KARDAN N.V.

PRESS RELEASE

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KARDAN: NEGATIVE RESULTS IN NINE MONTHS 2009 FIRST SIGNS OF MARKET RECOVERY

- **Loss of EUR 12 million in Q3 2009 mainly due to negative revaluation results in CEE Real Estate and credit losses in banking activities**
- **CEE Real Estate activities: Significantly higher revenues from yielding properties and sales of residential units**
- **China Real Estate: continued increase in apartment sales in 9M 2009 compared to 9M 2008 (1,316 units versus 1,143)**
- **Banking and Lending operating profit in 9M before credit losses substantially better (EUR 41 million in 9M 2009 versus EUR 20 million in 9M 2008)**
- **Insurance and Pension: capital gain on sale proves value creation ability**
- **Liquidity CEE Real Estate sufficient to fund expansion if markets continue to improve**
- **9M 2009 results (Water) infrastructure almost break even due to increased sales**

Breakdown of the net result For Equity Holders of Kardan N.V. (EUR million)[1]	**9M 2009**	**9M 2008**	**Q3 2009**	**Q3 2008**	**2008**
– Real Estate	(20)	31	(8)	12	89
– Financial Services – Banking and Lending	(32)	5	(7)	4	(54)
– Financial Services – Insurance and Pension	22	(16)	7	(10)	8
– (Water) Infrastructure – Projects	-	(3)	-	(3)	(5)
– (Water) Infrastructure – Assets	(1)	(5)	-	(3)	(16)
– Rental and Leasing of vehicles [2]	-	(1)	2	-	-
– Sale of vehicles [2]	3	5	1	2	6
– Other [2]	(17)	7	(7)	5	24
Total net result attributable to equity holders	**(45)**	**23**	**(12)**	**7**	**52**
Profit (loss) per share (EUR)	(0.45)	0.28	(0.12)	0.09	0.63
Profit (loss) per share diluted (EUR)	(0.45)	(0.01)	(0.12)	(0.03)	0.28

Below are the comments of Kardan N.V.'s ("Kardan") Management Board on recent developments in emerging markets as well as Kardan's 9M 2009 results.

"The circumstances in emerging markets remain challenging, as is reflected in the negative result for the Kardan Group over the first nine months. We believe in our focus on long term value creation and we are convinced that our platforms offer strong value and will benefit from market recovery. We therefore expect to emerge stronger from the current economic crisis."

[1] The table shows the contribution of each of the businesses to the results attributable to the shareholder's of Kardan N.V. and excludes results attributable to minority shareholders.
[2] Due to IFRS 8 requirements, starting 2009, the reported segments, as stated in the table were adjusted.

“In the real estate division our subsidiary in CEE, GTC SA, is well positioned to benefit from an expected recovery in its markets. The rental income from commercial properties in the 9M 2009 grew by 33% year on year mainly due to increased occupancy in newly completed properties, as well as increases in rental rate upon lease renewals in older assets.
Apartment sales in GTC’s real estate operation in China have increased by 15% compared to 9M 2008 to more than 1,300. This development confirms our excitement about the opportunities this country offers.”

“In KFS, Kardan's financial services division, we continue to closely monitor the political and macro economic developments in Ukraine. This market has not only suffered from the global recession but also from political instability that won’t begin to dissipate until January's upcoming elections. We have begun to see improvements in our Russian operation that returned to profitability in Q3. Although losses from bad loans are still significant, new arrears of loan receivables in Russia are slowing down which is encouraging."

“In Tahal, our water infrastructure division, we continue to see increased demand, especially in China and Africa which are facing a severe lack of (clean) water. Tahal continues to enjoy an excellent reputation as a design and engineering company and we expect it to benefit from these developments. Due to the substantial amounts of capital required. Kardan decided to begin the process to raise up to EUR 70 million of growth capital while maintaining control.”

“As signs of recovery have begun to appear, we have slowly increased lending and started new real estate developments. Notwithstanding, since markets are still fragile and lending by financial institutions remains weak, we continue to hold a comfortable level of cash in order to make sure we have the proper liquidity to service our debt, meet all of our commitments and support the group companies’ current growth requirements.”

Summary Results 9M 2009

The result of Kardan attributable to equity holders amounted to a loss of EUR 45 million for the 9M 2009 compared to a profit of EUR 23 million in the comparative period of last year.

Despite improved direct results from operations, a main factor for the loss was the negative revaluation of real estate in CEE (a loss of EUR 27 million in 9M 2009 compared to a profit of EUR 32 million in 9M 2008) and higher provisions for credit losses in the banking and lending activity (to EUR 65 million in 9M 2009 from EUR 16 million in 9M 2008). The increase of these provisions more than off-set the improved results from operations (EUR 41 million versus EUR 20 million in 9M 2008) that were positively impacted by fair value gains on the bond investment portfolio.

The losses in Real Estate and Banking and Lending were partly offset by a capital gain of EUR 20 million realized upon the closing of the second part of a transaction concerning the sale of insurance activities in Bulgaria, Albania, Macedonia and Kosovo and the sale of the pension and insurance activities in Romania. In 9M 2008, the Insurance and Pension activities lost EUR 16 million.

The results of the (Water) Infrastructure activities of Tahal improved to a loss of EUR 1 million from a loss of EUR 8 million in 9M 2008.

Finally, Other Results, mainly comprising of finance and general expenses not allocated to activities, amounted to EUR 17 million in 9M 2009. In 9M 2008 Other Results were positive (EUR 7 million) due to a revaluation of convertible debentures of Kardan Israel and options to Kardan shares to an amount of EUR 19 million.

Outlook 2009

Despite the initial signs of market recovery in emerging markets it is anticipated that, due to the losses incurred during the first three quarters of 2009 as well as the continued challenging economic environment in Kardan’s main markets, the results for the full year 2009 will be negative.

About Kardan

Kardan, with headquarters in Amsterdam focuses on three main fields of activities: Real Estate, Financial Services and (Water) Infrastructure. The company operates in seven segments primarily in emerging markets in Central and Eastern Europe and China, where it conducts most of its activities.

Kardan holds controlling interests in its divisions and is actively involved in the definition and implementation of their strategy. Kardan has a consistent track record of creating long-term shareholder value through active management of investments in the group companies and by leveraging on its business experience, financial resources and local and international network.

Kardan is listed on NYSE Euronext Amsterdam and the Tel-Aviv Stock Exchange.

Total assets as of September 30, 2009 amounted to EUR 5.5 billion (9M 2008: EUR 5.2 billion), with revenues of EUR 548 million in 9M 2009 (9M 2008: EUR 355 million).

As of Page 4 of this press release, financial reports including condensed interim consolidated financial statements drawn up in accordance with the Dutch and Israeli regulations are included.

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"This press release contains regulated information (gereglementeerde informatie) as defined in the Dutch Act on Financial Supervision (Wet op het financieel toezicht)"

KARDAN N.V.

THE 9 MONTHS PERIOD ENDED ON SEPTEMBER 30, 2009 FINANCIAL REPORTS

The Financial Reports contain the following sections:

PART 1 MANAGEMENT REPORT FOR THE 9 MONTHS PERIOD ENDED ON SEPTEMBER 30, 2009

1. Developments of divisions and their respective markets
2. Main events in the period
3. Subsequent events
4. Results and equity attributable to equity holders of Kardan NV
5. Value of investments Kardan NV
6. Financial position of Kardan Group as at September 30, 2009
7. Risk management
8. Segmental key indicators for the period
9. Outlook 2009

PART 2 ADDITIONAL INFORMATION

1. Financial analysis of condensed interim balance sheet, profit and loss account and cash-flow statement
2. Valuation of investment properties
3. Issuance of debt
4. Procedures for approving the financial statements
5. Immaterial transaction procedure

PART 3 CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Condensed interim consolidated balance sheet

Condensed interim consolidated income statement

Condensed interim consolidated statement of comprehensive income

Condensed interim consolidated statement of changes in equity

Condensed interim consolidated cash flow statement

Notes to the condensed interim consolidated financial statements

Auditor's review report

KARDAN N.V.

PART 1[3] MANAGEMENT REPORT FOR THE 9 MONTHS PERIOD ENDED ON SEPTEMBER 30, 2009

1.1 Development of divisions[4] of Kardan and the respective markets

Real Estate (GTC)

General Market Developments Central and Eastern Europe

In CEE, the Kardan group is active via GTC SA, a real estate developer, which also holds completed properties that it initially developed.

In light of market condition many companies in CEE markets have put development projects on hold due to lack of funding. As a result, a shortage in office space supply is expected in the years 2010 and 2011.

Although bank lending is limited, liquidity is gradually returning especially for larger developers with strong balance sheets, track record and reputation, such as GTC SA. As the prospects for an economic recovery improve, there are signs of a return of investors looking for investment grade properties. So far only few transactions were concluded. Potential investors still require yields at levels potential sellers are not willing to sell. CEE real estate experts and market analysts expect that yields in 2010 will stabilize or decrease and rental rates should start bottoming out.
The residential property market is still facing difficulties mainly due to insufficient mortgage financing, though recovery signs have been seen in the last two quarters. As the supply is gradually consumed, prices are expected to increase. However, since the share of residential developments in the total portfolio of GTC SA is rather small, the impact of the residential slowdown on the profits is minimal.

Developments GTC SA

- GTC SA managed to secure financing for all projects under construction and expects to complete approximately 263,000 sqm of net office and retail space throughout 2009-2011.This may give GTC a competitive edge in view of a forecasted shortage of supply in the same period caused by the slowdown of the construction pace of many developers. The company is moderately leveraged, with a 51% long term debt to total asset ratio. 60% of the total debt matures in 2015 or later. With its extensive land bank and the financial resources required to commence new projects, GTC SA is well geared up to accelerate its expansion once markets return to sustainable growth.

  Properties completed in 2008 and 2009 contributed to an increase of the rental income to EUR 66 million (+33% YoY). Despite the slowdown in the housing market, revenue in the residential division increased significantly to EUR 51 million in 9M 2009 from EUR 22 million in 9M 2008.

  The gross margin from rental income of commercial properties and sales of apartments, were a stable 77% and 18%, respectively totaling EUR 60 million in the 9M 2009 from EUR 42 million in the 9M 2008.

  In 9M 2009 GTC SA wrote-off EUR 48 million on completed assets and investment properties under construction. In Q1 and Q2 of 2009, this was primarily due to the expanding yields. In Q3 due to current market conditions which indicate lower rental rates than those assumed for lease

[3] Reference is made to the disclaimer at the end of part. 1
[4] For the percentage of ownership reference is made to paragraph 1.5

renewal or contracted for by GTC SA. As per September 30, 2009 the average yields in the valuation of GTC SA's investment property are:

	Poland	Other countries
Completed Property	7.2%	8.3%
Property Under Construction	7.5%	8.5%

In 9M 2009, a total of approximately 75,000 sqm were leased in GTC's office and retail developments. This includes major office leases in Budapest, Hungary: with the Tax Office (8,500 sqm) and with Budapest Bank, a subsidiary of General Electric Capital (16,700 sqm).

In Q3 2009, GTC SA completed and nearly fully let a shopping mall in Czestochowa, Poland with net rentable area of 49,000 sqm. A major office building in Bucharest, Romania with a net rentable area of 44,000 sqm having occupancy of 75%, will be completed in Q4 2009. Among the tenants are reputable international companies.

In two projects under construction, one in Bulgaria and the aforementioned one in Romania, GTC SA increased its stake; taking advantage of the opportunities the financial crises brings to financially sound developers: minority shareholders were bought out, requiring an investment of EUR 12 million.

As of September 30, 2009 GTC SA holds a total amount of EUR 175 million in cash and deposits.

Market Developments in China

The Kardan group is active in real estate in China via GTC China, a developer of residential and commercial projects in tier 2 and 3 cities.

In China, GDP accelerated and grew in Q3 2009 by 8.9% YoY, compared to 7.9% in Q2 and 6.1% in Q1 2009. The increase is the result of the 'stimulus' program of the Chinese government. This program aims mainly to boost local demand to compensate for the dramatic decrease of export due to the global economic slow down. In September the pace of the slowdown however has been reduced to 15% YoY, the smallest decline since January this year. The Chinese government took certain specific measures to boost the local real estate sector e.g. to encourage purchasing of apartments, stamp duties were lowered and conditions for the provision of a mortgage were softened. Furthermore, the sector also benefits from significant increase in credit growth and decreasing lending rates. Following the above mentioned steps coupled with the positive psychological effect of government involvement, real estate sales increased 57% YoY. Due to the higher demand, prices of residential sales went up by approximately 4% since the end of 2008. In Q3, the Chinese government sold many plots of land to property developers, contrary to H1 2009 when hardly any transaction took place. The prices for these plots are exceeding the pre-crises levels. Several anticipated real estate related IPOs is another signal of growth in the real estate market and an improving investment climate.

Developments GTC China

- GTC China, active mainly in the residential real estate market, noted a significant improvement in sales of apartments in Q3 2009 due to, among others, the stimulus program of the Chinese government as described above. GTC China increased the sales of apartments from 291 in Q1 2009 and 472 in Q2 2009, to 553 in Q3 2009.

  In the first quarter of 2009, GTC China commenced the construction of a shopping mall in Chengdu, in Western China. Recently, GTC China managed to obtain a loan from a local bank to finance the development of the shopping mall. This is a still relatively unknown concept in China where loans are typically granted as a mortgage against land or completed property. The granting of the loan supports the high expectations for this mall, once it will be completed.

Financial Services (KFS)

General Market Developments CEE/CIS

The Kardan group is active in CEE/CIS via Kardan Financial Services (KFS) both in 'banking and lending' (TBIF) and in 'insurance and pension' (TBIH). Important countries of activity are Russia and Ukraine.

The macroeconomic environment in CEE/CIS remains challenging with some signs of stabilization.

