# Director's Report and Financial Statements Kardan N.V. 9M 2014

**Amsterdam/Tel Aviv, November 30, 2014**
**Number of pages: 20**

The Additional Information and the Financial Statements of Kardan N.V., Q3 + 9M 2014, are drawn up in accordance with the Dutch and Israeli regulations and together with the separately presented press release on the Q3 + 9M 2014 results of Kardan form an integral part of the regulatory requirements and presentation.

## FINANCIAL REPORTS
## FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014

The Financial Reports contain the following sections:

# 1. ADDITIONAL INFORMATION FOR 9M 2014

## 1.1. Main events January – September 2014

Kardan

- Following the agreements which were made in March 2013 between the Company and the representatives of the trustees and several representatives of holders of its Debentures Series A and Debentures Series B (combined 'the Debentures') on certain concessions, the Company agreed to three additions to the agreement in January 2014. For the details of these commitments see paragraph 2.3 below.

- In June 2014, Kardan announced that it had submitted a draft Shelf Prospectus to the Israeli Securities Authority ('ISA') and that pending the approval from the ISA it expected to file the final Shelf Prospectus by the end of November 2014. In Israel it is possible to issue a 'Shelf Prospectus', which is a generic prospectus that serves as a primary document to enable a company to offer to the public all types of securities several times and on different dates, during the effective period of the Shelf Prospectus (two years with the possibility to extend one more year after having been approved by the ISA) via the Tel Aviv Stock Exchange ('TASE'). It gives a company the possibility to act faster once a decision regarding an offering has been taken, by only having to additionally publish a Shelf Offering Report. The Shelf Prospectus will predominantly describe the Company's activities by referring to Kardan's financial statements dated December 31, 2013 and June 30, 2014 as well as to Kardan's Periodic Report for 2013 (the annual report according to Israeli law and regulations, as then approved by the Board) and by referring to all other major events announced by the Company since the day of publication of the 2013 financial statements. Filing a Shelf Prospectus does not imply that the Company has decided to offer securities to the market through the TASE.
  The Shelf Prospectus was published on November 25, 2014.

- In July 2014, Kardan announced that Maalot, the Israeli subsidiary of Standard & Poor's ("S&P"), reported that it retained the rating of Kardan at ilB with Negative outlook for the Company and ilB for its Debentures Series A and Series B, which had been determined by S&P in August 2013.

  In September 2014, however, S&P adjusted the rating of Kardan to ilCC with outlook Negative, and to ilCC for its Debentures Series A and Series B, as the Company had not as yet generated cash through the sale of assets in order to repay the upcoming repayment instalments on its debts, and as the Company's H1 2014 financial statements included an emphasis of matter regarding a going concern.

- Also in September 2014, Kardan announced that the Board of Directors of the Company decided to comply with a request of the trustees and the joint representatives of the debenture holders (Series A and B) of the Company ("Debenture Holders") to enter into discussions, to examine the possibility to come to an agreement with the Debenture Holders on postponing or rescheduling the instalments that are payable by the Company, with the commitment to repay the debt in full. Kardan also clarified that, in parallel to the discussions which will begin as stated above, it would continue to negotiate various transactions, including two significant transactions, to enable it to meet its obligations to its creditors in time, and noted that there was no certainty that discussions with the trustees and the joint representatives of the Debenture Holders would result in an agreement nor that was certainty that the transactions on which the Company is working would be signed and executed.
  During the first meeting with the Debenture Holders, Kardan presented an initial framework regarding a debt arrangement mainly focusing on postponing or rescheduling the instalments that are payable by the Company, with the commitment to repay the debt in full. In addition, it included elements such as a higher interest payable on the Debentures and allocation of up to 10% of the Company's shares. It was clarified that the presented framework was only a first proposal of which the principle elements and details could change substantially.

Real estate (GTC Real Estate)

- In January 2014, a detailed financing agreement was signed between GTC Real Estate Holding BV (‘GTC RE’) and Israel Discount Bank (‘the Bank’) for a loan in the amount of EUR 33 mn (‘the New Credit’), which amount was used, along with additional amounts of Kardan, to repay the holders of Kardan’s debentures (Series A and Series B) in February 2014.

  The New Credit bears an interest rate of 6 months Libor + 5.5% and will be repaid in two installments as follows: an amount of EUR 28 mn will be repaid no later than December 26, 2014 and the remainder no later than December 25, 2015. Interest will be paid in semi-annual payments. As collateral for the credit facility, the Company pledged all the shares of Kardan Financial Services BV (‘KFS’) and all the shares of Tahal Group International BV (‘TGI’) (and all the shareholder loans) in favor of the Bank which will be released after repayment of the debentures in February 2015. In addition, GTC RE pledged 51% of the shares of Kardan Land China Ltd. (‘KLC’) up to repayment of the debentures in February 2015, after which GTC RE will also pledge its remaining shares in KLC.
  At the date of signing the Financing Agreement, GTC RE repaid to the Bank a former debt in the amount of EUR 8 mn.  For further details on the New Credit see note 8 of the H1 2014 Financial Statements.

- In February 2014, Kardan Land Dalian Ltd. (the ‘Project Company’), an indirectly wholly owned subsidiary of the Company (through KLC) entered into an agreement with two banks in China which together form a syndicate (the ‘Syndicate’) for an additional credit (‘Financing Agreement’) of RMB 400 mn (approximately EUR 48 mn) with respect to the Europark Dalian project (the ‘Project’). Before signing the Financing Agreement, the Project Company already had a loan of RMB 500 mn (approximately EUR 60 mn) from one of the banking institutions that comprise the Syndicate, so that the total loan (the ‘Credit’) is RMB 900 mn and therefore has become a material loan for the Company and as such is a "reportable credit" under Israeli regulations. The duration of the Credit is until September 2017 and repayment will be made in three tranches.

- In April 2014, Kardan Land Dalian (the ‘Project Company’) signed a Letter of Intent (‘LoI’) with a Chinese investor (the ‘Purchaser’) for the sale of building A2 in the Europark Dalian project in China, which comprises 201 Small Office Home Office (SOHO) units as well as 100 parking spaces (‘the Transaction’). In June 2014 the Project Company signed the final sale agreement. The total consideration is RMB 334 mn (approximately EUR 39 mn), split in RMB 319 mn (approximately EUR 37 mn) for the apartments and RMB 16 mn (approximately EUR 2 mn) for the parking lots. A deposit of 10% of the total consideration was deposited in April at the signing of the LoI, and 60% of the consideration for the apartments was paid in June 2014. The balance (i.e. 30% of the consideration) has been paid upon delivery of the building, which took place in Q4 2014. The proceeds of the Transaction will be used by the Project Company to further develop the Project.

Water Infrastructure (Tahal)

- In March 2014, Kardan announced that Tahal Group BV (‘TG’), its indirectly held subsidiary, signed an agreement (`the Agreement`) to manage part of a larger agricultural development project, involving developing, engineering, procurement, construction and consulting,  which was initiated by the client in an Eastern European country (`the Project`). The Project entails the development and cultivation of considerable agricultural areas and is expected to take four years. The consideration for the Project, amounting to EUR 62 mn, will be paid over the duration of the Project to TG. The duration of the Project may be extended, for payment of an additional consideration, for further periods of one year each. The first down payment of 10% of the total consideration was received in May 2014.

### 1.2. Subsequent Events

- In October 2014, as part of the ongoing negotiations between the parties (Kardan and the trustees of the debenture holders), the parties agreed that the Company would sign a letter of undertaking towards the trustees (i.e. Aurora Fidelity Trust Company Ltd., the trustee of debentures series A and Hermetic Trust (1975) Ltd., the trustee of debentures series B) for the period of the negotiations (the 'Interim Period'), whereby, during this Interim Period the Company will cooperate and provide information to the trustees and will avoid certain actions , including transactions with the controlling shareholders and their relatives and making a "distribution" (as defined in the Israeli Companies Law, 1999) and to give the trustees notice, 21 days before the execution of certain activities or transactions, which are defined in the letter of undertaking.

- In October 2014, TBIF Financial Services B.V. ('TBIF'), a wholly owned subsidiary of Kardan, signed an agreement to sell all of its shares in a subsidiary that holds a non-performing credit portfolio and other non-banking financial operations ('the Subsidiary'). In exchange for the shares of the Subsidiary, TBIF is expected to receive EUR 8.9 million, plus additional amounts that may reach approximately EUR 0.5 - 1 million as specified in the contract, which include among other things the expected profits of the subsidiary from July 1, 2014 up to the date of closing . Closing of the sale of the shares is expected to take place in a few months and is conditional on receiving various regulatory approvals. As a result of the transaction the Company is expected to record a gain, the exact amount of which is subject to final transaction price adjustments. Currently the gain is estimated to be EUR 0.5-1 million.

- On November 21, 2014, TBIF learned, from a press release of the National Bank of Ukraine ('NBU'), that the NBU has declared VAB Bank insolvent and has instructed to appoint an administrator as the VAB Bank is not able to execute plans to strengthen its equity. TBIF has an outstanding subordinated loan to VAB Bank which is due on December 15, 2014. As a result, the Company decided to fully provide for the remaining outstanding debt of VAB Bank to TBIF amounting to EUR 2.9 million (net of a provision of EUR 2.1 million) in the third quarter of 2014.

## 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 September 30, 2014 and December 31, 2013 (amounts in EUR mn):

| Holding Company | Name of subsidiary | Share in subsidiary | Book Value in Kardan NV | Share-holders Loans* | Total Investment in books 30.09.14 | Total Investment in books 31.12.13 |
|---|---|---|---|---|---|---|
| **Kardan NV** | GTC RE Holding | 100% | 278.2 | (20.2) | 258.0 | 293.7 |
| | KFS | 100% | 35.4 | 41.7 | 77.1 | 71.4 |
| | TGI | 98.42% | 54.3 | 50.4 | 104.7 | 97.9 |
| | Emerging Investments XII *, ** | 100% | 71.9 | - | 71.9 | 124.2 |

| Holding Company | Name of subsidiary | Share in subsidiary | GTC RE Book Value | Share-holders Loans | Total Investment in books 30.09.14 | Total Investment in books 31.12.13 |
|---|---|---|---|---|---|---|
| **GTC RE Holding** | Kardan Land China | 100% | 287.4 | (7.0) | 280.4 | 269.5 |
| | GTC Investments | 48.75% | - | - | - | 0.2 |

| Holding Company | Name of subsidiary | Share in subsidiary | KFS Book Value | Loans granted by KFS | Total Investment in books 30.09.14 | Total Investment in books 31.12.13 |
|---|---|---|---|---|---|---|
| **KFS** | TBIF | 100% | 78.5 | (1.5) | 77.0 | 71.4 |

| Holding Company | Name of subsidiary | Share in subsidiary | TGI Book Value | Share-holders Loans | Total Investment in books 30.09.14 | Total Investment in books 31.12.13 |
|---|---|---|---|---|---|---|
| **TGI** | Tahal Group Assets B.V. | 100% | 27.6 | 63.1 | 90.7 | 84.2 |
| | Tahal Group B.V. | 100% | 20.4 | 17.0 | 37.4 | 50.0 |

(*) In October 2012, the Company assigned its shareholder's 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's 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 September 30, 2014

- **Net debt**

The net debt position of Kardan N.V., GTC RE BV, Emerging Investments XII, KFS BV and TBIF BV as of September 30, 2014 amounts to EUR 352.9 mn (year end 2013: EUR 425 mn).

The following table summarizes the net debt of Kardan N.V. and if applicable of its directly held subsidiaries (company only) as of September 30, 2014:

| Company | Net Debt (in EUR million) | |
|---|---|---|
| **Kardan NV / GTC RE / Emerging Investments XII**** | **Liabilities:**<br>Debentures<br>Bank loan<br>**Assets:**<br>Loan to KFS<br>Cash and short term investments<br><br>**Net debt** | <br>(354.9)<br>(33.3)<br><br>41.7<br>0.6<br><br>**(345.9)** |
| **KFS / TBIF** | **Liabilities:**<br>Loans from Kardan NV<br><br>**Assets:**<br>Cash and short term investments<br>Loans to others<br>Loans to subsidiaries and other receivables<br><br>**Net debt** | <br>(41.7)<br><br><br>5.6<br>7.4<br>21.7<br><br>**(7.0)** |

| | | |
|---|---|---|
| **TGI** | **Liabilities:**<br>Loans from others (and related warrant) | <br>(17.8) |
| | **Assets:**<br>Cash and short term investments | <br>0.4 |
| | **Net debt** | **(17.4)** |

(*) 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 four 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. As of the beginning of 2014, Mr. Guy Elias, member of the Executive Management, is responsible for Risk Management. For more details on Mr. Guy Elias's resume, reference is made to the corporate site of Kardan, www.kardan.nl.

The main categories of risks relating to Kardan's strategy, such as liquidity and capital availability and financial market risks (which includes interest rate and currency risks), etc. are described in Kardan's Annual Report 2013. 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 result of Kardan's vision and strategy its operations predominantly take place in emerging markets. Emerging markets are by nature less developed and in various aspects potentially more volatile and therefore often exposed to risks arising from unforeseen changes such as (geo)political, regulatory and economic.

Developments and shocks in global markets and particularly in the Chinese and other world 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 risk categories which the Group is exposed to, reference is made to the 2013 Annual Report (which can be found on the corporate site (www.kardan.nl).
In addition, reference is made to the 2013 consolidated financial statements as well as to the 2013 Israeli Annual Report (Barnea), which can also be found on the corporate site. It should be noted that 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.

KARDAN N.V.

