Group is exposed to the risk of fraudulent activities or illegal acts perpetrated by managers, employees, customers, suppliers or third parties which expose the organization to fines, sanctions and loss of customers, profits and reputation etc. and may adversely impact Kardan Group's ability to achieve its objectives and (v) from any of the risk factors specified in Kardan N.V.'s Annual Report 2011 and in the "Periodic Report for 2011" published by Kardan N.V. in Israel on March 30, 2012 and which is also available at the Kardan website. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in the relevant forward-looking statement as expected, anticipated, intended, planned, believed, sought, estimated or projected. Kardan N.V. does not intend or assume any obligation to update or revise these forward-looking statements in light of developments which differ from those anticipated.

KARDAN N.V.
AMSTERDAM, THE NETHERLANDS

Condensed Interim Consolidated Financial Statements
As of June 30, 2012

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Condensed Interim Consolidated Financial Statements page

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

A s s e t s

	June 30, 2012	June 30, 2011(*)	December 31, 2011
		€ in millions	
Non-current assets			
Tangible fixed assets	85	102	103
Rental vehicles	-	405	-
Investment properties (Note 6)	1,879	2,065	1,885
Investments in associates	51	145	54
Other financial assets	3	11	6
Loans to bank customers	12	126	189
Long-term loans and receivables	160	176	172
Derivatives	46	102	57
Intangible assets and goodwill	60	170	94
Long term inventory	108	223	106
Deferred income tax assets	19	25	20
	2,423	3,550	2,686
Current assets			
Inventories, contract work and buildings inventory in progress	361	444	364
Derivatives	12	2	1
Current maturities of long-term loans and receivables	90	131	115
Loans to bank customers	24	210	241
Trade receivables	39	112	37
Income tax receivables	3	7	4
Other receivables and prepayments	91	159	102
Short-term investments	51	231	259
Cash and cash equivalents	361	356	407
	1,032	1,652	1,530
Assets held for sale	177	376	139
Total current assets	1,209	2,028	1,669
Total assets	3,632	5,578	4,355

(*) Reclassified (Note 2E)

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

Equity and liabilities

	June 30, 2012	June 30, 2011	December 31, 2011
		€ in millions	
Equity attributable to equity holders of the parent			
Issued and paid-in capital	23	23	23
Share premium	208	235	208
Foreign currency translation reserve	19	(13)	7
Property revaluation reserve	57	67	52
Revaluation reserve, other	11	3	5
Non-controlling interest holders transaction reserve	21	19	19
Treasury shares	(3)	(27)	(3)
Retained earnings (accumulated deficit)	(140)	(6)	(108)
	196	301	203
Non-controlling interests	601	879	537
Total equity	797	1,180	740
Non-current liabilities			
Interest-bearing loans and borrowings	958	1,417	972
Banking customers accounts	-	82	270
Derivatives	48	43	81
Other long-term liabilities	16	34	24
Options	8	21	16
Convertible debentures	-	15	-
Other debentures	631	1,093	811
Deferred income tax liabilities	150	174	149
Accrued severance pay, net	2	5	2
	1,813	2,884	2,325
Current liabilities			
Advances from customers in respect of contracts	9	16	13
Banking customers accounts	36	304	250
Trade payables	73	160	79
Current maturities of other debentures	150	66	21
Interest-bearing loans and borrowings	412	400	542
Income tax payables	5	4	5
Advances from apartment buyers	129	189	144
Derivatives	45	11	22
Other payables and accrued expenses	163	204	214
	1,022	1,354	1,290
Liabilities associated with assets held for sale	-	160	-
Total current liabilities	1,022	1,514	1,290
Total liabilities	2,835	4,398	3,615
Total equity and liabilities	3,632	5,578	4,355

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

CONDENSED INTERIM CONSOLIDATED INCOME STATEMENT

	For the six months ended June 30,		For the three months ended June 30,		For the year ended December 31,
	2012	2011	**2012**	2011	2011
	€ in millions				
Sales of goods	41	24	21	17	67
Contract revenues	60	55	29	25	114
Retail lending activities	2	12	5	7	5
Property rental and service recharge revenues	70	72	35	39	142
Other revenues	3	3	1	1	6
Total revenues	176	166	91	89	334
Cost of goods sold	34	21	17	14	57
Contract costs	50	43	25	23	92
Costs of retail lending activities	14	15	6	7	35
Costs of property rental and service recharge operations	20	21	10	11	40
Other expenses, net	5	21	3	19	88
Total expenses	123	121	61	74	312
Gross margin	53	45	30	15	22
Selling and marketing expenses	8	9	4	5	21
General and administration expenses	27	34	14	22	61
Profit from operations before fair value adjustments, disposal of assets and financial expenses	18	2	12	(12)	(60)
Adjustment to fair value of investment properties	(8)	(10)	(12)	(26)	(205)
Impairment losses on goodwill	-	(1)	-	(1)	(30)
Gain (loss) on disposal of assets and other income	1	4	-	4	21
Profit (loss) from fair value adjustments and on disposal of assets and investments	(7)	(7)	(12)	(23)	(214)
Profit (loss) from operations before finance expenses and income taxes	11	(5)	-	(35)	(274)
Other financial income	22	13	14	3	21
Other financing expenses	(64)	(67)	(31)	(34)	(141)
Adjustment to fair value of other financial instruments	(1)	(1)	(1)	(1)	(3)
Total financial expenses, net	(43)	(55)	(18)	(32)	(123)
Profit (loss) from operations	(32)	(60)	(18)	(67)	(397)
Share of profit (loss) of associates accounted for using the equity method	(5)	-	(4)	-	(3)
Profit (loss) before income taxes	(37)	(60)	(22)	(67)	(400)
Income tax expenses (benefit)	6	1	8	(5)	27
Profit (loss) for the period from continuing operations	(43)	(61)	(30)	(62)	(427)
Net profit (loss) for the period from discontinued operations (Note 7B)	1	(11)	1	(14)	18
Net profit (loss) for the period	(42)	(72)	(29)	(76)	(409)
Attributable to:					
Equity holders	(25)	(36)	(11)	(40)	(148)
Non-controlling interest holders	(17)	(36)	(18)	(36)	(261)
	(42)	(72)	(29)	(76)	(409)
Earnings (loss) per share attributable to shareholders					
Basic from continuing operations	(0.24)	(0.10)	(0.11)	(0.12)	(1.34)
Basic from discontinued operations	-	(0.22)	0.01	(0.21)	0.16
	(0.24)	(0.32)	(0.10)	(0.33)	(1.18)
Diluted from continuing operations	(0.24)	(0.10)	(0.11)	(0.12)	(1.36)
Diluted from discontinued operations	-	(0.25)	0.01	(0.22)	0.16
	(0.24)	(0.35)	(0.10)	(0.34)	(1.2)

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

CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended June 30,		For the three months ended June 30,		For the year ended December 31,
	2012	2011	**2012**	2011	2011
	€ in millions				
Net profit (loss) for the period	(42)	(72)	(29)	(76)	(409)
Foreign currency translation differences	12	(22)	17	(2)	(9)
Change in hedge reserve, net of tax (1)	4	8	(3)	(9)	3
Unrealized revaluations, net of tax (2)	-	(1)	-	-	(1)
Other comprehensive income for the period (3)	16	(15)	14	(11)	(7)
Total comprehensive income (loss)	(26)	(87)	(15)	(87)	(416)
Attributable to:					
Equity holders	(9)	(60)	4	(49)	(150)
Non-controlling interest holders	(17)	(27)	(19)	(38)	(266)
	(26)	(87)	(15)	(87)	(416)

(1) Net of tax amounting to €3 and €(1) million for the six and three months ended June 30, 2012 respectively; € (1) million and nil for the six and three months period ended June 30, 2011, respectively and €2 million for the year ended December 31, 2011.
(2) Net of tax which amounted to less than €1 million for all the reported periods.
(3) Including impact resulted from associates of less than €1 million for all the reported periods.