In Russia, the IMF expects a decline of 7.5% in Real GDP for 2009 followed by an expected 1.5% increase in 2010. The return to GDP growth in 2010 is driven by expansionary fiscal policy, higher commodity prices and an expected recovery in Europe and the US. The strengthening of the Ruble confirms these expected developments.

For Ukraine, the IMF forecasts a decline of Real GDP of 14% in 2009 and an increase of 2.7% in 2010. The Ukrainian currency is weakening after a period of stabilization in the first half of 2009. The release of the fourth tranche of the IMF support in 2009 is doubtful due to the Ukrainian President's decision to sign legislation to raise wages, which ran contrary to the restructuring program agreed upon with IMF. With the upcoming elections in January 2010, it is not expected that the Ukrainian government and opposition will reach an understanding regarding the conditions of the IMF for the release of the fourth tranche. This may endanger the economic and financial situation in the country in the short term.

The main manifestations of the crisis for the banking sector in these countries are:
1. Difficulties attracting new funding and refinancing;
2. The existing risk of deposit withdrawal requires banks to keep a high level of liquidity. Compared to 6-9 months ago, this risk has been reduced substantially. Although the Ukrainian banking sector saw reduction in deposits in September, KFS's bank in Ukraine, VAB Bank, noticed stability (see below: "Developments KFS");
3. Deterioration of financial positions of corporate and individuals resulting in a reduction of lending; and
4. Significantly higher levels of loan defaults.

As a result of these developments, several banks in CEE/CIS countries were nationalized

In Bulgaria and Romania, where KFS is mostly active in non-banking leasing and consumer finance, the economy remains challenging due to a significant drop in capital inflows. Romania has received initial support from the IMF, although the ongoing internal political crisis will result in the postponement of the next tranche release. The expected Real GDP growth for 2010 is 0.5%.

In Bulgaria, the combination of rising unemployment, a stagnant real estate market and anaemic activity is likely to keep the Real GDP growth in 2010 negative. IMF forecasts a decline of 2.5%.

The insurance and pension sector suffered significantly less from the financial crisis than the banking industry. Premium volumes are not increasing as there is a tendency among potential customers not to insure certain risks such as third party liability and casco risks.

Developments KFS

In 2009, the composition of the portfolio of the banking and lending activities (TBIF) did not change. In "insurance and pension" the portfolio of activities changed due to the completion of the disposal of certain insurance activities in Bulgaria, Albania, Macedonia, Romania and Kosovo and pension activities in Romania.

- Banking and Lending

In Russia, the loan portfolio in Q3 stabilized to a level close to that of June 30, 2009 (-1%) and deposits increased by 4% QoQ. The loan portfolio stabilized due to a change in management policy in the first half of the year. The total amount lent to SovCom (Kardan's bank in Russia) customers decreased by approximately EUR 60 million during 9M 2009 from EUR 360 million at YE 2008 to EUR 300 million on September 30, 2009. The declining portfolio is mostly due to the management decision to adopt a stricter underwriting policy, depreciation of the local currency compared to the Euro and lower demand in the market. The net growth of deposits was EUR 27 million during January-September 2009, bringing the balance to EUR 434 million. This demonstrates the confidence of depositors in SovCom. As a result of these two developments as well as refinancing deals from the Central Bank of Russia, the cash position increased significantly. The non-performing loans increased in Q3, but at a lower pace compared to Q2 2009. From the total loan portfolio, 8.2% is overdue for more than 90 days (June 30, 2009: 7.6%).

In Ukraine, Q3 2009 showed increased lending and stability in deposits taken in local currency (Hryvna). Due to the depreciation of the Hryvna, both lending and net deposits expressed in Euro decreased by 3% and 7%, respectively. In the first half of the year, the decline was more significant. The total loanportfolio of VAB Bank (Kardan's bank in Ukraine)[5] decreased by 11%, to EUR 478 million at September 30, 2009 from EUR 539 million, at the end of 2008. Deposits taken decreased by EUR 120 million (34%) to EUR 228 million from EUR 348 million. This is mainly due to the negative macro-economic and political environment in Ukraine in general and a lack of confidence in the financial system in particular. To overcome the liquidity shortage, VAB received a line of support from the National Bank of Ukraine amounting to approx. EUR 93 million, which as of September 30, 2009 has been fully drawn. Of the total loan portfolio, 13.1% is overdue for more than 90 days (June 30, 9.6%).

The other financial services activities, including non-banking leasing and consumer finance (mainly in Romania and Bulgaria), saw a 20% decline in the portfolio compared to December 31, 2008. The main reason for the decline is the restrictive lending policy combined with a lack of funding and decreased market demand.

- Insurance and Pension

KFS's insurance and pension operations generally improved results compared to 9M 2008 Turkey, however, saw premiums and investment income decrease due to the current market environment. KFS's pension business has remained profitable, particularly Doverie, Bulgaria's largest pension fund and KFS's subsidiary.

Water Infrastructure (Tahal)

Tahal is Kardan's water infrastructure platform. In design, planning and construction, Tahal operates via Tahal Group ("Tahal Projects"), and also invests in water infrastructural asset developments via Tahal Group Assets ("Tahal Assets").

Global Market Developments

The markets for water infrastructure are very robust. The demand continues to increase globally due to population growth and industrial expansion. At the same time, the world's fresh water supply is shrinking due to pollution, draining of underground aquifers and climate change. According to the Global Water Intelligence July report, the water market value in 2009 will increase by 8.2% over 2008 and amount to approx. EUR 360 billion despite the economic environment. Due to various government stimulus packages worldwide, many potential projects are offered for tender. The main difficulty in bidding for and developing projects is the lack of funding. Financial institutions are restrictive in lending due to the deleveraging that is still in process and secondly the deteriorating credit quality of sovereigns.

In China, where Tahal Assets is active in the operation of water supply and water treatment plants, the market is developing positively. Scarcity of water and water pollution is driving significant investments. China is acutely strained with only 7% of the water supply for 21% of the global population. China's water market is expected to grow over 20% on average over the next several years. Competition is continually growing as new suppliers enter the market and changes in ownership to private concerns from government control increases.

[5] VAB Bank is proportionally consolidated. The amounts stated in this paragraph however do relate to 100% of VAB Bank.

Developments in Tahal

The order book for new projects decreased from EUR 236 million as per September 30, 2008 to EUR 209 million as per September 30, 2009. The delay in finalizing the financial closing of new and awarded contracts has shifted the expected order book increase to Q4. Tahal expects to close new contracts with a value of EUR 175 million before the end of Q1 2010.

Tahal Assets is developing and investing in assets such as water supply systems and water treatment plants mainly in China, Turkey and Israel. During the development phase no cash is generated. After completion of a development, water is delivered to municipalities and industrial areas on long term concession basis (twenty to thirty years). Tahal Assets made significant progress in the development of its plants in Dazhou and Dingzhou, China which will become operational in Q1 2010 and Q4 2009, respectively.

In light of the enormous deal flow potential, Kardan at the end of October 2009 announced Tahal's decision to begin the process to raise growth capital that primarily will be used to develop the current pipeline of Tahal Assets and to selectively pursue strategic acquisitions for Tahal Projects.

Rental and Leasing of Vehicles

Kardan is active in rental and leasing of vehicles mainly in Israel. Kardan holds an indirect stake of approximately 24% in Avis Israel.

Developments of Rental and Leasing of vehicles Market in Israel

In light of the global crisis, leasing companies in Israel have faced difficulties in raising capital for new leasing transactions and therefore were in need of both fleet reduction and price increases. In addition, the leasing sector experienced additional pressure due to the reduced prices of second hand vehicles which are sold at the end of use. During the third quarter both, finance availability and second hand vehicle prices improved.

Developments Avis Israel

In light of market conditions, Avis Israel reduced its fleet to 31.3 thousand vehicles from 32.1 thousand at the end of 2008. The increase in second hand vehicle prices improved the gross profit of Avis from 16% in Q1 to 17% and 18% in Q2 and Q3 respectively.

Sale of vehicles

Developments of sale of vehicles market in Israel

In this segment, Kardan owns a 30% indirect stake of UMI, the exclusive importer of General Motors brands in Israel. Car importers have been working in a difficult market at the beginning of 2009 as they have seen a decrease in demand for new cars, pressure to reduce prices in light of the decrease in demand and the need of companies to reduce inventory levels. This pressure was mitigated by improvement of the Israeli economy and the expected increase of taxes levied on vehicles sold after January 1, 2010, thereby encouraging buyers to rush to purchase before year end. For the 9M period ending in September 2009, the market declined by approximately 25% versus the same period of last year. After a material decrease in car sales in Israel the vehicle market showed a growth from 38.6K cars in Q 1 to 39.4K and 45.8K in Q2 and Q3 respectively.

Developments UMI

UMI's market share slightly decreased in 9M 2009 to ca. 8% as a result of the uncertainty surrounding General Motors survivability at the beginning of the year although the anticipated launch of the new GM compact car, the Chevrolet Cruze, which occurred only in June of this year, was successful.

1.2 Main events in 9M 2009

Kardan NV

During Q1 2009, Kardan bought back from Israel Discount Bank an 11% stake in KFS. As of today, Kardan owns 98.6% of KFS. The acquisition price consisted of EUR 30 million that was paid upon closing of the transaction and EUR 8.5 million that is payable after seven years.

Real Estate (GTC)

- In March 2009, Kardan NV announced that GTC SA did not reach an agreement regarding the sale of its 50% holding in Galleria Mokotow (a shopping centre in Warsaw, Poland) to Unibail Rodamco, due to the volatile market conditions. Unibail Rodamco already owns 50% of the shares in Galleria Mokotow.

- In June 2009, GTC India announced that it terminated an agreement for the phased development of a commercial and residential project in the city of Pune due to certain conditions precedent not being fulfilled.

- In August 2009, GTC SA agreed on a new loan facility of EUR 205 million to refinance Galeria Mokotow, a shopping mall in Warsaw, jointly owned with Unibail Rodamco. Through this loan facility, the cash position of the group increased by EUR 60 million. The loan was granted for a period of 5 years with an option for the benefit of the borrower to extend it for additional two years.

- In September 2009, Kardan sold 3% of its indirect holding in GTC SA for a consideration of EUR 38 million. After the sale Kardan owns 43.1% of the shares and maintains effective control in the company.

Financial Services (KFS)

TBIH, the pension and insurance company of KFS announced in June 2009 the completion of the sale of its insurance activities in Bulgaria, Albania, Macedonia and Kosovo to Vienna Insurance Group (VIG), the majority shareholder (60%) of TBIH. The sale agreement was signed in December 2008. The reason to sell the activities was among others the attractive sales price resulting in a profit of EUR 16 million for Kardan.

(Water) Infrastructure (Tahal)

In May 2009, Tahal was granted a licence by the State of Israel to build an electricity generating facility, providing up to 300 megawatt of electricity to the Israel Electric Corporation.

The total expected investment in this plant amounts to approx. EUR 225 million and building the power station is estimated to take three years. The licence was granted with the condition that Tahal will be able to arrange funding for the project. The funding must be in place within 18 months from the day the licence was granted. In addition, Tahal may decide to withdraw from the project in the event it deems the estimated turnover is not in line with current projections, depending on the final terms as set by the Israel Electricity Authority.

Kardan Israel

In May 2009, Kardan Israel published a shelf prospectus in order to raise funding through debentures and to refinance existing loans and increase the cash position. In June 2009, Kardan Israel raised EUR 20 million of debentures according the mentioned prospectus.

1.3 Subsequent events

Kardan N.V

In September 2008, Kardan announced the intention to spin off Kardan Israel. Due to the financial and economic crises the process was delayed. In October 2009, Kardan NV announced the resumption and subsequently a delay of its plan to divest from its majority holding in Kardan Israel.

(Water) Infrastructure (Tahal)

At the end of October 2009, Kardan began a process to raise up to EUR 70 million of equity via the sale of a minority interest in Tahal through a private placement. The proceeds will be used to benefit from targeted opportunities in the global water infrastructure market.

1.4 Results and Equity attributable to equity holders of Kardan N.V.[6]

Breakdown of the net result For Equity Holders of Kardan N.V. (EUR mn)[7]	**9M 2009**	**9M 2008**	**Q3 2009**	**Q3 2008**	**2008**
– Real Estate	(20)	31	(8)	12	89
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– (Water) Infrastructure – Assets	(1)	(5)	-	(3)	(16)
– Rental and Leasing of vehicles [8]	-	(1)	2	-	-
– Sale of vehicles [8]	3	5	1	2	6
– Other [8]	(17)	7	(7)	5	24
Total net result attributable to equity holders	**(45)**	**23**	**(12)**	**7**	**52**
Profit (loss) per share (EUR)	(0.45)	0.28	(0.12)	0.09	0.63
Profit (loss) per share diluted (EUR)	(0.45)	(0.01)	(0.12)	(0.03)	0.28

- **9M 2009 results**

The net loss attributable to equity holders of Kardan in 9M 2009 amounted to EUR 45 million, compared to a profit of EUR 23 million in the corresponding period in 2008.

The net result of GTC, the Real Estate division, decreased by EUR 51 million to a loss of EUR 20 million in 9M 2009 from a profit of EUR 31 million in 9M 2008 as a result of:

- The direct result from operations after tax was slightly positive (EUR 2 million).This is due to an increase in rental income following the completion of properties of GTC SA and the increase in deliveries of apartments in China and Romania. In the comparable period of 2008, the operating loss of the Real Estate division was EUR 3 million.