# 2. PART 2 ADDITIONAL INFORMATION

## 2.1. Financial analysis

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

| | September 30, 2014 | September 30, 2013 | December 31, 2013 | Notes |
|---|---|---|---|---|
| **Total balance sheet** | 1,012,520 | 1,078,756 | 924,615 | The increase in total balance sheet compared to December 31, 2013 is mainly due to raising of loans and strengthening of the RMB. |
| **Current assets** | 454,251 | 626,313 | 452,315 | The increase in current assets compared to December 31, 2013, is mainly due to classification of a subsidiary of TBIF as held for sale. |
| **Non-current assets** | 558,269 | 452,443 | 472,300 | The increase in non-current assets compared to December 31, 2013, is mainly due to investment in and revaluation of investment property as well as strengthening of the RMB. |
| **Current liabilities** | 565,777 | 584,794 | 429,798 | The increase in current liabilities compared to December 31, 2013, is mainly due to receipt of a short term loan and classification of current maturities as short term. |
| **Long term Debentures** | 254,223 | 329,534 | 327,240 | The decrease in long term debentures compared to December 31, 2013, is mainly due to classification of current maturities relating to the February 2015 payment to short term. |
| **Long term Interest-bearing loans and borrowings** | 92,378 | 72,353 | 70,423 | The increase in long term interest bearing loans and borrowings compared to December 31, 2013 is mainly due to a new project loan received by KLC. |
| **Equity attributable to equity holders of the parent** | 73,613 | 63,245 | 66,095 | The increase in equity compared to December 31, 2013, is mainly due to the strengthening of the RMB offset by the impact of transactions with non- controlling interest holders and the loss for the period. |

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

| | 9M / 14 | 9M / 13 | Q3 / 14 | Q3 / 13 | FY 2013 | Notes |
|---|---|---|---|---|---|---|
| **Revenues** | | | | | | |
| **Contract revenues** | 122,240 | 109,123 | 38,420 | 33,001 | 153,010 | The y-o-y increase in contract revenues in 9M/2014 is a result of revenue recognized in existing water infrastructure projects, mainly in Africa. |
| **Banking and retail lending activities** | 24,510 | 18,047 | 6,124 | 6,452 | 24,406 | The y-o-y increase in revenues from the banking and retail lending activities in 9M/2014 is largely a result of an increase in the working portfolios and lower interest paid on deposit taking. |
| **Sale of apartments** | 9,150 | - | 411 | - | 23,984 | Sale of apartments relates exclusively to the delivery of apartments in the Europark Dalian project in China. |
| **Management fees and other income** | 5,045 | 4,919 | 1,919 | 1,619 | 6,595 | - |
| **Total Revenues** | **160,945** | **132,089** | **46,874** | **41,072** | **207,995** | |
| **Expenses** | | | | | | |
| **Contract costs** | 95,786 | 86,101 | 28,950 | 25,456 | 121,342 | See explanations for the changes in revenues from contract works. |
| **Cost of banking and lending activities** | 18,550 | 20,740 | 6,321 | 7,917 | 25,182 | See explanations for the changes in revenues from banking and retail lending activities. |
| **Cost of sales of apartments** | 7,606 | - | 372 | - | 19,697 | See explanations for the changes in revenues from sale of apartments. |
| **Other expenses, net** | 4,023 | 1,840 | 1,587 | 547 | 3,358 | - |
| **Total expenses** | **125,965** | **108,681** | **37,230** | **33,920** | **169,579** | |
| | | | | | | |
| **Gross margin** | **34,980** | **23,408** | **9,644** | **7,152** | **38,416** | |
| | | | | | | |
| **Selling and marketing expenses** | 5,741 | 5,279 | 2,010 | 1,679 | 7,912 | - |
| **General and administration expenses** | 17,080 | 18,975 | 5,882 | 6,049 | 25,513 | The decrease in general and administration expenses is primarily attributable to cost reduction in share based payment expenses in the Group's infrastructure – projects segment. |
| | | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Profit (loss) from operations before fair value adjustments, disposals of assets and financial expenses** | **12,159** | **(846)** | **1,752** | **(576)** | **4,991** | - |
| **Adjustment to fair value of investment properties** | 4,346 | 5,196 | 1,148 | 1,619 | 8,802 | Adjustment to fair value of investment properties in the reported period relates to the revaluation of the Europark Dalian shopping center in China. |
| **Impairment losses on goodwill** | - | (3,406) | - | (3,406) | (3,926) | Impairment losses on goodwill in 2013 relate to the Financial Services division. |
| **Gain (loss) on disposal of assets and other income** | 990 | (3,817) | 586 | (13,305) | (8,947) | The loss in 9M/2013 relates primarily to the write-off of a polish subsidiary. |
| | | | | | | |
| **Profit (loss) on disposal of assets and investments** | 5,336 | (2,027) | 1,734 | (15,092) | (4,071) | - |
| | | | | | | |
| **Profit (loss) before finance expenses and income taxes** | **17,495** | **(2,873)** | **3,486** | **(15,886)** | **920** | - |
| | | | | | | |
| **Financial income** | 7,776 | 13,101 | 2,718 | 3,502 | 6,185 | 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** | (30,430) | (53,229) | (10,133) | (13,984) | (51,803) | The financial expenses are mainly related to financing costs of loans and debentures in the group. The y-o-y decrease in the financial expenses in 9M/2014 is mainly a result of less negative CPI and exchange rate differences and is also due to repayment of loans. |
| | | | | | | |
| **Total financial expenses, net** | **(22,654)** | **(40,128)** | **(7,415)** | **(10,482)** | **(45,618)** | - |

| | 9M / 14 | 9M / 13 | Q3 / 14 | Q3 / 13 | FY 2013 | Notes |
|---|---|---|---|---|---|---|
| **Profit (loss) from operations** | (5,159) | (43,001) | (3,929) | (26,150) | (44,698) | - |
| **Share of profit (loss) of companies accounted for using the equity method** | (531) | 3,985 | (1,499) | 3,158 | 12,345 | The y-o-y increase in share of profit of companies accounted for using the equity method in 9M/2014 relates primarily to the real estate operations from joint venture projects in China. |
| | | | | | | |
| **Net profit (loss) before income taxes** | **(5,690)** | **(39,016)** | **(5,428)** | **(22,992)** | **(32,353)** | - |
| **Income tax (benefit) expenses** | 5,702 | 9,324 | 2,059 | (272) | 14,443 | Tax expenses decreased in 9M/2014 compared to 9M/2013 primarily due to taxation on the sale of a building in Tel Aviv in 2013. |
| | | | | | | |
| **Net profit (loss) for the year from continuing operations** | **(11,392)** | **(48,340)** | **(7,487)** | **(22,720)** | **(46,796)** | - |
| **Net profit (loss) from discontinued operations** | - | (78,698) | - | (43,230) | (75,177) | In 2013, the net loss from discontinued operations includes the results of GTC SA and the result of its sale in Q4 2013. |
| | | | | | | |
| **Net profit (loss) for the period** | **(11,392)** | **(127,038)** | **(7,487)** | **(65,950)** | **(121,973)** | - |
| | | | | | | |
| **Net profit (loss) attributed to equity holders of the parent** | **(11,450)** | **(106,515)** | **(7,520)** | **(65,628)** | **(101,333)** | - |
| **Net profit (loss) attributed to non-controlling interest holders** | 58 | (20,523) | 33 | (322) | (20,640) | - |

KARDAN N.V.

### 2.1.3 Cash Flow and source of funding (in EUR thousands)

| | FY 2013 | Q3 / 13 | Q3 / 14 | 9M / 13 | 9M / 14 | Notes |
|---|---|---|---|---|---|---|
| **Net cash provided by (used in) operating activities** | 19,637 | (17,394) | (7,955) | 475 | (40,399) | - |
| **Net cash used in investing activities** | (49,138) | (251,894) | (16,504) | (44,275) | (81,859) | In 9M/2014 € 37 mn were used for the acquisition of tangible fixed assets and investment properties. € 19 mn were used to provide long-term loans.<br>In 2013, € 42 mn were used for loans to bank customers and € 36 mn were used for acquisition of tangible fixed assets and investment properties. € 26 mn were provided from long-term loans and receivables and € 18 mn from sale of assets and investment. |
| **Net cash provided by financing activities** | 22,359 | 26,031 | 27,877 | 58,558 | (127,075) | In 9M 2014, € 69 mn were used for repayment of debentures. € 86 mn were provided from long term loans.<br>In 2013, € 132 mn were used for repayment of long term loans and € 58 mn were used for repayment and repurchase of debentures. € 69 mn were provided from loans from bank customers and € 12 mn were provided from sale of hedge instrument. |

The Auditors' review report in the Company's Financial Statements as of September 30, 2014 includes an emphasis of matter paragraph regarding significant doubts related to the Company's ability to continue as a going concern (for additional information regarding the Company's financial position reference is also made to note 1 of the financial statements) and presents a negative working capital in the company only and the consolidated financial statements. These are "warning signs" as defined in Regulation 10 (b) (14) of the Israeli Securities Authority regulations.

In accordance with the Israeli Securities Authority regulations the Company hereby provides cash-flow forecast for a period of two years as of September 30, 2014:

| **Forecast cash flow** | **October 1, 2014 – December 31, 2014** | **January 1, 2015 - December 31, 2015** | **January 1, 2016 – September 30, 2016** |
|---|---|---|---|
| | in € millions | | |
| | | | |
| **Cash and cash equivalents at the beginning of the period – Kardan NV*** | **0.2** | **10.3** | **118.9** |
| **Cash and cash equivalents at the beginning of the period – GTC RE** | **-** | **-** | **-** |
| **Company only resources** | | | |
| **From operating activities** | | | |
| General and administration expenses | (1.4) | (5.5) | (4.1) |
| **From investing activities** | | | |
| Sale of assets | 30 | 190 | - |
| Other | - | 0.2 | 0.1 |
| **Resources from investee companies** | | | |
| From operating activities in investments – Loan repayment | 10.1 | 30.6 | - |
| From operating activities in investments – Management fees | 0.1 | 0.5 | 0.2 |
| **Total Resources** | **39** | **226.1** | **115.1** |
| | | | |
| **Expected Uses** | | | |
| **From financing activities** | | | |
| Repayment of a loan | 28 | 5 | - |
| Interest payment of loans | 0.7 | 0.4 | - |
| Interest payment of debentures – Series A | - | 3.7 | 1.9 |
| Interest payment of debentures – Series B | - | 12.7 | 10.6 |
| Principal payment of debentures – Series A | - | 42.0 | 42.0 |
| Principal payment of debentures – Series B | - | 43.4 | 43.4 |
| **Total Uses** | **28.7** | **107.2** | **97.9** |
| **Cash and cash equivalents at the end of the period** | **10.3** | **118.9** | **17.2** |

Assumptions and Notes to the cash flow forecast:

1. The cash-flow projection has been jointly prepared for Kardan NV (company-only) and its wholly owned subsidiaries GTC Real Estate Holding BV) and Emerging Investments XII BV as the treasury of these companies is centralized. With respect to limitations regarding the transfer of funds between Kardan NV and GTC RE please see below under point 8.

2. The forecasted General and administration expenses are based on estimates of the Company according to its past experience.

3. With respect to sale or refinance of assets in 2014 and 2015, the Company is conducting processes through its subsidiaries to sell a part or the total of its significant assets. The Company recently reported that the advanced processes with various parties are with respect to the following assets:

   a. Shares in the company which owns the shopping mall in Chengdu, which is 50% held by KLC. The Company expects that upon completion of the sale approximately EUR 30 million, being part of the total consideration, will flow to the Company.
   b. The shares of KWIG, of which TGI indirectly holds 100% of the shares.

   Although the processes have recently advanced, it is emphasized that there is no guarantee that the processes regarding the sale of these assets will mature into agreements. In the past some similar processes did not mature.

   It should be further noted that the Company is engaged in a process to obtain a convertible loan against shares of an additional subsidiary.

   In parallel, the Company is in negotiation with the representatives of the debenture holders (Series A and Series B) in order to examine the possibility to come to an arrangement which would include postponement or rescheduling of the upcoming repayments, while paying the debt in full. For additional information, see note 1 to the financial statements.

   The Company believes it is probable that at least one of the aforementioned transactions will mature in time to allow the Company to meet its financial obligations towards the bank. Additionally, the Company believes it is probable that an additional transaction will mature before February 2015 which would allow the Company, depending on the transaction size, and if needed, in combination with either a convertible loan or a settlement with the debenture holders as mentioned above, to repay its liabilities.

4. In 2014 and 2015, most of the loan repayments are due to be received from KFS. The balance of the shareholder's loan to KFS amounted to EUR 41.7 mn as of the balance sheet date. This loan was assigned to Emerging Investments XII BV, which in its turn will distribute the proceeds to Kardan as dividend. Subsequent to balance sheet date, KFS repaid an amount of EUR 0.65 mn to the Company. The repayment is expected to be financed from the current operations of KFS and from the sale of certain assets such as TBI Credit and Avis Ukraine. The Company expects that the sale of TBI Credit would yield an amount of EUR 9 million (for additional information refer to note 9 to the financial statements).

5. The amount of Management fees from investee companies 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 September 30, 2014. 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 (wholly owned subsidiaries of the Company).

7. The cash flow forecast does not include any additional investments which the Company will make once those will be approved by the appropriate bodies in the Company. As of the authorization of these financial statements, the Company did not approve any new investments. It should be

noted that the projected cash flow does not include amounts relating to the claw-back clause, in the sale agreement, in 2015 and 2016.