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

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent										
	Issued and paid-in capital	Share premium	Property revaluation reserve (*)	Other Reserve, (*) (**)	Foreign currency translation reserve(*)	Non controlling interest holders transactions reserve	Treasury shares	Retained Earnings (accumulated deficit)	Total	Non-controlling interest	Total equity
	€ in millions										
Balance as of January 1, 2012	23	208	52	5	7	19	(3)	(108)	203	537	740
Other comprehensive income (loss)	-	-	-	4	12	-	-	-	16	-	16
Loss for the period	-	-	-	-	-	-	-	(25)	(25)	(17)	(42)
Total comprehensive income /loss	-	-	-	4	12	-	-	(25)	(9)	(17)	(26)
Expired option plans for shares in a subsidiary						1			1	(1)	-
Issuance shares in consolidated subsidiary	-	-	-	-	-	-	-	-	-	72	72
Shares purchased in consolidated subsidiaries	-	-	-	-	-	1	-	-	1	10	11
Reclassification according to the Netherlands civil code requirements(*) and Chinese law(**)	-	-	5	2	-	-	-	(7)	-	-	-
Balance as of June 30, 2012	23	208	57	11	19	21	(3)	(140)	196	601	797

(*) In accordance with the Netherlands civil code, part of the retained earnings is restricted for distribution.
(**) A portion of the retained earnings of the Group's jointly-controlled entities, which were established in China is restricted for distribution and included in ‘Other Reserves’.

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

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Attributable to equity holders of the parent										
	Issued and paid-in capital	Share premium	Property revaluation reserve(*)	Other reserves(*)	Foreign currency translation reserve (*)	Non controlling interest holders transactions reserve	Treasury Shares	Retained Earnings (accumulate deficit)	Total	Non-controlling interest	Total equity
	€ in millions										
Balance as of January 1, 2011	23	235	114	-	9	(1)	(27)	(19)	334	733	1,067
Other comprehensive income (loss)	-	-	-	(3)	(21)	-	-	-	(24)	9	(15)
Loss for the period	-	-	-	-	-	-	-	(36)	(36)	(36)	(72)
Total comprehensive loss for the period	-	-	-	(3)	(21) -	-	-	(36)	(60)	(27)	(87)
Share-based payment	-	-	-	-	-	-	-	-	-	7	7
Issuance shares to non-controlling shareholders	-	-	-	6	(1)	22	-	-	27	162	189
Shares purchased in consolidated and newly consolidated subsidiaries	-	-	-	-	-	-	-	-	-	13	13
Deconsolidation of proportionally consolidated entities	-	-	-	-	-	(2)	-	2	-	(5)	(5)
Dividend paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	(4)	(4)
Reclassification according to the Netherlands civil code requirements (*)	-	-	(47)	-	-	-	-	47	-	-	-
Balance as of June 30, 2011	23	235	67	3	(13)	19	(27)	(6)	301	879	1,180

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

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

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Attributable to equity holders of the parent										
	Issued and paid-in capital	Share premium	Property revaluation reserve(*) (**)	Other reserves(*)	Foreign currency translation reserve (*)	Non controlling interest holders transactions reserve	Treasury Shares	Retained Earnings (accumulated deficit)	Total	Non-controlling interest	Total equity
	€ in millions										
Balance as of April 1, 2012	23	208	55	15	-	20	(3)	(127)	191	550	741
Other comprehensive income (expenses)	-	-	-	(4)	19	-	-	-	15	(1)	14
Loss for the year	-	-	-	-	-	-	-	(11)	(11)	(18)	(29)
Total comprehensive loss for the year	-	-	-	(4)	19	-	-	(11)	4	(19)	(15)
Share-based payment	-	-	-	-	-	-	-	-	-	(1)	(1)
Issuance shares to non-controlling shareholders	-	-	-	-	-	-	-	-	-	72	72
Expired option plans for shares in a subsidiary	-	-	-	-	-	1	-	-	1	(1)	-
Reclassification according to the Netherlands civil code requirements(*) and Chinese law(**)	-	-	2	-	-	-	-	(2)	-	-	-
Balance as of June 30, 2012	23	208	57	11	19	21	(3)	(140)	196	601	797

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

(**) A portion of the retained earnings of the Group's jointly-controlled entities, which were established in China is restricted for distribution and included in 'Other Reserves'.

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(*)	Other reserves(*)	Foreign currency translation reserve (*)	Non controlling interest holders transactions reserve	Treasury shares	Retained earnings (accumulate deficit)	Total	Non-controlling interest	Total equity
						€ in millions					
Balance as of April 1, 2011	23	235	60	11	(8)	20	(27)	37	351	909	1,260
Other comprehensive income (loss)	-	-	-	(8)	(5)	-	-	-	(13	2	(11)
Loss for the period	-	-	-	-	-	-	-	(36)	(36	(40)	(76)
Total comprehensive loss for the period	-	-	-	(8)	(5)	-	-	(36)	(49	(38)	(87)
Share-based payment	-	-	-	-	-	-	-	-	-	5	5
Issuance shares to non-controlling shareholders	-	-	-	-	-	-	-	-	-	1	1
Shares purchased in consolidated and newly consolidated subsidiaries	-	-	-	-	-	(1)	-	-	(1	2	1
Deconsolidation of proportionally consolidated subsidiaries	-	-	-	-	-	-	-	-		1	1
Dividend paid to non-controlling shareholders	-	-	-	-	-	-	-	-		(1)	(1)
Reclassification according to the Netherlands civil code requirements (*)	-	-	7	-	-	-	-	(7)	-	-	-
Balance as of June 30, 2011	23	235	67	3	(13)	19	(27)	(6)	301	879	1,180