- In 9M 2009, total revaluation losses in CEE amounted to EUR 27 million (9M 2008: profit of EUR 32 million). Revaluation results include results on properties completed before January 1, 2009, properties completed in 9M 2009 and properties under construction. The value of

[6] In this paragraph, the amounts and the explanations all reflect the share of Kardan N.V. in the consolidated results i.e. net of minority interests. For the sake of clarity, the explanations of paragraph 1.1 and 2.1 are based upon the consolidated figures, thus including minority interests.
[7] The table shows the contribution of each of the businesses to the results attributable to the shareholder's of Kardan N.V and excludes results attributable to the minority shareholders. The analyses and the explanation of the results also relate to the results attributable to the shareholder's of Kardan N.V. These figures do not represent the full net result realized in each segment.
[8] Due to IFRS 8 requirements, starting 2009, the reported segments, as stated in the table, were slightly changed.

properties completed before January 2009 decreased by EUR 41 million in 9M 2009 versus an increase of 32 million in 9M 2008 (after the deduction of a provision for deferred income taxes).The negative revaluation result is mainly due to yield increases and the expectation of appraisers that rental income of contract renewals will be lower than the existing rental levels. On properties completed in 9M 2009 a revaluation profit of EUR 12 million (net of tax) was realized. As of Q4 2008, Kardan applied the revised accounting standard (IAS 40), which prescribes to measure investment property under construction at fair value resulting in a revaluation profit net of tax of EUR 2 million in 9M 2009.

- Kardan sold 3% of its stake in GTC SA during September 2009. The capital gain as a result of this sale amounted to EUR 4 million.

KFS, the Financial Services division contributed a loss of EUR 10 million, slightly less than the EUR 11 million loss in 9M 2008. This loss is explained as follows:

The banking and lending activities (TBIF) recorded a loss of EUR 32 million in 9M 2009 versus a profit of EUR 5 million in 9M 2008. The main elements of the results are:

- Profit from operations (excluding risk related costs) amounted to EUR 41 million (9M 2008: EUR 20 million). The increase is the result of a significant decrease of operational expenses due to restructuring of the activities following the economic and financial crises and substantial returns on the investment in listed bonds by the two banks in Russia and Ukraine.
- Write-offs and provisions on the loan portfolio increased to EUR 65 million in 9M 2009 from EUR 16 million in 9M 2008.
- Net finance expenses relating to the funding of acquisitions and equity investment of the operational companies amounted to EUR 6 million in 9M 2009 (9M 2008: EUR 3 million).
- In 9M 2008, TBIF recorded a profit of EUR 6 million on the revaluation of put options provided to the management of the company.

The insurance and pension activities (TBIH) contributed a profit of EUR 22 million in 9M 2009 versus a loss of EUR 16 million in 9M 2008. This result can be explained as follows:

- TBIH managed to restrict the operational loss in the continued operations during the 9 month period of 2009 to EUR 6 million. In 9M 2008, the loss amounted to EUR 10 million, of which EUR 5 million related to a Russian subsidiary that was sold in December 2008.
- In December 2008, TBIH sold part of its activities to Vienna Insurance Group. As announced, the closing of part of the transaction took place in June 2009. This closing resulted in a capital gain of EUR 16 million for Kardan. In Q3 2009, TBIH closed the sale of the Romanian pension and life insurance activities at a capital gain of EUR 4 million for Kardan N.V.
- In the 9M 2009, KFS recorded a fair value profit amounting to EUR 8 million relating to the value of a put option to sell its stake in TBIH to the partner. In 9M 2008, an amount of EUR 5 million relating to a capitalized price adjustment of a prior year transaction has been written off.

Tahal, the water infrastructure division, contributed a loss of EUR 1 million in 9M 2009, compared to a loss of EUR 8 million in 9M 2008. The division has two segments: Tahal Projects and Tahal Assets.

- Tahal Projects, engaged in consultancy and construction of water related projects, broke-even in 9M 2009, which is EUR 3 million better than in the same period of last year. The order book decreased from EUR 236 million as of September, 30 2008 to EUR 209 million as of September 30, 2009.
- In 9M 2009 Tahal Assets, investing in water related assets reduced its loss to EUR 1 million from EUR 5 million in 9M 2008. The improvement in the results is mainly due to increase in the revenues and operating profit from the Chinese activities. Impairment of assets of EUR 3 million (net of tax) due to lower than expected results from one of the assets was the main contributor to the loss in 9M 2009. This was mitigated by the Chinese water activities (KWIG), where Tahal realized a capital gain of approximately EUR 2 million on the increase of its share in KWIG.

Rental and Leasing of vehicles

The segment had a break even result in 9M 2009 (9M 2008: loss of EUR 1 million). The increase in profit is mainly the result of tax income due to the Israeli government's decision to reduce the corporate income tax in the future. AVIS Israel was proportionally consolidated in 9M 2009 for the first time, whereas in 9M 2008 it was included according to the equity method.

Sale of Vehicles

In 9M 2009, the contribution to the profit for equity holders of Kardan N.V. was EUR 3 million (9M 2008: EUR 5 million). The decrease in profit was mainly due to economic weakness that resulted in a decline of approximately 25% in the total number of cars sold in Israel.

Other activities include investments that are relatively small ("Communications and Technology" and "Import and Sale of white goods") and general and administrative expenses as well as finance expenses of Kardan N.V. and Kardan Israel Ltd. The total loss of these activities amounted to EUR 17 million (9M 2008: profit of EUR 7 million). The loss derives mainly from general and administrative expenses and finance expenses related to the funding of the equity investments in subsidiaries of Kardan Israel and Kardan N.V. The result of 9M 2008 was positively impacted by the revaluation of the convertible debentures and options to Kardan N.V. shares to an amount of EUR 19 million.

- **Third Quarter 2009 results**

In Q3 2009, Kardan recorded a loss of EUR 12 million versus a profit of EUR 7 million in the third quarter of 2008.

The loss recorded in the real estate activities (GTC) amounted to EUR 8 million (Q3 2008: profit of EUR 12 million) and mainly stems from a negative revaluation result of EUR 18 million. A positive direct operating result after tax of EUR 4 million and a capital gain of EUR 4 million on the sale of 3% of the shares in GTC SA partially compensated the revaluation loss. In Q3 2008, the direct operational result was negative (EUR 4 million) and the revaluation profit amounted to EUR 18 million.

The banking and lending activity of TBIF lost EUR 7 million (Q3 2008: profit of EUR 4 million). The majority of the losses derive from provisions for credit losses on bad loans from the banking operations amounting to EUR 22 million (Q3 2008: EUR 7 million). These losses were only partly compensated by operating profits of EUR 17 million (Q3 2008: EUR 11 million).

In the insurance and pension activity of TBIH, a profit of EUR 7 million was realized compared to a loss of EUR 10 million in the equivalent period of last year. The profit is derived from a capital gain realised on the sale of pension and insurance activities in Romania (EUR 4 million). Furthermore, KFS realized a revaluation profit of EUR 5 million relating to the value of a put option to sell its stake in TBIH to the partner.

The (water) infrastructure division realised a break even result. (Q3 2008: loss of EUR 6 million). The loss in 2008 is attributable to the Romanian and South American activities of the Tahal Projects.

In 'rental and leasing of vehicles' the profit amounted is EUR 2 million (Q3 2008: nil). The increase in profit is mainly the result of tax income due to the Israeli government's decision to reduce the corporate income tax in the future.

In 'sale of cars' a profit of EUR 1 million was realised compared to a profit of EUR 2 million in Q3 2008.

The 'other' activities resulted in a loss of EUR 7 million compared to a profit of EUR 5 million in Q3 2008. In this segment, finance expenses relating to the funding of equity investments in subsidiaries and general and administrative expenses of the head office are recorded. In Q3 2008 a profit of EUR 8 million was recognized relating to the revaluation of the convertible debentures and options to Kardan N.V. shares.

- **Equity attributable to the shareholders of Kardan NV as of September 30, 2009**

As of September 30, 2009, the equity attributable to the shareholders of Kardan NV decreased to EUR 325 million, compared to EUR 368 million at year-end 2008. This decrease was mainly the result of the loss for the period (EUR 45 million).

The solvency ratio (shareholder's equity/total assets) of Kardan N.V. stood at 33% compared to 36% at year-end 2008.

As a result of financial transactions, the net debt position of Kardan N.V. as of September 30, 2009 decreased to EUR 342 million from EUR 397 million as of December 31, 2008.

1.5 Value of investments Kardan N.V.

The following table summarizes the book value of the companies held directly by Kardan N.V. as of September 30, 2009 and December 31, 2008 (amounts in EUR million):

Holding Company	Name of subsidiary	Share in subsidiary	Book Value in Kardan NV	Loans granted by Kardan NV	Total Investment in books 30.9.09	Total Investment in books 31.12.08
Kardan NV	GTC RE Holding (*) (1)	100%	355	63	418	559
	KFS (**) (1)	98.6%	112	100	212	121
	Tahal	100%	16	85	101	106
	Kardan Israel	73.9%	67	-	67	68

(*)

Holding Company	Name of subsidiary	Share in subsidiary	GTC Holding Book Value	Loans granted by GTC Holding	Total Investment in books 30.9.09	Total Investment in books 31.12.08
GTC RE Holding	GTC SA (2)	43.1%	440	-	440	498
	GTC China	100%	120	28	148	120
	GTC Investments	46.3%	5	10	15	16

(**)

Holding Company	Name of subsidiary	Share in subsidiary	KFS Book Value	Loans granted by KFS	Total Investment in books 30.9.09	Total Investment in books 31.12.08
KFS	TBIF	90.4%	87	166	253	278
	TBIH	40%	74	-	74	59

(1) The main difference in the total investments in GTC RE Holding and KFS as of September 30, 2009 compared with December 31, 2008 is a change in the loans granted to the subsidiary.
(2) The main difference in the total investments in GTC SA as of September 30, 2009 compared with December 31, 2008 is due to the sale of 3% of GTC SA shares by GTC RE Holding (see also 1.2 "Main events in 9M 2009).

1.6 Financial Position of Kardan Group as of September 30, 2009

- **Maturity loans**

Kardan has a decentralized funding structure. This implies that Kardan, its direct subsidiaries (all being holding companies of the operational entities), and the operational entities mostly are responsible for the funding of their own activities. As a consequence, within the Kardan group many agreements with lenders are in place with different covenants.

The following table gives an overview of the cash positions and refinance obligations for convertible and non convertible debentures and other interest bearing loans as at September 30, 2009 for Kardan N.V. and its divisions[9];

EUR Millions	Free Cash & Cash equivalents [9]	Debt/loans maturing					
		Before September 30, 2010	Before September 30, 2011	Before September 30, 2012	Before September 30, 2013	After September 30, 2013 and up to September 30, 2023	Total
Kardan N.V.	120	54	11	6	58	461	588
GTC Group	213	58	91	74	199	996	1,425
KFS	403	318	87	37	39	247	729
Tahal Group International	17	34	4	7	9	21	76
Kardan Israel	25	130	53	25	33	91	332
Total	**778**	**594**	**246**	**149**	**339**	**1,823**	**3,150**

For KFS, the amount due before September 30, 2010 includes the support from the Central Banks in Ukraine and Russia amounting to EUR 125 million.

For Kardan Israel, the amount due before September 2010, includes repayment of EUR 50 million of debt of AVIS Israel that will be mainly financed by the proceeds from lease instalments and vehicles sales.

From the total debt payable after September 2013, the total amounts due in the next five years are respectively EUR 470 million, EUR 239 million, EUR 127 million, EUR 155 million and EUR 101 million.

- **Net debt [10]**

The following table summarizes the net debt of Kardan NV and if applicable of it's directly owned subsidiaries (company only) as of September 30, 2009:

[9] The table provides consolidated figures for each division. It should be noted however that the cash and debt positions of an individual company within a division cannot always be compensated with the position of another company. Free Cash & Cash equivalents of KFS include the investment in tradable bonds; the debt of KFS excludes the liabilities due to deposit holders of the banking activities in Russia and Ukraine.

10 Net debt includes interest bearing loans and borrowings, debentures and convertible debentures, less cash and cash equivalents and interest bearing receivables.

Company	Net Debt (in EUR millions)	
Kardan NV	**Liabilities:**	
	Debentures (*),(**)	(478)
	Loans from banks	(84)
	Assets:	
	Loan to KFS	100
	Cash and short term investments	120
	Net debt	**(342)**
GTC RE Holding	**Liabilities:**	
	Loans from banks	(157)
	Assets:	
	Cash and short term investments	-
	Net debt	**(157)**
KFS	**Liabilities:**	
	Loans from Kardan NV	(100)
	Loans from banks	(178)
	Assets:	
	Cash and short term investments	1
	Loans to minority in subsidiary	14
	Loans to TBIF	166
	Net debt	**(97)**
Kardan Israel	**Liabilities:**	
	Debentures	(51)
	Loans from banks	(17)
	Assets:	
	Loan to subsidiary	3
	Cash and short term investments	10
	Net debt	**(55)**

(*) Excluding debentures which were purchased by Tahal Group International
(**) Debentures are presented in EUR in accordance with the currency hedging transactions

1.7 Risk management

The company has three main fields of activities divided into seven segments. Each sector is managed by an executive director or board of directors which are responsible for managing its market sector risks. In addition, in each operating company a senior manager is responsible for managing its risks. The director responsible for managing the risks of Kardan NV is Mr. Walter van Damme, a member of the Management Board.

The annual report 2008, described the main risks relating to Kardan's strategy, such as interest rate and currency risks, capital availability and financial market risks etc. These risks are deemed incorporated and repeated in this report by reference.

In addition to the risks referred to above, for the remainder of 2009, the potential following risks can be associated with the current economic environment.

- The risk of a further deterioration of the economies in Russia and Ukraine. This will have an impact on customers' ability to redeem the loans taken from banks and the payment of interest. This could have a negative impact on the valuation of the loan portfolio.
- A further tightening of credit which may have a negative impact on the financial position of tenants of our shopping malls and offices. This can increase the return requirements of investors (yield) and consequently decrease the value of the properties.

1.8 Segmental Key Indicators for the period

The following table presents key indicators for the activities of each of the three main fields of activities of Kardan N.V.

The following tables contain balances as of September 30, 2009 and results for the period of 9 months ending September 30, 2009.

