KARDAN N.V.

Director's Report and Financial Statements Kardan N.V. H1 2013

Amsterdam/Tel Aviv, August 28, 2013
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The Additional Information and the Financial Statements of Kardan N.V., H1 2013, are drawn up in accordance with the Dutch and Israeli regulations and together with the separately presented press release on the H1 2013 results of Kardan form an integral part of the regulatory requirements and presentation.

FINANCIAL REPORTS
FOR THE SIX MONTHS ENDED JUNE 30, 2013

The Financial Reports contain the following sections:

1. ADDITIONAL INFORMATION FOR H1 2013

1.1. Main events in the first six months of 2013

Kardan

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

- In February - March 2013, Kardan announced that it had come to understandings with representatives of the trustees and several representatives of holders of its Debentures Series A and Debentures Series B (combined "the Debentures") on certain concessions, which were approved by the general meeting of holders of the Debentures in March 2013. For further details see page 17.

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

- In June 2013, Maalot (S&P) reported that – following the press release of March 2013 - it had retained the rating of the Company and its Debentures Series A and Series B from ilBBB- negative outlook into ilBB Watch Negative.
In addition, Maalot retained the Company and the Debentures on CreditWatch with negative implications for approximately six weeks, when it would again review the ratings.

Real estate (GTC Real Estate)

- In February 2013, Kardan announced that its indirect wholly owned subsidiary Kardan Land China Ltd.("KLC") was in negotiations with an international fund to sell a 50% stake in its mixed-use project Europark Dalian ("the Transaction"), following the signing of a non binding Letter of Intent ("LoI") in December, 2012. The LoI included a purchase price for the 50% stake of the Project of RMB 710,000,000 (approximately EUR 85 million).
In March 2013, KLC was informed by the international fund that it had decided not to pursue the Transaction.

- The Company owns (indirectly, through GTC Real Estate Holding ("GTC RE")) a 27.75% stake in GTC SA. At the end of February 2013, one of the other shareholders of GTC SA increased its stake in GTC SA to 10.04%, giving it the right to appoint a second Supervisory Board member which it did in March 2013, bringing the total number of members to 10. GTC RE has appointed 5 members to the Supervisory Board of GTC SA, including the Chairman of the Supervisory Board who has a casting vote in the event of a tie. In April 2013, another shareholder executed its right to appoint a member in the Supervisory Board of GTC SA, bringing the total number of members to 11. Later in April 2013, the term of a member appointed by a shareholder expired, for which this shareholder has not yet appointed a new member, entailing that the current number of members is 10.

  In accordance with accounting standards, accounting effective control exists when a company has the power, indirectly or directly, to steer the financial and operating policies of an entity. Effective control takes into account the effect of potential voting rights which are exercisable at the reporting date. Consolidation of the financial statements of the entity is from the date control is obtained till the date that effective control ceases. As a result of these developments, the Company concluded that in the first quarter of 2013 its accounting effective control over GTC SA ceased to exist, and accordingly stopped consolidating the financial statements of GTC SA in the first quarter of 2013.

Within the financial covenants of GTC RE towards a lending bank, with respect to a loan amounting to EUR 100 million, GTC RE is required to keep its ability to steer the activities of GTC SA through the directors it has appointed. At the date of the publication of the H1 2013 quarterly results (August 28, 2013) GTC RE maintained its ability to steer the activities of GTC SA, since the entire executive management of GTC SA (the management board) was appointed by GTC RE, as well as the chairman of the Supervisory Board who has a casting vote in case of a tie.
It should be noted that the Company is still the largest shareholder and that the other shareholders which hold over 5% are pension funds which do not tend to engage themselves in executive management.

For further details see note 7 in the Financial Statements.

- In March 2013, GTC SA announced that the Romanian Chamber of Deputies approved an Ordinance (no. 114/2007) stating that it will no longer be possible to designate lands that are currently classified as green areas for any other use or purpose. For as long as the Ordinance is valid in its current adopted version, GTC SA will therefore not be permitted to develop its, currently classified as green area, land plot in Bucharest that was intended for a shopping mall project (Galleria Bucharest). The land plot is presented in GTC SA's 2012 Financial Statements with a value of EUR 20.4 million (at cost), but was impaired in Q1 2013 by EUR 15.1 million. GTC SA is examining its legal position.

- In May 2013, the Supervisory Board of GTC SA appointed its Chairman of the Supervisory Board of GTC SA, Mr. Alain Ickovics, to the position of President of the Management Board of GTC SA starting as of 1 June 2013, and simultaneously appointed Mr Shouky Oren, the CEO of Kardan N.V., as the new Chairman of the Supervisory Board of GTC SA.

- Also in May, 2013, the Company received a letter from the Israeli Securities Authority ("ISA"), further to earlier discussions and correspondence between the ISA and the Company, with respect to a sampling audit conducted by the ISA regarding, inter alia, the examination of the values of five real estate assets in the financial statements owned by a then consolidated subsidiary (GTC SA), with respect to the financial statements as of December 31, 2009.

  For further details see note 1 of the Financial Statements.

Financial Services (TBIF)

- In June, 2013, TBIF Financial Services BV ("TBIF"), the wholly owned subsidiary of Kardan N.V., negotiated an agreement to sell its 67% share in the leasing company AVIS Ukraine to its co-owner Kardan Vehicle Ltd. ("Kardan Vehicle") ("the Transaction"), for a consideration of USD 8.6 million. In addition, Kardan Vehicle guaranteed the repayment, which is expected by the end of 2013, of a loan of approximately USD 5 million granted by TBIF to Avis Ukraine. The Transaction is conditional on reaching a final agreement and on the approval of the shareholders of both Kardan as well as of the shareholders of Kardan Vehicle, due to the fact that it is a related party transaction. An Extraordinary General Meeting of shareholders of Kardan will be scheduled accordingly.
  AVIS Ukraine owns a fleet of approximately 2,600 vehicles and has an estimated market share of 22% of the leasing market and 39% of the rental market of vehicles in Ukraine. In 2012, AVIS Ukraine reported a net profit of USD 2 million.

  The decision to sell the leasing activities in Ukraine is in line with TBIF's strategy to focus on its financial service activities in Bulgaria and Romania and with Kardan's objective to generate free cash in order to deleverage. The proceeds from the Transaction will be used to repay shareholder loans to Kardan.

1.2. Subsequent events

- In August 2013, Maalot (S&P) reported that – following the press release of June 2013 - it had adjusted the rating of the Company and its Debentures Series A and Series B downwards to ilB Negative outlook for the Company and ilB for the Debentures. Maalot has taken the Company off the CreditWatch, but will review the rating of the Company again in the coming weeks or months.

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, 2013 and December 31, 2012 (amounts in EUR millions):

Holding Company	Name of subsidiary	Share in subsidiary	Book Value in Kardan NV	Share-holders Loans*	Total Investment in books 30.06.13	Total Investment in books 31.12.12
Kardan NV	GTC RE Holding	100%	311.2	56.7	367.9	365.9
	KFS	100%	43.0	55.1	98.1	106.7
	TGI	97.7%	55.6	49.2	104.8	103.0
	Emerging Investments XII *	100%	161.5	**	161.5	169.7

Holding Company	Name of subsidiary	Share in subsidiary	GTC RE Book Value	Total Investment in books 30.06.13	Total Investment in books 31.12.12
GTC RE Holding	GTC SA	27.75%	193.9	193.9	204.1
	Kardan Land China	100%	267.5	267.5	254.0
	GTC Investments	48.75%	-	-	-

Holding Company	Name of subsidiary	Share in subsidiary	KFS Book Value	Loans granted by KFS	Total Investment in books 30.06.13	Total Investment in books 31.12.12
KFS	TBIF	100%	80.1	13.6	93.7	101.8

(*) In October 2012, the Company assigned its shareholders' loans (provided to its subsidiaries) to Emerging Investments XII. For convenience, the shareholder's loans are presented as part of the investments in subsidiaries.
(**) The Company's repurchased debentures are mostly held by Emerging Investments XII, the shareholder loan which Kardan N.V. provided to Emerging Investments XII is presented net of the debentures.

1.4. Financial Position of holding companies of the Kardan Group as of June 30, 2013

- **Net debt**

The net debt position of Kardan N.V., GTC RE BV, Emerging Investments XII, KFS BV and TBIF BV as of June 30, 2013 increased to EUR 472 million from EUR 425 million as of December 31, 2012, mainly as a result of accrued interest and foreign currency impact.

The following table summarizes the net debt of Kardan NV and if applicable of its directly held subsidiaries (company only) as of June 30, 2013:

Company	Net Debt (in EUR million)	
Kardan NV / GTC RE / Emerging Investments XII***	**Liabilities:** Debentures (*) Loans from banks ** Loan from others **Assets:** Loan to KFS Loan to TGI Cash and short term investments **Net debt**	 (414.2) (107) (4.5) 55.1 1.8 8.4 **(460.4)**
KFS / TBIF	**Liabilities:** Loans from Kardan NV **Assets:** Cash and short term investments Loans to others Loans to subsidiaries **Net debt**	 (55.1) 0.5 11.7 31.2 (11.7)
TGI	**Liabilities:** Loans from others (and related warrant) **Assets:** Cash and short term investments **Net debt**	 (17.4) 0.4 **(17.0)**

(*) Approximately 9% of the debentures are presented in EUR in accordance with the currency hedge transaction. This transaction was sold after the balance sheet date.

(**) Net debt includes interest bearing loans and borrowings, debentures, less cash and cash equivalents and interest bearing receivables.

(***) Emerging Investments XII is a wholly owned subsidiary of Kardan N.V. During Q4 2012, Kardan assigned all the loans provided to its subsidiaries to Emerging Investments XII. In addition, the majority of the repurchased Debentures are held by Emerging Investments XII.

1.5. Risk Management

Kardan has three divisions: Real Estate (GTC Real Estate), Water Infrastructure (Tahal), and Banking and Retail lending (KFS). These divisions are divided into five segments, which can each consist of one or more operating company(ies). Each segment is managed by an executive director or Board of Directors, responsible for managing the operations and the market segment risks. In addition, in each operating company a senior manager is responsible for managing its risks. Mr. Shouky Oren, Chief Executive Officer of Kardan N.V., is responsible for Kardan N.V. risk management. For more details on Mr. Shouky Oren's resume, reference is made to the corporate site of Kardan, www.kardan.nl.