8. Limitations on transferring funds: transfer of funds between Kardan NV and GTC RE is done through a loan, of which the balance amounts to EUR 20.2 mn as of September 30, 2014. In addition, GTC RE has free distributable reserves according to Dutch law amounting to EUR 185 mn as of September 30, 2014.

9. Restrictions on transfer of funds: money transfer from Emerging Investments XII to the Company is done by dividend payment from Emerging Investments XII. Retained earnings according to the Dutch law are in the amount of EUR 71.8 mn as of September 30, 2014.

10. Covenants: on January 29, 2014, GTC RE received a loan from a lending bank in the amount of EUR 33 mn. Under the conditions of the loan there are certain covenants and restrictions on transferring cash from certain subsidiaries. The first installment of the loan principal (EUR 28 mn) is scheduled for December 26, 2014 from the same sources as described in note 3. See note 8 of the 9M 2014 Financial Statements.

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.

KARDAN N.V.

## 2.2 Fair Value Disclosure

### 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 €' million) | Discount rate (%) | Exit rate (%) | 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 | 65,584 | 163.7 | 4.3 | 10.5% | 5.5% | 12% | EUR 20.5 per Sqm | Residual and cost approach . For the gross development value direct Comparison and DCF | external valuation – C&W | Based on external valuation performed by C&W for June 30, 2014 |

## 2.3 Issuance of debt

The following are details regarding the marketable debentures of Kardan NV as of September 30, 2014:

| | Debenture series A | Debenture series B |
|---|---|---|
| **Par value of issued debentures** | EUR 256 million (NIS 1,190,000,000) | EUR 287 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 September 30, 2014** | EUR 128.0 million (NIS 595,000,001 par value) | EUR 246.0 million (NIS 1,143,401,182 par value) |
| **Debentures held by subsidiaries** | 273,012,230 par value | 144,457,732 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 86.3 million (net of debentures held by subsidiaries) (*) | EUR 268.6 million (net of debentures held by subsidiaries) (*) |
| **Market capitalization as of September 30, 2014** | EUR 58.4 million (net of debentures held by subsidiaries) | EUR 162.8 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** | CC (September 2014) | CC (September 2014) |

(*) With respect to early repayments refer to events in the period.

**General meetings of the debenture holders**

In January 2014, the Company agreed to three additions to the existing agreement:

1. It was agreed to appoint a representative of the trustees who, after having signed a non-disclosure agreement with the Company, will be informed regularly on the progress of the Company and have access to confidential information. The representative is not permitted to share information with the trustees or the Debenture holders, but may reveal his conclusions and make recommendations based on the information provided to him. The representative is appointed until March 31, 2015.

2. The Company committed to give at least 45 days public notice prior to:

   a. Pledging shares (part or all) of the Target Assets as laid down in the March 2013 agreement with the debenture holders. The notification is required until the repayment of the debentures (principal and Interest) in February 2016 has taken place.

   b. Pledging shares (part or all) of Kardan Financial Services (KFS). The notification is required until the repayment of the debentures (principal and Interest) in February 2016 has taken place.

   c. In the event of an increase in any credit secured by assets, any change in the identity of the holders of the pledge and in the event of any material change in the terms of a pledge or credit facility which is secured by assets. All relates to existing as well as new pledges on assets.

3. Until December 31, 2014, the Company will not start insolvency procedures itself (in Israel or abroad), including suspension of payments or liquidation, without giving at least 30 days written notice to the trustees.

Debenture holders meeting March 31, 2014

The meeting of the debenture holders of Series A and Series B which was held on March 31, 2014 was adjourned without any resolutions.

Debenture holders meeting September 3, 2014

In addition, a meeting of the debenture holders of Series A and Series B was held on September 3, 2014, in which it was resolved that the debenture holders of Series A and Series B will be represented jointly.

### 2.4 Directors with accounting and financial expertise

Kardan N.V. is a corporation incorporated in the Netherlands and consequently the Companies Law 5759-1999 does not apply to it so that, among other things, it does not have to appoint external directors and is not required to appoint directors with accounting and financial expertise.

The Company has one-tier Board, instead of a two-tier. The Board, as is customary in Israel, comprises one executive Board Member, who is the CEO of the Company, and other non-executive Board Members, including the Chairman of the Board. In addition to the Board, the Company also established an Executive Management team.

In accordance with the Netherlands Corporate Governance Code ("The Tabaksblat Code"), Kardan N.V. has adopted the duty whereby at least one of the independent serving non-executive members of the Board, has financial and accounting expertise.

The directors with accounting and finance expertise currently serving on the Board are:
**Peter Sheldon** - Chairman of the Board, CPA, was a partner in an accounting firm in England.

**Cor van den Bos -** Chairman of the Audit Committee, holds university degrees in Economics and in Accounting and Business Administration, and serves as a consultant and director of various companies.

**Max Groen** - Member of the Audit Committee, has a university degree in economics and accounting and was a partner in the accountants firm KPMG in the Netherlands until 2005.

**Shouky Oren -** CEO of the Company, a graduate of Economics and Business Administration studies, former Accountant General of the State of Israel and former CEO of Bank Leumi Switzerland.

**Albert May -** Chairman of the Remuneration Appointment and Selection committee, holds a university degree in Applied economics, and served as director of international banks

**Eytan Rechter -** Serves as CEO and director of Kardan Yazamut Ltd. Group and holds a university degree in Psychology and Economics.

Members of management with accounting and finance experience who are members of the Executive Management are:

**Einat Oz-Gabber** - CFO of the Company holds a university degree in Economics and Accounting. She worked as an auditor at the offices of the firm of accountants of Liuboshitz, Kasirer & Co, and Deloitte Touche Amsterdam. Since 2005, she has served as a member of the Management of Kardan NV and other companies in the Group as well.

**Shouky Oren -** CEO of the Company, a graduate of Economics and Business Administration studies, former Accountant General of the State of Israel and former CEO of Bank Leumi Switzerland.

### 2.5 Financial Statement Approval Procedure

Kardan N.V.'s Board decided that the members of the Audit Committee (4 non-executive independent directors), also serve as the 'Financial Statements Review Committee'. In addition, the Company's CEO and CFO will participate in those meetings on a regular basis. The external auditor (EY) of Kardan N.V., as well as other financial functionaries at the Company, are invited and participate in the Company Financial Statement Review Committee sessions as well as in the Board meetings in which financial statements are discussed.

The Board Members in the Financial Statement Review Committee who, given their education and business experience (for their detailed biographies see www.kardan.nl), are capable of reading and understanding the financial statements, are:

**Cor van den Bos** - Chairman of the Audit Committee, holds university degrees in Economics and in Accounting and Business Administration and serves as a consultant and director of various companies. Cor van den Bos has management and financial experience through his positions in various Insurance corporations.

**Peter Sheldon** – Chairman of the Board, Member of the Audit committee and the Remuneration, Appointment and Selection committee. Peter Sheldon is a CPA and was a partner in an accounting firm in England. Peter Sheldon has management and financial experience through the various positions he held as a member of senior management in Retail and High Tech companies.

**Albert May** – Chairman of the Remuneration, Appointment and Selection committee and serves as a member of the Audit committee. Albert May holds a university degree in Applied economics and has management and financial experience through serving as a director of international banks.

**Max Groen –** Member of the Audit Committee. Max Groen has financial and accounting expertise and holds a university degree in Economics and Accounting. Until 2005, Max Groen served as partner in the accountants firm KPMG in the Netherlands.

The approval of the Q3 + 9M 2014 financial statements included, inter-alia the following sessions:

The first one, a meeting of the Audit Committee (and of the Financial Statement Review Committee) included a comprehensive principle discussion on the material accounting and auditing issues and a preliminary discussion in order to form its recommendations to the Board in relation to the approval of the 9M 2014 financial statements. All committee members attended this meeting of November 24, 2014, including the external auditors, the CEO and the CFO of the Company, the Controller and General Counsel of the Company as well as other relevant position holders at the Company. The committee examined, by means of a detailed presentation by the various financial bodies of the Company and by means of the external auditors' presentation, the Q3 + 9M 2014 operational result as well as the material issues in the Financial Statements, critical estimations and assumptions that were implemented, reasonableness of transactions that are not in the ordinary course of business, modification requirement at the accounting policy, proper disclosure and the valuations including the underlying assumptions.
In addition, the meeting included a comprehensive discussion on the Company's financial position, considering the Company's results and liquidity analysis in light of the expected maturities of the debentures and loan.

The recommendations of the Financial Statement Review Committee were provided to the Board after the aforesaid meeting on November 24, 2014. The date is consistent with the Board requirement.
Also on November 24, 2014 the Board discussed the recommendation of the 'Financial Statement Review Committee' with respect to the approval of the Financial Statements as of September 30, 2014. The Board members, Executive Management, the Company's Controller and General Counsel and various other relevant position holders at the Company attended the meeting. During the meeting the Financial Statements were presented to the Board, as well as a comprehensive review of the issues discussed at the prior meeting of the Financial Statement Review Committee.

On November 30, 2014 a committee which was qualified by the Board convened to approve the financial statements and their publication. The committee deliberated on the changes which had occurred to the financial statements and was also updated regarding the development in several accounting issues and the financial position of the Company. These updates were brought to the attention of the entire Board prior to convening this aforesaid committee meeting. At the end of these deliberations the committee approved the financial statements.

*November 30, 2014*

*P. Sheldon (Chairman of the Board)*
*S. Oren (CEO)*

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 September 30, 2014

## CONTENTS

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

page

## CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

**A s s e t s**

| | **September 30, 2014** | September 30, 2013 | December 31, 2013 |
|---|---|---|---|
| | | In €'000 | |
| **Non-current assets** | | | |
| Tangible fixed assets | 58,767 | 68,500 | 56,227 |
| Investment property | 163,743 | 107,974 | 118,068 |
| Investment in associates | 7,316 | - | 5,695 |
| Investment in joint ventures | 139,530 | 114,136 | 128,658 |
| Loans to bank customers | 60,468 | 26,145 | 50,392 |
| Long-term loans and receivables | 103,304 | 100,299 | 86,762 |
| Intangible assets and goodwill | 22,567 | 26,622 | 22,513 |
| Deferred income tax assets | 2,574 | 8,767 | 3,985 |
| | 558,269 | 452,443 | 472,300 |
| **Current assets** | | | |
| Inventories, contract work and buildings inventory in progress | 133,993 | 125,190 | 109,957 |
| Derivatives | - | 105 | 22 |
| Current maturities of long-term loans and receivables | 20,191 | 27,655 | 29,735 |
| Loans to bank customers | 51,100 | 65,374 | 48,522 |
| Trade receivables | 54,495 | 53,138 | 67,259 |
| Income tax receivables | 1,930 | 1,558 | 1,298 |
| Other receivables and prepayments | 54,333 | 63,460 | 56,187 |
| Short-term investments | 6,431 | 7,251 | 14,427 |
| Cash and cash equivalents | 96,201 | 124,946 | 118,268 |
| | 418,674 | 468,677 | 445,675 |
| Assets held for sale (Note 9) | 35,577 | 157,636 | 6,640 |
| Total current assets | 454,251 | 626,313 | 452,315 |
| **Total assets** | 1,012,520 | 1,078,756 | 924,615 |

*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**

| | **September 30, 2014** | September 30, 2013 | December 31, 2013 |
|---|---|---|---|
| | | In €'000 | |
| **Equity attributable to equity holders of the parent** | | | |
| Issued and paid-in capital | 23,041 | 23,041 | 23,041 |
| Share premium | 208,002 | 208,117 | 208,117 |
| Foreign currency translation reserve | 21,961 | 408 | (4,680) |
| Property revaluation reserve | 37,525 | 37,761 | 34,300 |
| Revaluation reserve, other | 9,713 | 6,759 | 12,296 |
| Non-controlling interest holders transactions reserve | 15,968 | 19,413 | 21,104 |
| Treasury shares | (2,625) | (2,786) | (2,786) |
| Accumulated deficit | (239,972) | (229,468) | (225,297) |
| | 73,613 | 63,245 | 66,095 |
| **Non-controlling interests** | 4,451 | 7,556 | 5,655 |
| **Total equity** | 78,064 | 70,801 | 71,750 |
| **Non-current liabilities** | | | |
| Interest-bearing loans and borrowings | 92,378 | 72,353 | 70,423 |
| Banking customers accounts | 276 | - | 128 |
| Other long-term liabilities | 4,342 | 2,233 | 6,887 |
| Options | 1,482 | 4,208 | 4,317 |
| Debentures | 254,223 | 329,534 | 327,240 |
| Deferred income tax liabilities | 14,966 | 13,073 | 12,584 |
| Accrued severance pay, net | 1,012 | 1,760 | 1,488 |
| | 368,679 | 423,161 | 423,067 |
| **Current liabilities** | | | |
| Advances from customers in respect of contracts | 51,043 | 32,069 | 40,214 |
| Banking customers accounts | 161,200 | 139,328 | 137,593 |
| Trade payables | 19,003 | 24,554 | 21,296 |
| Current maturities of debentures | 85,339 | 84,915 | 67,409 |
| Interest-bearing loans and borrowings | 104,834 | 154,697 | 47,786 |
| Income tax payables | 2,599 | 3,031 | 1,419 |
| Advances from apartment buyers | 28,705 | 23,568 | 5,667 |
| Derivatives | 308 | 213 | 273 |
| Other payables and accrued expenses | 90,815 | 122,419 | 108,141 |
| | 543,846 | 584,794 | 429,798 |
| Liabilities associated with assets held for sale (Note 9) | 21,931 | - | - |
| Total Current liabilities | 565,777 | 584,794 | 429,798 |
| **Total liabilities** | 934,456 | 1,007,955 | 852,865 |
| **Total equity and liabilities** | 1,012,520 | 1,078,756 | 924,615 |