(*) *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

	Attributable to equity holders of the parent										
	Issued and paid-in capital	Share premium	Property revaluation reserve(*)	Other reserves(*)	Foreign currency translation reserve (*)	Non controlling interest holders transactions reserve	Treasury Shares	Retained Earnings (accumulated deficit)	Total	Non-controlling interest	Total equity
	€ in millions										
Balance as of January 1, 2011	23	235	114	-	9	(1)	(27)	(19)	334	733	1,067
Other comprehensive income (expenses)	-	-	-	(1)	(1)	-	-	-	(2)	(5)	(7)
Loss for the year	-	-	-	-	-	-	-	(148)	(148)	(261)	(409)
Total comprehensive loss for the year	-	-	-	(1)	(1)	-	-	(148)	(150)	(266)	(416)
Share-based payment	-	-	-	-	-	-	-	-	-	8	8
Issuance shares to non-controlling shareholders	-	-	-	6	(1)	22	-	-	27	166	193
Shares purchased in subsidiaries and first time consolidation of subsidiary	-	-	-	-	-	(2)	-	-	(2)	6	4
Purchase of treasury shares	-	-	-	-	-	-	(3)	-	(3)		(3)
Deconsolidation of proportionally consolidated entities	-	-	-	-	-	-	-	-	-	(35)	(35)
Dividend paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	(4)	(4)
Distribution of a subsidiary as dividend in kind	-	(27)	-	-	-	-	27	(3)	(3)	(71)	(74)
Reclassification according to the Netherlands civil code requirements (*)	-	-	(62)	-	-	-	-	62	-	-	-
Balance as of December 31, 2011	23	208	52	5	7	19	(3)	(108)	203	537	740

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

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

CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT

	Six months period ended June 30,		Three months period ended June 30,		For the year ended December 31,
	2012	2011	**2012**	2011	2011
	€ in millions				
Cash flow from operating activities					
Net profit (loss) from continuing operations befor taxes on income	(37)	(60)	(22)	(67)	(400)
Profit (loss) from discontinuing operations before taxes on income	1	(6)	1	(10)	31
Adjustments required to present cash flow from operating activities (see A below)	(6)	72	12	144	421
Net cash provided by (used in) operating activities	(42)	6	(9)	67	52
Cash flow from investing activities					
Acquisition of tangible fixed assets and investment properties	(45)	(157)	(19)	(88)	(264)
Collecting (granting) of loans from (to) associated companies and joint ventures, net	-	33	-	34	(1)
Investment in companies and joint ventures	-	-	-	-	(1)
Proceeds from sale of assets and investments	2	2	2	-	4
Granting of long-term loans	-	(1)	-	-	(1)
Change in loans to bank customers	(9)	(92)	(5)	(65)	(175)
Change in long-term loans and receivables	19	-	4	(25)	33
Change in short-term investments	-	4	1	52	(50)
Acquisition of newly proportionally consolidated joint venture, net of cash acquired	-	(4)	-	(4)	-
Acquisition of newly consolidated subsidiaries, net of cash acquired (see B below)	-	(6)	-	(3)	(13)
Deconsolidation of a joint venture (see C below)	33	-	33	-	160
Disposal of formerly consolidated subsidiaries, net of cash disposed (see D below)	-	22	-	22	26
Change from proportional consolidation to full consolidation (see E below)	-	10	-	-	10
Change from full consolidation to proportionate consolidation (see F below)	-	-	-	-	46
Tax paid on disposal of investment properties	-	(18)	-	(1)	(27)
Change in deferred brokerage fees	-	(1)	-	(1)	(1)
Change in other assets	(7)	(16)	(5)	(1)	(23)
Net cash used in investing activities	(7)	(224)	11	(80)	(277)

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

CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

	Six months period ended June 30,		Three months period ended June 30,		For the year ended December 31,
	2012	2011	**2012**	2011	2011
	€ in millions				
Cash flows from financing activities					
Dividend paid to non-controlling interests	-	(4)	-	(1)	(4)
Decrease in cash due to distribution of a subsidiary as dividend in kind	-	-	-	-	(19)
Proceeds from sale of shares in subsidiaries to non controlling interest holders	76	189	76	1	189
Issuance of debentures	1	83	-	65	83
Repayment and repurchase of debentures	(46)	(39)	(37)	(32)	(71)
Change in loans from bank customers	26	5	20	24	132
Proceeds from long-term loans	65	134	21	59	333
Repayment of long-term loans	(167)	(289)	(106)	(84)	(525)
Change in short-term loans and borrowings, net	34	12	32	(49)	(12)
Costs related to issuance of debt and shares	(1)	-	-	-	(4)
Proceeds from sale of hedge instruments	12	-	12	-	45
Purchase of treasury shares	-	-	-	-	(3)
Investments in companies	-	(2)	-	(2)	(12)
Transaction with non controlling interest holders	-	-	-	-	(3)
Net cash provided by (used in) financing activities	-	89	18	(19)	(129)
Foreign exchange differences relating to cash and cash equivalents	3	(7)	3	3	5
Increase (decrease) in cash and cash equivalent	(46)	(136)	23	(29)	(91)
Decrease of cash of assets held for sale	-	(6)	41	(3)	-
Cash and cash equivalents at the beginning of the period	407	498	297	388	498
Cash and cash equivalents at the end of the period	361	356	361	356	407

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

CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

	Six months period ended June 30,		Three months period ended June 30,		For the year ended December 31,
	2012	2011*)	**2012**	2011*)	2011*)
	€ in millions				
A. Adjustments to reconcile net profit (loss) to net cash					
Charges / (credits) to profit / loss not affecting operating cash flows:					
Share of (profit)/loss of associates companies accounted for using the equity method	5	(2)	4	(1)	(3)
Dividend from associated companies	-	7	-	5	7
Impairment of goodwill	-	22	-	22	68
Loss (gain) on disposal of assets and investments, net	-	4	-	-	(6)
Share-based payment	2	9	1	7	4
Depreciation and amortization	3	46	1	27	77
Fair value adjustments of investment properties	8	5	12	26	273
Financial expense and exchange rate differences, net	52	82	31	54	91
Change in fair value of options and share appreciation rights	(7)	(3)	1	-	(4)
Decrease (increase) in fair value of securities held for trading, and hedge instruments, net	(8)	11	(7)	5	8
Increase in provision for bad debts in the financial services segment	10	17	2	4	47
Loss (gain) from early repayment of loans and debentures	(10)	1	(9)	1	(3)
Capital loss from realization of investment in companies	(1)	-	(1)	-	-
Impairment of assets	1	2	1	2	2
Changes in operating assets and liabilities					
Purchase of rental vehicles	-	(80)	-	(54)	(125)
Proceeds from sale of rental vehicles	-	51	-	28	75
Change in trade and other receivables	21	(65)	49	48	(91)
Change in inventories and in contract work in progress net of advances from customers	(8)	(59)	(5)	(43)	(58)
Change in trade and other payables	(43)	71	(54)	30	111
Interest paid	(88)	(112)	(35)	(51)	(184)
Interest received	59	74	19	38	147
Income taxes paid	(2)	(9)	2	(4)	(15)
	(6)	72	12	144	421

