

PRESS RELEASE

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KARDAN: SEMI ANNUAL RESULTS 2009

- **Loss in Q2-2009 of EUR 15 million mainly due to credit losses in banking activities**
- **Insurance and Pension: capital gain on sale proves value creation ability**
- **CEE Real Estate: 40% increase in rental income in CEE YoY and strong liquidity despite weak financial markets; revaluation losses**
- **China Real Estate: significant increase in apartment sales in Q2-2009**

Breakdown of the net result For Equity Holders of Kardan N.V. (EUR million)¹	H1 2009	H1 2008	Q2 2009	Q2 2008	2008
– Real Estate	(12)	19	(9)	9	89
– Financial Services – Banking and Lending	(25)	1	(11)	3	(54)
– Financial Services – Insurance and Pension	15	(6)	17	(2)	8
– (Water) Infrastructure – Projects	-	-	(1)	-	(5)
– (Water) Infrastructure – Assets	(1)	(3)	(2)	(2)	(16)
– Rental and Leasing of vehicles ²	(2)	-	(1)	-	-
– Sale of vehicles ²	2	3	-	2	6
– Other ²	(10)	2	(8)	(7)	24
Total net result attributable to equity holders	(33)	16	(15)	3	52
Profit (loss) per share (EUR)	(0.55)	0.20	(0.34)	0.04	0.63
Profit (loss) per share diluted (EUR)	(0.55)	0.02	(0.34)	0.03	0.28

The Management Board of Kardan N.V. commented on the developments in the emerging markets and the results of H1-2009:

“Kardan focuses on long term value creation and acknowledges that short to medium term profits might suffer. Although the global economic crisis impacted emerging markets and resulted in negative H1-2009 results for Kardan, we are convinced that our platforms offer strong value and will outperform once the markets begin to recover and the purchasing power of the middle class returns. The share price appreciation of Kardan’s listed companies in Q2-2009 reflects the shared belief of investors.”

“In real estate division, both in CEE and China, our subsidiaries are well positioned to benefit from a recovery of the markets. Even in this challenging economic environment, the rental income from commercial properties in the first half of 2009 increased by 40% year on year while at the same time maintaining low vacancy rates. The sales of apartments in CEE increased even more.

¹ The table shows the contribution of each of the businesses to the results of Kardan. As profits attributable to minority shareholders have already been deducted, these figures do not represent the full net result realized in each segment.

² Due to IFRS 8 requirements, starting 2009, the reported segments, as stated in the table, were slightly changed.

In KFS, our financial services division, we continue to monitor very closely the developments in Ukraine. This market has not only suffered from the global recession but also from political instability although signs of stability are growing. Because of the strategic importance of Ukraine for both Russia and the Western world, we believe that Ukraine will recover in the medium term.

In Tahal, our water infrastructure division, we continue to see increased demand especially in China and Africa which are facing a lack of (clean) water. Tahal continues to enjoy an excellent reputation as a design and engineering company and we expect Kardan to benefit from these developments.”

“Because the markets are still weak and lending restricted, we are maintaining our Watch and Hold strategy: Watch very closely the important developments in our markets and businesses by listening to our partners and local managers and vigilantly assess our risk management as a result of which quick decisions needed in such situations can be and are taken. Hold our capital in order to make sure we have the proper liquidity to service our debt, meet all of our commitments and to support group companies' current requirements”.

Summary Results First Half 2009

The result of Kardan attributable to equity holders amounted to a loss of EUR 33 million in the first half of 2009 compared to a profit of EUR 16 million in the first half of 2008. The main factors for the decrease are the requirement of higher provisions for credit losses in the banking and lending activity (from EUR 10 million in H1-2008 to EUR 43 million in H1-2009) and lower comparative contribution of the revaluation of properties (decrease from a profit of EUR 18 million in H1-2008 to a loss of EUR 9 million in H1-2009).

These losses were partly offset by a capital gain of EUR 16 million realized in June 2009 upon the closing of the second part of a transaction concerning the sale of insurance activities in Bulgaria, Albania, Macedonia and Kosovo.

Outlook 2009

Kardan is operating in more than forty countries, which show different developments: in some of the markets, e.g. Poland and China performance is strong; others such as Russia and Ukraine are more challenging. Because of this we are not able to give a forecast for the development of the results for the remainder of the year.

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 its 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 per June 30, 2009 amounted to EUR 5.4 billion (H1-2008: EUR 5.0 billion), with revenues of EUR 353 million in H1-2009 (H1-2008: EUR 221 million).

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

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

SEMI ANNUAL FINANCIAL REPORTS 2009

The Semi Annual Financial reports contain the following sections:

PART 1 MANAGEMENT REPORT FOR THE 6 MONTHS PERIOD ENDED ON JUNE 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 June 30, 2009
7. Risk management
8. Segmental key indicators for the period
9. Management declaration
10. 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

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

PART 1³ MANAGEMENT REPORT FOR THE 6 MONTHS PERIOD ENDED ON JUNE 30, 2009

1.1 Development of divisions⁴ of Kardan and the respective markets

Real Estate (GTC)

General market developments Central and Eastern Europe

In CEE the Kardan group is active via its stake in GTC SA, a real estate developer also holding completed properties which it initially developed.

In the CEE real estate markets many companies have put developments on hold due to lack of funding. However liquidity is returning especially for larger developers with strong balance sheets, track record and reputation such as GTC SA. As the prospects for economic recovery are improving, there are first signs of return of investors looking for investment grade properties. Growing confidence indicates potential opportunities for new transactions in the second half of the year. Furthermore, though yields have risen, the increase for Q2-2009 appears to have slowed. Rental income from new developments tend to be lower, however the impact differs significantly per location. Tenants who held back their requirements for new space are now selectively looking.

The market for residential property is still facing difficulties mainly due to of a lack of mortgage financing. However, since the share of residential developments in 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 300,000 sqm of net office and retail space in 2009-2010. The company is moderately leveraged, with a 48% long term debt to total asset ratio. A total 80% of the debt matures in 2014 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 contributed to an increase of the rental income which grew 40% y-o-y to EUR 43 million in the first half of 2009. Despite the slowdown in the housing market, revenue in the residential division increased significantly to EUR 40 million from EUR 4 million in the first half of 2008.

The gross margin from rental income of commercial properties and sales of apartments increased with 68% to EUR 42 million from EUR 25 million in H1-2008.

GTC SA wrote off EUR 55 million on completed investment properties primarily due to the expanding yields, but this loss was mostly offset by the revaluation of investment properties under construction and newly completed property. As per June 30, the average yields in the valuation of GTC SA's investment property are:

	Poland	Other countries
Completed Property	7.2%	8.1%
Property under construction	7.6%	8.2%

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

From an operational point of view GTC SA was very successful. In H1-2009, a total of nearly 70,000 sqm was 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). Two other properties to be completed this year (a shopping mall in Czeszochowa, Poland with net rentable area of 49,000 sqm and an office building in Bucharest, Romania with a net rentable area of 44,000 sqm) have a high level of pre let with reputable international tenants.

The average vacancy as of June 30, 2009 was very low in the completed buildings. The rental income in completed projects was stable while for new contracts concluded, there were some decreases in rental rates.

General 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 grew in Q2-2009 by 7.9% YoY, compared to 6.1% in Q1-2009. The increase is a result from the so called '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. For the real estate sector, the following specific measures were taken. To increase purchasing of apartments, stamp duties were lowered and conditions for the provision of a mortgage were softened. The sector also benefits from significant increase in credit growth and decreasing lending rates. Together with the psychological effect that the government is stimulating investments in real estate, residential sales increased with 33% year on year.. During Q-4-2008 and Q1-2009 the prices, in the 2nd and 3rd tier cities where GTC China is active, decreased immaterially. For this reason the price increase in Q2-2009 in these cities was also less than in the tier 1 cities like Beijing and Shanghai, where the price decrease between September 2008 and March 2009 was approximately 12%.

Developments GTC China

- GTC China is mainly active in the residential real estate markets and noted a significant improvement in sales in Q2-2009 due to the stimulus program of the Chinese government as described above. GTC China increased the sales of apartments from 280 and 291 in Q4-2008 and Q1-2009, respectively, to 472 in Q2-2009.

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 construction loan from a local bank to finance 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 'pension and insurance' (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 6.5% in Real GDP for 2009 followed by an expected 1.5% increase in 2010.