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

## CONDENSED INTERIM CONSOLIDATED INCOME STATEMENT

| | For the nine months ended September 30, | | For the three months ended September 30, | | For the year ended December 31, |
|---|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 | 2013 |
| | In €'000 | | | | |
| Contract revenues | 122,240 | 109,123 | 38,420 | 33,001 | 153,010 |
| Retail lending activities | 24,510 | 18,047 | 6,124 | 6,452 | 24,406 |
| Sale of apartments | 9,150 | - | 411 | - | 23,984 |
| Management fee and other revenues | 5,045 | 4,919 | 1,919 | 1,619 | 6,595 |
| *Total revenues* | 160,945 | 132,089 | 46,874 | 41,072 | 207,995 |
| Contract costs | 95,786 | 86,101 | 28,950 | 25,456 | 121,342 |
| Costs of retail lending activities | 18,550 | 20,740 | 6,321 | 7,917 | 25,182 |
| Cost of sale of apartments | 7,606 | - | 372 | - | 19,697 |
| Other expenses, net | 4,023 | 1,840 | 1,587 | 547 | 3,358 |
| *Total expenses* | 125,965 | 108,681 | 37,230 | 33,920 | 169,579 |
| **Gross margin** | 34,980 | 23,408 | 9,644 | 7,152 | 38,416 |
| Selling and marketing expenses | 5,741 | 5,279 | 2,010 | 1,679 | 7,912 |
| General and administration expenses | 17,080 | 18,975 | 5,882 | 6,049 | 25,513 |
| **Profit (loss) from operations before fair value adjustments, disposal of assets and investment and other income** | 12,159 | (846) | 1,752 | (576) | 4,991 |
| Adjustment to fair value of investment property | 4,346 | 5,196 | 1,148 | 1,619 | 8,802 |
| Impairment losses on goodwill | - | (3,406) | - | (3,406) | (3,926) |
| Gain (loss) on disposal of assets and other income, net | 990 | (3,817) | 586 | (13,305) | (8,947) |
| *Profit (loss) from fair value adjustments, disposal of assets* | 5,336 | (2,027) | 1,734 | (15,092) | (4,071) |
| **Profit (loss) from operations** | 17,495 | (2,873) | 3,486 | (15,668) | 920 |
| Financial income | 7,776 | 13,101 | 2,718 | 3,502 | 6,185 |
| Financial expenses | (30,430) | (53,229) | (10,133) | (13,984) | (51,803) |
| *Total financial expenses, net* | (22,654) | (40,128) | (7,415) | (10,482) | (45,618) |
| **Profit (loss) before share of profit (loss) from investments accounted for using the equity method** | (5,159) | (43,001) | (3,929) | (26,150) | (44,698) |
| Share of profit (loss) of investments accounted for using the equity method, net | (531) | 3,985 | (1,499) | 3,158 | 12,345 |
| **Profit (loss) before income taxes** | (5,690) | (39,016) | (5,428) | (22,992) | (32,353) |
| Income tax expenses (tax benefit) | 5,702 | 9,324 | 2,059 | (272) | 14,443 |
| **Profit (loss) for the year from continuing operations** | (11,392) | (48,340) | (7,487) | (22,720) | (46,796) |
| Net loss from discontinued operations | - | (78,698) | - | (43,230) | (75,177) |
| **Net profit (loss) for the period** | (11,392) | (127,038) | (7,487) | (65,950) | (121,973) |
| Attributable to: | | | | | |
| Equity holders | (11,450) | (106,515) | (7,520) | (65,628) | (101,333) |
| Non-controlling interest holders | 58 | (20,523) | 33 | (322) | (20,640) |
| | (11,392) | (127,038) | (7,487) | (65,950) | (121,973) |
| Earnings (loss) per share attributable to shareholders: | | | | | |
| Basic from continuing operations | (0.1) | (0.25) | (0.07) | (0.33) | (0.42) |
| Basic from discontinued operations | - | (0.71) | - | (0.20) | (0.50) |
| | (0.1) | (0.96) | (0.07) | (0.53) | (0.92) |
| Diluted from continuing operations | (0.1) | (0.26) | (0.07) | (0.40) | (0.42) |
| Diluted from discontinued operations | - | (0.71) | - | (0.20) | (0.50) |
| | (0.1) | (0.97) | (0.07) | (0.60) | (0.92) |

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

## CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | For the nine months ended September 30 | | For the three months ended September 30 | | For the year ended December 31, |
|---|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 | 2013 |
| | In €'000 | | | | |
| **Net profit (loss) for the period** | (11,392) | (127,038) | (7,487) | (65,950) | (121,973) |
| Foreign currency translation differences | 26,654 | (786) | 25,407 | (8,966) | (4,596) |
| Change in hedge reserve, net of tax (1) | (2,684) | 6,966 | (1,986) | (1,157) | 6,677 |
| Other comprehensive income (expense) for the period to be reclassified to profit or loss in subsequent periods (2) | 23,970 | 6,180 | 23,421 | (10,123) | 2,081 |
| **Total comprehensive expenses** | 12,578 | (120,858) | 15,934 | (76,073) | (119,892) |
| Attributable to: | | | | | |
| Equity holders | 12,507 | (102,495) | 15,797 | (75,738) | (101,409) |
| Non-controlling interests holders | 71 | (18,363) | 137 | (335) | (18,483) |
| | 12,578 | (120,858) | 15,934 | (76,073) | (119,892) |

(1) Including reclassification of hedge reserve of €981 thousand and €334 thousand for the nine and three months period ended September 30, 2014 respectively, €2,248 thousand and €1,549 thousand for the nine and three months period ended September 30, 2013 respectively and €2,201 thousand for the year ended December 31, 2013.

The amounts presented are net of tax amounting to €327 thousand and €111 thousand for the nine and three ended September 30, 2014 respectively, €517 thousand and €263 thousand for the nine and three months period ended September 30, 2013 respectively and €662 thousand for the year ended December 31, 2013.

(2) Including impact resulted from associates and joint ventures of €10,077 thousand and €3,328 thousand for the nine months ended September 30, 2014 and 2013 respectively, €9,901 thousand and €(274) thousand for the three months ended September 30, 2014 and 2013 respectively and €(1,059) thousand for the year 2013.

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

## CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Attributable to equity holders of the parent | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Issued and paid-in capital | Share premium | Property revaluation reserve (*) | Revaluation reserve, other (*) | Foreign currency translation reserve(*) | Non-controlling interest holders transactions reserve | Treasury shares | Accumulated deficit | Total | Non-controlling Interests | Total equity |
| | In €'000 | | | | | | | | | | |
| **Balance as of January 1, 2014** | 23,041 | 208,117 | 34,300 | 12,296 | (4,680) | 21,104 | (2,786) | (225,297) | 66,095 | 5,655 | 71,750 |
| Other comprehensive profit (loss) | - | - | - | (2,684) | 26,641 | - | - | - | 23,957 | 13 | 23,970 |
| Profit (loss) for the period | - | - | - | - | - | - | - | (11,450) | (11,450) | 58 | (11,392) |
| Total comprehensive income (loss) | - | - | - | (2,684) | 26,641 | - | - | (11,450) | 12,507 | 71 | 12,578 |
| Share-based payment | - | - | - | 147 | - | - | - | - | 147 | 384 | 531 |
| Transactions with non-controlling interest holders (refer to Note 7B, 7C and 8B) | - | - | - | - | - | (5,136) | - | - | (5,136) | (1,659) | (6,795) |
| Issuance of treasury shares | - | (115) | - | (46) | - | - | 161 | - | - | - | - |
| Reclassification according to the Netherlands civil code requirements law (*) | - | - | 3,225 | - | - | - | - | (3,225) | - | - | - |
| **Balance as of September 30, 2014** | 23,041 | 208,002 | 37,525 | 9,713 | 21,961 | 15,968 | (2,625) | (239,972) | 73,613 | 4,451 | 78,064 |

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

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

## CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Attributable to equity holders of the parent | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Issued and paid-in capital | Share premium | Property revaluation reserve (*) | Revaluation reserve, other (*) | Foreign currency translation reserve(*) | Non-controlling interest holders transactions reserve | Treasury shares | Accumulated deficit | Total | Non-controlling Interests | Total equity |
| | In €'000 | | | | | | | | | | |
| **Balance as of January 1, 2013** | 23,041 | 208,165 | 57,802 | 8,156 | (462) | 20,128 | (2,847) | (147,809) | 166,174 | 542,454 | 708,628 |
| Other comprehensive income (loss) | - | - | - | 4,431 | (411) | - | - | - | 4,020 | 2,160 | 6,180 |
| Loss for the period | - | - | - | - | - | - | - | (106,515) | (106,515) | (20,523) | (127,038) |
| Total comprehensive income (loss) | - | - | - | 4,431 | (411) | - | - | (106,515) | (102,495) | (18,363) | (120,858) |
| Share-based payment | - | - | - | 222 | - | - | - | - | 222 | (2,323) | (2,101) |
| Non-controlling interest holders | - | - | - | - | - | (715) | - | - | (715) | 518 | (197) |
| Issuance of treasury shares | - | (48) | - | (13) | - | - | 61 | - | - | - | - |
| Disposal of a subsidiary | - | - | - | (314) | - | - | - | 314 | - | (514,810) | (514,810) |
| Other reserves | - | - | - | 59 | - | - | - | - | 59 | 80 | 139 |
| Reclassification according to the Netherlands civil code requirements law(*) | - | - | (20,041) | (5,782) | 1,281 | - | - | 24,542 | - | - | - |
| **Balance as of September 30, 2013** | 23,041 | 208,117 | 37,761 | 6,759 | 408 | 19,413 | (2,786) | (229,468) | 63,245 | 7,556 | 70,801 |

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

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

## CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Attributable to equity holders of the parent | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Issued and paid-in capital | Share premium | Property revaluation reserve (*) | Revaluation reserve, other (*) | Foreign currency translation reserve(*) | Non-controlling interest holders transactions reserve | Treasury shares | Accumulated deficit | Total | Non-controlling Interests | Total equity |
| | In €'000 | | | | | | | | | | |
| **Balance as of July 1, 2014** | 23,041 | 208,002 | 36,763 | 11,658 | (3,342) | 15,968 | (2,625) | (231,690) | 57,775 | 4,063 | 61,838 |
| Other comprehensive income (loss) | - | - | - | (1,986) | 25,303 | - | - | - | 23,317 | 104 | 23,421 |
| Profit (loss) for the period | - | - | - | - | - | - | - | (7,520) | (7,520) | 33 | (7,487) |
| Total comprehensive income (loss) | - | - | - | (1,986) | 25,303 | - | - | (7,520) | 15,797 | 137 | 15,934 |
| Share-based payment | - | - | - | 41 | - | - | - | - | 41 | 251 | 292 |
| Reclassification according to the Netherlands civil code requirements law (*) | - | - | 762 | - | - | - | - | (762) | - | - | - |
| **Balance as of September 30, 2014** | 23,041 | 208,002 | 37,525 | 9,713 | 21,961 | 15,968 | (2,625) | (239,972) | 73,613 | 4,451 | 78,064 |

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

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

## CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Attributable to equity holders of the parent | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Issued and paid-in capital | Share premium | Property revaluation reserve (*) | Revaluation reserve, other (*) | Foreign currency translation reserve(*) | Non-controlling interest holders transactions reserve | Treasury shares | Accumulated deficit | Total | Non-controlling Interests | Total equity |
| | In €'000 | | | | | | | | | | |
| **Balance as of July 1, 2013** | 23,041 | 208,117 | 38,332 | 7,843 | 9,361 | 19,871 | (2,786) | (164,411) | 139,368 | 7,981 | 147,349 |
| Other comprehensive income (loss) | - | - | - | (1,157) | (8,953) | - | - | - | (10,110) | (13) | (10,123) |
| Loss for the period | - | - | - | - | - | - | - | (65,628) | (65,628) | (322) | (65,950) |
| Total comprehensive income (loss) | - | - | - | (1,157) | (8,953) | - | - | (65,628) | (75,738) | (335) | (76,073) |
| Share-based payment | - | - | - | 73 | - | - | - | - | 73 | 164 | 237 |
| Exercise option plans in a subsidiary | - | - | - | - | - | (458) | - | - | (458) | (254) | (712) |
| Reclassification according to the Netherlands civil code requirements law(*) | - | - | (571) | - | - | - | - | 571 | - | - | - |
| **Balance as of September 30, 2013** | 23,041 | 208,117 | 37,761 | 6,759 | 408 | 19,413 | (2,786) | (229,468) | 63,245 | 7,556 | 70,801 |

(*) 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 (CONTINUED)