*) Reclassification

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

CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

	Six months period ended June 30,		Three months period ended June 30,		For the year ended December 31,
	2012	2011	**2012**	2011	2011
	€ in millions				
B. Acquisition of newly consolidated subsidiaries, net of cash acquired					
Working capital (excluding cash)	-	(21)	-	(3)	8
Non-current assets	-	21	-	-	(58)
Goodwill on acquisition	-	(8)	-	(2)	(10)
Long-term liabilities	-	2	-	2	33
Total purchase price	-	(6)	-	(3)	(27)
Payable on account of investment	-	-	-	-	14
Cash used in acquisition, net of cash acquired	-	(6)	-	(3)	(13)
C. Disposal of formerly consolidated subsidiaries and joint ventures, net of cash disposed					
Working capital	121	-	121	-	34
Non-current assets	457	-	457	-	238
Goodwill	16	-	16	-	2
Long-term liabilities	(525)	-	(525)	-	(108)
Change in capital reserves	1	-	1	-	(2)
Gain on disposal of investment	1	-	1	-	4
Total consideration	71	-	71	-	168
Cash of joint ventures which ceased to be proportionally consolidated	(38)	-	(38)	-	(8)
Cash flows from disposal, net of cash disposed	33	-	33	-	160
D. Disposal of formerly consolidated subsidiaries, net of cash disposed					
Working capital	-	29	-	29	(7)
Non-current assets	-	-	-	-	(30)
Intangible assets on acquisition	-	-	-	-	13
Rental vehicles	-	-	-	-	395
Non-controlling interests	-	(2)	-	(2)	(30)
Goodwill	-	2	-	2	-
Long-term liabilities	-	(4)	-	(4)	(323)
Gain on disposal of investment	-	1	-	1	8
Total consideration	-	26	-	26	26
Cash of subsidiary which ceased to be consolidated	-	(4)	-	(4)	-
Cash flows from disposal, net of cash disposed	-	22	-	22	26

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

CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

	Six months period ended June 30,		Three months period ended June 30,		For the year ended December 31,
	2012	2011	**2012**	2011	2011
	€ in millions				
E. Change from proportional consolidation to full consolidation					
Working capital	-	(3)	-	-	(3)
Investment property	-	55	-	-	55
Other non-current assets	-	(185)	-	-	(185)
Goodwill on acquisition	-	(4)	-	-	(4)
Intangible assets	-	(3)	-	-	-
Gain on disposal of investment					(3)
Non-controlling interests	-	11	-	-	11
Long-term liabilities	-	139	-	-	139
Total purchase price	-	10	-	-	10
Less – cash in subsidiaries acquired	-	-	-	-	-
Cash used in acquisition, net of cash acquired	-	10	-	-	10

	Six months period ended June 30,		Three months period ended June 30,		For the year ended December 31,
	2012	2011	**2012**	2011	2011
F. Change from full consolidation to proportional consolidation					
Working capital	-	-	-	-	(2)
Investment property	-	-	-	-	60
Goodwill on acquisition	-	-	-	-	(3)
Gain on disposal of joint venture	-	-	-	-	12
Long-term liabilities	-	-	-	-	(21)
Total purchase price	-	-	-	-	46
Foreign currency translation on cash	-	-	-	-	1
Less – cash of disposed joint venture	-	-	-	-	(1)
Net change in cash	-	-	-	-	46

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

1. Corporate information

Kardan N.V. ('Kardan' or 'the Company') having its legal seat in Amsterdam, The Netherlands, was incorporated on May 2, 2003, and acts as an 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 August 29, 2012.

In March 2012 the Company received a letter from the Israeli Securities Authority (hereafter – the ISA) regarding sampling audit that was conducted by the ISA and included, inter alia, the examination of the values of five real estate assets owned by a consolidated subsidiary in the financial statements as of December 31, 2009 (refer to Note 8 in December 31, 2011 financial statements). The Company sent response letters to the ISA, and is currently in discussions with ISA.

Going concern

In the first half of 2012 the Company incurred losses in the amount of €25 million, which contributed to a decline of shareholders' equity to €196 million.

As of June 30, 2012, the Company (on a standalone basis) has a working capital deficiency of €68 million, mainly due to current maturities of debentures which are due in February 2013. In addition, the Group (on a consolidated basis) had negative cash flows from operations of €42 million in the six months ended June 30, 2012.

The Company's condensed interim consolidated financial statements as of June 30, 2012 have been prepared on the assumption the Company will continue as a going concern. This is based, among others, on the current cash balances and its available assets as well as considering cash from future operations and transactions. In February 2013 and February 2014 the first installments of the Company's debentures mature series A and series B, respectively, in the respective amounts of €59 million and €98 million (including interest). These repayments will be funded through existing cash balances, cash generated from the repayment of certain shareholder's loans by some of the Company's subsidiaries, and cash generated through sale of certain assets. The Company prepared a two year liquidity analysis as part of its normal course of business which addresses the required liquidity to be able to repay the debentures in February 2013 and February 2014 and all its other liabilities and to finance its investments and operating activities, and believes that it will be able to generate enough funds to repay its liabilities as they mature in the foreseeable future.

The realization of some the Company's plans depends on factors that are not wholly within the Company's control, however the Company believes that it will be able to repay its liabilities as they mature in the foreseeable future.

In regards to the Company covenants as of June 30, 2012 – see Note 8

2. Basis of presentation and preparation

A. Basis of preparation

The condensed interim consolidated financial statements for the six and three months ended June 30, 2012 have been prepared in accordance with International Accounting Standard (IAS) 34 as defined by the International Accounting Standards Board and as endorsed by the European Union to be used for the preparation of interim consolidated financial statements.

The 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, 2011.

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, 2011 - except for the adoption of new standards and interpretations as of January 1, 2012:

- IFRS 7 Financial Instruments: Disclosures – Transfers of Financial Assets
- IAS 12 Income Taxes – Recovery of Tax Assets

When the adoption of the standard or interpretation is deemed to have an impact on the financial statements or the performance of the Group, its impact is described below:

IFRS 7 Financial Instruments: Disclosures – Transfers of Financial Assets
The amendment requires additional disclosure about financial assets that have been transferred but not derecognized. In addition, the amendment requires disclosures about continuing involvement in derecognized assets. The amendment will affect disclosure only and will have no impact on the Group's financial position or performance.

B. New IFRS Standards that have been issued but are not yet effective:

Standards and interpretations issued but not yet effective up to the date of issuance of the Group's financial statements are listed below.
The Group intends to adopt these standards and interpretations when they become effective.

IAS 12 Income Taxes – Deferred Tax: Recovery of Underlying Assets
The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. The amendment is not expected to have impact on the Group's financial position or performance once endorsed and adopted by the EU.

IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities

The amendment requires additional disclosure about the effects of offsetting financial assets and financial liabilities and related arrangements on an entity's financial position. The amendment becomes effective for financial years beginning on or after 1 January 2013 and interim periods within those financial years. The amendment will affect disclosure only and will have no impact on the Group's financial position or performance.

IAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities

The amendments clarify the requirements for offsetting financial instruments and address inconsistencies in current practice when applying the offsetting criteria. The Group is currently assessing the impact of this standard. The revised standard becomes effective for financial years beginning on or after 1 January 2014.