For Ukraine, the IMF forecasts a decline of Real GDP of 14% in 2009 and an increase of 1% in 2010. The Ukrainian currency stabilized after last year's dramatic decline, inflation came off its highs and according to the IMF Ukrainian current account is adjusting rapidly. Recently the IMF approved the release of the third tranche of the support package amounting to USD 3.3 billion. This indicates that Ukraine seem to be on the right way.

The main manifestations of the crisis for the banking sector in these countries are:

1. difficulties attracting new funding and /or refinance existing wholesale funding;
2. the risk that deposit holders want to withdraw their deposits requiring banks to keep liquidity on a high level, although this risk is much less than 3-6 months ago ;
3. deteriorating financial positions of corporate and individuals resulting in a reduction of lending,
4. significantly higher levels of loan defaults.

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

The insurance and pension sector suffered much less from the financial crisis than the banking industry. It should be noted that the value of the investments made by the pension funds and insurance companies decreased significantly in 2008 due to lower stock/bond markets. 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 H1-2009, 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. Reference is made to paragraph 1.2.

- **Banking and lending**

In Russia, the total amount lent to customers of SovCom decreased by approximately EUR 57 million (almost 16%) compared to the end of 2008, due to the restricted lending policy currently in place. This was a reaction to the current economic circumstances and lower demand in the market. The amount of deposits taken, increased by EUR 8 million during H1-2009. This demonstrates the confidence of depositors in SovCom. In Russia, as part of acts taken by the National Bank of Russia, SovCom was entitled access to the short-term loan facilities provided by the National Bank of Russia. The amount utilized as of June 30, 2009 was EUR 43 million, which is fully secured either by securities or loans to customers. The undrawn facility amounts to EUR 82 million. From the total portfolio of loans, 4.9% is overdue for more than 90 days.

In Ukraine, the total amount of loans outstanding of VAB decreased by 9% compared to the end of 2008. Deposits decreased by EUR 101 million (minus 29%). This is mainly due to the macro environment in Ukraine in general and a lack of confidence in the financial system in particular VAB received a line of support from the Central Bank of Ukraine amounting to approx. EUR 93 million, which as of June 30, 2009 has been fully drawn. From the total portfolio of loans, 9.6% is overdue for more than 90 days.

The other financial services activities, including leasing and consumer finance, mainly in Romania and Bulgaria saw a decline in the portfolio of 13% compared to December 31, 2008. Here again the reason for the decline is a restricted lending policy combined with a lack of funding and lower demand in the market.

- **Insurance and pension**

These operations developed according to expectations except for Turkey, where premiums and investment income decreased due to market developments.

(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. Many projects are offered for tender as a result of government stimulus packages worldwide. According to the Global Water Intelligence July report, the water market value in 2009 will increase by 8.2% and amount to approx. EUR 440 billion notwithstanding the economic environment. The main difficulty to execute the projects is the lack of funding. Financial institutions are restrictive in lending because of the deleveraging that is still in process, and secondly because 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. Scarcity of water and water pollution drives significant investments. This also changes the landscape of suppliers. New suppliers are entering the market and ownership changes from state control into private local and foreign owned entrepreneurs additionally increases competition.

Developments in Tahal

Tahal Projects maintained a stable order book at a level of EUR 224 million as of June 30, 2009 (December 31, 2008: EUR 236 million).

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 the assets, like in real estate, do not generate cash. After completion of a development, water is delivered to municipalities and industrial areas on the basis of long term concession rights (twenty to thirty years). Tahal Assets made significant progress in the development its plant in Dingzhou, China which will be put in operation in Q4-2009.

Because of the significant potential deal flow, among others as a result of government investments in (Water) Infrastructure, Kardan decided to increase the efforts to raise funds for this very promising activity.

Rental and Leasing of vehicles

Kardan is active in the rental and leasing of vehicles mainly in Israel. Kardan holds an (indirect) stake of approximately 16% in Avis Israel.

Developments of Rental and Leasing of vehicles market in Israel

General market conditions have affected both of these segments. Leasing companies in Israel have faced difficulties in raising capital for new leasing transactions and therefore needed, on the one to decrease their fleet, and on the other hand, to raise their prices. In addition, the leasing sector faced pressure from decreasing prices of second hand vehicles which are sold at the end of use.

Sale of vehicles

Developments of sale of vehicles market in Israel

In this segment, Kardan owns an (indirect) stake of 30 % in UMI, the importer of General Motors brands in Israel. Car importers are working in a market which has seen a high 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.

1.2 Main events in the period

Kardan NV

During the first quarter of 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 was EUR 30 million that was paid upon closing of the transaction and EUR 8.5 million that is payable after 7 years.

Real Estate (GTC)

- In March 2009, Kardan NV announced GTC SA has not reached an agreement with Unibail Rodamco about the sale to Unibail Rodamco of 50 % of the shares in Galleria Mokotow, a shopping centre in Warsaw, Poland, due to the volatile market conditions. Unibail Rodamco already owns 50% of the shares in Galleria Mokotow.
- GTC India announced in June 2009 that it terminated an agreement for the phased development of a commercial and residential project in the city of Pune due to certain expected conditions not being fulfilled.

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 under the condition that Tahal is able to arrange funding for the project. The funding has to be in place within 18 months from the day the licence was granted. In addition, Tahal may decide to withdraw from the project in case it takes the view that 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

Real Estate (GTC)

After the first half 2009, GTC SA received 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 increases by EUR 60 million. The term of the loan is 5 years with an option for the benefit of the borrower to extend it for another two years.

1.4 Results and Equity attributable to equity holders of Kardan N.V.⁵

Breakdown of the net result For Equity Holders of Kardan N.V. (EUR million) ⁶	H1 2009	H1 2008	Q2 2009	Q2 2008	2008
– Real Estate	(12)	19	(9)	9	89
– Financial Services – Banking and Lending	(25)	1	(11)	3	(54)
– Financial Services – Insurance and Pension	15	(6)	17	(2)	8
– (Water) Infrastructure – Projects	-	-	(1)	-	(5)
– (Water) Infrastructure – Assets	(1)	(3)	(2)	(2)	(16)
– Rental and Leasing of vehicles ⁷	(2)	-	(1)	-	-
– Sale of vehicles ²	2	3	-	2	6
– Other ²	(10)	2	(8)	(7)	24
Total net result attributable to equity holders	(33)	16	(15)	3	52
Profit (loss) per share (EUR)	(0.55)	0.20	(0.34)	0.04	0.63
Profit (loss) per share diluted (EUR)	(0.55)	0.02	(0.34)	0.03	0.28

• First half 2009 results

Net loss for the first half of 2009 attributable to equity holders amounted to EUR 33 million, compared to a profit of EUR 16 million the same period in 2008.

The net result of GTC, the Real Estate division, decreased by EUR 31 million to a loss of EUR 12 million in H1-2009 from a profit of EUR 19 million in H-1 2008 as a result of:

- Gains from the revaluation of completed properties after deduction of a provision for deferred income taxes fell by EUR 37 million from EUR 18 million in H1-2008 to a loss of EUR 19 million in H1-2009, mainly due to yield increase which was partly mitigated by rental increase and property completion. 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 10 million in H1-2009.
- Corporate income taxes are mainly attributable to the revaluation of property (see first bullet). In addition GTC SA had an additional tax burden in H1-2009 of EUR 3 million (H1-2008: nil) due to the impact of a higher tax base in local currencies caused by the devaluation of these currencies against the Euro.

KFS, the Financial Services division contributed a loss of EUR 10 million compared to a loss of EUR 5 million in H1-2008. This loss is explained as follows:

The banking and lending activities (TBIF) recorded a loss of EUR 25 million in H1-2009 versus a profit of EUR 1 million in H1-2008. The difference is mainly caused by:

- A loss of EUR 21 million in H1-2009 from the operating companies (H1-2008: profit of EUR 2 million). The main driver for this decrease are risk related costs: write offs and provisions on the loan portfolio increased to EUR 43 million in H1-2009 from EUR 10 million in H1-2008.

⁵ 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.

⁶ The table shows the contribution of each of the businesses to the results of Kardan. As profits attributable to minority shareholders have already been deducted, these figures do not represent the full net result realized in each segment.

⁷ Due to IFRS 8 requirements, starting 2009, the reported segments, as stated in the table, were slightly changed.

- Net finance expenses relating to the funding of acquisitions and equity investment of the operational companies amounted to EUR 3 million in H1-2009 (H1-2008: EUR 1 million).