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The 2012 Annual Report describes the main categories of risks relating to Kardan's strategy, such as capital availability and financial market risks (which includes interest rate and currency risks), etc. These risks are deemed incorporated and repeated in this Press Release by reference. The above described risks should be seen as re-quoted in this report by way of reference.

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

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

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

For an overview of the main risks the Group is exposed to, reference is made to the 2012 Annual Report (which has been posted on the corporate site (www.kardan.nl) on April 17, 2013), notably the consolidated financial statements and the Board report as well as to the 2012 Israeli Annual Report (Barnea). In addition, there may be other significant risks Kardan has not yet identified or that have not been assessed as having a significant potential impact on the business but which in a later stage could materialize as such.

Disclaimer

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

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

2. PART 2 ADDITIONAL INFORMATION

2.1. Financial analysis

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

	June 30, 2013	June 30, 2012	December 31, 2012	Notes
Total balance sheet	1,117,468	3,245,251	2,968,648	The material decrease in all the balance sheet items relates primarily to the deconsolidation of GTC SA in Q1 2013. The investment in GTC SA is presented as an investment in an associated company, as part of the non-current assets. For additional information see note 6 to the interim financial statements.
Current assets	484,625	977,002	843,068	
Non-current assets	632,843	2,268,249	2,143,580	
Current liabilities	545,316	798,492	666,745	
Long term Debentures	329,419	625,566	543,909	
Long term Interest-bearing loans and borrowings	76,431	836,807	885,521	
Equity attributable to equity holders of the parent	139,368	194,349	166,174	The decrease as of June 30, 2013, (from December 31, 2012) is mainly a result of the net loss for the period. The impact of the loss was mitigated by positive movements in the foreign currency and hedge reserves.

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

	Six months ended June 30, 2013	Six months ended June 30, 2012	Three months ended June 30, 2013	Three months ended June 30, 2012	Year ended December 31, 2012	Notes
Revenues						
Contract revenues	75,301	58,731	41,293	28,284	142,967	The y-o-y increase in contract revenues in H1 2013 is a result of new projects mainly in Africa.
Banking and retail lending activities	11,595	1,594	5,897	4,567	10,966	The y-o-y increase in revenues from the banking and retail lending activities in H1 2013 is largely as a result of an increase in the working portfolios and a decrease in provisioning for credit losses.
Management fees and other income	3,300	3,172	1,723	1,653	7,845	-
Total Revenues	**90,196**	**63,497**	**48,913**	**34,504**	**161778**	

<u>Expenses</u>						
Contract costs	60,645	49,120	33,233	23,650	121,962	See explanations for the changes in revenues from contract works.
Cost of banking and lending activities	12,823	11,793	6,431	5,081	23,601	-
Other expenses, net	1,293	2,093	703	1,346	5,353	-
Total expenses	**74,761**	**63,006**	**40,367**	**30,077**	**150,916**	
Gross margin	**15,435**	**491**	**8,546**	**4,427**	**10,862**	
Selling and marketing expenses	3,600	3,464	2,052	1,700	8,210	The increase in selling and marketing expenses is primarily attributed to the increase in the marketing efforts for the Dalian Project (China).
General and administration expenses	12,926	15,034	6,284	8,318	27,757	The decrease in general and administration expenses is primarily attributed to the reorganization in the Group's infrastructure – projects segment and reduction of costs on the corporate level.
Profit (loss) from operations before fair value adjustments, disposals of assets and financial expenses	**(1,091)**	**(18,007)**	**(210)**	**(5,591)**	**(25,105)**	-

Adjustment to fair value of investment properties	3,577	-	1,042	-	10,383	Adjustment to fair value of investment properties in H1 2013 relates to the revaluation of the Dalian shopping center in China.
Impairment losses on goodwill	-	(450)	-	(450)	(3,850)	-
Gain on disposal of assets and other income	10,309	394	349	235	(1,816)	Gain on disposal of assets and other income relate primarily to the sale of a building in Tel Aviv.
Profit (loss) on disposal of assets and investments	13,886	(56)	1,391	(215)	4,717	-
Profit (loss) before finance expenses and income taxes	**12,795**	**(18,063)**	**1,601**	**(5,806)**	**(20,388)**	-
Financial income	9,599	18,855	1,641	12,680	62,370	Financial income is mainly the result of interest on the cash balances and deposits of the Group and exchange rate differences on financial instruments.
Financial expenses	(39,246)	(26,006)	(6,817)	(11,057)	(53,687)	The financial expenses are mainly related to financing costs of loans and debentures in the group. The y-o-y increase in the financial expenses in H1 2013 is mainly a result of CPI and exchange rate differences related to the company's un-hedged debentures.
Adjustments to fair value of other financial instruments	-	(1,000)	-	(392)	1,073	-
Total financial expenses, net	**(29,647)**	**(8,151)**	**(5,176)**	**1,231**	**9,756**	-

	Six months ended June 30, 2013	Six months ended June 30, 2012	Three months ended June 30, 2013	Three months ended June 30, 2012	Year ended December 31, 2012	Notes
Profit (loss) from operations	**(16,852)**	**(26,214)**	**(3,575)**	**(4,575)**	**(10,632)**	-
Share of profit (loss) of companies accounted for using the equity method	21,868	1,968	(9,978)	(1,294)	4,662	The y-o-y increase in share of profit of companies accounted for using the equity method in H1 2013 relates primarily to the bargain gain which was recognized as a result of the presenting the investment in GTC SA as an associated company .
Net profit (loss) before income taxes	**5,016**	**(24,246)**	**(13,553)**	**(5,869)**	**(5,970)**	-
Income tax (benefit) expenses	9,596	(961)	4,963	1,403	938	Tax expenses increased in H1 2013 compared to H1 2012 primarily due to taxation on the sale of a building in Tel Aviv and deferred tax related to hedge instruments.
Net profit (loss) for the year from continuing operations	**(4,580)**	**(23,285)**	**(18,516)**	**(7,272)**	**(6,908)**	-
Net profit (loss) from discontinued operations	(56,508)	(18,826)	(18)	(21,925)	(131,948)	The decrease in net profit (loss) from discontinued operations in H1 2013 compared to H1 2012 relates primarily to the deconsolidation of GTC SA which resulted in a loss from revaluation of the investment in GTC SA to market value. The deconsolidation also resulted in the classification of GTC SA's past results to discontinued operations.
Net profit (loss) for the period	**(61,088)**	**(42,111)**	**(18,516)**	**(29,197)**	**(138,856)**	-

Net profit (loss) attributed to equity holders of the parent	**(40,887)**	**(25,558)**	**(18,444)**	**(11,578)**	**(32,852)**	-
Net profit (loss) attributed to non controlling interest holders	(20,201)	(16,553)	(72)	(17,619)	(106,004)	-

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

	For the six months ended June 30,		For the three months ended June 30,		For the year ended December 31,	Notes
	2013	2012	2013	2012	2012	
Net cash provided by (used in) operating activities	(25,430)	(40,011)	(6,032)	(14,317)	(50,994)	-
Net cash used in investing activities	(208,390)	55,049	(14,478)	70,183	188,433	In H1/2013 EUR 197 million were reduced from the Group's cash balance as a result of the deconsolidation of GTC SA and EUR 46 million were provided from sale of assets and other investments. In H1/2012 EUR 40 million were used for the purchase of fixed assets and investment properties, EUR 85 million were provided from the sale of an investment in a joint venture and EUR 13 million were provided from collection of long term loans. In 2012, EUR 78 million were used for the purchase of fixed assets and investment properties, EUR 41 million were used for granting bank loans, EUR 146 million were provided from the sale of assets and investments and EUR 85 million were provided from the sale of an investment in a joint venture.
Net cash provided by financing activities	(24,195)	(395)	33,497	17,260	(95,841)	In H1/2013 EUR 49 million were used for repayment of debentures, EUR 48 million were used for relayment of long term loans and EUR 50 million were provided from bank deposits. In H1/2012 EUR 62 million were provided from long term loans, EUR 161 million were used for repayment of long term loans, EUR 72 million were provided from the issuance of rights of a subsidiary, EUR 26 million were provided from bank deposits. In 2012, 427 million were used for repayment of long term loans, EUR 100 million were used for repurchase and repayment of debentures, EUR 198 million were provided from long term loans, EUR 72 million were provided from issuance of rights in a consolidated subsidiary.

In the company's cash-flow statement, the Company presents a negative cash-flow from operating activities. Additionally, the Auditors' review report in the Financial Statements as of June 30, 2013 includes an emphasis of matter paragraph related to the Company's financial position and in the financial statements the Company presents a negative working capital. These are all "warning signs" as defined in Regulation 10 (b) (14) of the Israeli Securities Authority regulations. The emphasis of a matter paragraph states that the realization of some of the Company's plans and continued compliance with the loan covenants are uncertain and depend on factors that are not wholly within the Company's control.
In accordance with the Israeli Securities Authority regulations the Company hereby provides the cash-flow forecast:

Forecast cash flow	**July 1, 2013 – December 31, 2013**	**January 1, 2014 - December 31, 2014**	**January 1, 2015 – June 30, 2015**
	in EUR millions		
Cash and cash equivalents at the beginning of the period – Kardan NV*	**8.4**	**95.7**	**113.6**
Cash and cash equivalents at the beginning of the period – GTC RE	**0.1**	**0.1**	**0.1**
Company only resources			
From operating activities			
General and administration expenses	(3.1)	(6.3)	(3.2)
From investing activities			
Sale of assets	85.2	120	-
Other	0.2	-	-
Resources from investee companies			
From operating activities in investments – Loan repayment	13.6	14.6	0.4
From operating activities in investments – Management fees	0.3	0.7	0.3
Total Resources	**104.7**	**224.8**	**111.2**
Expected Uses			
From financing activities			
Repayment of a loan	6.4	4.6	1
Interest payment of loans	2.5	3.5	1.6
Interest payment of debentures – Series A	-	5.5	3.6
Interest payment of debentures – Series B	-	14.5	12.4
Principle payment of debentures – Series A	-	40.8	40.8
Principle payment of debentures – Series B	-	42.2	42.2
Total Uses	**8.9**	**111.1**	**101.6**
Cash and cash equivalents at the end of the period	**95.8**	**113.7**	**9.6**

(*) Includes an immaterial cash balance related to Emerging Investments XII

Assumptions and Notes to the cash flow forecast:

1. The Cash-flow projection has been jointly drawn for Kardan NV company-only and its wholly owned subsidiaries GTC Real Estate Holding BV company-only and Emerging Investments XII BV because the treasury of these companies is centralized. With respect to limitations regarding the transfer of funds between Kardan NV and GTC RE please refer to the below.
2. The forecasted General and administration expenses are based on estimates of the Company according to its past experience.
3. Sale of assets in 2013 includes a sale of a hedge instrument. After the balance sheet date, the Company sold a hedge instrument which is presented in the Company's financial statements in the amount of EUR 11.8 million. The net proceeds from the sale and the release of the pledged deposit amounted to EUR 9.2 million. Sale of the assets includes the sale of shares in subsidiaries and other group companies and of real estate assets.
   Possible scenario's could be as follows:
   a) Sale of real estate projects in China and distribution of (part) of the proceeds as dividend;
   b) Sale of shares of unpledged subsidiaries, or pledging of shares for receiving a loan;
   c) Sale of shares of pledged investee companies and redeeming the underlying loan, whereby the potential surplus amount will be paid to Kardan NV.
   The Company is currently in negotiations for the sale and refinancing of several assets.
4. The balance of the shareholder's loan to KFS amounted to EUR 55.1 million as of the balance sheet date. This loan was assigned to Emerging Investments XII BV, which in its turn distributed the proceeds as dividend.
5. The amount of management fees from subsidiaries is based on existing agreements between the Company and its subsidiaries as of the balance sheet date.
6. The Interest calculations are based on CPI, exchange rates and interest rates which are applicable as of June 30, 2013. The principal and interest payments for the debentures include the amount net of the interest which relates to the debentures held by GTC RE and Emerging Investment XII BV (100% held subsidiaries of the Company) but not net of the debentures which are held by TCE (a subsidiary of TGI).
7. With respect to the payments relating to debentures it should be noted that the debentures of the Company which are presented in the financial statements of GTC RE were transferred to a lending bank to be used as a security under a REPO arrangement. According to the agreement between the Company and the lending bank, the Company did not pay interest and principle amounts pertaining to these debentures.
8. The cash flows do not include any additional investments the Company will make once those will be approved by the appropriate organs in the Company. As of the authorization of these financial statements, the Company did not approve any new investments.
9. Limitations on transferring funds: transfer of funds between Kardan NV and GTC RE is done through repayment of shareholder's loan, which balance amounts to EUR 56.7 million as of June 30, 2013. In addition, GTC RE has free distributable reserves according to Dutch law amounting to EUR 163 million as of June 30 2013. In accordance with the contractual obligations of the Company and of GTC RE, all the shares of KFS and 25% of the shares of GTC SA (out of the 27.75% stake held by GTC RE) are pledged in favor of a bank, as such, all cash dividends relating to the pledged 25% due to GTC RE in relation to its share holdings in GTC SA, will be used to pay back the loan or as additional collateral, as required. The market value of the shares of GTC SA which are held by GTC RE on the Warsaw stock exchange amounts to EUR 167.6 million, as of June 30, 2013. The Company and GTC RE own shares in other subsidiaries (as specified in section 'value of investments' in this report) which are not pledged. The Company and GTC RE have several financial covenants, and, accordingly, it is impossible to transfer in a way that will result in breach of these financial covenants (for additional information please see note 7 in the financial statements).
10. Restrictions on transfer of funds: money transfer from Emerging Investments XII to the Company is done by dividend payment to Emerging Investments XII. Retained earnings according to the Dutch law are in the amount of EUR 161.5 million as of June 30, 2013.
11. 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.

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2.2 Fair Value Disclosure

GTC group

Purchase price allocation
With regards to the deconsolidation of GTC SA' financial statements (see events in the period), the company and GTC RE has engaged an external valuator for the performance of the purchase price allocation, which was not finalized till the issuance of these financial statements.
The company recognized in it financial statements a bargain gain, which reflects the difference between the net asset value and the market value as of the deconsolidation date according to the information which was available as of that time. The company made the below assumptions for determining the net asset value of GTC SA:

Assets		Assumptions used for the provisional Purchase price allocation
Investment property at fair value		For investment property at fair value, the company received letters from the external valuators, reaffirming the asset value at deconsolidation date.
Investment property at cost		For investment property at cost, for which impairments were recorded in the past, (vast majority), the company received letters from the external valuators, stating no material change in value had occurred. For investment property at cost, for which no impairments had occurred, the company assumed the value is not materially different from the current book value.
Building inventory and land bank		For building inventory and land bank, for which impairments were recorded in the past, (vast majority), the company received letters from the external valuators, stating no material change in value had occurred. For building inventory and land bank, for which no impairments had occurred, the company assumed the value is not materially different from the current book value.
Investment in jointly controlled ventures		For investment in joint ventures, the company received letters from the external valuators, stating no material change in value had occurred in the value of the underlying real estate assets. For the liabilities side, the company has applied the below methodology.
Other assets		For other assets, the company assumed the value is not materially different from the current book value.
Liabilities		
Loans and debentures		The company had examined all the loans and debentures which were issued by GTC SA. According to this examination it seems that the vast majority of the loans carry an interest which is lower or equal to the market interest, based on available market research. Generally, the nominal interest rates are either lower or equal to the market rates. The Company is still in the process of evaluating the loans' fair value.
Other liabilities		For other liabilities, the company assumed the value is not materially different from the current book value.

KARDAN N.V.

Galleria Dalian

Country	City	Project name	Use of asset	KNV share of the asset	Right on the asset	Estimated NRV Sqm	Value of the project in the Financial Statements (€ 000')	Valuation gain recorded in the period (in €' millions)	Valuation Yield (%)	Developer profit in the valuation (%)	Rent per Sqm assumed in the valuation	Valuation Method	External valuer	Date of the last valuation
China	Dalian	Galleria Dalian	Under construction Shopping Center	100%	Lease	65,875	102.6	3.6	8.5%	15%	Euro 30.4 per Sqm	Residual, Comparison and Direct Capitalization Approach	Internal valuation	For June 30, 2013 the company performed an internal calculation based on external valuation performed by CBRE for December 31, 2013

Galleria Bucharest

Country	City	Asset name	Type	KNV share	Type of rights	Sqm	Value (€ mil)	Impairment recorded in the period (€ mil)	Valuation technique	Valuer	Date of valuation
Romania	Bucharest	Galleria Bucharest	Land plot	27.75%	Ownership	123.500	5.2	15.1	DCF	Colliers	31.03.13, confirmed by an opinion letter for June 30, 2013

2.2 Issuance of debt

The following are details regarding the marketable debentures of Kardan NV as of June 30, 2013:

	Debenture series A	Debenture series B
Par value of issued debentures	EUR 252 million (NIS 1,190,000,000)	EUR 283 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, 2013	EUR 189 million (NIS 892,500,000 par value)	EUR 283 million (NIS 1,333,967,977 par value)
Debentures held by subsidiaries	423,653,286 par value	168,534,012 par value
Interest rate (per annum)	4.45%	4.9%
Principal repayment	Four equal installments from February 2013 to February 2016	Seven equal installments 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 121 million (net of debentures held by subsidiaries) (*)	EUR 301 million (net of debentures held by subsidiaries) (*)
Market capitalization as of June 30, 2013	EUR 63 million (net of debentures held by subsidiaries)	EUR 151 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	B (August 2013)	B (August 2013)

(*) Approximately 9% of the debentures are swapped to EUR using a hedge transaction. Subsequent to the balance sheet date the hedge transaction was sold.

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

The main concessions under the agreement are as follows:

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

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

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

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

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

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

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

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

4. Sale of assets:

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

5. Early repayment of the Debentures principal:

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

6. No dividend distribution:

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

7. Limitations on repurchased debentures:

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

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, 2013 and for the six months ended June 30, 2013, 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.

August 27, 2013

Board of Directors

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

DISCLAIMER

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

KARDAN N.V.
AMSTERDAM, THE NETHERLANDS

Condensed Interim Consolidated Financial Statements
As of June 30, 2013

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CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

A s s e t s

	June 30, 2013	June 30, 2012(*)	December 31, 2012(*)
		In €'000	
Non-current assets			
Tangible fixed assets	69,846	70,422	69,377
Investment properties	102,687	1,605,847	1,565,044
Investment in associates	309,447	255,880	227,886
Other financial assets	-	2,926	-
Loans to bank customers	6,826	11,703	20,553
Long-term loans and receivables	102,094	102,866	106,273
Derivatives	-	46,317	-
Intangible assets and goodwill	36,080	41,860	36,695
Long term inventory	-	113,258	98,985
Deferred income tax assets	5,863	17,170	18,767
	632,843	2,268,249	2,143,580
Current assets			
Inventories, contract work and buildings inventory in progress	130,469	197,807	182,661
Derivatives (Note 5)	11,935	11,687	12,895
Current maturities of long-term loans and receivables	30,742	91,631	47,340
Loans to bank customers	76,685	24,205	40,242
Trade receivables	55,408	36,607	58,718
Income tax receivables	1,384	2,697	2,353
Other receivables and prepayments	57,669	43,027	55,205
Short-term investments	827	47,591	23,705
Cash and cash equivalents	111,390	345,236	369,110
	476,509	800,488	792,229
Assets held for sale	8,116	176,514	50,839
Total current assets	484,625	977,002	843,068
Total assets	1,117,468	3,245,251	2,986,648

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

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

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

	June 30, 2013	June 30, 2012(*)	December 31, 2012(*)
		In €'000	
Equity attributable to equity holders of the parent			
Issued and paid-in capital	23,041	23,041	23,041
Share premium	208,117	208,165	208,165
Foreign currency translation reserve	9,368	18,420	(462)
Property revaluation reserve	38,332	57,321	57,802
Other reserves	7,836	9,542	8,156
Non-controlling interest holders transactions reserve	19,871	20,741	20,128
Treasury shares	(2,786)	(2,847)	(2,847)
Accumulated deficit	(164,411)	(140,034)	(147,809)
	139,368	194,349	166,174
Non-controlling interests	7,981	596,889	542,454
Total equity	147,349	791,238	708,628
Non-current liabilities			
Interest-bearing loans and borrowings	76,431	836,807	885,521
Derivatives	-	46,097	33,490
Other long-term liabilities	2,201	10,374	20,365
Options	4,272	7,939	5,446
Debentures	329,419	625,566	543,909
Deferred income tax liabilities	11,056	127,124	121,059
Accrued severance pay, net	1,424	1,614	1,485
	424,803	1,655,521	1,611,275
Current liabilities			
Advances from customers in respect of contracts	32,427	8,781	16,441
Banking customers accounts	118,282	36,328	68,262
Trade payables	19,916	35,237	31,882
Current maturities of debentures	84,794	146,707	130,307
Interest-bearing loans and borrowings	152,284	382,217	165,614
Income tax payables	5,877	4,270	5,244
Advances from apartment buyers	17,495	4,816	12,936
Derivatives	-	45,187	32,362
Other payables and accrued expenses	114,241	134,949	176,229
	545,316	798,492	639,277
Liabilities associated with assets held for sale	-	-	27,468
Total current liabilities	545,316	798,492	666,745
Total liabilities	970,119	2,454,013	2,278,020
Total equity and liabilities	1,117,468	3,245,251	2,986,648