Real Estate

Commercial Properties

Completed

	Unit	Total	Poland	Other CEE	Czech pr*
NRA pr (Pro-rata to GTC's holdings)	[SQM '000]	412	236	169	8
Average vacancy	[%]	6%	2%	11%*	9%
Average yield used in valuations	[%]	7.7%	7.2%	8.3%	10.5%
Book value	[EUR mn]	1,322.6	713.5	603.7	5.4

* Excluding Spiral building in Hungary , NRA of 29,000 SQM which is 24% let.

** GTC holds 30% of operations in Czech and thus does not consolidate its results.

Under construction

	Unit	Total	Poland	Other CEE	Czech pr	China pr
NRA pr	[SQM '000]	299	85	153	25	36
Accumulated cost	[EUR mn]	370.7	65.8	240.4	23.8	40.7
Profit from revaluations	[EUR mn]	90.0	6.4	76.0	7.5	-
Minority interest in commercial properties	[EUR mn]	(152.4)	-	(152.4)	-	-

Residential Properties

Under construction

	Unit	Total	CEE	Czech pr	China pr*
Area pr	[SQM '000]	707	84	14	609
Book value	[EUR mn]	258.5	133.4	14.5	110.6

* The selling rights of areas which are not yet under construction amount to 856 thousand SQM.

Net Debt

	Unit	Total	CEE	Czech pr	China pr
Net financial liabilities (assets)	[EUR mn]	878.9	876.0	36.2	(33.4)

Financial Services

Banking Activities

	Unit	Sovcom	VAB	TBI Bulgaria	TBI Romania
Holding	[%]	69%	49%	100%	100%
Revenues (100%)*	[EUR mn]	90.2	33.0	16.6	17.8
Net profit / loss (100%)	[EUR mn]	(14.0)	(28.4)	0.5	(0.8)
Equity (100%)	[EUR mn]	57.8	45.6	13.9	30.0
Solvency (IFRS equity / assets)	[%]	9%	8%	10%	20%
Credit portfolio (100%)**	[EUR mn]	300.5	478.0	117.2	126.6
Provisions	[%]	15%	12%	7%	8%
Book value in TBIF - equity and loans	[EUR mn]	63	57	46	68

* Includes net interest income, net commission income and other operating income

** According to IFRS

Insurance Activities

	Unit	Turkey	Ukraine	Georgia
Premiums (100%)	[EUR mn]	81.2	29.2	34.9
Net profit / loss (100%)	[EUR mn]	(1.5)	0.1	2.1
Market share	[%]	2%	6%	35%

Pension Activities

	Unit	Bulgaria	Ukraine	Croatia	Others
Members	[Thousands]	1,289.6	136.7	231.6	9.2
Assets under management (100%)	[EUR mn]	505.0	1.8	497.3	0.9
Net profit / loss (100%)	[EUR mn]	3.0	(0.2)	1.2	-
Market share	[%]	34%	4%	15%	

Infrastructure

Projects Segment

		Total
Backlog	[EUR mn]	209

Assets Segment

		KWIG	Task	Milgam
Book value (incl. shareholder loans)	[EUR mn]	31.0	6.2	21.5

1.9 Outlook 2009

Despite the initial signs of market recovery in emerging markets it is anticipated that, due to the losses incurred during the first three quarters of 2009 as well as the continued challenging economic environment in Kardan's main markets, the results for the full year 2009 will be negative.

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 NV 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.

- CEE Real Estate market: **CB Richard Ellis**, EMEA Rents and Yields Q3 *2009*
- China Real Estate market: ZyRE weekly news updates and Shanghai Wind Information
- Financial services market: **IMF** *website*
- (Water) Infrastructure market: Global Water Intelligence*, UN Educational, Scientific and Cultural Organization/International Health Programs*
- Automotive market: **Car Importers Association** (Israel) *website*

Kardan NV is not responsible for the nature or correctness of data presented in this section regarding market developments or projections.

KARDAN N.V.

PART 2 ADDITIONAL INFORMATION

2.1. Financial analysis

2.1.1 Following is a summary of Kardan NV's consolidated balance sheet (in EUR millions)

Clause	30.09.09	30.9.08	31.12.08	Notes
Total balance sheet	5,531	5,249	5,251	The increase as of September 30 ,2009 compared to December 31, 2008 is mainly a result of the first time consolidation of "Kardan Nichsey Emed" in the financial statements of Kardan Israel including the proportionate consolidation of "Emed" and "Dan Vehicles"(*).
Current assets	2,059	2,034	1,840	The increase as of September 30, 2009, compared to December 31, 2008, is mainly a result of increase in short term investments due to revaluations of investments in the financial services segment. The increase was partly offset mainly as a result of cash usage due to new investments in real estate projects during the reported period.
Non current assets	3,469	3,215	3,328	The increase as of September 30, 2009 compared to December 31, 2008 is mainly a result of increase in the investment properties due to progress of construction made in the reported period in GTC Group.
Current liabilities	1,426	1,457	1,598	The decrease as of September 30, 2009, vs. to December 31, 2008 is mainly a result of decrease in advances from buyers due to delivery of apartments in the real estate segment as well as decrease in the banking customers accounts balances mainly in VAB Bank due to the financial macro economic environment in Ukraine.
Other debentures	908	949	806	The increase as of September 30, 2009 compared to December 31, 2008 is mainly a result of the first time consolidation of "Kardan Nichsey Emed" in the financial statements of Kardan Israel including the proportionate consolidation of "Emed" and "Dan Vehicles"(*).
Interest-bearing loans and borrowings	1,619	1,084	1,128	The increase as of September 30, 2009 compared to December 31, 2008 is mainly a result of receipt of bank loans for the funding of projects in the GTC Group and in Kardan NV, for the purpose of expanding the Group's activities as well as first time consolidation of "Kardan Nichsey Emed" in the reports of Kardan Israel including the proportionate consolidation of "Emed" and "Dan Vehicles"(*).
Warrants and options	35	130	55	The decrease as of September 30, 2009, compare to September 30, 2008 is mainly a result of devaluating of "Put" options for the purpose of acquiring shares from minority shareholders and managers in the various KFS Group companies and as a result of the conversion of convertible debentures in GTC RE during 2008.
Equity attributable to equity holders of the parent	325	362	368	The decrease as of September 30, 2009 compared to December 31, 2008 is mainly a result of the loss in the reported period amounted to EUR 45 million.

(*) In January 2009, Kardan Israel completed the purchase of 10% in “Kardan Nichsey Emed” (“Emed assets.") Following completion of this acquisition Kardan Israel holds 60% of the shares of Emed assets and consolidating the financial statements of Emed assets starting the first quarter of 2009. Emed assets hold 50% in “Emed Property Development and Investments Ltd” (“Emed”), which is proportionate, consolidated. Emed holds 54% in “Dan vehicles and transportation D.R. T. Ltd. (hereinafter "Dan vehicles"). Dan vehicles have an “AVIS” Europe franchise authorizing it to use the brand name of AVIS in Israel, working methods and computers systems for car rental. In July 2009 Kardan Israel completed the purchase of Kardan Nichsey Emed shares and currently holds 100% of Emed assets.

2.1.2 Results of Business Operations (in EUR million):

	1-9/09	1-9/08	7-9/09	7-9/08	1-12/08	Notes
Revenues						
Sales and Services	125	58	42	32	97	The increase in sales and services in the first 9M of 2009 in comparison to the first 9M 2008 is mainly a result of delivery of apartments in Romania, Serbia, Poland, Hungary and China, after which income from the sale of these apartments could be recognized.
Contract revenues	120	108	46	36	149	The income mainly represents the revenues from projects in the (Water) Infrastructure segment.
Renting and selling of vehicles	124	-	42	-	-	Mainly due to the first time consolidation of “Dan vehicles” (*).
Insurance activities	45	47	15	16	67	Toward the end of 2008, as well as in the reported period, a sale of a number of insurance companies in TBIH was completed. As a result of that, the relevant profit and loss items were presented as “discontinued operations” in the profit and loss account (see below).
Banking and lending activities	60	86	25	30	96	The decrease in the first 9M of 2009 in comparison to the first 9M 2008 is mainly derived from increase in provision for doubtful debts in the Russian and Ukrainian banks due to the world credit crisis. The decrease is partly offset due to first time full consolidation of the Russian bank results starting 2009.
Rental revenues	73	55	25	20	80	The increase in rental revenues in the first 9M of 2009 in comparison to the first 9M 2008 is mainly as a result of completion of the construction and the lease of a number of commercial projects during 2008 and 2009 which generated rental income in 2009.
Management fees	1	1	-	-	3	-
Total Revenues	**548**	**355**	**195**	**134**	**492**	
Expenses						
Cost of Sales and Services	98	47	33	26	77	Please see the explanations for the changes in revenues from sales and services.
Contracts costs	97	91	38	32	126	Please see the explanations for the changes in revenues from contract works.
Cost of rental and sale of vehicles	97	-	30	-	-	Please see the explanations for the changes in revenues from renting and selling of vehicles.

Operating expenses of insurance business	48	45	17	17	63	Please see the explanations for the changes in revenues from insurance business.
Cost of banking and lending activities	95	85	30	33	120	The increase in the expenses in the first 9M of 2009 in comparison to the first 9M 2008 is mainly a result of first time full consolidation of the Russian bank results starting 2009.

(*) In January 2009, Kardan Israel completed the purchase of 10% in "Kardan Nichsey Emed" ("Emed assets.") Following completion of this acquisition Kardan Israel holds 60% of the shares of Emed assets and consolidating the financial statements of Emed assets starting the first quarter of 2009. Emed assets hold 50% in "Emed Property Development and Investments Ltd" ("Emed"), which is proportionate, consolidated. Emed holds 54% in "Dan vehicles and transportation D.R. T. Ltd. (hereinafter "Dan vehicles"). Dan vehicles have an "AVIS" Europe franchise authorizing it to use the brand name of AVIS in Israel, working methods and computers systems for car rental. In July 2009 Kardan Israel completed the purchase of Kardan Nichsey Emed shares and currently holds100% of Emed assets.

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

	1-9/09	1-9/08	7-9/09	7-9/08	2008	Notes
Cost of rental operations	16	13	6	5	20	Please see the explanations for the changes in rental revenues.
Other expenses , net	12	2	1	1	5	The other expenses in the first 9M 2009 (mainly generated in Q2 2009) are mainly due to impairment of assets in the (Water) Infrastructure segment (see also the net result analysis in this segment).
Total expenses	**463**	**283**	**155**	**114**	**411**	-
Gross margin	**85**	**72**	**40**	**20**	**81**	-
Sales and marketing expenses	17	16	6	6	20	-
General and administration expenses	44	34	14	7	27	In 2008 these expenses were offset following the devaluation of a Put option which was granted to management in subsidiaries for the sum of EUR 30 million.
Profit from operations before fair value adjustments, disposals of assets	**24**	**22**	**20**	**7**	**34**	-
Adjustment to fair value of investment properties	(62)	140	(44)	69	196	In the first 9M of 2009, most of the completed investment properties and part of the investment properties under construction in GTC group were revaluated to their fair value which resulted in a net loss of EUR 60 millions. Out of that net loss, EUR 46 millions were derived in Q3 2009 (see also the net result analysis in this segment). In the course of 2008 a numbers of properties were revaluated for the first time in Poland, Romania and Serbia following completion of construction. In December 2008, the Group has early adopted the revised IAS 40 and as a result parts of the investment properties

						under construction were revaluated to their fair value as well.
Impairment losses on goodwill	-	(6)	-	(6)	(89)	In 2008, the loss includes expenses related to impairment of goodwill mainly in the financial services segment (See also Kardan NV's results in this segment in annual financial statements).
Gain on issuance of shares in associated companies and subsidiaries to third parties	1	2	-	-	2	-
Gain on disposal of assets and other income	18	5	12	2	121	The income in the first 9M 2009 includes the revaluation of a "Put" option granted to KFS regarding its holding in TBIH as well as the profit from the sale of 3% of GTC SA shares (mostly in Q3 2009). The profit for 2008 was generated from the merger between Kardan NV and GTC RE as well as the revaluation of a "Put" option granted to KFS regarding its holding in TBIH.
Profit (loss) on disposal of assets and investments	**19**	**7**	**12**	**2**	**123**	-
Profit (loss) before finance expenses and income taxes	**(19)**	**163**	**(12)**	**72**	**264**	

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

	1-9/09	1-9/08	7-9/09	7-9/08	2008	Notes
Financial Income	55	146	10	60	177	Finance income in the first 9M 2009 is mainly the result of an increase of value of financial assets which are denominated in EUR and USD, in the financial services operations as a result of devaluation of the Russian and Romanian currencies. Due to a slight reverse in the trend of those currencies, expenses were incurred in Q2 and Q3 2009 which were offsetting part of the income. In addition, the income in the reported period reflects interest which derived from the cash balances of the group.
Financial expenses	(153)	(167)	(48)	(50)	(247)	The financial expenses in the first 9M 2009 are mainly a result of a decrease in the value of financial liabilities which are denominated in EUR and USD, mainly in the financial services operations as a result of devaluation of the Russian and Romanian currencies. In addition, the financing expenses generated during the reported period include the financing costs of loans and debentures in the group.
Adjustments to fair value of other financial instruments	3	6	3	(20)	58	The income in 2008 mainly results from the decrease in the fair value of the conversion components in GTC RE and Kardan Israel's convertible debentures and from revaluating options for Kardan NV shares. In addition, this income also includes profit from derivatives in GTC SA which were not recognized as" hedge accounting" until Q4 2008.
Total financial expenses , net	**(95)**	**(15)**	**(35)**	**(10)**	**(12)**	-
Profit (loss) from operations	**(114)**	**148**	**(47)**	**62**	**252**	-
Equity in net earnings of associated companies	1	3	(1)	-	3	-
Net profit (loss) before income taxes	**(113)**	**151**	**(48)**	**62**	**255**	-
Income tax benefit (expenses)	10	(34)	16	(15)	(81)	Main tax expenses/benefits are a result of a provision for deferred taxes due to revaluation/devaluation of investment properties.
Net profit (loss) for the period from continuing operations	**(103)**	**117**	**(32)**	**47**	**174**	-
Net profit for the period from discontinued operations	**21**	**(7)**	**5**	**(2)**	**1**	See the explanations for the changes in income from insurance business. In addition, in Q3 2009 the profit derives from the sale of the pension activity in Romania.