The insurance and pension activities (TBIH) contributed a profit of EUR 15 million in H1-2009 versus a loss of EUR 6 million in H1-2008. This can be explained as follows:

- TBIH managed to restrict the operational loss in the continued operations during the first half of 2009 to EUR 5 million. At the end of 2008 TBIH sold part of its insurance activities which reported a loss of EUR 4 million in H1-2008.
- In December 2008, TBIH sold part of its activities to Vienna Insurance Group. As announced the closing of a part of the transaction took place in June 2009. This closing resulted in a capital gain of EUR 16 million for Kardan.
- In the first half year of 2009, KFS recorded a fair value profit amounting to EUR 3 million relating to the value of a put option to sell its stake in TBIH to the partner.

Tahal, the (water) infrastructure division, contributed a loss of EUR 1 million in H1-2009, compared to a loss of EUR 3 million in H1-2008. The division has two segments: Tahal Projects and Tahal Assets.

- Tahal Projects, engaged in consultancy and construction of water related projects, had a break even result in H1-2009, equal to the same period of last year. The current level of revenue and related margin is sufficient to cover the cost of the organization and the finance expenses. The order book increased from EUR 167 million as per June 2008 to EUR 224 million as per June 30 2009, as a result of constant increase in Tahal project activities.
- In H1-2009 Tahal Assets, investing in water related assets reduced its loss to EUR 1 million from EUR 3 million in the first half of 2008. Impairment of assets of EUR 3 million due to lower than expected results from one of the assets was the main contributor to the loss in the first half year of 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

In the segment we realized a loss of EUR 2 million in H1-2009 (H1-2008: nil). The lower net profit is a result of higher finance expenses due to the consumer price index increase as well as the fact that Kardan Israel increased its stake in AVIS Israel and therefore its related goodwill amortization. It should be noted that AVIS Israel was proportionally consolidated in H1-2009 for the first time, whereas in H1-2008 it was included according to the equity method.

Sale of vehicles

In H1-2009, the contribution to the profit for equity holders of Kardan N.V. was EUR 2 million (H1-2008: EUR 3 million). The main difference is caused by a decrease of revenue due to market economic weakness that resulted in a decline of approximately 40% in the number of cars sold.

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 amounts to EUR 10 million (H1-2008: profit of EUR 2 million). The loss concerns mainly 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 H1-2008 was positively impacted by the revaluation of the convertible debentures and options to Kardan N.V. shares to an amount of EUR 10 million.

• **Second Quarter 2009 results**

In the second quarter of 2009, Kardan recorded a loss of EUR 15 million versus a profit of EUR 3 million in the second quarter of 2008.

The loss of the real estate activities amounts to EUR 9 million (Q2-2008: profit of EUR 9 million) and mainly stems from a negative revaluation result of EUR 10 million. In Q2 last year the revaluation profit was EUR 6 million.

The banking and lending activity lost EUR 11 million (Q2-2008: profit of EUR 3 million). The majority of the loss comes from provisions for credit losses on bad loans from the banking operations amounting to EUR 23 million. These losses were only partly compensated by interest income from lending and other investment income. In Q2-2008 the credit provisions amounted to EUR 5 million.

In 'insurance and pension' a profit of EUR 17 million was realized compared to a loss of EUR 2 million in the equivalent period of last year. The profit is mainly derived from a capital gain realised on that part of the sale of insurance activities that was finalized in June 2009. The sale and purchase agreement was already signed in December last year and comprised the sale of the insurance activities in Bulgaria, Croatia, Albania, Kosovo and Macedonia.

The (water) infrastructure division suffered a loss of EUR 3 million (H1-2008: loss of EUR 2 million). Impairment of assets amounting to EUR 3 million due to lower results than expected from one of the assets was the main contributor to the loss.

In 'rental and leasing of vehicles' the loss amounted to EUR 1 million (H1-2008:nil). The lower net profit is a result of higher finance expenses due to the consumer price index increase as well as the fact that Kardan Israel increased its stake in AVIS Israel and therefore its related goodwill amortization

In 'sale of cars' the result was nil compared to a profit of EUR 2 million in Q2-2008. In Q2-2009 the gross profit from sale of cars decreased due to lower sales due to market economic weakness, than the year before.

The 'other' activities were negative: a loss of EUR 8 million compared to a loss of EUR 7 million in Q2-2008. In both years finance expenses relating to the funding of equity investments in subsidiaries and general and administrative expenses of the head office are causing the negative result in both periods.

- **Equity as of June 30, 2009**

As of June 30, 2009, the equity attributable to the shareholders of Kardan decreased to EUR 343 million, compared to EUR 368 million at year-end 2008. This decrease was the result of the loss for the period (EUR 33 million) partly compensated by a positive direct movement in equity mainly related to foreign currency translation and hedging results of EUR 8 million.

The solvency ratio (shareholder's equity/total assets) of Kardan N.V. stood at 35%, which is almost equal compared to 36% at year-end 2008.

As a result of the financial transactions and investments, the net debt position of Kardan N.V. as of June 30, 2009 decreased to EUR 372 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 June 30, 2009 and December 31, 2008 (amounts in EUR million):

Holding Company	Name of subsidiary	Share in subsidiary	Book Value in Kardan NV books	Loans granted by Kardan NV	Total Investment in books 30.6.09	Total Investment in books 31.12.08
Kardan NV	GTC RE Holding (*) (1)	100%	371	97	468	559
	KFS (**) (1)	97.1%	114	90	204	121
	Tahal	100%	16	84	100	106
	Kardan Israel	73.8%	64	-	64	68

(*)

Holding Company	Name of subsidiary	Share in subsidiary	Book Value in GTC Holding books	Loans granted by GTC Holding	Total Investment in books 30.6.09	Total Investment in books 31.12.08
GTC RE Holding	GTC SA	46.2%	489	-	489	498
	GTC China	100%	109	33	142	120
	GTC Investments	46.3%	6	10	16	16

(**)

Holding Company	Name of subsidiary	Share in subsidiary	Book Value in KFS books	Loans granted by KFS	Total Investment in books 30.6.09	Total Investment in books 31.12.08
KFS	TBIF	90.4%	92	162	254	278
	TBIH	40%	72	-	72	59

(1) The main difference in the total investments in GTC RE Holding and KFS as of June 30, 2009 compared with December 31, 2008 is a change in the loans granted to the subsidiary.

1.6 Financial Position of Kardan Group as of June 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. Few of the covenants are being renegotiated with the relevant parties; none are of material nature for the Group

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 June 30, 2009 for Kardan N.V. and its divisions⁸;

EUR Millions	Free Cash & Cash equivalents	Debt/loans maturing					
		Before June 30, 2010	Before June 30, 2011	Before June 30, 2012	Before June 30, 2013	After June 30, 2013	Total
Kardan N.V.	111	68	11	6	57	448	590
GTC Group	165	54	43	114	191	899	1,301
KFS	330	282	87	41	42	256	708
Tahal Group	19	26	3	4	9	26	68
International Kardan Israel	38	142	55	26	33	98	354
Total	663	572	199	191	332	1,727	3,021

For KFS, the amount due before June 30, 2010 includes the support from the Central Banks in Ukraine and Russia amounting to EUR 89 million.

⁸ 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. The data in the table do not include the liabilities due to deposit holders of the banking activities in Russia and Ukraine.

For Kardan Israel, an amount of EUR 116 million includes repayment of issued by AVIS Israel which will be financed by the proceeds from lease instalments and vehicles sales.

- **Net debt**⁹

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

Company	Net Debt (in EUR millions)
Kardan NV	Liabilities: Debentures (*),(**) (474) Loans from banks (99) Assets: Loan to KFS 90 Cash and short term investments <u>111</u> Net debt (372)
GTC RE Holding	Liabilities: Loans from banks (151) Assets: Cash and short term investments <u>1</u> Net debt (150)
KFS	Liabilities: Loans from Kardan NV (90) Loans from banks (182) Assets: Loans to minority in subsidiary 17 Loans to TBIF <u>162</u> Net debt (93)
Kardan Israel	Liabilities: Debentures (49) Loans from banks (20) Assets: Loan to subsidiary 3 Cash and short term investments <u>21</u> Net debt (45)

(*) 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

⁹ Net debt includes interest bearing loans and borrowings, debentures and convertible debentures, less cash and cash equivalents and interest bearing receivables.

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 June 30, 2009 and results for the period of 6 months ending June 30, 2009.