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

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

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

## CONSOLIDATED CASH FLOW STATEMENT

| | For nine months period ended September 30, | | For three months period ended September 30, | | For the year ended December 31. |
|---|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 | 2013 |
| | In €'000 | | | | |
| **Cash flow from operating activities** | | | | | |
| Profit (loss) from continuing operations before taxes on income | (5,690) | (39,016) | (5,428) | (22,992) | (32,353) |
| Loss from discontinued operations before taxes on income | - | (73,054) | - | (43,230) | (69,531) |
| Adjustments to reconcile net profit (loss) from operation activities to net cash (see A below) | 25,327 | 9,437 | (2,527) | 23,467 | (20,235) |
| Adjustments on operating activities from discontinued operations | - | 85,239 | - | 43,230 | 81,720 |
| **Net cash provided by (used in) operating activities** | 19,637 | (17,394) | (7,955) | 475 | (40,399) |
| **Cash flow from investing activities** | | | | | |
| Acquisition of tangible fixed assets and investment property | (36,503) | (25,030) | (13,780) | (9,357) | (36,128) |
| Investments and collection (granting) of loans from (to) companies accounted for using the equity method, net | (1,651) | 522 | (770) | 617 | 471 |
| Change from sale (purchase) of assets and investments | 115 | 15,682 | (529) | 2,456 | 18,439 |
| Change in loans to bank customers, net | 7,641 | (33,776) | 2,317 | (10,779) | (41,965) |
| Change in long-term loans and receivables | (19,338) | (2,740) | (3,790) | (24,533) | 26,174 |
| Change in short-term investments | 576 | 743 | 26 | 444 | (286) |
| Change from full consolidation to equity method (see B below) | - | - | - | - | 1,223 |
| Disposal of a previously consolidated subsidiary due to bankruptcy (see C below) | - | - | - | - | (22) |
| Change from equity method to full consolidation (see D below) | - | - | - | - | 208 |
| Change in deferred brokerage fees and other assets | 22 | (1,963) | 22 | (3,123) | (1,990) |
| Net cash provided by (used in) investing activities from continuing operations | (49,138) | (46,562) | (16,504) | (44,275) | (33,876) |
| Change from full consolidation to equity method (see E below) (discontinued operations) | - | (197,151) | - | - | (197,151) |
| Disposal of an investment accounted for using the equity method (discontinued operations) | - | - | - | - | 157,349 |
| Net cash provided by (used in) investing activities from discontinued operations | - | (8,181) | - | - | (8,181) |
| **Net cash used in investing activities** | (49,138) | (251,894) | (16,504) | (44,275) | (81,859) |

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

**CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)**

| | For nine months period ended September 30, | | For three months period ended September 30, | | For the year ended December 31, |
|---|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 | 2013 |
| | In €'000 | | | | |
| **Cash flows from financing activities** | | | | | |
| Issuance of debentures | 2,155 | - | - | - | - |
| Repayment and repurchase of debentures | (68,538) | (49,933) | - | (845) | (58,390) |
| Change in loans from bank customers | 23,755 | 99,034 | 32,567 | 48,930 | 69,401 |
| Proceeds from long-term loans | 86,372 | 34,582 | 2,485 | 6,285 | 30,849 |
| Repayment of long-term loans | (16,085) | (28,796) | (7,129) | (991) | (132,045) |
| Change in short-term loans and borrowings | (1,390) | (8,269) | (46) | (5,941) | (8,432) |
| Release of pledged deposit | 8,017 | - | - | - | - |
| Repayment of long term liability | (8,031) | - | - | - | - |
| Change in short term deposits | (350) | - | - | - | (8,029) |
| Proceeds from sale of a hedge instrument | - | 11,634 | - | 11,634 | 11,634 |
| Costs related to issuance of loans | (267) | - | - | - | - |
| Transactions with non controlling interest holders (See note 7B) | (3,279) | (514) | - | (514) | (356) |
| Net cash provided by (used in) financing activities from continuing operations | 22,359 | 57,738 | 27,877 | 58,558 | (95,368) |
| Net cash used in financing activities from discontinued operations | - | (31,707) | - | - | (31,707) |
| **Net cash provided by (used in) financing activities** | 22,359 | 26,031 | 27,877 | 58,558 | (127,075) |
| **Foreign exchange differences relating to cash and cash equivalents** | 6,616 | (1,038) | 5,672 | (1,202) | (1,640) |
| **Increase (decrease) in cash and cash equivalents** | (526) | (244,295) | 9,090 | 13,556 | (250,973) |
| **Cash and cash equivalents classified as assets held for sale** | (21,541) | 131 | (21,541) | - | 131 |
| **Cash and cash equivalents at the beginning of the period** | 118,268 | 369,110 | 108,652 | 111,390 | 369,110 |
| **Cash and cash equivalents at the end of the period** | 96,201 | 124,946 | 96,201 | 124,946 | 118,268 |

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

## CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

| | For nine months period ended September 30, | | For three months period ended September 30, | | For the year ended December 31, |
|---|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 | 2013 |
| | In €'000 | | | | |
| **A. Adjustments to reconcile profit (loss) before tax to net cash flows:** | | | | | |
| Share of loss (profit) of investments accounted for using the equity method | 531 | (3,985) | 1,499 | (3,158) | (12,345) |
| Impairment of investment | - | 8,179 | - | 8,179 | 8,254 |
| Impairment of goodwill and other intangible assets | 233 | 9,914 | - | 9,191 | 13,588 |
| Share-based payment | 675 | 1,613 | 321 | 297 | 1,804 |
| Depreciation and amortization | 3,806 | 3,799 | 1,248 | 1,086 | 7,196 |
| Fair value adjustments of investment property | (4,346) | (5,196) | (1,148) | (1,619) | (8,802) |
| Financial expense and exchange differences, net | 33,779 | 56,276 | 10,788 | 13,908 | 54,277 |
| Capital loss (gain) from sale property plant and equipment, net | 92 | (7,908) | 45 | 745 | (7,886) |
| Decrease (increase) in fair value of securities held for trading and hedge instruments, net | - | (1,386) | - | (1,585) | (1,736) |
| Increase in provision for bad debts in the banking and retail lending segment | 5,644 | 4,616 | 4,638 | 2,030 | 7,026 |
| **Changes in operating assets and liabilities:** | | | | | |
| Change in trade and other receivables | (7,227) | (46,194) | (4,058) | 1,051 | (71,225) |
| Change in inventories and in contract work in progress, net of advances from customers | 12,053 | 2,540 | (7,063) | 5,806 | 2,368 |
| Change in trade and other payables and others | (5,310) | (2,118) | (3,026) | (8,352) | 16,461 |
| Increase of concession finance receivables | (5,144) | 3,831 | (876) | 3,701 | (4,854) |
| Movement in pledged deposit | (1,645) | - | (154) | - | - |
| Interest paid | (22,192) | (30,468) | (7,543) | (10,817) | (54,746) |
| Interest received | 17,517 | 19,466 | 5,203 | 3,825 | 36,412 |
| Income taxes paid | (3,139) | (3,542) | (2,401) | (821) | (6,027) |
| | 25,327 | 9,437 | (2,527) | 23,467 | (20,235) |

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

## CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

| | For nine months period ended September 30, | | For three months period ended September 30, | | For the year ended December 31 |
|---|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 | 2013 |
| | In €'000 | | | | |
| **B. Change from full consolidation to equity method** | | | | | |
| Working capital (excluding cash and cash equivalents) | - | - | - | - | (475) |
| Receivable from sale of an investment in a subsidiary | - | - | - | - | (3,759) |
| Non-current assets | - | - | - | - | 10,768 |
| Investment in an associate accounted using | - | - | - | - | (5,681) |
| Gain on disposal of investment | - | - | - | - | 370 |
| Total | - | - | - | - | 1,223 |

| | For nine months period ended September 30, | | For three months period ended September 30, | | For the year ended December 31, |
|---|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 | 2013 |
| | In €'000 | | | | |
| **C. Disposal of a previously consolidated subsidiary due to bankruptcy** | | | | | |
| Working capital (excluding cash and cash | - | - | - | - | (2,921) |
| Non-current assets | - | - | - | - | 2,571 |
| Deferred tax | - | - | - | - | 328 |
| | - | - | - | - | (22) |

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

## CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

| | For nine months period ended September 30, | | For three months period ended September 30, | | For the year ended December 31, |
|---|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 | 2013 |
| | In €'000 | | | | |
| **D. Change from equity method to full consolidation** | | | | | |
| Working capital (excluding cash and cash equivalents) | - | - | - | - | 254 |
| Non-current assets | - | - | - | - | (2) |
| Investment in an associate accounted using the equity method | - | - | - | - | (94) |
| Goodwill | - | - | - | - | (1,241) |
| Option granted to non-controlling interest | - | - | - | - | 667 |
| Deferred tax liability | - | - | - | - | 50 |
| Non-controlling interest | - | - | - | - | (94) |
| Gain on disposal of investment | - | - | - | - | 668 |
| | - | - | - | - | 208 |

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

| | For nine months period ended September 30, | | For three months period ended September 30, | | For the year ended December 31, |
|---|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 | 2013 |
| | In €'000 | | | | |
| **F. Material non cash transaction** | | | | | |
| Liability to purchase shares from non-controlling interest holders | 6,535 | - | - | - | - |
| | 6,535 | - | - | - | - |

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

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**
**September 30, 2014**

## 1. Corporate information

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

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

These condensed interim financial statements were approved by the Board of Directors on November 30, 2014.

**Going concern**

As of September 30, 2014 the Company had, on a consolidated and stand-alone basis, a working capital deficit of €111,526 thousand and €103,471 thousand, respectively, which is mainly due to the current maturities of the Company's debentures.

The Company, together with GTC RE, has prepared a liquidity analysis for the next two years as of the balance sheet date, which addresses the required liquidity for the Company to be able to repay the principal and interest of debentures (series A and B) in February 2015 and 2016 in the total amounts of €101.8 million and €97.8 million respectively, as well as a bank loan for an amount of €28.7 million (including interest) in December 2014 and €5 million in December 2015, and its other liabilities and to finance its operations.

The repayments are likely to be funded mostly by cash to be generated through the sale of certain assets, including the sale of investments in shares of certain subsidiaries, by raising loans (against pledge of free assets) and / or repayment of certain shareholder's loans and dividend distribution by some of the Company's subsidiaries. In this context it should be noted that the Company is engaged directly and through its subsidiaries in a number of negotiations - in various stages - regarding materialization of such assets. More specifically, the Company is currently in advanced processes with various parties regarding the sale of its indirect 50% interest in the commercial centre Galleria Chengdu, which is held through Kardan Land China, a 100% subsidiary and KWIG, a wholly owned subsidiary of TGI, which is active in water treatment in China. In addition, the Company announced an agreement to sell TBI Credit (see Note 9 below) and is also in a process for obtaining a convertible loan against shares of another subsidiary.

In September 2014 the Company's Board of Directors decided to comply with the request of the trustees and the joint representatives of the debenture holders (Series A and B) of the Company (the 'Debenture Holders') to enter into discussions. The purpose is to examine the possibility to come to an agreement with the Debenture Holders, on postponing or rescheduling the installments that are payable by the Company, with the commitment to repay the debt in full.
The Company presented an initial framework regarding debt arrangement, mainly focusing on postponing or rescheduling of payments, while repaying the debt in full. In addition, it included elements such as a higher interest payable on the debentures and allocation of up to 10% of the Company's shares.

During October and November 2014 the Company held a number of meetings with the trustees and the joint representatives during which the preliminary layout of a debt arrangement was discussed. In October 2014, the Company signed a letter of undertaking towards the trustees for the period of the negotiations (‘interim period’), whereby during this interim period, the Company will cooperate and provide information to the trustees, and will avoid certain actions, including transactions with controlling shareholders and their relatives and making a "distribution" (as defined in the Israeli Companies Law, 1999) and give the trustees notice, 21 days before the execution of certain activities or transactions, which are defined in the letter of undertaking.

The Company believes that it is probable that at least one transaction described above will mature in time to allow the Company to meet its financial obligations towards the Bank. In addition, the Company believes it is probable that one additional transaction will mature before February 2015 which, would allow the Company depending on the transaction size and if needed in combination with either a convertible loan or a settlement with the debenture holders, as described above, to pay its liabilities and continue its operations .

The proceeds from the realization of these above mentioned plans will serve the Company within the limitations of the deed of trust of the debentures and the loan agreement with Discount Bank, as disclosed in Note 28 and 41 to the annual financial statements and in Note 8 to these condensed interim consolidated financial statements.

The Company believes that, in light of the value of its total assets which remains considerably higher than its total liabilities, and in light of the current indications regarding the ability to realize a sale of assets and/or obtain credit in the required timeframe, and in light of the current state of the discussions with the trustees and representative of the debenture holders there are good chances that it will be able to realize its plans and that it will be able to repay its liabilities as they mature, or according to a revised repayment schedule if so agreed with the debenture holders, in the foreseeable future. However, the realization, the price and the timing of the Company’s plans in relation to the sale of assets, repayment of shareholder’s loans by certain subsidiaries, raising debt and realizing an agreement with the debenture holders 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.
These factors, and other factors set forth above, in particular the fact that the Company should materialize significant transactions in a short time frame, raise significant doubts about the Company's ability to repay its liabilities and continue as a going concern. The financial statements have been prepared under the assumption that the Company continues as a going concern. Hence, the financial statements do not include any adjustments to the carrying amounts and classifications of assets and liabilities that would result if the Company was unable to continue as a going concern.

## 2. Basis of presentation and preparation

### A. Basis of preparation

The condensed interim consolidated financial statements for the nine and three months ended September 30, 2014 have been prepared in accordance with International Accounting Standard (IAS) 34 as defined by the International Accounting Standards Board and as endorsed by the European Union to be used for the preparation of interim consolidated financial statements.

The condensed interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as at December 31, 2013.

The accounting policies adopted in the preparation of these condensed interim consolidated financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended December 31, 2013 - except for the adoption of new standards and interpretations as of  January 1, 2014 as set forth below.

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

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

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

### C. New and amended standards and Interpretations, effective for financial years starting after 1 January 2014 or later

**IFRIC 21 Levies**

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

**IFRS 15 Revenue from Contracts with Customers**

IFRS 15 ('the Standard') was issued by the IASB in May 2014.