Amendments to IFRS 10, IFRS 11 and IFRS 12 - Consolidated Financial Statements, Joint Arrangements, Disclosure of Interests in Other Entities:

In June 2012, the IASB issued amendments to IFRS 10, "Consolidated Financial Statements" ("IFRS 10"), IFRS 11, "Joint Arrangements" ("IFRS 11") and IFRS 12, "Disclosure of Interests in Other Entities" ("IFRS 12") (collectively, "the amendments"). The amendments include clarification of the transition guidance in IFRS 10.

The amendments provide relief in the application of the transition guidance in IFRS 10, IFRS 11 and IFRS 12 and permit adjustment of comparative data for only one year. The adjustment of comparative data for earlier periods is permitted but not required. The amendments also eliminate the requirement to disclose comparative data for previous periods in respect of unconsolidated structured entities.

The amendments become effective starting from the financial statements for annual periods beginning on January 1, 2013, which is the effective date of IFRS 10, IFRS 11 and IFRS 12.

Improvements to IFRSs (Issued May 2012)

In May 2012, the IASB issued the 2009-2011 cycle improvements to its standards and interpretations, primarily with a view to removing inconsistencies and clarifying wording.

- IAS 32 Financial instruments: Presentation: Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12.
- IAS 34 Interim Financial Reporting: 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.

The Group has studied the improvements and is currently assessing their impact.

C. Hedging

The fair value of swap contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by independent valuators using agreed-upon valuation models. For June 30, 2012 valuation, the independent valuators used an updated measurement.

The “Basis Swap” curve is based on inter-bank interest rate and includes liquidity premium that compensate on liquidity differences between currencies. Also, the maturity table was linked to the actual change in the CPI from the date of transaction until the date of valuation, and the maturity table was linked to the future CPI based on inflation expectations derived from the difference from the Government curve linked to the NIS.

D. 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
June 30, 2012	0.795	0.203	7.934	129.8
June 30, 2011	0.691	0.202	9.3	128.6
December 31, 2011	0.774	0.203	8.2253	128.6
Change in 2012 (6 months)	2.7%	-	(3.5%)	0.9%
Change in 2012 (3 months)	6%	(0.43%)	(5.76%)	0.6%
Change in 2011 (6 months)	(7.7%)	(4.2%)	6.5%	2.2%
Change in 2011 (3 months)	(1.7%)	0.1%	0.7%	1.5%
Change in 2011 (12 months)	3.0%	(4.1%)	(5.8%)	2.2%

E. Reclassifications

The comparative information in the statement of financial position relating to Investment property as of June 30, 2011 was reclassified to conform to current period's presentation. The reclassification was not material in relation to the total assets and liabilities.

3. Segment information

Segments results

For six months ended June 30, 2012:

	Real Estate			Infrastructure		
	Asia	Europe	Banking and Retail lending	Projects	Assets	Total
Revenue	34	77	5	42	18	176
Other income (expense) (*)	3	(16)	-	-	1	(12)
Total Income	37	61	5	42	19	164
Segment result	4	17	(12)	(4)	4	9
Unallocated expenses						(3)
Profit from operations and share in profit of associates companies before finance expenses, net						6
Finance expenses, net						(43)
Loss before income tax						(37)
Income tax expenses						(6)
Loss from continuing operations						(43)
Profit from discontinued operations						1
Loss for the period						(42)

For six months ended June 30, 2011:

	Real Estate		Banking and Retail lending	Infrastructure		
	Asia	Europe		Projects	Assets	Total
Revenue	17	79	15	43	12	166
Other income (expense) (*)	21	(27)	(2)	1	-	(7)
Total Income	38	52	13	44	12	159
Segment result	16	(9)	(6)	(5)	1	(3)
Unallocated expenses						(2)
Loss from operations and share in profit of associates companies before finance expenses, net						(5)
Finance expenses, net						(55)
Loss before income tax						(60)
Income tax expenses						1
Loss from continuing operations						(61)
Loss from discontinued operations						(11)
Loss for the period						(72)

For three months ended June 30, 2012:

	Real Estate		Banking and Retail lending	Infrastructure		
	Asia	Europe		Projects	Assets	Total
Revenue	17	39	6	20	9	91
Other income (expense) (*)	1	(18)	-	-	1	(16)
Total Income	18	21	6	20	10	75
Segment result	-	(1)	(2)	(2)	2	(3)
Unallocated expenses						(1)
Loss from operations and share in profit of associates companies before finance expenses, net						(4)
Finance expenses, net						(18)
Loss before income tax						(22)
Income tax expenses						(8)
Loss from continuing operations						(30)
Profit from discontinued operations						1
Loss for the period						(29)

For three months ended June 30, 2011:

	Real Estate			Infrastructure		
	Asia	Europe	Banking and Retail lending	Projects	Assets	Total
Revenue	12	43	8	20	6	89
Other income (expense) (*)	18	(40)	(1)	1	(1)	(23)
Total Income	30	3	7	21	5	66
Segment result	14	(38)	(3)	(6)	(1)	(34)
Unallocated expenses						(1)
Loss from operations and share in profit of associates companies before finance expenses, net						(35)
Finance expenses, net						(32)
Loss before income tax						(67)
Income tax expenses						(5)
Loss from continuing operations						(62)
Loss from discontinued operations						(14)
Loss for the period						(76)

For the year ended December 31, 2011:

	Real Estate			Infrastructure		
	Asia	Europe	Banking and Retail lending	Projects	Assets	Total
Revenue	49	161	10	85	29	334
Other income (expense) (*)	33	(235)	(18)	1	2	(217)
Total Income	82	(74)	(8)	86	31	117
Segment result	28	(242)	(50)	(12)	7	(269)
Unallocated expenses						(8)
Loss from operations and share in profit of associates companies before finance expenses, net						(277)
Finance expenses, net						(123)
Loss before income tax						(400)
Income tax expenses						(27)
Loss from continuing operations						(427)
Profit from discontinued operations						18
Loss for the year						(409)

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

Following the distribution of Kardan Yazamut in October 2011, the Company's reportable segments include 5 segments (for additional information refer to Note 5 to the Company's annual financial statements as at December 31, 2011)

4. Revenues from banking and retail lending activities

At the begining of 2012 TBIF's management evaluated its consumer credit portfolio and following their evaluation recognized an additional provision for doubtful debt for impairment losses in the amount of €6 million, presented net of 'Revenues from retail lending activities'. No Material provisions were recorded in the second quarter of 2012.

5. Share capital

A. Composition

	June 30, 2012		December 31, 2011	
	Authorized	Issued and Paid-in	Authorized	Issued and Paid-in
	Number of shares		Number of shares	
Ordinary shares with nominal value of €0.20 each	225,000,000	111,824,638	225,000,000	111,824,638

During the six month period ended on June 30, 2012 there were no changes to the share capital of the Company.