Real Estate

Commercial Properties

Completed

	Unit	Total	Poland	Other CEE	Czech pr
	[SQM				
NRA pr (Pro-rata to GTC SA stake)	'000]	357	187	162	8
Average vacancy	[%]	6%	2%	11%*	9%
Average yield used in valuations	[%]	7.6%	7.2%	8.1%	10.5%
Book value	[EUR mn]	1,177.0	665.0	506.6	5.4

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

Under construction

	Unit	Total	Poland	Other CEE	Czech pr	China pr
	[SQM					
NRA pr (Pro-rata to GTC SA stake)	'000]	311	134	122	22	33
Accumulated cost	[EUR mn]	439.5	170.9	214.2	19.2	35.2
Profit from revaluations	[EUR mn]	165.5	71.2	86.7	7.5	-
Minority interest in commercial properties	[EUR mn]	(158.3)	-	(158.3)	-	-

Residential Properties

Under construction

	Unit	Total	CEE	Czech pr	China pr
	[SQM				
Area pr (Pro rata to GTC stake)	'000]	1,201	71	14	1,116
Book value	[EUR mn]	460.2	139.9	29.0	291.3

Net Debt

	Unit	Total	CEE	Czech pr	China pr
	[EUR mn]				
Net financial liabilities (assets)		888.0	889.3	32.3	(33.5)

Financial Services

Banking Activities

	Unit	Sovcom	VAB	TBI Bulgaria	TBI Romania
	[Sovcom				
Holding	[%]	66%	49%	100%	100%
Revenues (100%)*	[EUR mn]	54.2	25.3	12.2	11.3
Net profit (loss) (100%)	[EUR mn]	(18.1)	(18.5)	(0.5)	0.8
Equity (100%)	[EUR mn]	55.2	54.0	30.3	14.4
Solvency	[%]	9%	9%	18%	10%
Credit portfolio (100%)**	[EUR mn]	303.5	491.9	125.3	139.2
Provisions	[%]	19%	10%	5%	6%
Book value in TBIF - equity and loans	[EUR mn]	59.9	57.6	71.4	48.0

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

** According to IFRS

Insurance Activities

	Unit	Turkey	Ukraine	Georgia
Premiums (100%)	[EUR mn]	55.1	18.3	18.8
Net profit (loss) (100%)	[EUR mn]	(1.7)	0.2	1.8
Market share	[%]	2%	5%	35%

Pension Activities

	Unit	Bulgaria	Ukraine	Croatia	Others
Members (100%)	[mn]	1,288.2	136.7	230.5	80.2
Assets under management (100%)	[EUR mn]	456.6	1.8	450.4	6.4
Net profit (loss) (100%)	[EUR mn]	1.6	(0.2)	0.8	(0.5)
Market share	[%]	34%	4%	13%	

Infrastructure

Projects Segment

		Total
Backlog	[EUR mn]	224.8

Assets Segment

		KWIG	Task	Milgam
Book value (incl. shareholder loans)	[EUR mn]	29.6	5.9	7.3

1.9 Management declaration

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

- (i) The consolidated semi-annual financial statements as at June 30, 2009 and for the six months ended June 30, 2009 give a true and fair view of the assets, liabilities, financial position and the result of Kardan N.V. and of the group companies included in the consolidation;
- (ii) The semi-annual directors' report gives a fair view of the information required pursuant to Article 5:25d sub 8 and 9 of the Financial Supervision Act.

1.10 Outlook 2009

Kardan is operating in more than forty countries, which show different developments: in some of the markets, e.g. Poland and China performance is strong; others such as Russia and Ukraine are more challenging. Because of this we are not able to give a forecast for the development of the results for the remainder of the year.

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**, *CEE Office Investment, H1 2009*
- China Real Estate market: **Jones Lang LaSalle**, *Asia Pacific Property Digest, Second Quarter 2009*; **Jones Lang LaSalle**, *China 40, 2009*; *DTZ Property Times, Q1 2009*
- Financial services market: **IMF website**
- (Water) Infrastructure market: **Global Water Intelligence**, *Global Water Market, July Review*
- 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.

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	30.06.09	30.6.08	31.12.08	Notes
Total balance sheet	5,447	4,985	5,251	The increase as of June 30 ,2009 compared to December 31, 2008 is mainly a result of the first time consolidation of "Ocif Nichsey Emed" in the financial statements of Kardan Israel including the proportionate consolidation of "Emed" and "Dan Vehicles"(*).
Current assets	1,934	2,071	1,840	The decrease as of June 30, 2009, compared to June 30, 2008, is mainly a result of the use of cash due to new investments in real estate projects during H2 2008 mostly in GTC group.
Non Current assets	3,506	2,914	3,328	The increase as of June 30, 2009 compared to December 31 ,2008 is mainly a result of the first time consolidation of "Ocif Nichsey Emed" in the financial statements of Kardan Israel including the proportionate consolidation of "Emed" and "Dan Vehicles"(*).
Current liabilities	1,381	1,159	1,598	The increase as of June 30, 2009, compared to June 30, 2008 is mainly a result of acquisition of companies in the financial services segment during H2 2008 (mainly due to first time e full consolidation of the Russian bank in H2 2008).
Other debentures	875	943	806	The decrease as of June 30, 2009, compare to June 30 ,2008 is mainly due to the foreign currency devaluation of GTC Poland Debentures, which are denominate in PLN.
Interest-bearing loans and borrowings	1,551	1,131	1,128	The increase as of June 30, 2009 compared to December 31, 2008 is mainly a result of receipt of bank loans for the funding of new 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 "Ocif Nichsey Emed" in the reports of Kardan Israel including the proportionate consolidation of "Emed" and "Dan Vehicles"(*).
Warrants and options	51	167	55	The decrease as of June 30, 2009, compare to June 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 companies of KFS Group and as a result of the conversion of convertible debentures in GTC RE during 2008.
Equity attributable to equity holders of the parent	343	359	368	The decrease as of June 30 ,2009 compared to December 31, 2008 is mainly a result of the loss in H1 2009 (EUR 33 million) which was partly offset by increase foreign currency translation reserves and other reserves (EUR 8 millions),

(*) In January 2009, Kardan Israel completed the purchase of 10% in "Ocif 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 Ocif Nichsey Emed shares and subsequent balance sheet date holds 100% of Emed assets.

2.1.2 Results of Business Operations (in EUR million):

	1-6/09	1-6/08	4-6/09	4-6/08	1-12/08	Notes
<u>Revenues</u>						
Sales and Services	83	26	41	16	97	The increase in sales and services in H1 2009 in comparison to H1 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	74	72	37	39	149	The income mainly represents the revenues from projects in the (Water) Infrastructure segment.
Renting and selling of vehicles	82	-	43	-	-	Mainly due to the first time consolidation of "Dan vehicles" (*).
Insurance activities	30	31	15	17	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	35	56	23	33	96	The decrease in H1 2009 in comparison to H1 2008 is mainly derived from increase in provision for doubtful debts provisions 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	48	35	24	19	80	The increase in rental revenues in H1 2009 in comparison to H1 2008 is mainly as a result of completion of the construction and the lease of a number of commercial projects during 2008 which generated rental income in 2009.
Management fees	1	1	1	1	3	-
Total Revenues	353	221	184	125	492	
<u>Expenses</u>						
Cost of Sales and Services	65	21	32	13	77	Please see explanations for changes in income from sales and services
Contracts costs	59	59	30	33	126	Please see explanations for changes in income from contract works
Cost of rental and sale of vehicles	67	-	34	-	-	Please see explanations for changes in income from renting and selling of vehicles.
Operating expenses of insurance business	31	28	17	15	63	Please see explanations for changes in income from insurance business

Cost of banking and lending activities	65	52	33	29	120	The increase in the expenses in H1 2009 in comparison to H1 2008 is mainly a result of first time full consolidation of the Russian bank results in 2009.
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(*) In January 2009, Kardan Israel completed the purchase of 10% in "Ocif 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 Ocif Nichsey Emed shares and subsequent balance sheet date holds 100% of Emed assets.