IFRS 15 replaces IAS 18, "Revenue", IAS 11, "Construction Contracts, and the related Interpretations: IFRIC 13, "Customer Loyalty Programs", IFRIC 15, "Agreements for the Construction of Real Estate", IFRIC 18, "Transfers of Assets from Customers" and SIC-31, "Revenue - Barter Transactions Involving Advertising Services".

The Standard introduces the following five-step model that applies to revenue from contracts with customers:

Step 1: Identify the contract(s) with a customer, including reference to contract consolidation and accounting for contract modifications.

Step 2: Identify the distinct performance obligations in the contract

Step 3: Determine the transaction price, including reference to variable consideration, financing components that are significant to the contract, non-cash consideration and any consideration payable to the customer.

Step 4: Allocate the transaction price to the separate performance obligations on a relative stand-alone selling price basis using observable information, if it is available, or by making estimates and assessments.

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation over time or at a point in time.

IFRS 15 also establishes the accounting treatment of incremental costs involving obtaining a contract and the costs directly related to fulfilling a contract.

The Standard will apply retrospectively to annual periods beginning on or after January 1, 2017. Early adoption is permitted. The Standard may be applied to existing contracts beginning with the current period and thereafter. No restatement of the comparative periods will be required as long as comparative disclosures about the current period's revenues under existing IFRS are included.

The IFRS 15 was not yet adopted by the EU and the Company is evaluating the possible impact of the adoption of IFRS 15 but is presently unable to assess their effect, if any, on the financial statements.

**IFRS 9 Financial Instruments**

In keeping with the matters discussed in Note 5 to the annual financial statements as of December 31, 2013 regarding disclosure of new IFRS Standards in the period prior to their adoption in the issue of IFRS 9, in July 2014, the IASB issued the final and complete version of IFRS 9, "Financial Instruments" (‘the Final Standard’) which includes the following elements: classification and measurement, impairment and hedge accounting.

The main changes between the Final Standard and the previously published phases of the Standard are:

*Classification and measurement:*

The final version of IFRS 9 includes another category for the classification and measurement of financial assets that represent debt instruments. Financial assets classified in this category will be measured at fair value through other comprehensive income ("FVOCI") and the differences previously carried to other comprehensive income as above will be reclassified to profit or loss under specific conditions such as when the asset is derecognized. Finance income, exchange rate differences and impairment losses on financial assets, however, will be recognized in profit or loss. The classification in this category is allowed for debt instruments that meet the following tests on a cumulative basis:

- Based on the financial asset's contractual terms and on specific dates, the entity is entitled to receive cash flows that represent solely principal payments and interest payments on the principal balance.

- The asset is held in the context of a business model whose aim is both to collect the contractual cash flows generated from the asset and to dispose of the asset.

*Impairment:*

The final Standard addresses the issue of impairment of financial assets by introducing the expected credit loss impairment model to replace the incurred loss model prescribed in IAS 39. The expected credit loss model applies to debt instruments measured at amortized cost or at FVOCI and to trade receivables. The model introduces a simpler and economic approach for measuring impairment:

- General approach - credit losses due to default which are expected to occur in the subsequent 12-month period will be recognized provided that there has not been a significant increase in credit risk since the date of initial recognition of the instrument. On the other hand, if there has been a significant increase in credit risk since the date of initial recognition of the instrument, a provision should be recognized for credit losses that are expected to occur over the remaining life of the exposure in respect of said instrument.

- A simpler approach (applies in certain cases and for certain groups of assets only, including trade receivables) - according to this approach, the credit losses that are expected to occur over the remaining life of the exposure in respect of said instrument should be recognized, regardless of the occurrence of credit risk changes since the date of initial recognition of said instrument.

The final Standard will be applied retrospectively, subject to certain exemptions stipulated therein, in the financial statements for annual periods beginning on or after January 1, 2018. Earlier application is permitted. The IFRS 15 was not yet adopted by the EU

**Amendments to IFRS 10 and IAS 28 regarding sale or transfer of assets between an investor and an investee or its joint venture:**

In September 2014, the IASB issued amendments to IFRS 10 and IAS 28 (‘the Amendments’) regarding the accounting treatment of the sale or transfer of assets (an asset, a disposal group or subsidiary) between an investor and an investee or the investee's joint venture.

According to the Amendments, when the investor loses control over a subsidiary or a disposal group which does not constitute a business in a transaction with an investee or its joint venture, the gain will be partially eliminated so that the gain that will be recognized is the gain from the sale to external entities only. Also according to the Amendments, if the remaining rights held by the investor represent a financial asset as defined in IFRS 9, the gain will be fully recognized.

If the transaction with an investee or its joint venture involves loss of control in a subsidiary of a disposal group that constitutes a business, the gain will be fully recognized.

The Amendments are to be applied prospectively for transactions that occur in annual periods beginning on January 1, 2016 or thereafter.

The Company believes that the Amendments are not expected to have a material impact on the financial statements. The amendments to IFRS 10 and IAS 28 have not been endorsed by the EU.

## IFRS 11 Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations

The amendments are applied prospectively and require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant IFRS 3 'Business Combinations' principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. in, and other IFRSs, that do not conflict with the guidance in IFRS 11 In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendments will have no impact on the Group's financial position and performance. The amendments become effective for financial years beginning on or after 1 January 2016. Early adoption is permitted. The IFRS 11 amendment was not yet adopted by the EU

**Improvements to IFRSs 2012-2014 Cycle (Issued September 2014)**

The IASB issued the 2012-2014 cycle improvements to its standards and interpretations, primarily with a view to removing inconsistencies and clarifying wording. These improvements cover the following standards and subjects.

- IFRS 5 'Non-Current Assets Held for Sale and Discontinued Operations': Changes in methods of disposal
- IFRS 7 'Financial Instruments: Disclosures':
- Servicing contracts
- Applicability of the amendments to IFRS 7 to condensed interim financial statements.
- IAS 19 'Employee Benefits': Regional market issue
- IAS 34 'Interim Financial Reporting': Disclosure of information "elsewhere in the interim financial report"

The improvements become effective for financial years beginning on or after 1 January 2016.

### 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 (in Israel) |
|---|---|---|---|---|
| September 30, 2014 | 0.79 | 0.22 | 7,80 | 132.6 |
| September 30, 2013 | 0.74 | 0.21 | 8,30 | 133.0 |
| December 31, 2013 | 0.73 | 0.21 | 8.42 | 133.0 |
| | | | | |
| Change in 2014 (9 months) | 9.51% | 2.87% | (7.29%) | (0.29%) |
| Change in 2014 (3 months) | 8.52% | 0.97% | (7.02%) | - |
| Change in 2013 (9 months) | (2.33%) | 3.08% | (0.23%) | 1.78% |
| Change in 2013 (3 months) | (3.34%) | (1.12%) | 3.04% | 0.45% |
| Change in 2013 (12 months) | (4.32%) | 2.9% | (1.22%) | 1.81% |

### E. Reclassifications

The comparative information in the income statement as of September 30, 2013 was reclassified to conform to current period's presentation. The reclassifications were not material in relation to the total assets and liabilities.

## 3. Segment information

For the nine months ended September 30, 2014:

| | Real Estate Asia | Banking and Retail lending | Water Infrastructure Projects | Water Infrastructure Assets | Other (**) | Total |
|---|---|---|---|---|---|---|
| | | | | In €'000 | | |
| Revenue | 12,538 | 26,167 | 98,137 | 24,103 | - | 160,945 |
| Other income (expense) (*) | 4,401 | 959 | (397) | 41 | (199) | 4,805 |
| Total Income | 16,939 | 27,126 | 97,740 | 24,144 | (199) | 165,750 |
| Segment result | 1,729 | 6,391 | 7,013 | 5,957 | (199) | 20,891 |
| Unallocated expenses | | | | | | (3,927) |
| Profit from operations and share in profit of investment accounted using the equity method before finance expenses, net | | | | | | 16,964 |
| Finance expenses, net | | | | | | (22,654) |
| Loss before income tax | | | | | | (5,690) |
| Income tax expenses | | | | | | (5,702) |
| Loss for the period | | | | | | (11,392) |

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

(**) Including the results of GTC Investments B.V.

For the nine months ended September 30, 2013:

| | Real Estate Asia | Banking and Retail lending | Water Infrastructure Projects | Water Infrastructure Assets | Other (**) | Total |
|---|---|---|---|---|---|---|
| | | | In €'000 | | | |
| Revenue | 3,511 | 19,453 | 86,396 | 22,729 | - | 132,089 |
| Other income (expense) (*) | 11,991 | (9,848) | (666) | (115) | 596 | 1,958 |
| Total Income | 15,502 | 9,605 | 85,730 | 22,614 | 596 | 134,047 |
| Segment result | 8,206 | (12,351) | 2,573 | 6,122 | 596 | 5,146 |
| Unallocated expenses | | | | | | (4,034) |
| Profit from operations and share in profit of investment accounted using the equity method before finance expenses, net | | | | | | 1,112 |
| Finance expenses, net | | | | | | (40,128) |
| Loss before income tax | | | | | | (39,016) |
| Income tax expenses | | | | | | (9,324) |
| Loss from continuing operations | | | | | | (48,340) |
| Loss from discontinued operations | | | | | | (78,698) |
| Loss for the period | | | | | | (127,038) |

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

(**) Including the results of GTC Investments B.V.

For the three months ended September 30, 2014:

| | Real Estate Asia | Banking and Retail lending | Water Infrastructure Projects | Water Infrastructure Assets | Other (**) | Total |
|---|---|---|---|---|---|---|
| | | | | In €'000 | | |
| Revenue | 1,628 | 6,826 | 30,072 | 8,348 | - | 46,874 |
| Other income (expense) (*) | (215) | 549 | (54) | 69 | (114) | 235 |
| Total Income | 1,413 | 7,375 | 30,018 | 8,417 | (114) | 47,109 |
| Segment result | (1,645) | 240 | 2,688 | 2,083 | (114) | 3,252 |
| Unallocated expenses | | | | | | (1,265) |
| Profit from operations and share in profit of investment accounted using the equity method before finance expenses, net | | | | | | 1,987 |
| Finance expenses, net | | | | | | (7,415) |
| Loss before income tax | | | | | | (5,428) |
| Income tax expenses | | | | | | (2,059) |
| Loss for the period | | | | | | (7,487) |

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

(**) Including the results of GTC Investments B.V.

For the three months ended September 30, 2013:

| | Real Estate Asia | Banking and Retail lending | Water Infrastructure Projects | Water Infrastructure Assets | Other (**) | Total |
|---|---|---|---|---|---|---|
| | | | | In €'000 | | |
| Revenue | 1,152 | 6,917 | 23,872 | 9,131 | - | 41,072 |
| Other income (expense) (*) | 3,990 | (7,931) | (8,521) | (225) | 753 | (11,934) |
| Total Income | 5,142 | (1,014) | 15,351 | 8,906 | 753 | 29,138 |
| Segment result | 2,757 | (9,124) | (7,674) | 2,344 | 753 | (10,944) |
| Unallocated expenses | | | | | | (1,566) |
| Profit from operations and share in profit of investment accounted using the equity method before finance expenses, net | | | | | | (12,510) |
| Finance expenses, net | | | | | | (10,482) |
| Loss before income tax | | | | | | (22,992) |
| Tax benefit | | | | | | 272 |
| Loss from continuing operations | | | | | | (22,720) |
| Loss from discontinued operations | | | | | | (43,230) |
| Loss for the period | | | | | | (65,950) |

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

(**) Including the results of GTC Investments B.V.

For the year ended December 31, 2013:

| | Real Estate Asia | Banking and Retail lending | Water Infrastructure Projects | Water Infrastructure Assets | Other (**) | Total |
|---|---|---|---|---|---|---|
| | In €'000 | | | | | |
| Revenue | 28,917 | 26,065 | 122,043 | 30,970 | - | 207,995 |
| Other income (expense) (*) | 23,422 | (14,998) | (985) | (29) | 864 | 8,274 |
| Total Income | 52,339 | 11,067 | 121,058 | 30,941 | 864 | 216,269 |
| Segment result | 22,130 | (16,359) | 3,972 | 8,455 | 864 | 19,062 |
| Unallocated expenses | | | | | | (5,797) |
| Profit from operations and share in profit of investment accounted using the equity method before finance expenses, net | | | | | | 13,265 |
| Finance expenses, net | | | | | | (45,618) |
| Loss before income tax | | | | | | (32,353) |
| Income tax expenses | | | | | | (14,443) |
| Loss from continuing operations | | | | | | (46,796) |
| Loss from discontinued operations | | | | | | (75,177) |
| Loss for the year | | | | | | (121,973) |

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

(**) Including the results of GTC Investments B.V.

**Segments assets**

| | September 30, 2014 | September 30, 2013 | December 31, 2013 |
|---|---|---|---|
| | In €'000 | | |
| Real estate - Asia | 443,412 | 363,418 | 354,101 |
| Real estate – Europe (*) | - | 255,656 | - |
| Banking and Retail lending | 279,610 | 162,577 | 254,829 |
| Infrastructure - Assets | 180,273 | 130,375 | 165,182 |
| Infrastructure - Projects | 106,869 | 150,613 | 110,458 |
| | 1,010,164 | 1,062,639 | 884,570 |
| Unallocated assets | 2,356 | 16,117 | 40,045 |
| | 1,012,520 | 1,078,756 | 924,615 |

(*) The assets and liabilities of the 'Real Estate – Europe' segment for September 30, 2013, are presented net and represent the investment balance in GTC SA.