Net profit (loss) for the period	**(82)**	**110**	**(27)**	**45**	**175**	-
Net profit (loss) attributed to equity holders of the parent	(45)	23	(12)	7	52	See also the analysis of the net result to the equity holders of Kardan NV.
Net profit (loss) attributed to minority interest holders	(37)	87	(15)	38	123	-

2.1.3 Cash flow and source of funding (in EUR millions):

	1-9/09	1-9/08	7-9/09	7-9/08	2008	Notes
Net cash provided by (used in) operating activities	45	(42)	52	19	(191)	-
Net cash used in investing activities	(480)	(829)	(205)	(273)	(707)	In 9M 2009, EUR 262 million were used for acquisition of tangible fixed assets and investment properties and EUR 217 million were used for short term investment. In 9M 2008, EUR 362 million were used for acquisition of tangible fixed assets and investment properties, EUR 96 million were used for short term investment and EUR 357 million were used for granting of long term loans.
Net cash provided by financing activities	330	485	205	64	528	In 9M 2009, EUR 801 million were generated following the receipt of long term loans, EUR 175 million were generated from short term loans and borrowings and EUR 652 million were used for repayment of long term loans. In 9M 2008, EUR 620 million were generated from long term loans, EUR 103 million were generated from issuance of debentures, EUR 66 million were generated from loans to bank customers and EUR 335 million were used as repayment of long term loans.

The Management Board of Kardan NV believes there is no reason concern for concern that Kardan NV will not be able to meet its current financial obligations and those expected in the two years following publication of the financial statements.

This assumption is based on the cash flow forecast of Kardan NV, including a breakdown of the resources, uses and the available assets for pledge as of September 30, 2009. [11]

Due to its structure and nature of operations, Kardan NV usually has negative cash flow from operating activities.

[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

2.2 Valuation of completed properties

In the third quarter of 2009 the Investment properties in GTC Group were valuated. The following table indicates the main assumptions, methods and valuations for material adjustments in the fair value:

Country	City	Property Name	GTC Poland group share	Property Use	Title Type	Net Sq./m for Rent	Gross Sq./m for Rent	Original Construction Cost (€'000) (1)	Occupancy rate for 30.09.09	Valuation method	Yield	Project Value in Financial statements (€'000)	Average rent per sq. m	NOI Per sq. m		NOI (€'000)		The main source for change in value
														4-6/09	7-9/09	4-6/09	7-9/09	
Croatia	Zagreb	Avenue Mall	70%	shopping center	Ownership	26,500	34,500	65,000	%100	DCF	%7.25 (2)	185,260	€38.3	€34	€32.5	3,400	3,264	Decrease in the future estimated N.O.I
Croatia	Zagreb	Avenue Center	70%	Offices	Ownership	7,000	8,500	11,000	%100	DCF	%7.5	Incl. above	€18.9	Incl. above	Incl. above	Incl. above	Incl. above	Incl. above

(1) Including land costs.

(2) On certain elements of the income the yield is 7.85%.

2.3. Issuance of debt

<u>The following are details regarding the marketable debentures of Kardan NV as of September 30, 2009:</u>

	<u>Debenture series A</u>	**<u>Debenture series B</u>**
Par value of issued debentures	EUR 216 million (NIS 1,190,000,000)	EUR 242 million (NIS 1,333,967,977)
Par value of debentures acquired by a subsidiary of Kardan NV	EUR 27 million (NIS 150,555,233)	-
Linkage basis	Principal and interest linked to Israeli CPI (CPI of January 2007)	Principal and interest linked to Israeli CPI (CPI of December2006)
Par value of debentures as of September 30, 2009	EUR 216 million (NIS 1,190,000,000 par value)	EUR 242 million (NIS 1,333,967,977 par value)
Interest rate (per annum)	4.45%	4.9%
Principal repayment	Four equal instalments from: From February 2013 to February 2016	Seven equal instalments from: From February 2014 to February 2020
Interest payment dates	Nine annual instalments from February 2008 to February 2016	13 annual instalments from February 2008 to 2020
Total debt up to the date of the balance sheet (including interest and Israeli CPI linkage)	EUR 216 million (net of debentures held by a subsidiary) (*)	EUR 278 million (*)
Market capitalization as of September 30, 2009	EUR 215 million	EUR 232 million
The trustee	Aurora Fidelity Trustees Ltd (Adv. Iris Shlaien)	Hermatic trustee (1957) (Adv. Dan Avnun)

Rated by	S&P Maalot	S&P Maalot
Rating at the time of issuing	AA - (February 2007)	AA - (February 2007)
Updated rating	A - (November 2008)	A - (November 2008)

(*) The debentures are swapped to EUR by currency hedging transactions

2.4. Procedure for approving the financial reports

The Management Board of Kardan NV holds a special meeting prior to the approval of the financial reports in order to discuss all relevant related issues. Kardan NV's external auditors in Israel and the Netherlands and Kardan NV's internal audit committee are invited to attend and take part in such meeting. This meeting is in addition to the regularly scheduled Management Board meeting in which the financial reports are discussed and approved and which are held on a date closer to the actual approval of the reports.

During the course of this special comprehensive meeting, the members of the Management Board are given a detailed presentation by Kardan NV's officers, auditors and others. During the meeting the following issues are discussed: all substantive material issues in the financial report, significant assumptions, and critical estimates, the reliability of the data and the accounting policies used and changes therein, and the implication of including according the principle of transparency and compatibility of the financial reports and accompanying information.
Additional meetings of this type are held as needed.

2.5 Kardan N.V.'s ("Kardan" or the "Company") "immaterial transactions procedure" for determining whether transactions with controlling shareholders (other than Extraordinary Transactions) need to be reported on pursuant to Israeli reporting obligations

<u>1. Explanation</u>:

Under an amendment to the Israeli Securities Regulations (on Periodic and Immediate Reports) 1970, the mandatory reporting of public companies on transactions with controlling shareholders (or transactions with another entity for which a controlling shareholder has a personal interest) was expanded to include transactions that are not Extraordinary Transactions (as defined in Kardan's articles of association). This expansion does not apply to transactions that were deemed immaterial in the financial statements according to P. 64 (3) (d) (1) of the Securities Regulations (Preparation of Annual Financial Statements) -1973. Accordingly, it is proposed to adopt guidelines and rules for the classification of a transaction as an immaterial transaction for the purposes of the above mentioned reporting requirements.

It is noted that these guidelines will only apply to determining whether a transaction with a controlling shareholder is immaterial for the purpose of the Israeli Securities Regulations and therefore is not intended to serve, in any way, as a guideline for what Kardan considers to be price sensitive information, under both Israel and Dutch applicable rules and regulations.

The guidelines also do not change or qualify any provision as included in Kardan's articles of association regarding the special approval procedure as set forth in 7, 8 and 9 thereof.

2. The purpose of the procedure:

A. Setting guidelines for classifying a transaction of the Company and / or a Company under its control with the Company's controlling shareholders or a transaction of the Company and /or a Company under its control for which the controlling shareholder has an interest in, as a immaterial transaction according to the aforementioned P. 64 (3) (d) (1).

B. To create uniformity in decisions regarding the required scope of disclosure of the company over relevant transactions in immediate reports, financial statements and prospectuses (including shelf prospectuses).

3. Proposed wording:

The Management Board determines that a transaction will be considered an immaterial transaction in accordance to the following terms:

A. It is not an Extraordinary Transaction (as defined in Kardan's articles of association)
B. There are no special qualitative considerations which prevent the qualification of the transaction as an immaterial transaction.
C. While calculating the relevant criterion (as we shall explain in section 'D' below) the relative rate of the transaction will be less than 1% (in words: one percent).
D. The relevant measure [one or more] for the calculation of the relevant percentage of the transaction will depend on the nature of the transaction, as follows:

Criterion	Negligibility computation
Assets ratio	The volume of assets subject to the transaction (acquired or sold assets) divided by total assets as presented in the latest consolidated financial statements.
Contribution to profit / loss	Profit / loss from the transaction divided by the annual profit attributable to equity holders calculated on the basis of the average consolidated annual profit in the preceding three years (not calendar years, i.e. the last 12 quarters), for which financial statements were issued.
Liabilities ratio	Liabilities subject to the transaction divided by total liabilities in the latest consolidated financial statements.
Equity ratio	An increase or decrease in equity as a result of the transaction divided by shareholders' equity attributable to company shareholders, according to the latest financial statements.
Income ratio	The revenues divided by total annual consolidated revenues, calculated on the basis of the last four quarters for which financial statements were issued.
Expense ratio	The scope of transaction expenses divided by total annual consolidated revenues, calculated on the basis of the last four quarters for which financial statements were issued.

E. Without prejudice to the Company's discretion regarding the relevant benchmark for calculating, as stated above, the following criteria will be considered relevant for the transactions listed below:
1. Acquisition of property: Assets ratio.
2. Selling Property: Contribution to profit / loss ratio and Assets ratio.
3. Undertaking a commitment (loans): Ratio of liabilities.
4. Granting services (including office rental): Income ratio.
5. Receiving services (including renting office space): Expense ratio.

F. In cases where, at the discretion of the Company, these standards are not relevant to examine the transaction, the Company will set an appropriate alternative criterion but in calculating the alternative measure the relative rate of the transaction in question would also be less than 1% (in words: one percent).
G. The Company will determine the relevant criterion (one or more) to calculate, as stated above, after consulting with internal professionals within the Company and / or external

professional bodies.

4. Clarification Note:

The guidelines described above were implemented and set, among others, after considering the scope of Company's assets, the scope of its business, including in the relevant activities for the classification of the transaction and the incidence of the aforementioned transactions.

The guidelines above may be examined periodically, by the Management Board, among others, in light of changes that will apply in the business policy of the Company and / or market conditions. The Company's Management Board may change them occasionally and / or add additional guidelines and / or other types of transactions.

KARDAN N.V.

PART 3 CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS as of September 30, 2009

KARDAN N.V.
AMSTERDAM, THE NETHERLANDS

Condensed Interim Consolidated Financial Statements
As of September 30, 2009

CONTENTS

Condensed Interim Consolidated Financial Statements page

CONDENSED INTERIM CONSOLIDATED BALANCE SHEET

A s s e t s

	September 30, 2009	September 30, 2008	December 31, 2008
	€ in millions		
Non-current assets			
Tangible fixed assets	107	117	111
Property under construction	-	558	-
Rental vehicles	198	-	-
Investment properties (see Note 5)	2,228	1,244	1,987
Investments in associates	140	154	152
Available-for-sale and held-to-maturity financial assets	15	83	119
Loans to bank customers	186	294	288
Long-term loans and receivables	319	319	406
Deferred acquisition costs (insurance companies)	6	16	6
Intangible assets and goodwill	251	414	241
Deferred income tax assets	19	16	18
	3,469	3,215	3,328
Current assets			
Inventories, contract work and buildings inventory in progress	443	441	477
Current maturities of long-term loans and receivables	167	294	292
Loans to bank customers	342	211	167
Trade receivables	91	69	62
VAT and income tax receivables	52	49	52
Insurance premium receivables	28	49	27
Other receivables and prepayments	128	247	129
Reinsurance receivables and insurance companies	30	30	25
Short-term investments	350	138	69
Cash and cash equivalents	428	506	540
	2,059	2,034	1,840
Assets held for sale	3	-	83
Total assets	5,531	5,249	5,251

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

Equity and liabilities

	September 30, 2009	September 30, 2008	December 31, 2008
	€ in millions		
Equity attributable to equity holders of the parent			
Issued and paid-in capital	23	17	23
Share premium	234	176	230
Foreign currency translation reserve	(63)	(15)	(43)
Property revaluation reserve	126	133	140
Revaluation reserve, other	(17)	(1)	(35)
Retained earnings	22	52	53
	325	362	368
Minority interests	737	837	744
Total equity	1,062	1,199	1,112
Non-current liabilities			
Interest-bearing loans and borrowings	1,619	1,084	1,128
Banking customers accounts	138	93	127
Other long-term liabilities	97	18	91
Warrants and options	35	130	55
Convertible debentures	-	35	29
Other debentures	908	949	806
Insurance provisions	73	147	71
Deferred income tax liabilities	171	136	172
Accrued severance pay, net	2	1	2
	3,043	2,593	2,481
Current liabilities			
Advances from customers in respect of contracts	18	17	22
Banking customers accounts	408	474	469
Income tax payables	16	7	16
Trade payables	105	116	112
Interest-bearing loans and borrowings	588	525	673
Advances from buyers	84	134	123
Other payables and accrued expenses	207	184	183
	1,426	1,457	1,598
Total liabilities	4,469	4,050	4,079
Liabilities held for sale	-	-	60
Total equity and liabilities	5,531	5,249	5,251

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,
	2009	2008	**2009**	2008	2008
	€ in millions				
Sales and services	125	58	42	32	97
Contract revenues	120	108	46	36	149
Insurance activities	45	47	15	16	67
Banking and retail lending activities	60	86	25	30	96
Rental revenues	73	55	25	20	80
Revenues from renting and sale of vehicles	124	-	42	-	-
Management fees	1	1	-	-	3
Total revenues	548	355	195	134	492
Cost of sales and services	98	47	33	26	77
Contract costs	97	91	38	32	126
Operating expenses of insurance activities	48	45	17	17	63
Costs of banking and lending activities	95	85	30	33	120
Costs of rental operations	16	13	6	5	20
Cost of rental and sale of vehicles	97	-	30	-	-
Other expenses, net	12	2	1	1	5
Total expenses	463	283	155	114	411
Gross margin	85	72	40	20	81
Selling and marketing expenses	17	16	6	6	20
General and administration expenses	44	34	14	7	27
Profit (loss) from operations before fair value adjustments, disposal of assets and financial expenses	24	22	20	7	34
Adjustment to fair value of investment properties (see Note 5b)	(62)	140	(44)	69	196
Impairment losses on goodwill	-	(6)	-	(6)	(89)
Gain on issuance of shares in associate companies and subsidiaries to third parties	1	2	-	-	2
Gain on disposal of assets and other income	18	5	12	2	121
Profit (loss) on disposal of assets and investments	19	7	12	2	123