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

	1-6/09	1-6/08	4-6/09	4-6/08	2008	Notes
Cost of rental operations	10	8	5	4	20	Please see explanations for changes in rental income
Other expenses, net	11	1	7	1	5	The other expenses in H1 2009 (mainly generated in the second quarter of 2009) are mainly due impairment of assets in the (Water) Infrastructure segment (see also the net result analysis in this segment).
Total expenses	308	169	158	95	411	-
Gross margin	45	52	26	30	81	-
Sales and marketing expenses	11	10	5	5	20	-
General and administration expenses	30	27	15	15	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	4	15	6	10	34	-
Adjustment to fair value of investment properties	(18)	71	(34)	22	196	In Q1 2009 the construction of "Spiral" office building in Budapest, Hungary was completed and revaluated. In the second quarter, 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 loss of EUR 34 millions (see also the net result analysis in this segment). In the course of 2008 the 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 part of the investment properties under construction were revaluated to their fair value as well.
Impairment losses on goodwill	-	-	-	-	(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	1	-	2	-
Gain on disposal of assets and other income	6	3	3	3	121	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	7	5	4	3	123	-
Profit (loss) before finance expenses and income taxes	(7)	91	(24)	35	264	

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

	1-6/09	1-6/08	4-6/09	4-6/08	2008	Notes
Other Financial Income	45	86	8	58	177	Finance income in H1-2009 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 a decrease in value of the Russian and Romanian currencies. Due to a reverse in the trend of those currencies, expenses were occurred in Q2-2009. In addition, the income in the reported period reflects interest which derived from the cash balances of the group.
Other financial expenses	(105)	(117)	(41)	(59)	(247)	The financial expenses in H1-2009 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 activities as a result of a decrease in value of the Russian and Romanian currencies. In addition, the financing expenses generated during H1-2009 include the financing costs of loans and debentures in the group.
Adjustments to fair value of other financial instruments	-	26	(1)	-	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.
Profit (loss) from operations	(67)	86	(58)	34	252	-
Equity in net earnings of associated companies	2	3	(1)	2	3	-
Net profit (loss) before income taxes	(65)	89	(59)	36	255	-
Income tax benefit (expenses)	(6)	(19)	9	(6)	(81)	Most of the tax expenses are as a result of a provision for deferred taxes due to revaluation

						of investment properties.
Net profit (loss) for the period from continuing operations	(71)	70	(50)	30	174	-
Net profit for the period from discontinued operations	16	(5)	16	(2)	1	See explanations for changes in income from insurance business
Net profit (loss) for the period	(55)	65	(34)	28	175	-
Net profit (loss) attributed to equity holders of the parent	(33)	16	(15)	3	52	See also the analysis of the net result to the equity holders of Kardan NV.
Net profit (loss) attributed to minority interest holders	(22)	49	(19)	25	123	-

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

	1-6/09	1-6/08	4-6/09	4-6/08	2008	Notes
Net cash provided by (used in) operating activities	(7)	(61)	11	(10)	(191)	-
Net cash used in investing activities	(275)	(556)	(141)	(345)	(707)	In H1-2009, EUR 181 million were used for acquisition of tangible fixed assets and investment properties, EUR 70 million were used for investment in companies and partnerships and EUR 24 million were used as loans to bank customers. In H1-2008, EUR 221 million were used for acquisition of tangible fixed assets and investment properties, EUR 28 million were used for investment in companies and partnerships and EUR 292 million were used for granting of long term loans.
Net cash provided by financing activities	125	421	66	312	528	In H1-2009, EUR 577 million were generated following the receipt of long term loans, EUR 21 million were generated from issuance of debentures and EUR 483 million were used for repayment of long term loans. In H1-2008, EUR 518 million were generated from long term loans, EUR 103 million were generated from issuance of debentures, EUR 26 million were generated from loans to bank customers and EUR 229 million were used as repayment of long term loans.

The Management Board of Kardan NV believes there is no reason to fear 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 June 30, 2009.¹⁰

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

2.2 Valuation of completed properties

In the first half of 2009 the Investment properties in GTC Group were valued. The following table indicates the main assumptions, methods and valuations of material investment properties:

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) (3)	Occupancy rate for 30.06.09	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
														1-3/09	4-6/09	1-3/09	4-6/09	
Poland	Warsaw	Galeria Mokotów (1)	%50	Shopping center	Lease hold	32,100	40,000	60,000	%100	DCF	%6.7	€187,859 \$264,600	€33 \$43	€33 \$43	€32 \$42	€3,034 \$4,035	€2,930 \$3,897	Increase in yield rate
Croatia	Zagreb	Avenue Mall	70%	shopping center	Ownership	26,500	34,500	65,000	%100	DCF	7.25 %	193,060	€35	€33	€33	3,257	3,400	Increase in yield rate
Croatia	Zagreb	Avenue Mall	70%	Offices	Ownership	7,000	8,500	11,000	%100	DCF	7.85 %	Incl. above	€17	Incl. above	Incl. above	Incl. above	Incl. above	Incl. above
Poland	Częstochowa	Jurajska	%100	Shopping center	Lease hold	48,500	65,000	106,000	83%(2)	Residual	%7.6	170,600	€25	n/a	n/a	n/a	n/a	Progress of works
Romania	Bucharest	City Gate	50%.1	Offices	Lease hold	46,000	53,300	89,000	%63(2)	Residual	7.42 %	140,850	€22	n/a	n/a	n/a	n/a	Progress of works

(1) Data represent 50% the project which is consolidated on a pro-rata basis in GTC Poland's financial statements.

(2) The Building is still under construction. The % quoted represents pre-lease level.

(3) Including land costs.

2.3 Issuance of debt

Following are details regarding the marketable debentures of Kardan NV:

	<u>Debenture series A</u>	<u>Debenture series B</u>	<u>Convertible Debenture series 1</u>
Par value of issued debentures	EUR 225 million (NIS 1,190,000,000)	EUR 252 million (NIS 1,333,967,977)	EUR 23 million (NIS 250,044,453)
Par value of debentures acquired by a subsidiary of Kardan NV	EUR 28 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 December 2006)	Principal and interest linked to Israeli CPI (CPI of September 2004)
Market value of debentures	EUR 215 million (NIS 1,190,000,000 par value)	EUR 241 million (NIS 1,333,967,977 par value)	EUR 3 million (NIS 15,899,908, par value)

¹⁰ 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

Interest rate (per annum)	4.45%	4.9%	6%
Principal repayment	4 equal instalments in February 2013 to February 2016	7 equal instalments in February 2014 to February 2020	August 31, 2009
Interest payment dates	Nine annual instalments from February 2008 to February 2016	13 annual instalments from February 2008 to 2020	5 annual instalments from August 2005 to August 2009
Total debt up to the date of the balance sheet (including interest and Israeli CPI linkage)	EUR 208 million (after deduction of debentures held by a subsidiary) (*)	EUR 267 million (*)	EUR 3 million
Market capitalization as of June 30, 2009	EUR 202 million	EUR 205 million	EUR 4 million
The trustee	Aurora Fidelity Trustees Ltd (Adv. Iris Shlaen)	Hermatic trustee (1957) (Adv. Dan Avnun)	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)	-

(*) Please note that 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.

August 31, 2009

Management Board:

A. Ickovics

W. van Damme

E. Oz-Gabber

A. Shlank

J. Slootweg



KARDAN N.V.

PART 3 CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
As of June 30, 2009

KARDAN N.V.
AMSTERDAM, THE NETHERLANDS

Condensed Interim Consolidated Financial Statements
As of June 30, 2009

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CONDENSED INTERIM CONSOLIDATED BALANCE SHEET

A s s e t s

	June 30, 2009	June 30, 2008	December 31, 2008
	€in millions		
Non-current assets			
Tangible fixed assets	102	103	111
Property under construction	-	464	-
Rental vehicles	210	-	-
Investment properties (see Note 5)	2,220	1,104	1,987
Investments in associates	143	134	152
Available-for-sale and held-to-maturity financial assets	22	77	119
Loans to bank customers	238	272	288
Long-term loans and receivables	296	307	406
Deferred acquisition costs (insurance companies)	6	14	6
Intangible assets and goodwill	253	422	241
Deferred income tax assets	16	17	18
	<u>3,506</u>	<u>2,914</u>	<u>3,328</u>
Current assets			
Inventories, contract work and buildings inventory in progress	451	389	477
Current maturities of long-term loans and receivables	297	272	292
Loans to bank customers	210	172	167
Trade receivables	80	60	62
VAT and income tax receivables	57	49	52
Insurance premium receivables	29	46	27
Other receivables and prepayments	118	237	129
Reinsurance receivables and insurance companies	28	30	25
Short-term investments	288	117	69
Cash and cash equivalents	376	699	540
	<u>1,934</u>	<u>2,071</u>	<u>1,840</u>
Assets held for sale	<u>7</u>	<u>-</u>	<u>83</u>
Total assets	<u><u>5,447</u></u>	<u><u>4,985</u></u>	<u><u>5,251</u></u>