6. Investment properties

Further to Note 8 to the Company's annual financial statements as at December 31, 2011, below we present updated information regarding investment properties:

A. Investment properties can be split up as follows:

	June 30,		December 31,
	2012	2011	2011
	€ in millions		
Completed investment properties	1,536	1,570	1,477
Investment properties under construction carried at fair value	-	176	64
Investment properties under construction carried at cost	343	319	344
	1,879	2,065	1,885

B. Fair value adjustments comprise:

	Six months period ended June 30, 2012	Six months period ended June 30, 2011	Three months period ended June 30, 2012	Three months period ended June 30, 2011	For the year ended December 31, 2011
	€ in millions				
Adjustment to fair value of newly completed properties, net of goodwill released	7	1	6	(4)	(48)
Adjustment to fair value of properties completed in prior years	(14)	9	(13)	(5)	(60)
Adjustment to fair value of investment property under construction, net of goodwill released	5	(8)	-	(5)	(3)
Impairment adjustments to investment properties under construction measured at cost	(6)	(12)	(5)	(12)	(89)
Impairment of receivables and accruals	-	-	-	-	(5)
	(8)	(10)	(12)	(26)	(205)

During the first half of 2012 most of the investment properties were subject to an external valuation.

C. Significant assumptions

Significant assumptions used in the valuations as of June 30, 2012 and December 31, 2011 are presented below on the basis of weighted averages:

	Asia		Europe	
	June 30 ,2012	December 31, 2011	**June 30,2012**	December 31, 2011
Completed investment properties				
Average rental rate per sqm per month (in €) (*)	20	19	15.6	15.9
Average Yield	9.5%	9.5%	8.4%	8.1%
ERV per sqm per month (in €) (*)	25.6	21	15.7	16.2
Current Vacancy	2.2%	2.5%	12%	13%
Long term vacancy	2%-10%	5%	0%-5%	0%-5%
Vacancy duration assumed in valuations (months)	n/a	n/a	25.7	24
Assets under construction (only assets at fair value)				
Yield	n/a	n/a	n/a	8.7%
Average % completed	n/a	n/a	n/a	53%

(*) Apart from basic rent, includes income from parking, add on factors and other income.

7. Significant transactions

A. Kardan N.V.

1. Issuance of rights in GTC S.A

On June 22, 2012 GTC S.A. completed a rights issue of 100 million shares for an amount of approximately €100 million (after deduction of issuance expenses of €4 million). The Company participated in the rights issue through its fully owned subsidiary GTC Real Estate Holding B.V. ("GTC Holding") at its pro rata share of 27.75%. As all the rights have been exercised, GTC Holding's share in the capital of GTC S.A. remains 27.75%.

Subsequent to the balance sheet date, an additional supervisory board member was appointed to the supervisory board of GTC SA by a non controlling interest holder after which GTC Holding has 5 supervisory board members out of the total 9. The Company will keep monitoring any change in facts and circumstances, in order to confirm there are no triggers for loss of control.

2. Repurchase of Debentures

In the six months ended June 30, 2012 GTC Holding purchased NIS 209,118,413 par value Debentures Series A issued by the Company in 2007 at an average price of NIS 0.96 per debenture, for a consideration of €41.3 million (approximately NIS 201 million). The Company accounted for these transactions as an early repayment of debentures. The repurchase resulted in a gain of €10.4 million (€1 million recognized in the first quarter of 2012 and €9.4 million recognized in second quarter of 2012) which was included as 'finance income' in the income statement.

Subsequent to balance sheet date, GTC Holding purchased additional NIS 222,118,772 par value Debentures Series A at an average price of NIS 0.79 for a consideration of €35.9 million (approximately NIS 176.6 million) and additional NIS 120,222,513 par value Debentures Series B at an average price of NIS 0.63 for a consideration of €15.5 million (approximately NIS 76 million). As a result of the purchases the Company will recognize a profit from early repayment of debentures amounting to €32.7 million in the third quarter of 2012.

As of the date of signing these financial statements, the Company holds through its subsidiaries NIS 564,871,048 par value Debentures Series A (which represent 47.5% of the par value of debentures series A) and NIS 168,534,012 par value Debentures Series B (which represent 12.6% of the par value of debentures series B) .

3. Share plan

In March 2012, the Supervisory Board of the Company approved a grant of 124,782 new non-listed shares of the Company ('the Unreleased Shares') under the 2010 share plan to executives and employees of the Company.

According to the share plan, the Unreleased Shares will be held by the Company as custodian for two years, and will be released for trade at the moment the participant has accumulated (at least) five consecutive years of service with the Company since January 1, 2009.

The participants may elect to receive up to 50% of this incentive by way of a cash payment, subject to the approval of the Board of the Company. The grant was approved by the Annual General Meeting of shareholders in May 2012.

The grant was accounted for assuming equity settlement and the total expenses booked in the period were immaterial and included in the 'General and administration expenses'.

4. Discontinued operation - Israeli activities

In 2011, the Company distributed the shares of Kardan Yazamut (2011) Ltd. as dividend in kind. As a result of the distribution, Kardan Yazamut's results for the comparative periods are presented as discontinued operations (see Note 5 to the December 31, 2011 Financial Statements)

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

	For the six months period ended June 30		For the three months period ended June 30		For the year ended December 31,
	2012	2011	2012	2011	2011
			€ in millions		
Total income	-	189	-	99	286
Total expenses	-	(198)	-	(102)	(273)
Profit (loss) before tax	-	(9)	-	(3)	13
Income tax income (expenses)	-	-	-	1	(2)
Net profit (loss) from discontinued operations	-	(9)	-	(2)	11
Attributable to:					
Equity holders	-	(2)	-	3	10
Non-controlling interest holders	-	(7)	-	(5)	1
	-	(9)	-	(2)	11

2) Composition of the net cash flows related to discontinued operations:

	For the six months period ended June 30		For the three months period ended June 30		For the year ended December 31,
	2012	2011	**2012**	2011	2011
	€ in millions				
Net cash flow from operating activities	**-**	10	**-**	4	15
Net cash flow from investing activities	**-**	(13)	**-**	(19)	(61)
Net cash flow from financing activities	**-**	12	**-**	14	40
Net cash flows from discontinued operations	-	9	-	(1)	(6)

3) Composition of other comprehensive income items related to discontinued operations:

	For the six months period ended June 30		For the three months period ended June 30		For the year ended December 31,
	2012	2011	2012	2011	2011
	€ in millions				
Change in hedge reserves, net of tax	-	-	-	-	6
Foreign currency translation differences	-	(2)	-	-	(15)
	-	(2)	-	-	(9)

B. <u>KFS</u>

<u>Discontinued operations in KFS</u> (VAB Bank, Sovcom Bank)

The discontinued operations in the Banking and Retail lending segment include a capital gain from the sale of VAB in Q1 2011(see Note 5 to the December 31, 2011 financial statements) and the results of Sovcom Bank till May 2012, when TBIF has stopped applying proportionate consolidation to the investment.

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

In June 2011 TBIF signed an agreement with Sovco Capital Partners B.V. (TBIF's partner in Sovcom Bank) to sell the shares in Sovcom Bank owned by TBIF (a total of 50% of the share capital of the bank) in total consideration of €123 million.