Profit (loss) from operations before finance expenses and income taxes	(19)	163	(12)	72	264
Other financial income	55	146	10	60	177
Other financing expenses	(153)	(167)	(48)	(50)	(247)
Adjustment to fair value of other financial instruments	3	6	3	(20)	58
Total financial expenses, net	(95)	(15)	(35)	(10)	(12)
Profit (loss) from operations	(114)	148	(47)	62	252
Equity in net earnings (losses) of associated companies	1	3	(1)	-	3
Net profit (loss) before income taxes	(113)	151	(48)	62	255
Income taxes	10	(34)	16	(15)	(81)
Net profit (loss) for the period from continuing operations	(103)	117	(32)	47	174
Net profit (loss) for the period from discontinued operations	21	(7)	5	(2)	1
Net profit (loss) for the period	(82)	110	(27)	45	175
Attributable to:					
Equity holders	(45)	23	(12)	7	52
Minority interest holders	(37)	87	(15)	38	123
	(82)	110	(27)	45	175
Earnings (loss) per share attributable to shareholders					
Basic from continuing operations	(0.66)	0.28	(0.17)	0.09	0.63
Basic from discontinued operations	0.21	-	0.05	-	-
	(0.45)	0.28	(0.12)	0.09	0.63
Diluted from continuing operations	(0.66)	(0.01)	(0.17)	(0.03)	0.28
Diluted from discontinued operations	0.21	-	0.05	-	-
	(0.45)	(0.01)	(0.12)	(0.03)	0.28

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,
	2009	2008	**2009**	2008	2008
	€ in millions				
Result for the period	(82)	110	(27)	45	175
Foreign currency translation differences	(25)	21	(11)	39	(12)
Change in hedge reserve, net of tax (1)	15	1	-	(34)	(65)
Unrealized revaluations, net of tax (2)	(1)	-	-	-	-
Other comprehensive income (expense) for the period (3)	(11)	22	(11)	5	(77)
Total comprehensive income (expense)	(93)	132	(38)	50	98
Attributable to:					
Equity holders	(47)	37	(22)	3	4
Minority interest holders	(46)	95	(16)	47	94
	(93)	132	(38)	50	98

(1) Presented net of tax which amounted to €7.7 million for the year ended December 31, 2008; for the nine months and three months periods ended on September 30, 2009 - €1.6 million; and amounts less than €1 million for the other presented periods.
(2) Presented net of tax which amounted to less than €1 million in all presented period.
(3) Other comprehensive income (expenses) includes the following amounts resulting from associates: for the nine months and three months periods ended on September 30, 2009 - €(1.0) million and €(0.4) million, respectively; for the nine and three months periods ended on September 30, 2008 - €(8.1) million and €(3.0) million, respectively; and for the year ended December 31, 2008 - €(8.8) million.

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	Retained earnings	Total	Minority interest	Total equity
	€ in millions	€ in millions	€ in millions	€ in millions	€ in millions	€ in millions	€ in millions	€ in millions	€ in millions
Balance as of January 1, 2009	23	230	140	(35)	(43)	53	368	744	1,112
Other comprehensive income (expense)	-	-	-	18	(20)	-	(2)	(9)	(11)
Net result for the period	-	-	-	-	-	(45)	(45)	(37)	(82)
Total comprehensive income /expense for the period	-	-	-	18	(20)	(45)	(47)	(46)	(93)
Share-based payment	-	1	-	-	-	-	1	3	4
Issuance shares to minority shareholders	-	-	-	-	-	-	-	25	25
Issuance of shares due to conversion of debentures	-	3	-	-	-	-	3	-	3
Shares purchased in consolidated and newly consolidated subsidiaries	-	-	-	-	-	-	-	12	12
Dividend paid to minority shareholders	-	-	-	-	-	-	-	(1)	(1)
Reclassification according to statutory requirements (*)	-	-	(14)	-	-	14	-	-	-
Balance as of September 30, 2009	23	234	126	(17)	(63)	22	325	737	1,062

(*) In accordance with the Dutch law, part of the retained earnings is restricted for distribution, following the regulations to maintain a revaluation reserve in respect of real estate unrealized fair value and other adjustments.

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							Minority interests	Total equity
	Issued and paid-in capital	Share premium	Property revaluation reserve	Revaluation reserve, other	Foreign currency translation reserve	Retained earnings	Total		
	€ in millions	€ in millions	€ in millions	€ in millions	€ in millions	€ in millions	€ in millions	€ in millions	€ in millions
Balance as of January 1, 2008	17	176	109	(5)	(25)	71	343	730	1,073
Other comprehensive income (expense)	-	-	-	4	10	-	14	8	22
Net result for the period	-	-	-	-	-	23	23	87	110
Total comprehensive income /expense for the period	-	-	-	4	10	23	37	95	132
Dividend	-	-	-	-	-	(18)	(18)	-	(18)
Share based payments	-	-	-	-	-	-	-	1	1
Issuance and sale of shares in subsidiaries	-	-	-	-	-	-	-	11	11
Reclassification according to statutory requirements (*)	-	-	24	-	-	(24)	-	-	-
Balance as of September 30, 2008	17	176	133	(1)	(15)	52	362	837	1,199

(*) In accordance with the Dutch law, part of the retained earnings is restricted for distribution, following the regulations to maintain a revaluation reserve in respect of real estate unrealized fair value and other adjustments.

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							Minority interests	Total equity
	Issued and paid-in capital	Share premium	Property revaluation reserve	Revaluation reserve, other	Foreign currency translation reserve	Retained earnings	Total		
	€ in millions	€ in millions	€ in millions	€ in millions	€ in millions	€ in millions	€ in millions	€ in millions	€ in millions
Balance as of July 1, 2009	23	230	134	(17)	(53)	26	343	720	1,063
Other comprehensive income (expense)	-	-	-	-	(10)	-	(10)	(1)	(11)
Net result for the period	-	-	-	-	-	(12)	(12)	(15)	(27)
Total comprehensive income /expense for the period	-	-	-	-	(10)	(12)	(22)	(16)	(38)
Share-based payment	-	1	-	-	-	-	1	-	1
Issuance and sale of shares to minority shareholders	-	-	-	-	-	-	-	39	39
Issuance of shares due to conversion of debentures	-	3	-	-	-	-	3	-	3
Shares purchased in consolidated and newly consolidated subsidiaries	-	-	-	-	-	-	-	(6)	(6)
Reclassification according to statutory requirements (*)	-	-	(8)	-	-	8	-	-	-
Balance as of September 30, 2009	23	234	126	(17)	(63)	22	325	737	1,062

(*) In accordance with the Dutch law, part of the retained earnings is restricted for distribution, following the regulations to maintain a revaluation reserve in respect of real estate unrealized fair value and other adjustments.

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							Minority interests	Total equity
	Issued and paid-in capital	Share premium	Property revaluation reserve	Revaluation reserve, other	Foreign currency translation reserve	Retained earnings	Total		
	€ in millions	€ in millions	€ in millions	€ in millions	€ in millions	€ in millions	€ in millions	€ in millions	€ in millions
Balance as of July 1, 2008	17	176	124	23	(35)	54	359	787	1,146
Other comprehensive income (expense)	-	-	-	(24)	20	-	(4)	9	5
Net result for the period	-	-	-	-	-	7	7	38	45
Total comprehensive income /expense for the period	-	-	-	(24)	20	7	3	47	50
Share-based payment	-	-	-	-	-	-	-	1	1
Issuance and sale of shares in subsidiaries				-	-	-	-	2	2
Reclassification according to statutory requirements (*)	-	-	9	-	-	(9)	-	-	-
Balance as of September 30, 2008	17	176	133	(1)	(15)	52	362	837	1,199

(*) In accordance with the Dutch law, part of the retained earnings is restricted for distribution, following the regulations to maintain a revaluation reserve in respect of real estate unrealized fair value and other adjustments.

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 (*)	Retained earnings	Total	Minority interest	Total equity
	€ in millions	€ in millions	€ in millions	€ in millions	€ in millions	€ in millions	€ in millions	€ in millions	€ in millions
Balance as of January 1, 2008	17	176	109	(5)	(25)	71	343	730	1,073
Other comprehensive income (expense)	-	-	-	(30)	(18)	-	(48)	(29)	(77)
Net result for the period	-	-	-	-	-	52	52	123	175
Total comprehensive income /expense for the year	-	-	-	(30)	(18)	52	4	94	98
Issuance Company's shares to minority shareholders	6	51	-	-	-	-	57	(112)	(55)
Share-based payment	-	1	-	-	-	-	1	4	5
Issuance of shares to consolidated company	-	-	-	-	-	(21)	(21)	-	(21)
Exercise of warrants and options	-	2	-	-	-	-	2	-	2
Shares purchased in consolidated and newly consolidated subsidiaries	-	-	-	-	-	-	-	29	29
Dividend distributed	-	-	-	-	-	(18)	(18)	-	(18)
Dividend paid to minority shareholders	-	-	-	-	-			(1)	(1)
Reclassification according to statutory requirements (*)	-	-	31	-	-	(31)	-	-	-
Balance as of December 31, 2008	23	230	140	(35)	(43)	53	368	744	1,112

(*) In accordance with the Dutch law, part of the retained earnings is restricted for distribution, following the regulations to maintain a revaluation reserve in respect of real estate unrealized fair value and other adjustments.

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

CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT

	Nine months period ended September 30,		Three months period ended September 30,		For the year ended December 31,
	2009	2008	**2009**	2008	2008
	€ in millions				
Cash flow from operating activities					
Net profit (loss) before income taxes	(113)	151	(48)	62	255
Adjustments required to present cash flow from operating activities (see A below)	158	(193)	100	(43)	(446)
Net cash provided by (used in) operating activities	45	(42)	52	19	(191)
Cash flow from investing activities					
Acquisition of tangible fixed assets and investment properties	(262)	(362)	(81)	(141)	(422)
Investments in companies and partnerships	(87)	(47)	(17)	(19)	(46)
Collecting (granting) of loans to associated companies, net	(1)	(18)	(5)	(11)	(2)
Proceeds from disposal of assets and selling of investments	58	1	52	-	6
Granting of long-term loans	(129)	(357)	(38)	(65)	(502)
Change in loans to bank customers	(156)	(62)	(132)	(32)	(48)
Collecting of long-term loans and receivables	292	200	149	34	341
Change in short-term investments	(217)	(96)	(109)	(36)	(3)
Acquisition of newly consolidated subsidiaries, net of cash acquired (see B below)	3	(88)	-	(3)	(30)
Increase in cash resulting from sale of investments in formerly consolidated subsidiaries (see C below)	19	2	(24)	-	7
Change in deferred brokerage fees	-	(2)		-	(2)
Decrease of cash of assets held for sale	-	-		-	(6)
Net cash used in investing activities	(480)	(829)	(205)	(273)	(707)

CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

	Nine months period ended September 30,		Three months period ended September 30,		For the year ended December 31,
	2009	2008	**2009**	2008	2008
	€ in millions				
Cash flows from financing activities					
Proceeds from issuance of shares in subsidiaries to third parties, net	2	5	-	1	5
Dividend to minority shareholders in subsidiaries	(1)	-	-	-	(1)
Dividend distributed	-	(18)	-	(18)	(18)
Issuance of debentures	22	103	1	-	103
Issuance of shares to minority (net of issuance expenses)	3	-	(1)	-	-
Repayment of debentures	(41)	-	(1)	-	(77)
Change in loans from bank customers	22	66	69	40	(44)
Change in deposits from tenants	1	-	1	-	1
Proceeds from long-term loans	801	620	224	195	921
Repayment of long-term loans	(652)	(335)	(169)	(202)	(384)
Costs related to issuance of debt and shares	(2)	(2)	(1)	-	(3)
Change in short-term loans and borrowings, net	175	46	82	48	25
Net cash provided by financing activities	330	485	205	64	528
Foreign exchange differences relating to cash and cash equivalents	(7)	(1)	-	(3)	17
Increase (Decrease) in cash and cash equivalents	(112)	(387)	52	(193)	(353)
Cash and cash equivalents at the beginning of the period	540	893	376	699	893
Cash and cash equivalents at the end of the period	428	506	428	506	540

CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

	Nine months period ended September 30,		Three months period ended September 30,		For the year ended December 31,
	2009	2008	**2009**	2008	2008
	€ in millions				
A. Adjustments required to present cash flow from operating activities					
Charges / (credits) to profit / loss not affecting operating cash flows:					
Equity (earnings) losses of associated companies	(1)	(3)	1	-	(3)
Dividend received from associated companies	5	8	2	2	9
Gain on issuance of shares in associated companies and subsidiaries to third parties, net	(1)	(2)	-	-	(2)
Gain from release of negative goodwill	(2)	-	(2)	-	(77)
Impairment of goodwill	2	-	1	-	83
Gain on disposal of investments in companies, tangible fixed assets, net	(6)	-	(3)	-	(27)
Purchase of rental vehicles	(51)	-	(22)	-	-
Proceeds from sale of rental vehicles	41	-	14	-	-
Share-based payment	4	1	1	1	5
Depreciation and amortization	59	10	21	5	16
Fair value adjustments of investment properties	62	(140)	44	(69)	(196)
Exchange differences, net	70	75	57	51	34
Change in fair value of options and share appreciation rights	(4)	(31)	(3)	(19)	(94)
Decrease (increase) in fair value of securities held for trading, and hedge instruments, net	20	7	5	5	43
Increase in provision for bad debts in the financial services segment	93	-	29	-	45
Gain from early repayment of loans	-	-	-	-	(15)
Change in severance pay, net	-	-	2	-	-
Changes in operating assets and liabilities					
Change in insurance provisions and deferred acquisition costs, net	(3)	18	-	6	7
Change in outstanding insurance premiums,	-	(14)	-	(1)	(11)

reinsurance receivables and insurance companies					
Change in trade and other receivables	(16)	(81)	(21)	(24)	(47)
Change in inventories and in contract work in progress, net of advances from customers	(14)	(145)	7	(58)	(152)
Change in trade and other payables	(71)	106	(41)	58	(116)
Interest paid	(188)	(151)	(47)	(60)	(175)
Interest received	168	153	60	60	232
Income taxes paid	(9)	(4)	(5)	-	(5)
	158	(193)	100	(43)	(446)

CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

	Nine months period ended September 30,		Three months period ended September 30,		For the year ended December 31,
	2009	2008	**2009**	2008	2008
	€ in millions				
B. Acquisition of newly consolidated subsidiaries, net of cash acquired					
Working capital (including cash)	17	6	-	3	19
Non-current assets	(287)	(138)	-	(5)	(104)
Goodwill on acquisition	(1)	(54)	-	(1)	(38)
Gain on disposal of investment	-	-	-	-	3
Minority interests	18	2	-	-	-
Long-term liabilities	255	74	-	-	-
Total purchase price	2	(110)	-	(3)	(120)
Less – cash in subsidiaries acquired	1	9	-	-	-
Payable on account of investment	-	13	-	-	90
Cash used in acquisition, net of cash acquired	3	(88)	-	(3)	(30)
C. Increase in cash resulting from sale of investments in formerly consolidated subsidiaries					
Working capital (including cash)	51	(18)	37	-	(30)
Non-current assets	19	21	18	-	21
Goodwill	16	2	-	-	19
Long-term liabilities	(49)	-	(47)	-	(3)
Minority interests	(7)	-	-	-	-
Gain on disposal of investments	19	-	(3)	-	-
Total consideration	49	5	5	-	7
Cash of subsidiary which ceased to be consolidated	(29)	(2)	(29)	-	-
Investment in associates	-	(1)	-	-	-

Release of capital reserves	(1)	-	-	-	-
Cash flows from disposal, net of cash disposed	19	2	(24)	-	7

D. Significant non-cash transactions

Acquisition of subsidiary shares from minority shareholders against issuance of Company's shares	-	-	-	-	36
Investment in property under construction against payables	43	33	15	15	55
Payable on account of investment	-	13	-	-	-
Acquisition of subsidiary shares from minority shareholders against loan assignment	7	-	7	-	-
Conversion of debentures into company shares	3	-	3	-	-
Conversion of debentures into shares in subsidiaries	-	6	-	1	6
Exercise of options into Company's shares	-	-	-	-	2
Payables on accounts of purchase of rental vehicles	8	-	8	-	-

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

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2009

1. Corporate information

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

These condensed interim financial statements were approved by the management board on November 30, 2009.

2. Basis of presentation and preparation

A. Basis of preparation

The condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard (IAS) 34 as defined by the International Accounting Standards Board to be used for the preparation of the interim consolidated financial statements.

The condensed interim consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto for the year 2008.

For the condensed interim consolidated financial statements for the period ended on September 30, 2009 the Company applied the same accounting principles and methods of computation as compared with the consolidated financial statements for the year 2008, except for the changes described below.

B. Changes in accounting policies

With the effect from 1 January 2009 International Financial Reporting Standards have been revised. Below we summarize the following new or revised IFRS standards and IFRIC interpretations, which are effective from 1 January 2009 and which were adopted by the Group:

- IFRS 2 - *Share-based Payments – Vesting Conditions and Cancellations*
- IFRS 7 – *Financial instruments*: amendments enhancing disclosures about fair value and liquidity risk (*)
- IFRS 8 - *Operating Segments:* new standard on segment reporting (replaces IAS 14)
- IAS 1 - *Presentations of Financial Statements:* Amendments to structure of financial statements
- IAS 16 – *Property, Plant and Equipment:* Amendments regarding fixed assets held for rental that are routinely sold
- IAS 19 – *Employee benefits:* Amendments with respect to curtailments and negative past service cost, plan administration cost, replacement of term "fall due" and guidance on contingent liabilities
- IAS 23 - *Borrowing costs:* Amendments with respect to capitalization requirements

- Amendments to IAS 32 and IAS 1 - *Puttable Financial Instruments:* The revisions provide a limited scope exception for puttable instruments to be classified as equity if they fulfil a number of specified features.
- IAS 28 – *Investment in associates*
- IAS 32 – *Financial Instruments: presentation:* Certain financial instruments will be classified as equity whereas, prior to these amendments, they would have been classified as financial liabilities
- IAS 39 and IFRS 7 reclassification- *effective date and transition*
- IFRIC 15 – *Agreements for the Construction of Real Estate (*):* Under IFRIC 15 the percentage of completion method is only allowed if there is transfer of control
- IFRIC 16 – *Hedges of a Net Investment in a Foreign Operation:* This interpretation provides guidance on identifying the foreign currency risks that qualify as a hedged risk in the hedge of a net investment in a foreign operation.
- Certain other amendments to International Financial Reporting Standards (IFRSs) as included in the *IFRS Improvements Standard dated May 2008*

The amendments have been analyzed by the Group. With the exception of including investment property under construction within the scope of the IAS 40 which requires, if the fair value option is used, investment property under construction to be measured at fair value unless fair value cannot be measured reliably, which amendment was early adopted by the Group in 2008, the changes in the standards and interpretations have no material impact on the financial data presented in these interim condensed financial statements.

With respect to IFRS 8, according to the standard the Company has adopted the “Management Approach” for the reporting of its operating segments. The operating segments are presented according to the way the management internally presents information for evaluating the performance of the different segments and according decision making, except for the presentation of the Rental and leasing of vehicles and Sale of vehicles segments, and are the same as was reported under IAS 14. The impact of the adoption of IFRS 8 is further disclosed in Note 3 below.

(*) These amendments and interpretations have not yet been endorsed by the EU. However, in terms of disclosure, IFRS 7 amendments (enhancements on fair value disclosure and liquidity risk) have no impact on interim financial statements, IFRIC 16 is not applicable to the Company and as substantial all real estate construction contracts are accounted for under the completed contract method, full application of IFRIC 15 would have no material effect on these financial statements.

The following are standards that were issued but not yet effective:

- IFRS 3 (Revised) – *Business Combinations* and IAS 27 (Revised) – *Consolidated and Separate Financial Statements (*)*
- IFRS 9 – *Financial instruments (*) – effective from 1 January 2013*

- IFRIC 17 – *Distribution of Non-Cash Assets to Owners (*).* IFRIC 17 stipulates that if non-cash dividend is declared, shareholders must include a liability on the basis of best estimate (in most cases the fair value of the asset to be transferred) in accordance with the provisions of IAS 37. If the dividend is distributed, the difference between the fair value and the carrying amount is recognized in the income statement. IFRIC 17 does not apply to dividend distributed from a subsidiary to the parent company.

- IFRIC 18 – *Transfer of Assets from Customers (*)*

(*) These amendments and interpretations have not yet been endorsed by the EU.

C. Changes in presentation of the income statement

For the year ended December 31, 2008 the Company has decided to change the presentation of its income statement to the presentation included in these financial statements. The management of the Company believes that the current presentation provides a better view of the Group's financial results. The change in presentation had no impact on the financial position of the Company. Accordingly, the Company has presented the income statement for the nine and three months period ended on September 30, 2008 according to the new presentation.

D. Foreign currency translation

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

	USD	**NIS**	**CPI**
September 30, 2009	0.682	0.181	121.9
September 30, 2008	0.684	0.200	118.6
December 31, 2008	0.718	0.189	117.9
Change in 2009 (9 months)	(5.0%)	(4.2%)	3.4%
Change in 2009 (3 months)	(3.7%)	-	1.0%
Change in 2008 (9 months)	0.7%	13.2%	4.4%
Change in 2008 (3 months)	7.9%	5.7%	2.0%
Change in 2008 (12 months)	5.6%	6.8%	3.8%

3. Segment information

	Financial Services		Real	Infrastructure		Rental &	Sale of	All other	Total
	Insurance & Pension	Banking & Lending	Estate	Assets	Projects	leasing of vehicles	vehicles	segments	
	€ in millions								
For nine months ended September 30, 2009									
Segment revenues	48	60	195	38	67	124	-	16	548
Adjustment to fair value of investment properties	-	-	(62)	-	-	-	-	-	(62)
Gain on disposal of assets and investments	8	-	5	3	-	2	-	-	18
Equity in net earnings of associates	-	-	-	-	-	-	4	(3)	1
Segment income	56	60	138	41	67	126	4	13	505
Segment results	5	(36)	(2)	(3)	3	20	4	(3)	(12)
Finance expenses									(95)
Unallocated expenses									(6)
Profit (loss) before taxes									(113)
Income taxes									10
Net profit (loss) from continuing operations									(103)
Net profit from discontinuing operations	21								21
Net profit (loss) for the period									(82)

	Financial Services		Real	Infrastructure		Rental &	Sale of	All other	Total
	Insurance & Pension	Banking & Lending	Estate	Assets	Projects	leasing of vehicles	vehicles	segments	
	€ in millions								
For nine months ended September 30, 2008									
Segment revenues	50	86	109	29	63	-	-	18	355
Adjustment to fair value of investment properties	-	-	140	-	-	-	-	-	140
Gain on disposal of assets and investments	-	-	5	-	-	-	-	-	5
Equity in net earnings of associates	-	-	(2)	-	-	-	6	(1)	3
Segment income	50	86	252	29	63	-	6	17	503
Segment results	(11)	8	168	(3)	(1)	-	6	-	167
Finance expenses									(15)
Unallocated expenses									(1)
Profit (loss) before taxes									151
Income taxes									(34)
Net profit (loss) from continuing operations									117
Net profit (loss) from discontinuing operations	(7)								(7)
Net profit (loss) for the period									110

	Financial Services		Real	Infrastructure		Rental &	Sale of	All other	Total
	Insurance & Pension	Banking & Lending	Estate	Assets	Projects	leasing of vehicles	vehicles	segments	
	€ in millions								
For three months ended September 30, 2009									
Segment revenues	16	25	66	14	27	42	-	5	195
Adjustment to fair value of investment properties	-	-	(44)	-	-	-	-	-	(44)
Gain on disposal of assets and investments	8	(3)	5	-	-	2	-	-	12
Equity in net earnings of associates	-	-	(2)	-	-	-	1	-	(1)
Segment income	24	22	25	14	27	44	1	5	162
Segment results	7	(8)	(23)	1	1	10	1	(1)	(12)
Finance expenses									(35)
Unallocated expenses									(1)
Profit (loss) before taxes									(48)
Income taxes									16
Net profit (loss) from continuing operations									(32)
Net profit from discontinuing operations	5								5
Net profit (loss) for the period									(27)

	Financial Services		Real	Infrastructure		Rental &	Sale of	All other	Total
	Insurance & Pension	Banking & Lending	Estate	Assets	Projects	leasing of vehicles	vehicles	segments	
	€ in millions								
For three months ended September 30, 2008									
Segment revenues	17	30	49	12	20	-	-	6	134
Adjustment to fair value of investment properties	-	-	69	-	-	-	-	-	69
Gain on disposal of assets and investments	(1)	-	3	-	-	-	-	-	2
Equity in net earnings of associates	-	-	(1)	-	-	-	2	(1)	-
Segment income	16	30	120	12	20	-	2	5	205
Segment results	(12)	5	78	(3)	-	-	2	(1)	69
Finance expenses									(10)
Unallocated expenses									3
Profit before taxes									62
Income taxes									(15)
Net profit from continuing operations									47
Net profit (loss) from discontinuing operations	(2)								(2)
Net profit for the period									45

	Financial Services		Real	Infrastructure		Rental &	Sale	All other	Total
	Insurance & Pension	Banking & Lending	Estate	Assets	Projects	leasing of vehicles	of vehicles	segments	
	€ in millions								
For the year ended December 31, 2008									
Segment revenues	71	96	176	43	82	-	1	23	492
Adjustment to fair value of investment properties	-	-	196	-	-	-	-	-	196
Gain on disposal of assets and investments	35	-	83	2	1	-	-	-	121
Equity in net earnings of associates	(1)	-	(4)	1	-	-	9	(2)	3
Segment income	105	96	451	46	83	-	10	21	812
Segment results	18	(60)	323	(9)	(3)	-	10	(1)	278
Finance expenses									(12)
Unallocated expenses									(11)
Profit before taxes									255
Income taxes									(81)
Net profit from continuing operations									174
Net profit from discontinuing operations	1								1
Net profit for the period									175

Starting January 1, 2009 following the first time proportionate consolidation of AVIS, and the first time adoption of IFRS 8, the Company has changed the segmental reporting of the Automotive & Consumer Goods segment. Starting 2009 this segment is split into two segments named “Rental & leasing of vehicles” which includes the activities of AVIS, and “Sale of vehicles” which includes the contribution of Universal Motors Israel Ltd. A subsidiary which was included in the Automotive & Consumer Goods segment, and which is engaged in the import and distribution of consumer goods, was reclassified to the “All other segments” for all presented periods. In addition, the Company combined the “Communication & Technology” segment with “All other segments” for all presented periods due to immateriality of the revenues and result of this segment.

The total allocated assets to the Rental & leasing of vehicles segment amount to €245 million as of September 30, 2009.

4. Share capital

A. Composition

	September 30, 2009		**December 31, 2008**	
	Authorized	Issued and Paid-in	Authorized	Issued and Paid-in
	Number of shares		Number of shares	
Ordinary shares with nominal value of €0.20 each	225,000,000	111,824,638	225,000,000	110,976,911

B. Changes in share capital:

a) As described in Note 22B to the 2008 consolidated financial statements, due to a technical error 88,475 ordinary shares were issued in January 2009 following the exercise of options in November 2008.

b) During the first nine months of 2009 the Company issued 759,252 ordinary shares as a result of the conversion of NIS 13,575,424 (€2.5 million) par value of convertible debentures. The remaining 2,328,668 NIS (€0.4 million) par value were paid to the debentures holders.