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

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

	June 30, 2009	June 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	230	176	230
Foreign currency translation reserve	(53)	(35)	(43)
Property revaluation reserve	134	124	140
Revaluation reserve, other	(17)	23	(35)
Retained earnings	26	54	53
	343	359	368
Minority interests	720	787	744
Total equity	1,063	1,146	1,112
Non-current liabilities			
Interest-bearing loans and borrowings	1,551	1,131	1,128
Banking customers accounts	146	142	127
Other long-term liabilities	112	5	91
Warrants and options	51	167	55
Convertible debentures	-	32	29
Other debentures	875	943	806
Insurance provisions	73	135	71
Deferred income tax liabilities	190	124	172
Accrued severance pay, net	2	1	2
	3,000	2,680	2,481
Current liabilities			
Advances from customers in respect of contracts	18	24	22
Banking customers accounts	386	409	469
Income tax payables	15	9	16
Dividend payable	-	18	-
Trade payables	119	92	112
Interest-bearing loans and borrowings	554	331	673
Advances from buyers	93	138	123
Other payables and accrued expenses	196	138	183
	1,381	1,159	1,598
Total liabilities	4,381	3,839	4,079
Liabilities held for sale	3	-	60
Total equity and liabilities	5,447	4,985	5,251

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

CONDENSED INTERIM CONSOLIDATED INCOME STATEMENT

	For the six months ended June 30,		For the three months ended June 30,		For the year ended December 31,
	2009	2008	2009	2008	2008
	€in millions				
Sales and services	83	26	41	16	97
Contract revenues	74	72	37	39	149
Insurance activities	30	31	15	17	67
Banking and retail lending activities	35	56	23	33	96
Rental revenues	48	35	24	19	80
Revenues from renting and sale of vehicles	82	-	43	-	-
Management fees	1	1	1	1	3
<i>Total revenues</i>	353	221	184	125	492
Cost of sales and services	65	21	32	13	77
Contract costs	59	59	30	33	126
Operating expenses of insurance activities	31	28	17	15	63
Costs of banking and lending activities	65	52	33	29	120
Costs of rental operations	10	8	5	4	20
Cost of rental and sale of vehicles	67	-	34	-	-
Other expenses, net	11	1	7	1	5
<i>Total expenses</i>	308	169	158	95	411
Gross margin	45	52	26	30	81
Selling and marketing expenses	11	10	5	5	20
General and administration expenses	30	27	15	15	27
Profit (loss) from operations before fair value adjustments, disposal of assets and financial expenses	4	15	6	10	34
Adjustment to fair value of investment properties (see Note 5b)	(18)	71	(34)	22	196
Impairment losses on goodwill	-	-	-	-	(89)
Gain on issuance of shares in associate companies and subsidiaries to third parties	1	2	1	-	2
Gain on disposal of assets and other income	6	3	3	3	121
<i>Profit (loss) on disposal of assets and investments</i>	7	5	4	3	123

Profit (loss) from operations before finance expenses and income taxes	(7)	91	(24)	35	264
Other financial income	45	86	8	58	177
Other financing expenses	(105)	(117)	(41)	(59)	(247)
Adjustment to fair value of other financial instruments	-	26	(1)	-	58
<i>Total financial expenses, net</i>	<u>(60)</u>	<u>(5)</u>	<u>(34)</u>	<u>(1)</u>	<u>(12)</u>
Profit (loss) from operations	(67)	86	(58)	34	252
Equity in net earnings (losses) of associated companies	2	3	(1)	2	3
Net profit (loss) before income taxes	<u>(65)</u>	<u>89</u>	<u>(59)</u>	<u>36</u>	<u>255</u>
Income taxes	<u>(6)</u>	<u>(19)</u>	<u>9</u>	<u>(6)</u>	<u>(81)</u>
Net profit (loss) for the period from continuing operations	(71)	70	(50)	30	174
Net profit (loss) for the period from discontinued operations	16	(5)	16	(2)	1
Net profit (loss) for the period	<u>(55)</u>	<u>65</u>	<u>(34)</u>	<u>28</u>	<u>175</u>
Attributable to:					
Equity holders	(33)	16	(15)	3	52
Minority interest holders	<u>(22)</u>	<u>49</u>	<u>(19)</u>	<u>25</u>	<u>123</u>
	<u>(55)</u>	<u>65</u>	<u>(34)</u>	<u>28</u>	<u>175</u>
Earnings (loss) per share attributable to shareholders					
Basic from continuing operations	(0.71)	0.20	(0.50)	0.04	0.63
Basic from discontinued operations	<u>0.16</u>	<u>-</u>	<u>0.16</u>	<u>-</u>	<u>-</u>
	(0.55)	0.20	(0.34)	0.04	0.63
Diluted from continuing operations	(0.71)	0.02	(0.50)	0.03	0.28
Diluted from discontinued operations	<u>0.16</u>	<u>-</u>	<u>0.16</u>	<u>-</u>	<u>-</u>
	(0.55)	0.02	(0.34)	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 six months ended June 30,		For the three months ended June 30,		For the year ended December 31,
	2009	2008	2009	2008	2008
	€in millions				
Result for the period	<u>(55)</u>	<u>65</u>	<u>(34)</u>	<u>28</u>	<u>175</u>
Foreign currency translation differences	(14)	(18)	(23)	2	(12)
Change in hedge reserve, net of tax (1)	15	35	(1)	29	(65)
Unrealized revaluations, net of tax (2)	(1)	-	1	-	-
Other comprehensive income (expense) for the period (3)	<u>-</u>	<u>17</u>	<u>(23)</u>	<u>31</u>	<u>(77)</u>
Total comprehensive income (expense)	<u><u>(55)</u></u>	<u><u>82</u></u>	<u><u>(57)</u></u>	<u><u>59</u></u>	<u><u>98</u></u>
Attributable to:					
Equity holders	(25)	34	(30)	30	4
Minority interest holders	<u>(30)</u>	<u>48</u>	<u>(27)</u>	<u>29</u>	<u>94</u>
	<u><u>(55)</u></u>	<u><u>82</u></u>	<u><u>(57)</u></u>	<u><u>59</u></u>	<u><u>98</u></u>

- (1) Presented net of tax which amounted to €7.7 million for the year ended December 31, 2008; for the six months and three months periods ended on June 30, 2009 - €1.5 million and €1.3 million, respectively; 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) Including expenses resulted from associates: for the six months and three months periods ended on June 30, 2009 - €1.3 million and €1.1 million, respectively; for the six and three months periods ended on June 30, 2008 - €4.5 million and €2.5 million, respectively; and for the year ended December 31, 2008 - €2.3 million.

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

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	<i>Attributable to equity holders of the parent</i>						Minority interest	Total equity
	Issued and paid-in capital	Share premium	Property revaluation reserve	Revaluation reserve, other	Foreign currency translation reserve	Retained earnings		
	€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	744	1,112
Other comprehensive income	-	-	-	18	(10)	-	(8)	-
Net profit (loss) for the period	-	-	-	-	-	(33)	(22)	(55)
Total comprehensive income /expense for the period	-	-	-	18	(10)	(33)	(30)	(55)
Share-based payment	-	-	-	-	-	-	3	3
Issuance shares to minority shareholders	-	-	-	-	-	-	(14)	(14)
Shares purchased in consolidated and newly consolidated subsidiaries	-	-	-	-	-	-	18	18
Dividend paid to minority shareholders	-	-	-	-	-	-	(1)	(1)
Reclassification according to statutory requirements (*)	-	-	(6)	-	-	6	-	-
Balance as of June 30, 2009	23	230	134	(17)	(53)	26	720	1,063

(*) 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		
	€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
Other comprehensive income (expense)	-	-	-	28	(10)	-	18	17
Net result for the period	-	-	-	-	-	16	16	65
Total comprehensive income /expense for the period	-	-	-	28	(10)	16	34	82
Dividend	-	-	-	-	-	(18)	(18)	(18)
Issuance and sale of shares in subsidiaries	-	-	-	-	-	-	-	9
Rereclassification according to statutory requirements (*)	-	-	15	-	-	(15)	-	-
Balance as of June 30, 2008	17	176	124	23	(35)	54	359	1,146