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

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

CONDENSED INTERIM CONSOLIDATED INCOME STATEMENT

	For the six months ended June 30,		For the three months ended June 30,		For the year ended December 31,
	2013	**2012**(*)	**2013**	**2012(*)**	2012(*)
	In €'000				
Contract revenues	75,301	58,731	41,293	28,284	142,967
Retail lending activities	11,595	1,594	5,897	4,567	10,966
Management fee and other revenues	3,300	3,172	1,723	1,653	7,845
Total revenues	90,196	63,497	48,913	34,504	161,778
Contract costs	60,645	49,120	33,233	23,650	121,962
Costs of retail lending activities	12,823	11,793	6,431	5,081	23,601
Other expenses, net	1,293	2,093	703	1,346	5,353
Total expenses	74,761	63,006	40,367	30,077	150,916
Gross margin	15,435	491	8,546	4,427	10,862
Selling and marketing expenses	3,600	3,464	2,052	1,700	8,210
General and administration expenses	12,926	15,034	6,284	8,318	27,757
Profit (loss) from operations before fair value adjustments, disposal of assets and financial expenses	(1,091)	(18,007)	210	(5,591)	(25,105)
Adjustment to fair value of investment properties	3,577	-	1,042	-	10,383
Impairment losses on goodwill	-	(450)	-	(450)	(3,850)
Gain (loss) on disposal of assets and other income	10,309	394	349	235	(1,816)
Profit (loss) from fair value adjustments and on disposal of assets and investments	13,886	(56)	1,391	(215)	4,717
Profit (loss) from operations before finance expenses and income taxes	12,795	(18,063)	1,601	(5,806)	(20,388)
Other financial income	9,599	18,855	1,641	12,680	62,370
Other financing expenses	(39,246)	(26,006)	(6,817)	(11,057)	(53,687)
Adjustment to fair value of other financial instruments	-	(1,000)	-	(392)	1,073
Total financial expenses, net	(29,647)	(8,151)	(5,176)	1,231	9,756
Loss from operations	(16,852)	(26,214)	(3,575)	(4,575)	(10,632)
Share of profit (loss) of associates and joint ventures accounted for using the equity method	21,868	1,968	(9,978)	(1,294)	4,662
Profit (loss) before income taxes	5,016	(24,246)	(13,553)	(5,869)	(5,970)
Income tax expenses (benefit)	9,596	(961)	4,963	1,403	938
Profit (loss) for the period from continuing	(4,580)	(23,285)	(18,516)	(7,272)	(6,908)
Net profit (loss) for the period from discontinued operations (Note 6B)	(56,508)	(18,826)	-	(21,925)	(131,948)
Loss for the period	(61,088)	(42,111)	(18,516)	(29,197)	(138,856)
Attributable to:					
Equity holders	(40,887)	(25,558)	(18,444)	(11,578)	(32,852)
Non-controlling interest holders	(20,201)	(16,553)	(72)	(17,619)	(106,004)
Earnings (loss) per share attributable to shareholders					
Basic from continuing operations	0.14	(0.17)	(0.15)	(0.20)	0.89
Basic from discontinued operations	(0.51)	(0.06)	-	0.10	(1.19)
	(0.37)	(0.23)	(0.15)	(0.10)	(0.30)
Diluted from continuing operations	0.13	(0.17)	(0.17)	(0.20)	0.89
Diluted from discontinued operations	(0.51)	(0.06)	-	0.11	(1.19)
	(0.38)	(0.23)	(0.17)	(0.09)	(0.30)

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

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

CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended June 30		For the three months ended June 30		For the year ended December 31,
	2013	**2012(*)**	**2013**	**2012(*)**	2012(*)
	In €'000				
Loss for the period	(61,088)	(42,111)	(18,516)	(29,197)	(138,856)
Foreign currency translation differences (Note 6B)	8,187	11,417	(974)	16,675	(5,931)
Change in hedge reserve, net of tax (1)	8,123	3,685	(310)	(3,184)	10,123
Other comprehensive income for the period) to be reclassified to profit or loss in subsequent periods (2)	16,310	15,102	(1,284)	13,491	4,192
Total comprehensive income (loss	(44,778)	(27,009)	(19,800)	(15,706)	(134,664)
Attributable to:					
Equity holders	(26,750)	(9,976)	(19,709)	3,545	(37,641)
Non-controlling interest holders	(18,028)	(17,033)	(91)	(19,251)	(97,023)
	(44,778)	(27,009)	(19,800)	(15,706)	(134,664)

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

(1) Including reclassification of reserve of €732 thousand for the six months ended June 30, 2013, €1,815 thousand for the six months period ended June 30, 2012 and €3,204 thousand for the year ended December 31, 2012.
The amounts presented are net of tax amounting to €871 thousand, €1,958 thousand and €2,207 thousand for the six months and the year ended June 30, 2013, June 30, 2012 and December 31, 2012 respectively;

(2) 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 (*)	Revaluation reserve, other (*)	Foreign currency translation reserve(*)	Non controlling interest holders transactions reserve	Treasury shares	Accumulate deficit	Total	Non-controlling Interest	Total equity
	In €'000										
Balance as of January 1, 2013	23,041	208,165	57,802	8,156	(462)	20,128	(2,847)	(147,809)	166,174	542,454	708,628
Other comprehensive income (loss)	-	-	-	5,588	8,549	-	-	-	14,137	2,173	16,310
Loss for the period	-	-	-	-	-	-	-	(40,887)	(40,887)	(20,201)	(61,088)
Total comprehensive income /loss	-	-	-	5,588	8,549	-	-	(40,887)	(26,750)	(18,028)	(44,778)
Share-based payment	-	-	-	149	-	-	-	-	149	(2,487)	(2,338)
Issuance of treasury shares	-	(48)	-	(13)	-	-	61	-	-	-	-
Exercise option plans in a subsidiary	-	-	-	59	-	(257)	-	-	(198)	772	574
Disposal of a subsidiary	-	-	-	(314)	-	-	-	314	-	(514,810)	(514,810)
Other reserves	-	-	-	(7)	-	-	-	-	(7)	80	73
Reclassification according to the Netherlands civil code requirements law(*)	-	-	(19,470)	(5,782)	1,281	-	-	23,971	-	-	-
Balance as of June 30, 2013	23,041	208,117	38,332	7,836	9,368	19,871	(2,786)	(164,411)	139,368	7,981	147,349

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

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

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Attributable to equity holders of the parent										
	Issued and paid-in capital	Share premium	Property revaluation reserve(*)	Revaluation reserve, other (*)(**)	Foreign currency translation reserve (*)	Non controlling interest holders transactions reserve	Treasury Shares	Accumulate deficit	Total	Non-controlling interest	Total equity
	In €'000										
Balance as of January 1, 2012	23,041	208,165	52,169	5,328	6,868	18,765	(2,847)	(109,324)	202,165	533,137	735,302
Other comprehensive income (loss)	-	-	-	4,030	11,552	-	-	-	15,582	(480)	15,102
Loss for the period	-	-	-	-	-	-	-	(25,558)	(25,558)	(16,553)	(42,111)
Total comprehensive loss for the period	-	-	-	4,030	11,552	-	-	(25,558)	(9,976)	(17,033)	(27,009)
Share-based payment	-	-	-	78	-	-	-	-	78	91	169
Expired option plan for shares in a subsidiary	-	-	-	-	-	1,127	-	-	1,127	(1,127)	-
Issuance of shares in consolidated subsidiary	-	-	-	-	-	-	-	-	-	72,403	72,403
Shares purchased in consolidated subsidiaries	-	-	-	-	-	765	-	-	765	9,573	10,338
Other	-	-	-	106	-	84	-	-	190	(155)	35
Reclassification according to the Netherlands civil code requirements (*)	-	-	5,152	-	-	-	-	(5,152)	-	-	-
Balance as of June 30, 2012	23,041	208,165	57,321	9,542	18,420	20,741	(2,847)	(140,034)	194,349	596,889	791,238

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

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

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent										
	Issued and paid-in capital	Share premium	Property revaluation reserve (*)	Revaluation reserve, other (*)	Foreign currency translation reserve(*)	Non controlling interest holders transactions reserve	Treasury shares	Accumulate deficit	Total	Non-controlling Interest	Total equity
	In €'000										
Balance as of April 1, 2013	23,041	208,117	41,673	8,053	10,323	19,871	(2,786)	(149,308)	158,984	8,029	167,013
Other comprehensive income (loss)	-	-	-	(310)	(955)	-	-	-	(1,265)	(19)	(1,284)
Loss for the period	-	-	-	-	-	-	-	(18,444)	(18,444)	(72)	(18,516)
Total comprehensive income /loss	-	-	-	(310)	(955)	-	-	(18,444)	(19,709)	(91)	(19,800)
Share-based payment	-	-	-	72	-	-	-	-	72	28	100
Exercise option plans in a subsidiary	-	-	-	28	-	-	-	-	28	15	43
Other reserves	-	-	-	(7)	-	-	-	-	(7)	-	(7)
Reclassification according to the Netherlands civil code requirements law(*)	-	-	(3,341)	-	-	-	-	3,341	-	-	-
Balance as of June 30, 2013	23,041	208,117	38,332	7,836	9,368	19,871	(2,786)	(164,411)	139,368	7,981	147,349