(**) During the second quarter of 2014, Kardan Land Dalian (which is the main activity in 'Real estate – Asia' segment) raised an additional bank loan in the amount of RMB 400 million (approximately €48 million). As of September 30, 2014 and December 31, 2013 the outstanding liability amounts to RMB 900 million (approximately €115 million) and RMB 500 million (approximately €60 million), respectively.

## 4. Share capital

A. Composition

| | September 30, 2014 | | December 31, 2013 | |
|---|---|---|---|---|
| | Authorized | Issued and Paid-in | Authorized | Issued and Paid-in |
| | Number of shares | | Number of shares | |
| Ordinary shares with nominal value of €0.20 each | 225,000,000 | 111,848,583 | 225,000,000 | 111,848,583 |

## 5. Financial Instruments

Further to Note 39 to the annual consolidated financial statements, below are presented additional information regarding financial instruments:

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

Fair value schedule

| | Level | **September 30, 2014** | | September 30, 2013 | | December 31, 2013 | |
|---|---|---|---|---|---|---|---|
| | | In € 000' | | | | | |
| | | Carrying amount(*) | Fair value(**) | Carrying amount(*) | Fair value(**) | Carrying amount(*) | Fair value(**) |
| **Liabilities** | | | | | | | |
| Debentures issued by the Company | 1 | 351,992 | 221,164 | 423,855 | 202,791 | 395,278 | 253,770 |

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

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

B. Level 3 financial assets and liabilities reconciliation

Level 3 reconciliation:

| | As of January 1, 2014 | Fair Value gain (loss) recorded in P&L | Fair value gain in OCI | Settlements | As of September 30, 2014 |
|---|---|---|---|---|---|
| | In €'000 | | | | |
| Derivative assets | 22 | (22) | - | - | - |
| Total assets | 22 | (22) | - | - | - |
| Derivative liabilities | (273) | 234 | (256) | (13) | (308) |
| Warrants and call options | (4,317) | (65) | - | 2,900 (*) | (1,482) |
| Total liabilities | (4,590) | 169 | (256) | 2,887 | (1,790) |

(*) For additional information refer to Note 8(b) below.

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 property and the above mentioned financial assets and liabilities, for additional information on fair value refer to Note 39 to the annual financial statements.

C. Further to Note 7 to the annual financial statements, below are the significant assumptions used in the valuations of the investment property under construction:

| | **September 30, 2014** |
|---|---|
| **DCF method** | |
| Estimated rental value per sqm per month (in €) | 20 |
| Discount rate | 10.5% |
| Rental growth | 5%-15% |
| **Residual method** | |
| Remaining construction cost (in € millions) | 30 |
| Remaining construction period (in months) | 4 |
| Development profit | 12% |

## 6. Joint Ventures

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

**Kardan Land Chengdu (HK) LTD.**

Summary of financial data from the statement of financial position:

| | **September 30, 2014** | September 30, 2013 | December 31, 2013 |
|---|---|---|---|
| | | In €'000 | |
| Current assets (not including cash and cash equivalent) | 910 | 746 | 988 |
| Cash and cash equivalent | 5,609 | 2,708 | 4,296 |
| Non-current assets | 150,170 | 138,304 | 139,269 |
| Current liabilities (not including current financial liabilities (*)) | (46,935) | (45,540) | (46,405) |
| Current financial liabilities (*) | (4,202) | (3,374) | (3,326) |
| Non-current liabilities (not including non current financial liabilities (*)) | (18,212) | (15,977) | (16,700) |
| Non-current financial liabilities (*) | (16,724) | (19,686) | (19,361) |
| Total equity attributed to the owners | 70,616 | 57,181 | 58,761 |
| % held in the joint venture | 50 | 50 | 50 |
| | 35,308 | 28,591 | 29,380 |
| Goodwill | 6,257 | 5,885 | 5,801 |
| Total investment in joint venture | 41,565 | 34,476 | 35,181 |

(*) Excluding trade and other payables and provisions

Summary of financial data from the income statement:

| | For the nine months period ended September 30, | | For the three months period ended September 30, | | For the year ended December 31, |
|---|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 | 2013 |
| | In €'000 | | | | |
| Revenues from operations | 7,554 | 6,904 | 2,604 | 2,339 | 9,499 |
| Cost of operations | (1,035) | (1,046) | (378) | (350) | (1,849) |
| Selling and marketing, other income (expenses), and administrative expenses (*)) | (599) | (742) | (298) | (323) | (819) |
| Valuation gains (losses) | (91) | (50) | (26) | (29) | 2,954 |
| Interest Income | 30 | 35 | - | 6 | 44 |
| Interest expenses | (1,059) | (1,349) | (355) | (511) | (1,602) |
| Other financial income (expenses), net | (84) | 8 | (14) | 89 | (160) |
| Profit before tax | 4,716 | 3,760 | 1,533 | 1,221 | 8,067 |
| Income tax expenses | (1,000) | (948) | (346) | (314) | (2,211) |
| Profit for the year attributed to equity holders | 3,716 | 2,812 | 1,187 | 907 | 5,856 |
| % held of the joint venture | 50 | 50 | 50 | 50 | 50 |
| Group's share of profit for the year | 1,858 | 1,406 | 593 | 453 | 2,928 |
| Total other comprehensive income (expenses) attributed to equity holders | 8,138 | 184 | 7,842 | (112) | (1,278) |
| % held of the joint venture | 50 | 50 | 50 | 50 | 50 |
| Group share of the total other comprehensive income (expenses) before the other comprehensive impact relating to the holding company | 4,069 | 92 | 3,921 | (56) | (639) |
| Other comprehensive relating to the holding company | 456 | 14 | 440 | (2) | (70) |
| Group share of the total other comprehensive income (expenses) | 4,525 | 106 | 4,361 | (58) | (709) |

(*) Including depreciation and amortization for the nine and three months ended September 30, 2014 amounting to €32 thousand and €10 thousand, respectively (in 2013: €36 thousand and €17 thousand, respectively), and for the year ended December 31, 2013: €48 thousand.

## 7. Significant transactions

### A. Kardan NV

**Early repayment of debentures**

On January12 and February 14, 2014, the Company has early repaid NIS 136,918,906 par value Debentures Series A (net of debentures held by subsidiaries) – for additional information refer to Note 24 to the annual financial statements.

### B. GTC RE

**Exercise and repurchase of shares in Kardan Land China**

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

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

As a result of the Agreement, the Company recorded a negative movement in the 'Non-controlling interest holders transaction reserve' of €4.9 million, a negative movement in the 'Non-controlling interest' of €4.9 million, and recognized a financial liability amounting to €6.5 million which represents the estimated net future purchase amount of the last two tranches. The financial liability was revaluated to reflect changes in foreign currency rates and amounts to €7.1 million as of September 30, 2014. There is no changes in the fair value of the underlining Company.

In February 2014 the first tranche was finalized and net proceeds of approximately €3.3 million were paid. The second tranche was not exercised as of the date of signing these financial statements.

## C. TGI

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

(2) In January 2014, TCE sold its entire amount of the Company's debentures (NIS 11,955,355 par value) for a total consideration of approximately €2 million.

(3) Executive employees options in TGI

In August 2014, the board of directors of TGI decided to grant five of its executive management options to purchase 1.9% of TGI's share capital (fully diluted). The total benefit of the grant is approximately USD 1 million (approximately €0.7 million) which will be recognized in the income statements as part of the 'General and administration expenses', and was calculated using the Black & Scholes model, based on the following assumptions:

| | |
|---|---|
| Expected volatility (%) | 35% |
| Risk-free interest rate (%) | 0.429% |
| Expected term of options (years) | 4 |
| Weighted average share exercise price ($) | 6,044 |
| Weighted average share value ($) | 6,360 |

## D. Discontinued operations

Discontinued operations related to loss of effective control and sale of GTC SA:

As described in Note 5C to the 2013 annual financial statements, on November 22, 2013, GTC RE completed the sale of its investment in GTC SA. Accordingly, the activities of GTC SA are classified as discontinued operations. These activities were clearly distinguishable, operationally and for financial reporting purposes as GTC SA represented a separate business and major geographical area of operations.

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

| | For the nine months period ended September 30, | | For the three months period ended September 30, | | For the year ended December 31, |
|---|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 | 2013 |
| | In €'000 | | | | |
| Income | - | 31,409 | - | - | 31,409 |
| Expenses | - | (52,066) | - | - | (52,066) |
| Loss before tax | - | (20,657) | - | - | (20,657) |
| Equity earnings (*) | - | (22,190) | - | (43,230) | (22,190) |
| Income tax expenses, net | - | (5,644) | - | - | (5,644) |
| Loss from discontinued operations before revaluation and release of capital reserves(**) | - | (48,491) | - | (43,230) | (48,491) |
| Loss from revaluation of investment(**) | - | (25,707) | - | - | (25,707) |
| Release of capital reserves due to deconsolidation(**) | - | (4,501) | - | - | (4,501) |
| | - | (78,699) | - | (43,230) | (78,699) |
| Discontinued operation items related to the November 2013 sale of GTC SA: | | | | | |
| Capital gain | - | - | - | - | 3,586 |
| Release of capital reserves due to sale | - | - | - | - | (64) |
| Net loss from discontinued operations | - | (78,699) | - | (43,230) | (75,177) |
| Attributable to: | | | | | |
| Equity holders | - | (58,825) | - | (43,230) | (55,303) |
| Non-controlling interest holders | - | (19,874) | - | - | (19,874) |
| | - | (78,699) | - | (43,230) | (75,177) |

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

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

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

| | For the nine months period ended September 30, | | For the three months period ended September 30, | | For the year ended December 31, |
|---|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 | 2013 |
| | In €'000 | | | | |
| Change in fair value of hedge instrument, net of tax(*) | - | 3,467 | - | - | 3,467 |
| Foreign currency translation differences | - | (1,875) | - | - | (1,875) |
| Recycling to the income statement of the hedge reserve due to loss of control over a subsidiary(*) | - | 5,782 | - | - | 5,782 |
| | - | 7,374 | - | - | 7,374 |
| Attributable to: | | | | | |
| Equity holders | - | 5,276 | - | - | 5,276 |
| Non-controlling interest holders | - | 2,098 | - | - | 2,098 |
| | - | 7,374 | - | - | 7,374 |

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

## 8. Financial Commitments and Covenants

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

As security to the loan, the Company pledged shares of KFS and TGI in favor of the bank, and GTC RE pledged 51% of the shares of KLC (according to the agreed limitations with the debenture holders, as described in Note 28 to the annual financial statements).
At the date of signing the detailed loan agreement, GTC RE repaid the bank a liability of approximately €8 million.

The financing agreement includes the following main financial covenants:

- The equity attributed to the shareholders of GTC RE will not be less than €150 million and following the first installment of the loan, will not be less than €50 million;

- The equity attributed to the shareholders of Kardan Land China will not be less than €200 million (subject to exchange rate adjustments) and following the first installment of the loan, will not be less than €50 million;

- Until the first installment of the loan, the total equity to balance sheet ratio of Kardan Land China will not be less than 50% and following the first installment will not be less than 30%;

- The tangible equity attributed to the shareholders of TGI will not be less than €90 million (subject to exchange rate adjustments), and the equity to consolidated balance sheet ratio of TGI will not be less than 28%;

- Value of the pledged shares and shareholders loans will be at any time at least 750% of the liability balance.

As of September 30, 2014 all financial covenants in relation to this loan were met.

In addition, the agreement states that if in any period, the financial statements of the Company includes a “Going Concern” paragraph, than GTC RE shall be required to present to the bank, within 7 business days of the date of publication of the statements that include such a paragraph, a plan to the Bank's satisfaction, establishing on a high level of probability that it is able to repay the First Payment in time. If such a plan is not presented to the Bank's full satisfaction this shall be considered as if the GTC RE failed to comply with its foregoing undertaking. In September 2014, such plan was presented to the bank.

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

## 9. Subsequent events

### A. **Sale of TBI Credit**

Subsequent to the balance sheet date, in October 2014, TBIF (a wholly owned subsidiary of the Company) signed as an agreement to sell its investment in TBI Credit EAD (a fully owned subsidiary of TBIF which is a part of the Retail and lending segment), for a total consideration of approximately €8.9 million (subject to agreed adjustments that may reach approximately EUR 0.5-1 million as specified in the contract, which include among other things the expected profits of the subsidiary from July 1, 2014 up to the date of closing).
The transaction is subject to various regulatory approvals and is expected to be finalized in the next few months. Upon closing, the Company is expected to recognize a gain of approximately €0.5-€1 million.

In accordance with the requirements of IFRS 5, as of September 30, 2014 the Company presents the assets investment in TBI Credit as 'Assets held for sale' and the liabilities as 'Liabilities associated with assets held for sale'

The below table represents the assets and liabilities of TBI Credit EAD presented as held for sale:

| | **September 30, 2014** |
|---|---|
| | In €'000 |
| **Assets** | |
| Cash and cash equivalents | 21,541 |
| Trade receivables | 63 |
| Other receivables and prepayments | 6,896 |
| Current maturities of long-term loans and receivables | 1,965 |
| Long-term loans and receivables | 42 |
| Tangible fixed assets | 324 |
| Total assets (*) | 30,831 |
| **Liabilities** | |
| Trade payables | 721 |
| Interest-bearing loans and borrowings | 2,840 |
| Other payables and accrued expenses | 18,370 |
| Total liabilities | 21,931 |

(*) Additional assets held for sale in the amount of €4.7 million which are not included in the above table are repossessed assets held for sale in TBIF group.