(*) 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		
	€in millions	€in millions	€in millions	€in millions	€in millions	€in millions	€in millions	€in millions
Balance as of April 1, 2009	23	230	145	(20)	(35)	30	760	1,133
Other comprehensive income (expense)	-	-	-	3	(18)	-	(8)	(23)
Net result for the period	-	-	-	-	-	(15)	(19)	(34)
Total comprehensive income /expense for the period	-	-	-	3	(18)	(15)	(27)	(57)
Share-based payment	-	-	-	-	-	-	1	1
Issuance and sale of shares in subsidiaries	-	-	-	-	-	-	(14)	(14)
Reclassification according to statutory requirements (*)	-	-	(11)	-	-	11	-	-
Balance as of June 30, 2009	<u>23</u>	<u>230</u>	<u>134</u>	<u>(17)</u>	<u>(53)</u>	<u>26</u>	<u>720</u>	<u>1,063</u>

(*) 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
Balance as of April 1, 2008	17	176	118	-	(39)	75	347	752
Other comprehensive income (expense)	-	-	-	23	4	-	27	4
Net result for the period	-	-	-	-	-	3	3	25
Total comprehensive income /expense for the period	-	-	-	23	4	3	30	29
Share-based payment	-	-	-	-	-	-	-	6
Dividend				-	-	(18)	(18)	-
Reclassification according to statutory requirements (*)	-	-	6	-	-	(6)	-	-
Balance as of June 30, 2008	17	176	124	23	(35)	54	359	787

(*) 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)

	<i>Attributable to equity holders of the parent</i>						Minority interest	Total equity
	Issued and paid-in capital	Share premium	Property revaluation reserve (*)	Revaluation reserve, other (*)	Foreign currency translation reserve (*)	Retained earnings		
	€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	1,073
Other comprehensive income (expense)	-	-	-	(30)	(18)	-	(48)	(77)
Net profit for the period	-	-	-	-	-	52	52	175
Total comprehensive income /expense for the year	-	-	-	(30)	(18)	52	4	98
Issuance Company's shares to minority shareholders	6	51	-	-	-	-	(112)	(55)
Share-based payment	-	1	-	-	-	-	4	5
Issuance of shares to consolidated company	-	-	-	-	-	(21)	-	(21)
Exercise of warrants and options	-	2	-	-	-	-	-	2
Shares purchased in consolidated and newly consolidated subsidiaries	-	-	-	-	-	-	29	29
Dividend distributed	-	-	-	-	-	(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	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

	Six months period ended June 30,		Three months period ended June 30,		For the year ended December 31,
	2009	2008	2009	2008	2008
	€in millions				
Cash flow from operating activities					
Net profit (loss) before taxes on income	(65)	89	(59)	36	255
Adjustments required to present cash flow from operating activities (see A below)	58	(150)	70	(46)	(446)
Net cash provided by (used in) operating activities	(7)	(61)	11	(10)	(191)
Cash flow from investing activities					
Acquisition of tangible fixed assets and investment properties	(181)	(221)	(115)	(143)	(422)
Investments in companies and partnerships	(70)	(28)	(10)	(17)	(45)
Collecting (granting) of loans to associated companies, net	4	(7)	5	(5)	(2)
Proceeds from disposal of assets	6	1	4	1	6
Granting of long-term loans	(91)	(292)	(33)	(169)	(502)
Change in loans to bank customers	(24)	(30)	(10)	(37)	(48)
Collecting of long-term loans and receivables	143	166	69	96	341
Change in short-term investments	(108)	(60)	(49)	(38)	(3)
Acquisition of newly consolidated subsidiaries, net of cash acquired (see B below)	3	(85)	(2)	(33)	(30)
Increase in cash resulting from sale of investments in formerly consolidated subsidiaries (see C below)	43	2	-	2	7
Change in deferred brokerage fees	-	(2)	-	(2)	(2)
Change in other assets	-	-	-	-	(1)
Decrease of cash of assets held for sale	-	-	-	-	(6)
Net cash used in investing activities	(275)	(556)	(141)	(345)	(707)

CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

	Six months period ended June 30,		Three months period ended June 30,		For the year ended December 31,
	2009	2008	2009	2008	2008
	€in millions				
Cash flows from financing activities					
Proceeds from issuance of shares in subsidiaries to third parties, net	6	7	1	6	5
Dividend to minority shareholders in subsidiaries	(1)	-	-	-	(1)
Dividend distributed	-	-	-	-	(18)
Issuance of debentures	21	103	20	103	103
Repayment of debentures	(40)	-	(14)	-	(77)
Change in loans from bank customers	(47)	26	(65)	64	(44)
Change in deposits from tenants	-	-	-	-	1
Proceeds from long-term loans	577	518	251	232	921
Repayment of long-term loans	(483)	(229)	(268)	(104)	(384)
Costs related to issuance of debt and shares	(1)	(2)	-	(2)	(3)
Change in short-term loans and borrowings, net	93	(2)	141	13	25
Net cash provided by financing activities	125	421	66	312	528
Foreign exchange differences relating to cash and cash equivalents	(7)	2	(2)	18	17
Decrease in cash and cash equivalents	(164)	(194)	(66)	(25)	(353)
Cash and cash equivalents at the beginning of the period	540	893	442	724	893
Cash and cash equivalents at the end of the period	376	699	376	699	540

CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

	Six months period ended June 30,		Three months period ended June 30,		For the year ended December 31,
	2009	2008	2009	2008	2008
	€in millions				
A. Adjustments to reconcile net profit (loss) to net cash					
Charges / (credits) to profit / loss not affecting operating cash flows:					
Equity (earnings) losses of associated companies	(2)	(3)	1	(2)	(3)
Dividend received from associated companies	3	6	1	3	9
Gain on issuance of shares in associate companies and subsidiaries to third parties, net	(1)	(2)	(1)	-	(2)
Gain from release of negative goodwill	-	-	-	-	(78)
Impairment of goodwill	1	-	1	-	83
Gain on disposal of investments in companies, tangible fixed assets, net	(3)	-	(3)	-	(27)
Purchase of rental vehicles	(29)	-	(18)	-	-
Proceeds from sale of rental vehicles	27	-	14	-	-
Share-based payment	3	-	1	-	5
Depreciation and amortization	38	5	20	1	16
Fair value adjustments of investment properties	18	(71)	34	(22)	(196)
Exchange differences, net	13	24	45	16	34
Change in fair value of options and share appreciation rights	(1)	(12)	(11)	9	(94)
Decrease (increase) in fair value of securities held for trading, and hedge instruments, net	15	2	(36)	-	43
Increase in provision for bad debts in the financial services segment	64	-	33	-	45
Gain from early repayment of loans	-	-	-	-	(15)
Change in severance pay, net	(2)	-	(2)	-	-
Changes in operating assets and liabilities					
Change in insurance provisions and deferred acquisition costs, net	(3)	12	(1)	12	7
Change in outstanding insurance premiums, reinsurance receivables and insurance companies	-	(13)	-	(9)	(11)

Change in trade and other receivables	5	(57)	72	(36)	(47)
Change in inventories and in contract work in progress,					
net of advances from customers	(21)	(87)	(4)	(50)	(152)
Change in trade and other payables	(30)	54	(69)	24	(115)
Interest paid	(141)	(91)	(50)	(44)	(175)
Interest received	108	87	44	54	232
Income taxes paid	(4)	(4)	(1)	(2)	(5)
	<u>58</u>	<u>(150)</u>	<u>70</u>	<u>(46)</u>	<u>(446)</u>

CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

	Six months period ended June 30,		Three months period ended June 30,		For the year ended December 31,
	2009	2008	2009	2008	2008
	€in millions				
B. Acquisition of newly consolidated subsidiaries, net of cash acquired					
Working capital (including cash)	17	3	(1)	6	19
Non-current assets	(287)	(126)	(13)	(51)	(104)
Goodwill on acquisition	(1)	(73)	(1)	(5)	(38)
Gain on disposal of investment	-	-	-	-	3
Minority interests	18	2	-	-	-
Long-term liabilities	255	74	12	21	-
Total purchase price	2	(120)	(3)	(29)	(120)
Less – cash in subsidiaries acquired	1	9	1	(8)	-
Payable on account of investment	-	26	-	4	90
Cash used in acquisition, net of cash acquired	<u>3</u>	<u>(85)</u>	<u>(2)</u>	<u>(33)</u>	<u>(30)</u>
C. Disposal of formerly consolidated subsidiaries, net of cash disposed					
Working capital (including cash)	14	(18)	14	(18)	(30)
Non-current assets	1	21	1	21	21
Goodwill	16	2	16	2	19
Long-term liabilities	(2)	-	(2)	-	(3)
Minority interests	(7)	-	(7)	-	--
Gain on disposal of investments	22	-	22	-	-
Total consideration	44	5	44	5	7
Cash of subsidiary which ceased to be consolidated	-	(2)	-	(2)	-
Investment in associates	-	(1)	-	(1)	-
Release of capital reserves	(1)	-	(1)	-	-
Advance received	-	-	(43)	-	-
Cash flows from disposal, net of cash disposed	<u>43</u>	<u>2</u>	<u>-</u>	<u>2</u>	<u>7</u>