(*) In accordance with the Netherlands civil code, part of the equity 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 (*)	Revaluation reserve, other (*)(**)	Foreign currency translation reserve(*)	Non controlling interest holders transactions reserve	Treasury shares	Accumulate deficit	Total	Non-controlling Interest	Total equity
	In €'000										
Balance as of April 1, 2012	23,041	208,165	55,320	13,316	(577)	19,530	(2,847)	(126,455)	189,493	545,866	735,359
Other comprehensive income (loss)	-	-	-	(3,874)	18,997	-	-	-	15,123	(1,632)	13,491
Loss for the period	-	-	-	-	-	-	-	(11,578)	(11,578)	(17,619)	(29,197)
Total comprehensive income /loss	-	-	-	(3,874)	18,997	-	-	(11,578)	3,545	(19,251)	(15,706)
Share-based payment	-	-	-	(10)	-	-	-	-	(10)	(726)	(736)
Issuance of shares in consolidated subsidiary	-	-	-	-	-	-	-	-	-	72,403	72,403
Exercise option plans in a subsidiary	-	-	-	-	-	1,127	-	-	1,127	(1,127)	-
Other reserves	-	-	-	110	-	84	-	-	194	(276)	(82)
Reclassification according to the Netherlands civil code requirements law(*)	-	-	2,001	-	-	-	-	(2,001)	-	-	-
Balance as of June 30, 2012	23,041	208,165	57,321	9,542	18,420	20,741	(2,847)	(140,034)	194,349	596,889	791,238

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

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

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Attributable to equity holders of the parent										
	Issued and paid-in capital	Share premium	Property revaluation reserve (*)	Revaluation reserve, other (*) (**)	Foreign currency translation Reserve(*)	Non controlling interest holders transactions reserve	Treasury Shares	Accumulate deficit	Total	Non-controlling interest	Total equity
	In €'000										
Balance as of January 1, 2012	23,041	208,165	52,169	5,328	6,868	18,765	(2,847)	(109,324)	202,165	533,137	735,302
Other comprehensive income (loss)	-	-	-	2,541	(7,330)	-	-	-	(4,789)	8,981	4,192
Net result for the year	-	-	-	-	-	-	-	(32,852)	(32,852)	(106,004)	(138,856)
Total comprehensive income /loss	-	-	-	2,541	(7,330)	-	-	(32,852)	(37,641)	(97,023)	(134,664)
Share-based payment	-	-	-	287	-	-	-	-	287	2,627	2,914
Issuance of shares to non-controlling interest holders	-	-	-	-	-	-	-	-	-	72,403	72,403
Shares purchased in consolidated and newly consolidated subsidiaries	-	-	-	-	-	1,233	-	-	1,233	33,061	34,294
Expired option plans for shares in a subsidiary	-	-	-	-	-	130	-	-	130	(1,751)	(1,621)
Reclassification according to the Netherlands civil code requirements and Chinese law (*)	-	-	5,633	-	-	-	-	(5,633)	-	-	-
Balance as of December 31, 2012	23,041	208,165	57,802	8,156	(462)	20,128	(2,847)	(147,809)	166,174	542,454	708,628

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

(**) reclassified – see note 2E

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

CONSOLIDATED CASH FLOW STATEMENT

	For six months period ended June 30,		For three months period ended June 30,		For the year ended December 31,
	2013	2012(*)	**2013**	2012(*)	2012(*)
	In €'000				
Cash flow from operating activities					
Profit (loss) from continuing operations before taxes	5,016	(24,246)	(13,553)	(5,869)	(5,970)
Profit (loss) from discontinued operations before taxes on income	(50,864)	(14,869)	-	(16,441)	(125,852)
Adjustments required to present cash flow from operating activities (**see A below**)	20,418	(896)	7,521	7,993	80,828
Net cash provided by (used in) operating activities	(25,430)	(40,011)	(6,032)	(14,317)	(50,994)
Cash flow from investing activities					
Acquisition of tangible fixed assets and investment properties	(23,426)	(39,521)	(11,347)	(15,958)	(77,916)
Investments and Collection (granting) loans from (to) associated companies and joint ventures, net	1,889	3,531	237	3,729	13,583
Proceeds from sale of assets and investments property	45,765	1,097	971	975	146,234
Granting of long-term loans	(988)	-	(87)	-	-
Change in loans term deposits	-	177	-	177	177
Change in loans to bank customers	(22,997)	(9,224)	(12,187)	(5,548)	(40,530)
Change in long-term loans and receivables	22,786	12,963	7,943	(146)	49,336
Change in short-term investments	299	391	183	2,308	2,492
Change from consolidation to equity method , net of cash disposed (see appendix B below)	(197,151)	-	-	-	-
Disposal of an investment accounted for using the equity method	-	84,694	-	84,694	84,694
Change from equity method to full consolidation, net of cash acquired (see appendix C below)	-	-	-	-	(13,888)
VAT and tax received (paid) on disposal of investment properties	(35,719)	-	-	-	22,888
Capital withdrawal from investment in joint ventures	-	952	-	-	952
Change in deferred brokerage fees and other assets	1,152	(11)	(191)	(48)	411
Net cash provided by (used in) investing activities	(208,390)	55,049	(14,478)	70,183	188,433

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

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

CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

	For the six months period ended June 30,		For the three months period ended June 30,		For the year ended December 31,
	2013	2012(*)	**2013**	2012(*)	2012(*)
	In €'000				
Cash flows from financing activities					
Proceeds from issuance and sale of shares in subsidiaries to non controlling interest holders	-	72,403	-	72,403	72,403
Issuance of debentures	-	866	-	-	866
Repayment and repurchase of debentures	(49,088)	(45,967)	(5,173)	(36,983)	(100,381)
Change in loans from bank customers	50,104	25,910	28,813	19,990	57,883
Proceeds from long-term loans	28,487	62,412	20,319	18,377	198,351
Repayment of long-term loans	(48,022)	(161,389)	(10,260)	(101,301)	(426,510)
Change in short-term loans and borrowings, net	(5,657)	34,298	(202)	33,032	53,676
Cost related to issuance of debt and shares	(19)	(724)	-	(54)	(1,414)
Proceeds from sale of hedge instruments	-	11,796	-	11,796	52,155
Transaction with non controlling interest holders	-	-	-	-	(2,870)
Net cash (used in) provided by financing activities	(24,195)	(395)	33,497	17,260	(95,841)
Foreign exchange differences relating to cash an cash equivalents	164	3,066	(980)	3,147	800
Increase (decrease) in cash and cash equivalents	(257,851)	17,709	12,007	76,273	42,398
Increase (decrease) of cash of assets held for sale	131	528	-	528	(287)
Cash and cash equivalents at the beginning of tl period	369,110	326,999	99,383	268,435	326,999
Cash and cash equivalents at the end of the period	111,390	345,236	111,390	345,236	369,110

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

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

CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

	For the six months period ended June 30,		For the three months period ended June 30,		For the year ended December 31,
	2013	2012(*)	**2013**	2012(*)	2012(*)
	In €'000				
A. Adjustments to reconcile net profit (loss) to net cash					
Charges / (credits) to profit / loss not affecting operating cash flows:					
Bargain gain	(31,868)	-	-	-	-
Share of profit of associated companies and joint ventures accounted for using the equity method	9,588	2,256	9,978	5,377	3,368
Impairment of goodwill	-	450	-	450	4,005
Loss from revaluation of investment in formally consolidated company	25,707	-	-	-	-
Release of capital reserves	4,501	-	-	-	-
Loss on disposal of investments in subsidiary, net	205	-	-	-	-
Share-based payment	(1,022)	1,899	629	1,158	7,075
Depreciation and amortization	2,843	2,643	947	675	9,297
Fair value adjustments of investment properties	21,779	8,462	(1,042)	10,829	90,814
Financial expense and exchange differences, net	54,951	50,391	8,016	26,700	106,550
Change in fair value of options and share appreciation rights	-	(7,096)	-	(7,399)	1,480
Capital loss gain from sale property plant and equipment	(8,653)	6	(127)	93	(421)
Capital loss from realization of investment in companies	-	(528)	-	(528)	(528)
Decrease (increase) in fair value of securities held for trading and hedge instruments, net	199	(9,120)	(383)	(7,161)	(12,697)
Increase in provision for bad debts in the financial services	2,586	9,780	1,106	1,385	14,077
Provision for impairment of inventory	110	1,460	-	1,460	13,434
Gain from early repayment of loans and debentures	-	(10,377)	-	(9,387)	(43,035)
Loss on disposal of investment property	-	-	-	-	215
Changes in operating assets and liabilities:					
Change in trade and other receivables	(49,718)	(11,352)	(21,219)	(5,394)	(129,987)
Change in inventories and in contract work in progress, net of advances from customers	(1,128)	(1,899)	(8,310)	(838)	15,963
Change in trade and other payables	3,767	(3,378)	9,510	2,255	46,774
Interest paid	(27,983)	(63,217)	(266)	(24,671)	(133,551)
Interest received	16,412	17,629	8,299	11,665	79,833
Income taxes paid	(2,955)	(1,708)	(715)	(997)	(3,009)
Dividend received from joint ventures	-	12,803	-	2,321	12,803
Other	1,097	-	1,098	-	(1,632)
	20,418	**(896)**	**7,521**	**7,993**	**80,828**

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

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

CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

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

C. Change from equity method to full consolidation					
Working capital	-	-	-	-	1,030
Investment property	-	-	-	-	(26,355)
Investment in company accounted for at equity	-	-	-	-	11,299
Total purchase price	-	-	-	-	(14,026)
Less – cash in subsidiaries acquired	-	-	-	-	138
	-	-	-	-	(13,888)

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

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2013

1. Corporate information

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

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

These condensed interim financial statements were approved by the Board of Directors on August 27, 2013.

Going concern

As at June 30, 2013 the Company, had a working capital deficit on a consolidated basis of €60,691 thousands (on a company only basis a working capital deficit of €84,644 thousands), which is mainly due to the reclassification of a bank loan to short term liabilities (for which a waiver was received in May 2013 for a period of less than one year) and due to the current maturities of the Company's debentures. In addition, in the first six months of 2013 the Company incurred a loss attributable to the equity holders in the amount of €40,887 thousand, which caused a decline in shareholders' equity to €139,368 thousands. The Company also reported negative consolidated cash flows from operations of €25,430 thousand in the six months ended June 30, 2013. The cash balance of the Company as at June 30, 2013 amounted to €7,412 thousands.

The Company's consolidated financial statements as of June 30, 2013 have been prepared under the assumption that the Company will continue as a going concern. This is based, among others, on the Company's current cash balances and its available assets as well as results from operations and transactions, taking into consideration the cash flow forecast which is according to the estimations of the Company's management.