In the beginning of 2012, after receiving the approval from the Bank of Russia with regards to the closing of the transaction, TBIF had stopped applying proportionate consolidation to the investment in Sovcom as of January 1, 2012.

The transaction was finalized in May 2012. The total consideration received for the sale in 2011 and 2012 amounted to €105 million (€33 million were received in 2011) and an amount €18 million was received as dividend (€7 million were received in 2011) .

Due to the closing of the transaction, foreign currency translation reserve in the amount of €1 million was reshuffled to the income statement in 'Net profit (loss) for the period from discontinued operations' as well as interest rate differences on the proceed amounts to €2 millions, were included in the income statement as part of ‘Net profit (loss) for the period from discontinued operations’.

In accordance with the requirements of IFRS 5, and as management considered Sovcom Bank’s operations as a major geographical area, past results of the bank were included in 'Net profit for the period from discontinued operations' in the consolidated income statement.

The amounts of assets and liabilities, related to the investment in Sovcom Bank as of that date, which were disposed of as a result of the sale were as follows:

	May 2012
	€ in millions
Assets	
Tangible fixed assets	25
Investment properties	1
Long-term loans and receivables	10
Intangible assets and goodwill	34
Loan to banl customers	404
Other receivables and prepayments	18
Income tax receivables	2
Short-term investments	172
Cash and cash equivalents	**38**
Total assets	**704**
Liabilities	
Deferred income tax liabilities	4
Interest-bearing loans and borrowings	62
Banking customers accounts	510
Other payables and accrued expenses	59
Total liabilities	**635**
	69

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

	For the six months period ended June 30,		For the three months period ended June 30,		For the year ended December 31,
	2012	2011(*)	**2012**	2011(*)	2011
	€ in millions				
Total income	-	43	-	27	102
Total expenses	-	44	-	34	89
Profit before tax	-	(1)	-	(7)	13
Income tax expenses	-	(5)	-	(4)	11
Net profit from discontinued operations before capital gains	-	(6)	-	(11)	2
Capital gain from sale	-	5	-	-	5
Net profit from discontinued operations	-	(1)	-	(11)	7

(*) The sale of VAB Bank was completed in January 2011; as such the total income and expenses from these activities in 2011 were immaterial (for additional information refer to Note 5 to the December 31, 2011 financial statements).

2) Composition of the net cash flows related to discontinued operations:

	For the six months period ended June 30,		For the three months period ended June 30,		For the year ended December 31,
	2012	2011	**2012**	2011	2011
			€ in millions		
Net cash flow from operating activities	-	(37)	-	1	13
Net cash flow from investing activities	-	(3)	-	(1)	(18)
Net cash flow from financing activities	-	(1)	-	(1)	(8)
Net cash flows from discontinued operations	-	(41)	-	(1)	(13)

3) Composition of other comprehensive income items related to discontinued operations:

	For the six months period ended June 30,		For the three months period ended June 30,		For the year ended December 31,
	2012	2011	**2012**	2011	2011
			€ in millions		
Foreign currency translation differences	1	-	1	-	(3)

Changes in financial instruments and risk management due to the transaction

As a result of the sale of Sovcom Bank, the Group is no longer exposed to the operational risks related to the Russian market or the Rouble. Furthermore, the Group has disposed of the vast majority of its held-for-trading financial instruments, which were traded on the Russian market.

The general credit risk profile of loans granted in the Group generally remained unchanged, with portfolios being generated only as part of the normal business activities. Liquidity risk in the Group generally remains unchanged.

C. Assets held for sale

The assets held for sale presented in the balance sheet mostly include investment properties (Platinum Business Park 1-5). During the first six months of 2012, the assets held for sale were revalued in the amount of €5 million, and their balance as of June 30, 2012 amounts to €175 million.

8. Covenants

The Company

As stated in Note 29 to the annual financial statements, as of December 31, 2011, the Company did not meet financial covenants relating to maintaining a minimum equity level. In March 2012, the Company received a signed letter from the lending bank describing principal agreements between the Company and the bank relating to a change in required financial covenants with respect to two loans in the amount of €15 million each. According to the principal agreements, the financial covenants will be amended so that the Company is required to maintain a minimum shareholders' equity of €160 million and a ratio of equity to total stand-alone balance sheet of the Company of 21%.

In addition it was agreed to early repay an amount of €35 million from the total outstanding loans of Kardan, GTC Holding and TGA. In April 2012, the Group repaid the €35 million as agreed.

Within the Group, additional loans in the amount of €84 million were referenced in the amendment letter received by the lending bank and are with the same covenants.

According to the letter received as described above, the Company and its subsidiaries meet the new agreed upon covenants. However, since an amendment to the loan agreements hasn't been signed yet, the Company and its subsidiaries had to present loans amounting to €109 million as current liabilities.

Subsequent to balance sheet date, in August 2012, the Company, GTC RE and the lending bank signed a new loan agreement which includes the abovementioned amended financial covenants and among others, a commitment to continue directing the activities of GTC SA through its directors, additionally other commitments with respect to securities were provided to the bank.

GTC S.A

With respect to a €29 million loan granted to a subsidiary of GTC SA, covenants relating to project completion of the financed project were not met as of the balance sheet date. As a result, as of the balance sheet date the loan is reclassified as a current liability. On July 5, 2012, the subsidiary received a waiver from the bank postponing the project completion date until March
2013.

TBIF

As of June 30, 2012 a subsidiary of TBIF was in breach of one loan at the amount of €1.5 million. The breach related to the ratio of profit before tax to interest income from leasing activities as a result of the breach an amount of €0.3 million was reclassified as a current liability, the remaining part of the loan was already presents as a short term liability. On August 2012, the subsidiary received a waiver from the bank as of June 30 2012. The Subsidiary is in discussion with the bank for amendment of the loan agreement.

Amendment to FIMI agreement

Further to Note 5 to the Company's annual financial statements as at December 31, 2011, in June 2012 TGI signed an amendment to the loan agreement with FIMI. The amendment includes:

(a) The interest on the loan will be raised from Libor +3% to Libor + 5%, starting July 1, 2012;
(b) The right of TGI to withdraw the additional USD 25 million loan is now subject to approval of FIMI;
(c) The loan principle will be repaid in two payments – 30% on October 2015 and the remaining 7 years from the initial closing date (August 2017);
(d) The warrant exercise period will be extended to seven years original closing date of the transaction (August 2017).

As a result of the amendment, the warrant granted to FIMI to purchase TGI shares and the Call option of the Company were revalued. The adjustment to fair value has been accounted for as financial expenses in the income statements.

9. Subsequent events

Subsequent to balance sheet date, in July 2012, the Company sold four hedging instrument (Swaps). The proceeds from the sale amounted to €41 million and were used to finance the repurchase of the Company debentures (See note 7A(2) above), this is following the sale of one hedging instrument during the period of six months ended June 30 2012, for a total consideration of €12 million.