### B. Provision on loan to VAB Bank

Subsequent to the balance sheet date, on November 21, 2014, TBIF learned, from a press release of the National Bank of Ukraine ('NBU'),that the NBU declared VAB Bank insolvent and has instructed to appoint an administrator to VAB Bank as the VAB Bank is not able to achieve plans to strengthen its equity. TBIF has an outstanding subordinating loan to VAB Bank which is due on December 15, 2014. As a result, the Company decided to fully provide for the remaining outstanding debt of VAB Bank to TBIF amounting to EUR 2.8 million (net of a provision of EUR 2.1 million) in the third quarter of 2014.

## Review report

To: the shareholders of Kardan N.V.

*Introduction*
We have reviewed the accompanying condensed interim consolidated statement of financial position of Kardan N.V., Amsterdam (the "Company") as at September 30, 2014 and the related condensed interim consolidated income statement, statement of comprehensive income, changes in equity and cash flows for the three and nine 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 IAS 34 Interim Financial Reporting 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 including Dutch standard 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" and 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.

*Conclusion*
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 Interim Financial Reporting as adopted by the European Union.

*Emphasis of uncertainty with respect to the going concern assumption*
We draw attention to Note 1 to the condensed interim consolidated financial statements which indicate that the Company had, on a stand-alone basis, and on the consolidated statements a working capital deficit of €103.5 million and €111.5 million, respectively, per September 30, 2014 and that the Company, together with GTC RE, has to repay € 28.7 million in December 2014 and € 101.8 million and € 97.8 million in February 2015 and 2016, respectively. According to the Company's plans, these repayments are likely to be funded mostly by cash to be generated through the sale of certain assets, including the sale of investments in shares of certain subsidiaries, by raising loans (against pledge of free assets) and / or repayment of certain shareholder's loans and dividend distribution by some of the Company's subsidiaries. The Company presented an initial framework regarding debt arrangement with debenture holders, mainly focusing on postponing or rescheduling of payments, while repaying the debt in full. The realization, the price and the timing of the Company's plans in relation to the sale of assets, repayment of shareholder's loans by certain subsidiaries, making a debt arrangement with debenture holders and raising debt, are uncertain and depend also on factors that are not wholly within the Company's control and on the willingness of third parties to invest and grant credit. These conditions, along with other matters as set forth in note 1, in particular the fact that the Company should materialize significant transactions in a short time frame, indicate the existence

of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. Our conclusion is not qualified in respect of this matter.

Amsterdam, November 30, 2014

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 September 30, 2014

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

### September 30, 2014

| | September 30, | | December |
|---|---|---|---|
| | **2014** | 2013 | 31, 2013 |
| | € in thousand | | |
| **A s s e t s** | | | |
| **Non-current assets** | | | |
| Property and equipment | 131 | 149 | 147 |
| **Financial fixed assets** | | | |
| Investments in consolidated subsidiaries | 439,789 | 512,580 | 467,937 |
| Loans to consolidated subsidiaries | 20 | 20 | 20 |
| | 439,809 | 512,600 | 467,957 |
| **Current assets** | | | |
| Cash and cash equivalents | 232 | 15,374 | 16,224 |
| Short-term investments | 277 | - | 853 |
| Other receivables and derivatives | 543 | 1,729 | 1,109 |
| | 1,052 | 17,103 | 18,186 |
| **Total assets** | 440,992 | 529,852 | 486,290 |
| **E q u i t y a n d l i a b i l i t i e s** | | | |
| **Equity attributable to equity shareholders** | | | |
| Issued and paid-in capital | 23,041 | 23,041 | 23,041 |
| Share premium | 208,002 | 208,117 | 208,117 |
| Foreign currency translation reserve | 21,961 | 408 | (4,680) |
| Property revaluation reserve | 37,525 | 37,761 | 34,300 |
| Other reserves | 9,713 | 6,759 | 12,296 |
| Non-controlling interest holders transactions reserve | 15,968 | 19,413 | 21,104 |
| Treasury shares | (2,625) | (2,786) | (2,786) |
| Accumulated deficit | (239,972) | (229,468) | (225,297) |
| | 73,613 | 63,245 | 66,095 |
| **Long-term liabilities** | | | |
| Debentures | 262,856 | 345,168 | 344,363 |
| Options and other long term liabilities | - | 2,900 | 2,900 |
| | 262,856 | 348,068 | 347,263 |
| **Current liabilities** | | | |
| Current maturities of long term loans and debentures | 92,293 | 103,830 | 71,238 |
| Other payables | 12,230 | 14,709 | 1,694 |
| | 104,523 | 118,539 | 72,932 |
| **Total equity and liabilities** | 440,992 | 529,852 | 486,290 |

## ADDITIONAL INFORMATION FROM THE COMPANY'S INCOME STATEMENT

| | For the nine months ended September 30, | | For the three months ended September 30, | | For the year ended December 31, |
|---|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 | 2013 |
| | € in thousand | | | | |
| Net result from investments for the period | 15,252 | (66,654) | 2,362 | (59,778) | (56,931) |
| General and administrative expenses, net | 3,506 | 2,957 | 1,153 | 1,125 | 3,982 |
| **Income (loss) from operations before financing expenses** | 11,746 | (69,611) | 1,209 | (60,903) | (60,913) |
| Financing income (expenses), net | (22,858) | (33,556) | (8,617) | (4,987) | (37,177) |
| **Income (loss) before tax expenses (benefit)** | (11,112) | (103,167) | (7,408) | (65,890) | (98,090) |
| Income tax expense (benefit) | 338 | 3,348 | 112 | (262) | 3,243 |
| **Net Income (loss) for the period** | (11,450) | (106,515) | (7,520) | (65,628) | (101,333) |

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

| | For the nine months ended September 30, | | For the three months ended September 30, | | For the year ended December 31, |
|---|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 | 2013 |
| | € in thousand | | | | |
| Net result for the period | (11,450) | (106,515) | (7,520) | (65,628) | (101,333) |
| Foreign currency translation differences | 26,641 | (411) | 25,303 | (8,953) | (4,218) |
| Change in hedge reserve, net | (2,684) | 4,431 | (1,986) | (1,157) | 4,142 |
| Other comprehensive income (loss) for the period | 23,957 | 4,020 | 23,317 | (10,110) | (76) |
| **Total comprehensive loss** | 12,507 | (102,495) | 15,797 | (75,738) | (101,409) |

## ADDITIONAL INFORMATION FROM THE COMPANY'S CASH FLOW STATEMENT

| | For the nine months ended September 30, | | For the three months ended September 30, | | For the year ended December 31, |
|---|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 | 2013 |
| | € in thousands | | | | |
| **Cash flow from operating activities of the Company** | | | | | |
| Profit (loss) for the period | (11,450) | (106,515) | (7,520) | (65,628) | (101,333) |
| **Adjustments to reconcile net profit to net cash of the Company** | | | | | |
| Charges to net loss not affecting operating cash flows: | | | | | |
| Change in fair value of hedge instruments | - | (987) | - | (1,381) | (1,510) |
| Financial expenses | 26,154 | 43,489 | 8,718 | 6,068 | 36,406 |
| Share-based payment | 147 | 200 | 41 | 74 | 276 |
| Equity (earnings) loss | (15,252) | 66,654 | (2,362) | 59,778 | 56,931 |
| Dividend received | 75,452 | 18,654 | 880 | 1,510 | 75,474 |
| **Changes in working capital of the Company** | | | | | |
| Change in receivables | (152) | (600) | (351) | (112) | 22 |
| Change in payables | 368 | (516) | 627 | (2,764) | (821) |
| **Cash amounts paid and received during the year** | | | | | |
| Interest received | 10 | - | - | - | 151 |
| Interest paid | (2,997) | (20,256) | - | - | (37,167) |
| **Net cash provided by (used in) operating activities of the company** | **72,280** | **123** | **33** | **(2,455)** | **28,429** |
| **Cash flow from investing activities of the company** | | | | | |
| Short term investments, net | 576 | 567 | 26 | 446 | (286) |
| Collecting (granting) of loans from (to) subsidiaries, net | - | 13,950 | - | 9,450 | - |
| Investments in subsidiaries | (21,059) | (18,096) | - | (10,987) | (24,127) |
| **Net cash provided by (used in) investing activities of the company** | **(20,483)** | **(3,579)** | **26** | **(1,091)** | **(24,413)** |
| **Cash flow from financing activities** | | | | | |
| Investment in shares in a subsidiary | - | (126) | - | (126) | (126) |
| Proceeds from sale of hedge instruments | - | 11,634 | - | 11,634 | 11,634 |
| Repayment of long-term debt | (67,789) | (43,915) | - | - | (50,537) |
| **Net cash used in financing activities of the company** | **(67,789)** | **(32,407)** | **-** | **11,508** | **(39,029)** |
| **Increase (decrease) in cash and cash equivalents of the company** | **(15,992)** | **(35,863)** | **59** | **7,962** | **(35,013)** |
| Cash and cash equivalents at beginning of the period of the company | 16,224 | **51,237** | 173 | **7,412** | 51,237 |
| **Cash and cash equivalents at end of the period of the company** | **232** | **15,374** | **232** | **15,374** | **16,224** |

## 1. General

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

The condensed interim consolidated financial statements should be read in conjunction with the additional financial information for the year ended December 31, 2013 and the accompanying notes, and in conjunction to the consolidated interim financial statements for the nine and three months ended September 30, 2014.

## 2. Going concern

As of September 30, 2014 the Company had, on a consolidated and stand-alone basis, a working capital deficit of €111,526 thousand and €103,471 thousand, respectively, which is mainly due to the current maturities of the Company's debentures.

The Company, together with GTC RE, has prepared a liquidity analysis for the next two years as of the balance sheet date, which addresses the required liquidity for the Company to be able to repay the principal and interest of debentures (series A and B) in February 2015 and 2016 in the total amounts of €101.8 million and €97.8 million respectively, as well as a bank loan for an amount of €28.7 million (including interest) in December 2014 and €5 million in December 2015, and its other liabilities and to finance its operations.

The repayments are likely to be funded mostly by cash to be generated through the sale of certain assets, including the sale of investments in shares of certain subsidiaries, by raising loans (against pledge of free assets) and / or repayment of certain shareholder's loans and dividend distribution by some of the Company's subsidiaries. In this context it should be noted that the Company is engaged directly and through its subsidiaries in a number of negotiations - in various stages - regarding materialization of such assets. More specifically, the Company is currently in advanced processes with various parties regarding the sale of its indirect 50% interest in the commercial centre Galleria Chengdu, which is held through Kardan Land China, a 100% subsidiary and KWIG, a wholly owned subsidiary of TGI, which is active in water treatment in China. In addition, the Company announced an agreement to sell TBI Credit (see Note 9 to the condensed interim consolidated financial statements) and is also in a process for obtaining a convertible loan against shares of another subsidiary.

In September 2014 the Company's Board of Directors decided to comply with the request of the trustees and the joint representatives of the debenture holders (Series A and B) of the Company (the 'Debenture Holders') to enter into discussions. The purpose is to examine the possibility to come to an agreement with the Debenture Holders, on postponing or rescheduling the installments that are payable by the Company, with the commitment to repay the debt in full.
The Company presented an initial framework regarding debt arrangement, mainly focusing on postponing or rescheduling of payments, while repaying the debt in full. In addition, it included elements such as a higher interest payable on the debentures and allocation of up to 10% of the Company's shares.
During October and November 2014 the Company held a number of meetings with the trustees and the joint representatives during which the preliminary layout of a debt arrangement was discussed. In October 2014, the Company signed a letter of undertaking towards the trustees for the period of the negotiations ('interim period'), whereby during this interim period, the Company will cooperate and provide information to the trustees, and will avoid certain actions,

including transactions with controlling shareholders and their relatives and making a "distribution" (as defined in the Israeli Companies Law, 1999) and give the trustees notice, 21 days before the execution of certain activities or transactions, which are defined in the letter of undertaking.

The Company believes that it is probable that at least one transaction described above will mature in time to allow the Company to meet its financial obligations towards the Bank. In addition, the Company believes it is probable that one additional transaction will mature before February 2015 which, would allow the Company depending on the transaction size and if needed in combination with either a convertible loan or a settlement with the debenture holders, as described above to pay its liabilities and continue its operations .

The proceeds from the realization of these above mentioned plans will serve the Company within the limitations of the deed of trust of the debentures and the loan agreement with Discount Bank, as disclosed in Note 28 and 41 to the annual financial statements and in Note 8 to the condensed interim consolidated financial statements.

The Company believes that, in light of the value of its total assets which remains considerably higher than its total liabilities, and in light of the current indications regarding the ability to realize a sale of assets and/or obtain credit in the required timeframe, and in light of the current state of the discussions with the trustees and representative of the debenture holders there are good chances that it will be able to realize its plans and that it will be able to repay its liabilities as they mature, or according to a revised repayment schedule if so agreed with the debenture holders, in the foreseeable future. However, the realization, the price and the timing of the Company’s plans in relation to the sale of assets, repayment of shareholder’s loans by certain subsidiaries, raising debt and realizing an agreement with the debenture holders 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.

These factors, and other factors set forth above, in particular the fact that the Company should materialize significant transactions in a short time frame, raise significant doubts about the Company's ability to repay its liabilities and continue as a going concern. The financial statements have been prepared under the assumption that the Company continues as a going concern. Hence, the financial statements do not include any adjustments to the carrying amounts and classifications of assets and liabilities that would result if the Company was unable to continue as a going concern.