During the first quarters of 2014 and 2015 repayments of principal and interest of the Company's debentures series A and B mature in the total amount of €103 million and €99 million, respectively, are expected. According to the Company's plans, these repayments are likely to be funded by existing cash balances of the Company and the Group holding companies and predominantly by the repayment of certain shareholder's loans by some of the Company's subsidiaries, cash generated through the sale of certain assets, including the sale of investments in shares of certain subsidiaries or by raising loans (against pledge of free assets). In this context it should be noted that the Company is engaged directly and through its subsidiaries in a number of negotiations - in various stages – regarding materialization of such assets. The Company and its subsidiaries are also conducting negotiations with respect to refinancing and debt financing. It is further noted that the Company has a significant number of unpledged assets. The Company has prepared a liquidity analysis for the next two years as of the balance sheet date, which addresses the required liquidity to be able to repay the debentures in February 2014 and 2015 and its other liabilities and to finance its operations. The proceeds from the realization of these plans will serve the Company within the limitations of the agreement reached with debentures holders, as disclosed in Note 6 to these financial statements.

With respect to a waiver the Company received from a bank, with respect to certain financial covenants, see Note 7.

The realization, the price and the timing of the Company’s plans in relation to the sale of assets, refinancing, repayment of shareholder’s loans by certain subsidiaries, raising debt as well as meeting loan covenants, are uncertain and depend also on factors that are not wholly within the Company’s control and on the willingness of third parties to invest and grant credit. It should be noted that as of the date of the approval of these financial statements binding agreements for the sale of such assets or raising debt were not yet signed. Nevertheless, the Company believes that, in light of the value of its total assets which is considerably higher than its total liabilities and in light of the current indications regarding the ability to realize a sale of assets and/or obtain credit in the required timeframe, it will be able to realize its plans and that it will be able to repay its liabilities as they mature in the foreseeable future.

ISA Letter

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements

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

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

IFRS 11 replaces IAS 31 - 'Interests in Joint Ventures' and SIC-13 'Jointly-controlled Entities — Non-monetary Contributions by Venturers'. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture under IFRS 11 must be accounted for using the equity method.

The application of this new standard impacted the statement of financial position and the income statement of the Company by replacing proportionate consolidation of the joint venture in several entities with the equity method of accounting.

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

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

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

Impact of IFRS 11 on the income statement

	For the six months ended June 30, 2012	For the three months ended June 30, 2012	For the year ended December 31, 2012
	In €'000		
Total decrease in revenues	113,443	92,053	82,141
Total decrease in expenses	61,135	45,855	54,414
Decrease in Gross margin	52,308	46,198	27,727
Decrease in Selling and marketing and general and administration expenses	16,390	14,019	7,800
Decrease in profit (loss) from operations before fair value adjustments, disposal of assets and financial expenses	35,918	32,179	19,927
Decrease in Profit (loss) from fair value adjustments and on disposal of assets and investments	7,348	9,673	(1,871)
Decrease in profit (loss) from operations before finance expenses and income taxes	28,570	22,506	21,798
Total decrease (Increase) in financial expenses, net	(33,769)	(33,258)	4,322
Increase (Decrease) in loss from operations	(5,199)	(10,752)	17,476
Decrease in Share of profit (loss) of associates accounted for using the equity method	7,139	(250)	10,638
Increase(decrease) in loss before income taxes	(12,338)	(10,502)	(6,838)
Income tax expenses (benefit)	(6,840)	(8,305)	6,399
Decrease in profit (loss) for the period from continuing operations	(19,178)	(18,807)	(439)
Decrease in profit (loss) for the period from discontinuing operations	19,354	18,612	-
Net profit (loss) for the period	(176)	195	(439)

Attributable to:			
Equity holders	(290)	(209)	(146)
Non-controlling interest holders	114	404	(293)

Impact of IFRS 11 on the statement of financial position

	June 30, 2012	December 31, 2012
	In €'000	
Non-current assets		
Decrease in investment properties	(273,523)	(183,061)
Increase in investment in associates	205,031	184,988
Decrease in intangible assets and goodwill	(12,229)	(12,472)
Decrease in other assets	(73,214)	(50,150)
	(153,935)	(60,695)
Current assets		
Decrease in inventories, contract work and buildings inventory in progress	(162,251)	(156,775)
Decrease in other assets	(15,600)	(60,192)
Decrease in cash and cash equivalents	(54,141)	(13,860)
	(231,992)	(230,827)
Decrease in assets held for sale	-	(3,821)
Total decrease in current assets	(231,992)	(234,648)
Total decrease in assets	(385,927)	(295,343)

	June 30, 2012	December 31, 2012
	In €'000	
Decrease in equity attributable to equity holders of the parent	(1,374)	(1,356)
Decrease in non-controlling interests	(4,247)	(4,443)
Total impact on equity	(5,621)	(5,799)
Non-current liabilities		
Decrease in interest-bearing loans and borrowings	(120,709)	(71,504)
Decrease in other long-term liabilities	(12,082)	(3,200)
Decrease in deferred income tax liabilities	(23,177)	(19,994)
	(155,968)	(94,698)
Current liabilities		
Decrease in interest-bearing loans and borrowings	(33,299)	(18,089)
Decrease in other liabilities	(124,132)	(65,763)
Decrease in advances from apartment buyers	(66,907)	(110,994)
	(224,338)	(194,846)
Increase in liabilities associated with assets held for distribution	-	-
Total decrease in liabilities	(380,306)	(289,544)
Total decrease in equity and liabilities	(385,927)	(295,343)

	For the six months ended June 30,2012	For the three months ended June 30,2012	For the year ended December 31,2012
	In €'000		
From operating activities	2,261	3,948	(15,976)
From investing activities	(3,922)	(16,484)	24,281
From financing activities	(1,481)	(105)	635
	(3,142)	(12,641)	8,940

IFRS 12 Disclosure of Interests in Other Entities

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

IFRS 13 Fair Value Measurement

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

C. Disclosures of new IFRS standards prior to their implementation

IAS 36 Impairment of Assets – Recoverable Amount Disclosures for Non-financial Assets

The amendment clarifies that the disclosure of information about the recoverable amount of impaired assets that was amended as a result of the application of IFRS 13, is limited to the recoverable amount that is based on fair value less costs of disposal. The amendment becomes effective for financial years beginning on or after 1 January 2014. The standard will affect disclosure only and will have no impact on the Group's financial position or performance.

IFRIC 21 Levies

IFRIC 21 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. IFRIC 21 becomes effective for financial years beginning on or after 1 January 2014. This interpretation will have no material impact on the Group's financial position and performance.]

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, 2013	0.766	0.212	0.124	132.4
June 30, 2012	0.795	0.203	0.126	129.8
December 31, 2012	0.758	0.202	0.120	130.7
Change in 2013 (6 months)	1.04%	4.26%	3.67%	1.30%
Change in 2013 (3 months)	(2.05%)	(1.24%)	0.01%	1.30%
Change in 2012 (6 months)	2.80%	0.13%	3.68%	0.93%
Change in 2012 (3 months)	6.05%	0.43%	6.13%	0.54%
Change in 2012 (12 months)	(1.96%)	0.36%	(1.28%)	1.63%

E. Reclassifications

The comparative information in the statement of financial position as of June 30, 2012 was reclassified to conform to current period’s presentation. The reclassifications were not material in relation to the total assets and liabilities.

In addition, the comparative information in the income statement and cash flow statement for the period of six and three months ended on June 30, 2012 and for the year ended December 31, 2012 was reclassified to conform to current period’s presentation, in addition for the year ended December 31, 2012, the company reclassified the investment in GTC Investment out of Assets held for sale. All the reclassifications were not material.

3. Segment information

Segments results

For six months ended June 30, 2013:

	Real Estate		Banking and Retail lending	Infrastructure		
	Asia	Europe (A)(B)		Projects	Assets	Total
	In €'000					
Revenue	2,359	-	12,536	62,524	12,777	90,196
Other income (expense) (*)	8,001	(28,132)	(1,917)	7,855	931	(13,262)
Total Income	10,360	(28,132)	10,619	70,379	13,708	76,934
Segment result	5,449	(28,134)	(3,225)	10,247	3,776	(11,887)
Unallocated expenses						(2,466)
Bargain gain (see Note 6)						31,868
Gain from operations and share in profit of associates companies before finance expenses, net						17,515
Finance expenses, net						(29,647)
Loss before income tax						(12,132)
Income tax expenses						(9,596)
Loss from continuing operations						(21,728)
Loss from discontinued operations						(39,360)
Loss for the period						(61,088)

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

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

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

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

For three months ended June 30, 2013:

	Real Estate		Banking and Retail lending	Infrastructure		
	Asia	Europe (A)(B)		Projects	Assets	Total
			In €'000			
Revenue	1,187	-	6,433	34,763	6,530	48,913
Other income (expense) (*)	5,835	(21,794)	(3,399)	(493)	436	(19,415)
Total Income	7,022	(21,794)	3,034	34,270	6,966	29,498
Segment result	4,154	(21,796)	(4,051)	1,826	1,892	(17,975)
Unallocated expenses						(1,230)
Gain from operations and share in profit of associates companies before finance expenses, net						(19,205)
Finance expenses, net						(5,176)
Loss before income tax						(24,381)
Income tax expenses						(4,963)
Loss from continuing operations						(29,344)
Gain from discontinued operations						10,828
Loss for the period						(18,516)

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

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

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

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

For six months ended June 30, 2012:

	Real Estate			Infrastructure		
	Asia	Europe (A)(B)	Banking and Retail lending	Projects	Assets	Total
			In €'000			
Revenue	2,234	-	2,499	41,576	17,188	63,497
Other income (expense) (*)	3,355	(5,234)	(153)	(9)	628	(1,413)
Total Income	5,589	(5,234)	2,346	41,567	17,816	62,084
Segment result	1,502	(5,234)	(10,956)	(4,723)	3,621	(15,790)
Unallocated expenses						(3,630)
Loss from operations and share in profit of associates companies before finance expenses, net						(19,420)
Finance expenses, net						(8,151)
Loss before income tax						(27,571)
Income tax benefit						961
Loss from continuing operations						(26,610)
Loss from discontinued operations						(15,501)
Loss for the period						(42,111)

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

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

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

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

For three months ended June 30, 2012:

	Real Estate			Infrastructure		
	Asia	Europe (A)(B)	Banking and Retail lending	Projects	Assets	Total
			In €'000			
Revenue	1,162	-	5,026	19,710	8,606	34,504
Other income (expense) (*)	(217)	(6,503)	(377)	24	462	(6,611)
Total Income	945	(6,503)	4,649	19,734	9,068	27,893
Segment result	(1,226)	(6,503)	(1,590)	(2,799)	1,821	(10,297)
Unallocated expenses						(1,905)
Loss from operations and share in profit of associates companies before finance expenses, net						(12,202)
Finance expenses, net						1,231
Loss before income tax						(10,971)
Income tax benefit						(1,403)
Loss from continuing operations						(12,374)
Gain from discontinued operations						(16,823)
Loss for the period						(29,197)