To the management 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 June 30, 2012 and the related condensed interim consolidated income statement, statement of comprehensive income, changes in equity and cash flows for the three and six 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.

Amsterdam, August 29, 2012

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 June 30, 2012

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

June 30, 2012

	June 30, 2012	June 30, 2011	December 31, 2011
	€ in millions		
Assets			
Non-current assets			
Long-term receivables (Mainly fair value of derivatives)	46	101	57
Financial fixed assets			
Investments in consolidated subsidiaries	474	584	482
Loans to consolidated subsidiaries	253	139	288
	727	723	770
Current assets			
Cash and cash equivalents	23	112	28
Short-term investments	3	7	6
Other receivables	13	6	3
	39	125	37
Total assets	812	949	864
Equity and liabilities			
Equity attributable to equity shareholders			
Share capital	23	23	23
Share premium	208	235	208
Property revaluation reserve	57	67	52
Revaluation reserve, other	11	3	5
Currency translation reserve	19	(13)	7
Non controlling interest holders transaction reserve	21	19	19
Treasury shares	(3)	(27)	(3)
Retained earnings	(140)	(6)	(108)
	196	301	203
Long-term liabilities			
Debentures	506	589	593
Loans from banks and others	-	30	-
Options and other long term liabilities	3	9	9
	509	628	602
Current liabilities			
Current maturities of long term loans and debentures	88	-	30
Other payables	19	20	29
	107	20	59
Total equity and liabilities	812	949	864

ADDITIONAL INFORMATION FROM THE COMPANY'S INCOME STATEMENT

Period ended June 30, 2012

	For the six months ended June 30,		For the three months ended June 30,		For the year ended December 31,
	2012	2011	**2012**	2011	2011
	€ in millions				
Net result from investments for the period	(23)	(25)	(11)	(26)	(124)
Other income	1	-	1	-	1
Total revenues	(22)	(25)	(10)	(26)	(123)
General and administrative expenses	3	2	2	1	7
Total expenses	3	2	2	1	7
Income/(Loss) from operations before financing expenses	(25)	(27)	(12)	(27)	(130)
Financing income (expenses), net	(2)	(7)	2	(6)	(16)
Income/(Loss) from operations before tax expense (benefit)	(27)	(34)	(10)	(33)	(146)
Income tax expense (benefit)	(2)	2	1	3	2
Net income/(Loss) for the period	(25)	(36)	(11)	(36)	(148)

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

	For the six months ended June 30,		For the three months ended June 30,		For the year ended December 31,
	2012	2011	**2012**	2011	2011
	€ in millions				
Net result for the period	(25)	(36)	(11)	(36)	(148)
Foreign currency translation differences	12	(21)	19	(5)	(1)
Change in hedge reserve, net	4	(2)	(4)	(8)	-
Unrealized revaluations, net of tax	-	(1)	-	-	(1)
Other comprehensive income for the period	16	(24)	15	(13)	(2)
Total comprehensive income (expense)	(9)	(60)	4	(49)	(150)

ADDITIONAL INFORMATION FROM THE COMPANY'S CASH FLOW STATEMENT

	For the six months ended June 30,		For the three months ended June 30,		For the year ended December 31,
	2012	2011	**2012**	2011	2011
	€ in millions				
Cash flow from operating activities of the Company					
Net income/(Loss) for the period	(25)	(36)	(11)	(36)	(148)
Adjustments to reconcile net profit to net cash of the Company					
Charges to net loss not affecting operating cash flows:					
Change in fair value of hedge instruments	(8)	12	(7)	14	12
Financial expense	7	12	5	8	35
Equity loss (earnings)	23	25	11	26	124
Changes in working capital of the Company					
Change in receivables	3	(4)	5	(1)	1
Change in payables	(1)	2	-	-	(1)
Cash amounts paid and received during the year					
Interest paid	(28)	(29)	-	-	(29)
Net cash used in operating activities of the company	**(29)**	**(18)**	**3**	**11**	**(6)**
Cash flow from investing activities of the company					
Short term investments, net	3	1	4	-	2
Granting of loans to subsidiaries, net	14	142	(22)	2	(18)
Investments in subsidiaries	-	-	-	-	(16)
Proceeds from sale of investee companies	-	-	-	-	41
Net cash provided by investing activities of the company	**17**	**143**	**(18)**	**2**	**9**
Cash flow from financing activities					
Investment in shares of a subsidiary	-	-	-	-	(4)
Transactions with Non controlling interest	-	-	-	-	(3)
Proceeds from sale of hedge instruments	12	-	12	-	45
Repayment of long-term debt	(5)	(23)	(5)	(2)	(23)
Net cash provided by (used in) financing activities of the company	7	(23)	7	**(2)**	**15**
Increase in cash and cash equivalents of the company	**(5)**	**102**	**(8)**	**11**	**18**
Cash and cash equivalents at beginning of the period of the company	28	10	31	101	10
Cash and cash equivalents at end of the period of the company	**23**	**112**	**23**	**112**	**28**

1. General

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

The condensed interim consolidated financial statements should be read in conjunction with the additional financial information for the year ended December 31, 2011 and the accompanying notes, and in conjunction to the consolidated interim financial statements for the six and three months ended June 30, 2012.

2. Going concern

In the first half of 2012 the Company incurred losses in the amount of €25 million, which contributed to a decline of shareholders' equity to €196 million.

As of June 30, 2012, the Company (on a standalone basis) has a working capital deficiency of €68 million, mainly due to current maturities of debentures which are due in February 2013. In addition, the Group (on a consolidated basis) had negative cash flows from operations of €42 million in the six months ended June 30, 2012.

The Company's condensed interim consolidated financial statements as of June 30, 2012 have been prepared on the assumption the Company will continue as a going concern. This is based, among others, on the current cash balances and its available assets as well as considering cash from future operations and transactions. In February 2013 and February 2014 the first installments of the Company's debentures mature series A and series B, respectively, in the respective amounts of €59 million and €98 million (including interest). These repayments will be funded through existing cash balances, cash generated from the repayment of certain shareholder's loans by some of the Company's subsidiaries, and cash generated through sale of certain assets. The Company prepared a two year liquidity analysis as part of its normal course of business which addresses the required liquidity to be able to repay the debentures in February 2013 and February 2014 and all its other liabilities and to finance its investments and operating activities, and believes that it will be able to generate enough funds to repay its liabilities as they mature in the foreseeable future.

The realization of some the Company's plans depends on factors that are not wholly within the Company's control, however the Company believes that it will be able to repay its liabilities as they mature in the foreseeable future.

In regards to the Company covenants as of June 30, 2012 – see Note 8 of the condensed interim financial statements.

3. Off-set of financial instruments

In the second quarter of 2012, the Company granted a loan to its fully owned subsidiary GTC Real Estate Holding B.V. ("GTC Holding") for the sole purpose of purchasing the Company debentures series A. The Company has a legal right and intention to settle the loan and the payment of the debentures on a net basis, therefore as of June 30 2012, the company off-set the loan balance of €33 million (including interest) against its liability.