The conversion of the debentures resulted in an addition of approximately €3 million to the Company’s shareholders’ equity.

5. Investment properties

Further to Note 8 to the 2008 consolidated financial statements, below we present updated information regarding investment properties:

A. Investment properties can be split up as follows:

	September 30,		December 31,
	2009	2008	2008
	€ in millions		
Completed investment properties	1,454	1,244	1,243
Investment properties under construction carried at fair value	340	- (*)	370
Investment properties under construction carried at cost	434	- (*)	374
	2,228	1,244	1,987

(*) As of September 30, 2008 separately included under “Property under construction”.

B. Fair value adjustments comprise:

	For the nine months ended September 30,		For the three months ended September 30,		For the year ended December 31,
	2009	2008	**2009**	2008	2008
	€ in millions				
Adjustment to fair value of newly completed properties, net of goodwill released	30	140	18	69	73
Adjustment to fair value of newly properties completed in prior years	(99)	-	(44)	-	32
Adjustment to fair value of investment property under construction, net of goodwill released	7	-	(18)	-	91
	(62)	140	(44)	69	196

- Fair value adjustments for the nine months period ended September 30, 2009 are posted net off an adjustment to fair value as a result of settlement of negotiations to purchase land use rights for €9 million in connection with a property of one of the subsidiaries.

- In September 2009, GTC SA completed the construction of Galeria Jurajska shopping center. The building was recognized as Investment Property in Q3 2009 and reclassified from IPUC to completed investment properties, the adjustment to fair value, as included in these financial statements, amounted to a profit of €20.5 million. According to the valuation report, the value of the Galeria Jurajska shopping center amounts to €186 million, and is included in these interim condensed consolidated financial statements.

C. Significant assumptions

Significant assumptions used in the valuations are presented below on the basis of weighted averages:

	Western Europe		CEE	
	September 30, 2009	December 31, 2008	**September 30, 2009**	December 31, 2008
Completed investment properties				
Average rental rate per sqm per month (in €)	9.9	10.3	22.1	24.0
Reversionary yield	6.1%	6%	7.7%	7.3%
ERV per sqm per month (in €)	9.8	9.7	22.0	24.6
Vacancy	7.3%	4.9%	10.1%	9.1%
Assets under construction (only assets at fair value)				
Average risk-adjusted yield used in capitalizing the net future income stream	n/a	n/a	8.3%	7.97%
Average % complete	n/a	n/a	74.6%	42%
Estimated average development profit ((Fair value upon completion / Total budgeted costs)- 1)	n/a	n/a	30%	33%
Effective average development profit on executed part, accumulatively ((Current fair value /Total costs spent) -1)	n/a	n/a	29%	42%

Due to the ongoing turmoil in the financial and real estate markets and the lack of comparable transactions in certain property markets, valuation uncertainty continues to exist. Management therefore refers to the sensitivity analysis included in Note 8 to the 2008 financial statements, which is still materially applicable.

6. Significant transactions and commitments

A. In January 2009 one of the minority shareholders in KFS exercised part of his put option and sold the Company 4.4% of the shares in KFS in consideration for €11 million.
In May 2009, the Company has acquired additional 1.37% in KFS in consideration of €3.1 million following the exercise of put options by other minority shareholders in KFS.

In July 2009, the Company has acquired additional 1.53% of the shares of KFS in consideration of €3.5 million.

The related put options were previously accounted for as IFRS3 like transactions under application of the parent extension method. Upon exercise of the option the liability was eliminated against the cash consideration paid. The exercise price equaled to the book value which was the fair value prior to the exercise.

Following these acquisitions and the transaction described in C below, the Company now holds a 98.6% interest in KFS.

B. In January 2009, GTC SA and a minority shareholder in its subsidiaries signed an agreement according to which the minority shareholder realized his right and sold all his shares in GTC SA's subsidiaries to GTC SA, in consideration of €17.6 million. The related put options were previously accounted for as share appreciation rights. As the option was, as of December 31, 2008, valued at the agreed upon exercise price, the effect on the income statements for the reported period was nil.

C. In March 2009, the Company has reached an agreement with Israel Discount Bank ("IDB") to buy back the 11% stake IDB holds in KFS. The purchase price amounts to €38.5 million and was payable in two instalments. The first instalment amounting to €30 million is payable upon closing; the second instalment of €8.5 million is due after 7 years and bears no interest.

Within the framework of the agreement the Company has granted IDB an option to repurchase a 5% stake in KFS during the next six years, at a price changing gradually reflecting a valuation of KFS of €386 million plus 5% interest from the third year. Furthermore IDB approved new credit facilities for Kardan Group. The agreements were signed on March 30, 2009. In addition, on March 30, 2009 an agreement was signed with IDB according to which, amongst others, KFS early repaid IDB an amount of €50 million, and some of the financial covenants that were agreed between the parties in the past were changed. In addition, the Company and one of its subsidiaries received additional loans from IDB.

The present value of the amounts paid to IDB in consideration for the shares plus the fair value of the option are estimated by the Company at €37 million. The excess of the purchase price over the carrying value of the acquired shares amounted to €28 million. The part of the excess purchase price related to the difference between the fair value of the acquired shares, as estimated as of December 31, 2008 and the carrying value of the shares, amounting to €14 million, was allocated to goodwill. The remainder, amounting to €14 million, was allocated to financing cost, which will be amortized over the different terms of the loans. Although in principal the share purchase transaction was discussed separately from the additional financing and changes in covenants, and each transaction was discussed separately by the Company, the abovementioned amount was allocated to financing costs.

D. In January 2009 KIL has acquired additional 10% in Kardan Nichsei Emed Ltd. (‘Nichsei Emed’), such way that following the acquisition KIL holds 60% of the shares, and started consolidating the financial statements of Nichsei Emed from the first quarter of 2009. Nichsei Emed holds 50% of the shares of Emed Real Estate Developments and Investments Ltd. (‘Emed Real Estate’). Emed Real Estate which is proportionately consolidated and is engaged in real estate activities in Israel also holds 54% of the shares of AVIS Israel. The excess of the purchase price over the carrying value of the investment was primarily allocated to debentures (approximately €20 million before tax and minority) due to excess of the market value of the debentures over their amortized value in the books of the acquired company.

   In July 2009, KIL has acquired the remaining 40% of the shares of Nichsei Emed and became the sole shareholder of that company. In consideration for the shares, KIL has paid the nominal value of the shares and released the seller from guarantee it has provided in connection with a NIS 120 million (€22 million) bank loan. As part of the transaction, KIL has acquired shareholders’ loans of €7 million and has granted the seller an option to receive 5 apartments in one of the residential projects it owns at cost price, as stipulated in the agreement. As a result of the transaction, KIL recognized a gain of €1.7 million representing the difference between the fair value of the acquired shares and the consideration paid.

E. In May 2009 KIL has published a shelf prospectus in Israel. In June 2009 KIL has published a shelf offering report following which KIL has issued to the public in ILS 110 million (€20 million) par value debentures (series D) in consideration for their nominal value. The debentures bear annual interest rate of 7.9% and are linked (principal and interest) to the Israeli CPI. The principal will be repaid in three equal annual instalments in the years 2013-2015.

   Furthermore, in July 2009, KIL has signed loan agreements with third parties for an amount of NIS 140 million (€25 million) for a 5 years period.
   In addition KIL has granted to the third parties options to purchase 3% of KIL equity shares in a price of NIS 6 per share. The loans are linked to the Israeli CPI, and secured by pledging UMI shares, held indirectly by KIL. The effective interest calculated, taking into account the options value is 9.6% p.a.

F. Part of the machinery in the Bulgarian agriculture business in which the Company has an indirect interest of 34% has been impaired with €6.5 million (in which the Company’s share amounts to €2.2 million). The impairment was calculated as the difference between the book value of the equipment and the expected proceeds should the machinery be sold.

G. As of September 30, 2009 some of TBIF companies were in breach of covenants relating to two loans amounting to €19 million (of which €0.1 million with contractual maturity within the next twelve months after the balance sheet date). The breaches relate to ratios of liquidity, equity and ratios relating to non-performing portfolio in the relevant subsidiaries. As of the date of signing these financial statements, TBIF subsidiaries have obtained waivers for all these exposures. The abovementioned breaches have not triggered cross defaults of other loans in the Group. Since the waivers were obtained after the balance sheet date and for short-term periods, the aforementioned loans, amounting to €19 million, are presented as current liabilities in these financial statements.

H. As described in Note 3B to the 2008 consolidated financial statements, goodwill is tested for impairment at least once a year and whenever there is an indication that goodwill may be impaired. The Company performed an impairment test on significant CGUs within the Group as of December 31, 2008. During the period of first of January 2009 till the date of signing these interim condensed consolidated financial statements no additional indicators of impairment were found.

I. In August 2009, GTC SA and Unibail Rodamco S.E. (“UR”), finalized a EUR 205 million loan agreement, partly used for refinancing for their jointly owned shopping mall, Galleria Mokotow. The net proceeds from the loan, after repayment of the existing loan amount to approximately EUR 120 millions.

   GTC S.A. and UR, each of them holding 50% of Galeria Mokotów, secured the financing loan with a consortium of German banks. The term of the loan is 5 years, with the Borrower’s prolongation option for an additional 2 years. The loan will bear interest of Euribor +2.25% p.a., with maturity of 5-7 years.

J. In September 2009, the company through its subsidiary GTC RE Holding B.V. (“GTC RE”) sold 3% of its holding in GTC SA. After the sale the company is holding 43.14% in GTC SA and will remain the controlling shareholder.

   GTC RE has sold 6.7 million shares of GTC SA in consideration for approximately EUR 38 millions at a price of PLN 24 per share (approximately EUR 5.75). The transaction was led by a bank who is acting as the placement agent. The capital gain of the Company from the sale ,amounts to approximately EUR 4 million.

7. Discontinued operations

During the second quarter of 2009 the transaction, as described in Note 5B2 to the 2008 consolidated financial statements, was completed resulting in a capital gain of €16 million to Kardan.
During the third quarter of 2009 the Romanian pension activity was sold. The profit Kardan recognized from the sale was €5 million. Please see below the relevant financial data:

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

	For the nine months ended September 30,		For the three months ended September 30,		For the year ended December 31,
	2009	2008	**2009**	2008	2008
	€ in millions				
Total income	24	46	-	16	62
Total expenses	(24)	(53)	-	(18)	(71)
Profit (loss) before tax	-	(7)	-	(2)	(9)
Income tax expenses	(1)	-	(1)	-	-

Net profit (loss) from discontinuing operations before capital gains	(1)	(7)	(1)	(2)	(9)
Capital gain (loss) from sale	28	-	6	-	12
Release of goodwill	(6)	-	-	-	(2)
Net profit (loss) from discontinued operations	21	(7)	5	(2)	1

2) Composition of main groups of assets and liabilities held for sale:

	September 30, 2009 (*)	September 30, 2008	December 31, 2008
	€ in millions		
Assets			
Intangible assets	-	-	17
Tangible fixed assets	-	-	9
Financial assets	-	-	18
Reinsurance assets	-	-	7
Insurance receivables	-	-	16
Deferred acquisition costs	-	-	7
Prepayments and accrued incomes	-	-	3
Cash and cash equivalents	-	-	6
Total assets	-	-	83
Liabilities			
Insurance contract liabilities	-	-	48
Other financial liabilities	-	-	3
Insurance payables	-	-	5
Trade and other payables	-	-	4
Total liabilities	-	-	60

(*) Assets and liabilities held for sale as presented in the balance sheet as of September 30, 2009 are not related to the abovementioned transaction, but to the disposal of a certain real estate asset.

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

	For the nine months ended September 30,		For the three months ended September 30,		For the year ended December 31,
	2009	2008	**2009**	2008	2008
	€ in millions				
Net cash flow from operating activities	(1)	(14)	(1)	(9)	(4)
Net cash flow from investing activities	47	(6)	4	(4)	(1)
Net cash flow from financing activities	1	2	1	2	(2)
Net cash flows from discontinued operations	47	(18)	4	(11)	(7)

4) Composition of other comprehensive income related to discontinued operations:

	For the nine months ended September 30,		For the three months ended September 30,		For the year ended December 31,
	2009	2008	**2009**	2008	2008
	€ in millions				
Foreign currency translation differences	-	-	-	-	1
Unrealized revaluations	-	(1)	-	(1)	1
Realization of reserves	-	-	-	-	(1)
Total other comprehensive income	-	(1)	-	(1)	1

5) Balances of capital reserves related to discontinued operations:

	September 30,		December 31,
	2009	2008	2008
	€ in millions		
Foreign currency translation reserve	-	-	2
Revaluation reserve, other	-	3	1

8. Subsequent events

1) In October 2009, a subsidiary of GTC SA has purchased the remaining 33% of the share of Galeria Burgas JSC in consideration of Euro 6.3 Million. As a result all the shares of Galeria Burgas JSC are held by GTC SA.

2) In October 2009, a subsidiary of GTC SA purchased 15% of the shares of City Gate Bucharest S.R.L and City Gate S.R.L that were held by the minority in consideration of Euro 9.8 Million.

Please refer also to subsequent events in Note 6 above.

REVIEW REPORT

To the management and shareholders of Kardan N.V.

Review report

Introduction

We have reviewed the accompanying interim condensed balance sheet of Kardan N.V., Amsterdam (the “Company”) as at September 30, 2009 and the related interim condensed statements of income, changes in equity and cash flows for the nine and three-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting (“IAS 34). Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope

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

Opinion

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

Zwolle, November 30, 2009

Ernst & Young Accountants LLP

Signed by: A.J. Buisman