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

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

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

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

For the year ended December 31, 2012:

	Real Estate			Infrastructure		
	Asia	Europe(A) (B)	Banking and Retail lending	Projects	Assets	Total
Revenue	4,937	-	13,871	107,351	35,619	161,778
Other income (expense) (*)	20,035	(33,751)	(4,118)	(873)	531	(18,176)
Total Income	24,972	(33,751)	9,753	106,478	36,150	143,602
Segment result	15,289	(33,749)	(18,198)	(6,149)	6,755	(36,052)
Unallocated expenses						(7,228)
Loss from operations and share in profit of associates companies before finance expenses, net						(43,280)
Finance income, net						9,756
Loss before income tax						(33,524)
Income tax expenses						(938)
Loss from continuing operations						(34,462)
Loss from discontinued operations						(104,394)
Loss for the year						(138,856)

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

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

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

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

Segments assets

	June 30,		December 31,
	2013	2012	2012
	In €'000		
Real estate – Asia	362,650	295,936	315,373
Real estate – Europe(*)	193,861	228,120	204,059
Banking and Retail lending	246,655	239,902	221,753
Infrastructure – Assets	162,933	170,513	155,477
Infrastructure - Projects	123,895	116,823	131,394
	1,089,994	1,051,294	1,028,056
Unallocated assets	19,356	103,560	67,708
	1,109,350	1,154,854	1,095,764

Segments liabilities

	June 30,		December 31,
	2013	2012	2012
	In €'000		
Real estate – Asia	106,589	22,080	69,734
Real estate – Europe(*)	-	-	-
Banking and Retail lending	159,835	126,431	121,952
Infrastructure – Assets	105,745	117,438	67,931
Infrastructure - Projects	101,465	85,463	86,509
	473,634	351,412	346,126
Unallocated liabilities	496,485	600,375	585,115
	970,119	951,787	931,241

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

4. Share capital

A. Composition

	June 30, 2013		December 31, 2012	
	Authorized	Issued and Paid-in	Authorized	Issued and Paid-in
	Number of shares		Number of shares	
Ordinary shares with nominal value of €0.20 each	225,000,000	111,824,638	225,000,000	111,824,638

In March 2013, the Company purchased 27,832 shares from its wholly owned subsidiary GTC Holding. The shares were transferred to a former office of the Company. The transaction was accounted for as issuance of shares to settle a share based payment transaction and had no material impact.

5. Financial Instruments

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

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

Fair value schedule

	Level	June 30, 2013 € 000' Carrying amount(*)	Fair value(**)
Liabilities			
Debentures issued by the Company	1	418,092	214,573

(*) Including accrued interest.
(**) Price in the Tel-Aviv Stock Exchange.

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

B. Level 3 financial assets and liabilities reconciliation

10.3 Level 3 reconciliation:

	As of January 1, 2013	Additions	Fair Value gain (loss) recorded in P&L	Fair value gain in OCI	Deconsolidation	Settlements	As of June 30, 2013
Derivative assets	12,895	133	1,969	287	-	(3,349)	11,935
Total assets	12,895	133	1,969	287	-	(3,349)	11,935
Derivative liabilities	(65,852)	-	(5,288)	4,267	66,873	-	-
Warrants and call options	(5,446)	-	1,174	-	-	-	(4,272)
Total liabilities	(71,298)	-	(4,114)	4,267	66,873	-	(4,272)

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

Subsequent to the balance sheet date, in August 2013, the Company sold its derivative asset for an amount of €8.7 million net of tax.

6. Significant transactions

A. Kardan N.V.

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

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

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

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

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

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

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

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

B. GTC Holding

1. Loss of effective control in GTC SA

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

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

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

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

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

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

The Company used the following assumptions for and methods for the determination of the net asset value of its share in GTC SA:
For assets which are presented at fair value or which have been impaired below their cost, which accounts for the vast majority of GTC SA balance sheet, the Company has obtained update letters from external valuators as at the deconsolidation date. No change was recognized for these assets. For other assets the Company assumed the book value is not materially different from the fair value.

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

As of June 30, 2013 the book value of the investment in GTC SA was €193.9 million and the market value of the investment in GTC SA was €167.6 million. During the three months ended June 30, 2013 the market value of the investment in GTC SA ranged between the amount of €153 million to and amount of €190 million.

Prior to the approval of the interim financial statements, the book value of the Company investment in GTC SA remained higher than its market value.

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

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

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

	For the six months ended June 30,		For the three months ended June 30,		For the year ended December 31,
	2013	2012	2013	2012	2012**
	€ 000’				
Income	31,409	65,397	-	31,271	130,814
Expenses	(52,065)	(80,795)	-	(48,241)	(257,190)
Loss before tax	(20,656)	(15,398)	-	(16,970)	(126,376)
Income tax benefit (expenses), net	(5,644)	(3,956)	-	(5,483)	(6,097)
Net profit (loss) from discontinued operations before revaluation and release of capital reserves*	(26,300)	(19,354)	-	(22,453)	(132,473)
Loss from revaluation of Investment*	(25,707)	-	-	-	-
Release of capital reserves*	(4,501)	-	-	-	-
Net profit (loss) from discontinued operations	(56,508)	(19,354)	-	(22,453)	(132,473)
Attributable to:					
Equity holders	(36,634)	(3,228)	-	(5,018)	(26,948)
Non-controlling interest holders	(19,874)	(16,126)	-	(17,435)	(105,525)
	(56,508)	(19,354)	-	(22,453)	(132,473)

* The net loss from discontinued operations before revaluation and release of capital reserves includes the 100% results from GTC SA, including the share attributable to the non-

controlling interest holders, while the result from revaluation of investment and release of capital reserves only reflects the 27.75% interest held by the Company. In 2012, includes an immaterial amount from the Banking and Retail lending.

** In 2012, include an immaterial amount for the banking and retail lending activities.

Composition of the net cash flows related to discontinued operations:

	For the six months ended June 30,		For the three months ended June 30,		For the year ended December 31,
	2013	2012	2013	2012	2012
	€ 000'				
Net cash flow from operating activities	12,292	32,059	-	20,965	71,606
Net cash flow from investing activities (*)	(205,332)	(28,764)	-	(8,376)	113,072
Net cash flow from financing activities	(31,707)	35,196	-	42,189	(126,580)
Net cash flows from discontinued operations	(224,747)	38,491	-	54,778	58,098

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

Composition of other comprehensive income items related to discontinued operations:

	For the six months ended June 30,		For the three months ended June 30,		For the year ended December 31,
	2013	2012	2013	2012	2012
	€ 000'				
Change in fair value of hedge instrument, net of tax(*)	3,467	(133)	-	1,169	10,967
Adjustments arising from translating financial statements of foreign operations	(1,875)	547	-	(1,952)	(295)
Recycling to the income statement of the hedge reserve due to loss of control over a subsidiary(*)(**)	5,782	-	-	-	-
	7,374	414	-	(783)	10,672
Attributable to:					
Equity holders	5,276	384	-	(53)	3,338
Non-controlling interest holders	2,098	30	-	(730)	7,334
	7,374	414	-	(783)	10,672

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

(**)Future changes in the hedge reserves will be recycled to the income statements as part of 'Share of profit (loss) of associates and joint ventures accounted for using the equity method' .

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

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

2. In March 2013, the Romanian Chamber of Deputies has approved an Ordinance no. 114/2007 (‘the Ordinance’), which provides that it will not be possible to designate for other use any lands that are currently classified as green areas. This Ordinance is pending upon promulgation by the Romanian President and publishing in the Official Journal. For as long as the Ordinance is valid in its current adopted version it does not allow GTC SA to develop land plot in Bucharest, that was intended for shopping mall project (Galleria Bucharest) and is currently classified as green area. As a result, GTC SA recorded an impairment loss of Euro 15.1 million. The green area land plot recoverable amount mainly represents the future excepted expropriation compensation, on the assumption that an average market participant is willing to pay this amount for the land plot based on the future expected expropriation compensation.

C. **TGI**

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

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

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

2. On March 6, 2013, TGI, issued 578 shares relating to options which were issued to the a former position holder in TGI, following a written notice on behalf of the former position holder given on December 16, 2012, stating his wish to exercise the options into shares of TGI in accordance with the option agreement. A loan in the amount of €502 thousands relating to the exercise price of the options was granted by a subsidiary of TGI. Subsequent to the balance sheet date, in July, 2013, the Company bought from the inheritors of the former position holder 185 of TGI’s shares in return of €663 thousands. The proceeds received were used to settle the loan and the tax liability resulting from the sale of the shares.

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

D. **KFS**

During the second quarter of 2013, TBIF (a subsidiary of the Company) entered into a sell agreement to sell its holding in Avis Ukraine (of which it holds 67%) to Kardan Vehicle Ltd. Which is owned in part by controlling shareholders of the Company, for a consideration of €10.3 million (approximately $13.6 million). The transaction is subject to various approval, including the approval of Avis Europe and the general meetings of the Company, Kardan Vehicle Ltd. And Kardan Israel Ltd. Following the agreement, TBIF impaired its investment in Avis Ukraine in approximately €4 million which was included as part of the income statement in ‘Share of profit (loss) of associates and joint ventures accounted for using the equity method’.

7. Covenants

Following note 27 to the annual financial statements, with respect to covenants in relation to bank loans amounting to €107 million, the Group has committed to maintain certain covenants, including minimum equity of the Company of €160 million.

In May 2013, the Company and GTC Holding (hereafter – the borrower) reached a formal understanding with the lending bank with respect to the loan covenants and obtained a waiver for the minimum equity covenant.

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

- The equity attributed to the shareholders of the Company will not be less than €120 million, and the equity to stand-alone balance sheet ration of the Company remained at 21%;
- During the determining period the financial statements of the Company and/or GTC Holding will not include an emphasis of matter paragraph related to significant doubts in the companies’ ability to continue as a going concern.
- The Company or GTC Holding will not perform any transaction related to GTC SA's shares which are not pledged to the bank (2.75% of GTC SA's shares);
- During the determining period the interest margin on the loan will increase to 4.3%;
- The market value of GTC SA shares held by the Company will be at least 125% of the outstanding debt;
- 50% of the proceeds from sale of assets by KLC and from repayment of loans by KFS will be deposited in a bank account in the lending bank, and will be subject to the bank rights with respect to the borrower account, all in line with the commitments made to the debenture holders;
- Certain conditions and clarifications upon which ‘steering the activities of GTC SA’.

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

As of June 30, 2013 the Company meets all the covenants according to the waiver. However, since the waiver is for a period shorter than one year, the Group classified the relevant loans as current liabilities.

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

Review report

Introduction

We have reviewed the accompanying condensed interim consolidated statement of financial position of Kardan N.V., Amsterdam (the “Company”) as at June 30, 2013 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.

Emphasis of uncertainty with respect to the going concern assumption

We draw attention to Note 1 to the consolidated financial statements which indicates that the Company has a working capital deficit of €61.7 million on a consolidated basis (on a company only basis a working capital deficit of €84.6 million) and that the Company has to repay €103 million and €99 million in February 2014 and 2015, respectively. According to the Company’s plans, these repayments are likely to be funded by existing cash balances of the Company and the Group holding companies and predominantly by the repayment of certain shareholder’s loans by some of the Company’s subsidiaries, cash generated through the sale of certain assets, including the sale of investments in shares of certain subsidiaries or by raising loans (against pledge of free assets). The realization, the price and the timing of the Company’s plans in relation to the sale of assets, refinancing, repayment of shareholder’s loans by certain subsidiaries, raising debt as well as to meeting loan covenants are uncertain and depend also on factors that are not wholly within the Company’s control and on the willingness of third parties to invest and grant credit. However, the company believes that it will be able to repay its liabilities as they mature in the foreseeable future. Our opinion is not qualified in respect of this matter.

Amsterdam, August 27, 2013

Ernst & Young Accountants LLP

Signed by: W.P. de Pater

ADDITIONAL INFORMATION

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

KARDAN N.V.

Presentation of separate financial data included annexed to the

Consolidated financial statements related to the Company

As of June 30, 2013

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

June 30, 2013

	June 30,		December
	2013	2012(*)	31, 2012(*)
	€ in thousand		
A s s e t s			
Non-current assets			
Tangible fixed assets	155	142	156
Derivatives	-	46,317	-
	155	46,459	156
Financial fixed assets			
Investments in consolidated subsidiaries	571,236	472,080	575,633
Loans to consolidated subsidiaries	20	253,085	19
	571,256	725,165	575,652
Current assets			
Cash and cash equivalents	7,412	23,301	51,237
Short-term investments	446	2,668	567
Other receivables and derivatives	13,414	13,369	13,980
	21,272	39,338	65,784
Total assets	592,683	810,962	641,592
E q u i t y a n d l i a b i l i t i e s			
Equity attributable to equity shareholders			
Issued and paid-in capital	23,041	23,041	23,041
Share premium	208,117	208,165	208,165
Foreign currency translation reserve	9,368	18,420	(462)
Property revaluation reserve	38,332	57,321	57,802
Other reserves	7,836	9,542	8,156
Non-controlling interest holders transactions reserve	19,871	20,741	20,128
Treasury shares	(2,786)	(2,847)	(2,847)
Accumulated deficit	(164,411)	(140,034)	(147,809)
	139,368	194,349	166,174
Long-term liabilities			
Debentures	344,499	505,932	408,256
Options and other long term liabilities	2,900	2,900	2,900
	347,399	508,832	411,156
Current liabilities			
Current maturities of long term loans and debentures	94,247	88,493	43,710
Other payables	11,669	19,288	20,552
	105,916	107,781	64,262
Total equity and liabilities	592,683	810,962	641,592

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

ADDITIONAL INFORMATION FROM THE COMPANY'S INCOME STATEMENT

Period ended June 30, 2013

	For the six months ended June 30,		For the three months ended June 30,		For the year ended December 31,
	2013	2012(*)	2013	2012(*)	2012(*)
	€ in thousands				
Net result from investments	(6,876)	(23,253)	(11,758)	(11,216)	(70,456)
Gain from repurchase of debentures by a subsidiary	-	8,079	-	-	40,764
Total revenues	(6,876)	(15,174)	(11,758)	(11,216)	(29,692)
General and administrative expenses	1,832	2,717	1,131	1,471	5,396
Loss from operations before financing expenses	(8,708)	(17,891)	(12,889)	(12,687)	(35,088)
Financing income (expenses), net	(28,569)	(9,625)	(2,692)	1,988	1,419
Loss from operations before tax expense (benefit)	(37,277)	(27,516)	(15,581)	(10,699)	(33,669)
Income tax expense (benefit)	3,610	(1,958)	2,863	879	(817)
Loss for the period	(40,887)	(25,558)	(18,444)	(11,578)	(32,852)

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

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

	For the six months ended June 30,		For the three months ended June 30,		For the year ended December 31,
	2013	2012(*)	2013	2012(*)	2012(*)
	€ in thousands				
Net result for the period	(40,887)	(25,558)	(18,444)	(11,578)	(32,852)
Foreign currency translation differences	8,549	11,552	(955)	18,997	(7,330)
Change in hedge reserve, net	5,588	4,030	(310)	(3,874)	2,541
Other comprehensive income for the period	14,137	15,582	(1,265)	15,123	(4,789)
Total comprehensive income (expense)	(26,750)	(9,976)	(19,709)	3,545	(37,641)

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

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,
	2013	2012(*)	2013	2012(*)	2012(*)
	€ in thousands				
Cash flow from operating activities of the Company					
Loss for the period	(40,887)	(25,558)	(18,444)	(11,578)	(32,852)
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	394	(8,922)	(268)	(7,189)	(9,992)
Financial expense	37,421	16,421	2,905	4,404	7,589
Gain from early repurchase of debentures by a subsidiary	-	(8,079)	-	-	(40,764)
Share-based payment	126	78	49	(10)	287
Equity loss (earnings)	6,876	23,253	11,758	11,216	70,456
Dividend received	17,144	-	1,283	-	20,681
Changes in working capital of the Company					
Change in receivables	(488)	299	728	1,976	877
Change in payables	2,248	(293)	1,880	64	(474)
Cash amounts paid and received during the year					
Interest received	-	3,000	-	3,000	3,000
Interest paid	(20,256)	(28,549)	-	-	(28,549)
Net cash provided by (used in) operating activities of the company	**2,578**	**(28,350)**	**(109)**	**1,883**	**(9,741)**
Cash flow from investing activities of the company					
Short term investments, net	121	2,891	5	4,808	4,992
Collecting (granting) of loans from (to) subsidiaries, net	4,500	14,027	4,500	(21,478)	69,030
Investments in subsidiaries	(7,109)	-	(1,834)	-	(11,310)
Net cash provided by (used in) investing activities of the company	**(2,488)**	**16,918**	**2,671**	**(16,670)**	**62,712**
Cash flow from financing activities					
Repurchase of debentures	-	-	-	-	(76,387)
Proceeds from sale of hedge instruments	-	11,796	-	11,796	52,155
Repayment of long-term debt	(43,915)	(5,317)	-	(4,685)	(5,756)
Net cash provided by (used in) financing activities of the company	**(43,915)**	**6,479**	**-**	**7,111**	**(29,988)**
Increase (decrease) in cash and cash equivalents of the company	**(43,825)**	**(4,953)**	**2,562**	**(7,676)**	**22,983**
Cash and cash equivalents at beginning of the period of the company	51,237	28,254	4,850	30,977	28,254
Cash and cash equivalents at end of the period of the company	**7,412**	**23,301**	**7,412**	**23,301**	**51,237**

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

1. General

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

The condensed interim consolidated financial statements should be read in conjunction with the additional financial information for the year ended December 31, 2012 and the accompanying notes, and in conjunction to the consolidated interim financial statements for the six and three months ended June 30, 2013.

2. Going concern

As at June 30, 2013 the Company, had a working capital deficit on a consolidated basis of €60,691 thousands (on a company only basis a working capital deficit of €84,644 thousands), which is mainly due to the reclassification of a bank loan to short term liabilities (for which a waiver was received in May 2013 for a period of less than one year) and due to the current maturities of the Company's debentures. In addition, in the first six months of 2013 the Company incurred a loss attributable to the equity holders in the amount of €40,887 thousand, which caused a decline in shareholders' equity to €139,368 thousands. The Company also reported negative consolidated cash flows from operations of €25,430 thousand in the six months ended June 30, 2013. The cash balance of the Company as at June 30, 2013 amounted to €7,412 thousands.

The Company's consolidated financial statements as of June 30, 2013 have been prepared under the assumption that the Company will continue as a going concern. This is based, among others, on the Company's current cash balances and its available assets as well as results from operations and transactions, taking into consideration the cash flow forecast which is according to the estimations of the Company's management.

During the first quarters of 2014 and 2015 repayments of principal and interest of the Company's debentures series A and B mature in the total amount of €103 million and €99 million, respectively, are expected. According to the Company's plans, these repayments are likely to be funded by existing cash balances of the Company and the Group holding companies and predominantly by the repayment of certain shareholder's loans by some of the Company's subsidiaries, cash generated through the sale of certain assets, including the sale of investments in shares of certain subsidiaries or by raising loans (against pledge of free assets). In this context it should be noted that the Company is engaged directly and through its subsidiaries in a number of negotiations - in various stages – regarding materialization of such assets. The Company and its subsidiaries are also conducting negotiations with respect to refinancing and debt financing. It is further noted that the Company has a significant number of unpledged assets. The Company has prepared a liquidity analysis for the next two years as of the balance sheet date, which addresses the required liquidity to be able to repay the debentures in February 2014 and 2015 and its other liabilities and to finance its operations. The proceeds from the realization of these plans will serve the Company within the limitations of the agreement reached with debentures holders, as disclosed in Note 6 to the consolidated interim financial statements.

With respect to a waiver the Company received from a bank, with respect to certain financial covenants, see Note 7 to the consolidated interim financial statements.

The realization, the price and the timing of the Company's plans in relation to the sale of assets, refinancing, repayment of shareholder's loans by certain subsidiaries, raising debt as well as meeting loan covenants, are uncertain and depend also on factors that are not wholly within the Company's control and on the willingness of third parties to invest and grant credit. It should be noted that as of the date of the approval of these financial statements binding agreements for the sale of such assets or raising debt were not yet signed. Nevertheless, the Company believes that, in light of the value of its total assets which is considerably higher than its total liabilities and in light of the current indications regarding the ability to realize a sale of assets and/or obtain credit in the required timeframe, it will be able to realize its plans and that it will be able to repay its liabilities as they mature in the foreseeable future.

3. Sale of SWAP

Subsequent to the balance sheet date, in August 2013, the Company sold its derivative asset for an amount of €8.7 million, net.