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	28	18	13	8	55
Payable on account of investment	-	26	-	4	-
Conversion of debentures into shares in subsidiaries	-	5	-	-	6
Exercise of options into Company's shares	-	-	-	-	2
Dividend declared	-	18	-	18	-
Payables on accounts of purchase of rental vehicles	16	-	16	-	-

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

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
June 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 August 31, 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 June 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
- 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 (*)*
- 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 six and three months period ended on June 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:

	<u>USD</u>	<u>NIS</u>	<u>CPI</u>
June 30, 2009	0.708	0.181	120.7
June 30, 2008	0.634	0.189	116.3
December 31, 2008	0.718	0.189	117.9
Change in 2009 (6 months)	(1.4%)	(4.2%)	2.4%
Change in 2009 (3 months)	(5.7%)	1.1%	2.3%
Change in 2008 (6 months)	(6.6%)	6.9%	2.4%
Change in 2008 (3 months)	0.2%	6.2%	2.2%
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 six months ended									
June 30, 2009									
Segment revenues	32	35	129	24	40	82	-	11	353
Adjustment to fair value of investment properties	-	-	(18)	-	-	-	-	-	(18)
Gain on disposal of assets and investments	-	3	-	3	-	-	-	-	6
Equity in net earnings of associates	-	-	2	-	-	-	3	(3)	2
Segment income	32	38	113	27	40	82	3	8	343
Segment results	(2)	(28)	21	(4)	2	10	3	(2)	-
Finance expenses									(60)
Unallocated expenses									(5)
Profit (loss) before taxes									(65)
Income taxes									(6)
Net profit (loss) from continuing operations									(71)
Net profit from discontinuing operations	16								16
Net profit (loss) for the period									(55)

	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 six months ended June 30, 2008									
Segment revenues	33	56	60	17	43	-	-	12	221
Adjustment to fair value of investment properties	-	-	71	-	-	-	-	-	71
Gain on disposal of assets and investments	1	-	2	-	-	-	-	-	3
Equity in net earnings of associates	-	-	(1)	-	-	-	4	-	3
Segment income	34	56	132	17	43	-	4	12	298
Segment results	1	3	90	-	(1)	-	4	1	98
Finance expenses									(5)
Unallocated expenses									(4)
Profit (loss) before taxes									89
Income taxes									(19)
Net profit (loss) from continuing operations									70
Net profit (loss) from discontinuing operations	(5)								(5)
Net profit (loss) for the period									65

	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 June 30, 2009									
Segment revenues	16	23	65	12	20	43	-	5	184
Adjustment to fair value of investment properties	-	-	(34)	-	-	-	-	-	(34)
Gain on disposal of assets and investments	-	3	-	-	-	-	-	-	3
Equity in net earnings of associates	-	-	2	-	-	-	-	(3)	(1)
Segment income	16	26	33	12	20	43	-	2	152
Segment results	(1)	(6)	(13)	(8)	2	7	-	(3)	(22)
Finance expenses									(34)
Unallocated expenses									(3)
Profit (loss) before taxes									(59)
Income taxes									9
Net profit (loss) from continuing operations									(50)
Net profit from discontinuing operations	16								16
Net profit (loss) for the period									(34)

	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 June 30, 2008									
Segment revenues	18	33	35	8	24	-	-	7	125
Adjustment to fair value of investment properties	-	-	22	-	-	-	-	-	22
Gain on disposal of assets and investments	1	-	2	-	-	-	-	-	3
Equity in net earnings of associates	-	-	-	-	-	-	2	-	2
Segment income	19	33	59	8	24	-	2	7	152
Segment results	1	3	31	-	(1)	-	2	2	38
Finance expenses									(1)
Unallocated expenses									(1)
Profit before taxes									36
Income taxes									(6)
Net profit from continuing operations									30
Net profit (loss) from discontinuing operations	(2)								(2)
Net profit for the period									28

	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 €260 million as of June 30, 2009.

4. Share capital

A. Composition

	<u>June 30, 2009</u>		<u>December 31, 2008</u>	
	<u>Authorized</u>	<u>Issued and Paid-in</u>	<u>Authorized</u>	<u>Issued and Paid-in</u>
	Number of shares		Number of shares	
Ordinary shares with nominal value of €0.20 each	<u>225,000,000</u>	<u>111,065,386</u>	<u>225,000,000</u>	<u>110,976,911</u>

B. Changes in share capital:

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.

Subsequent to the balance sheet date NIS 13,575,424 (€2.5 million) par value convertible debentures of the Company were converted into 759,252 ordinary shares of the Company. The remaining NIS 2,328,668 (€0.4 million) will be repaid on August 31, 2009.

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:

	June 30, 2009	June 30, 2008	December 31, 2008
	€in millions		
Completed investment properties	1,308	1,104	1,243
Investment properties under construction carried at fair value	492	-	370
Investment properties under construction carried at cost	420	- (*)	374
	<u>2,220</u>	<u>1,104</u>	<u>1,987</u>

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

B. Fair value adjustments comprise:

	For the six months ended June 30,		For the three months ended June 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	12	71	12	22	73
Adjustment to fair value of newly properties completed in prior years	(55)	-	(42)	-	32
Adjustment to fair value of investment property under construction, net of goodwill released	25	-	(4)	-	91
	<u>(18)</u>	<u>71</u>	<u>(34)</u>	<u>22</u>	<u>196</u>

Fair value adjustments for the six months period ended June 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.

C. Significant assumptions

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

	Western Europe		CEE	
	June 30, 2009	December 31, 2008	June 30, 2009	December 31, 2008
<u>Completed investment properties</u>				
Average rental rate per sqm per month (in €)	9.1	9.1	21.9	24.0
Reversionary yield	6%	6%	7.44%	7.26%
ERV per sqm per month (in €)	8.6	8.6	22.5	24.6
Vacancy	5.2%	5.2%	11.8%	9.1%
<u>Assets under construction (only assets at fair value)</u>				
Average risk-adjusted yield used in capitalizing the net future income stream	n/a	n/a	8.1%	7.97%
Average % complete	n/a	n/a	67.7%	42%
Estimated average development profit ((Fair value upon completion / Total budgeted costs)- 1)	n/a	n/a	35.7%	33%
Effective average development profit on executed part, accumulatively ((Current fair value /Total costs spent) -1)	n/a	n/a	43%	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 €1 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.

Subsequent to the balance sheet date, 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 is 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 Ocif 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 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.

Subsequent to the balance sheet date, 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 estimates it will recognize a gain of €2 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 Israel NIS 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.
- 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 June 30, 2009 some of TBIF companies were in breach of covenants relating to two loans amounting to €13 million (of which €2.7 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 €13 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.

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. Please see below the relevant financial data:

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

	For the six months ended June 30,		For the three months ended June 30,		For the year ended December 31,
	2009	2008	2009	2008	2008
	€in millions				
Total income	24	29	11	14	62
Total expenses	(24)	(34)	(11)	(16)	(71)
Profit (loss) before tax	-	(5)	-	(2)	(9)

Income tax expenses	-	-	-	-	-
Net profit (loss) from discontinuing operations before capital gains	-	(5)	-	(2)	(9)
Capital gain (loss) from sale	22	-	22	-	12
Release of goodwill	(6)	-	(6)	-	(2)
Net profit (loss) from discontinued operations	<u>16</u>	<u>(5)</u>	<u>16</u>	<u>(2)</u>	<u>1</u>

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

	June 30, 2009 (*)	June 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	<u>-</u>	<u>-</u>	<u>83</u>
Liabilities			
Insurance contract liabilities	-	-	48
Other financial liabilities	-	-	3
Insurance payables	-	-	5
Trade and other payables	-	-	4
Total liabilities	<u>-</u>	<u>-</u>	<u>60</u>

(*) Assets and liabilities held for sale as presented in the balance sheet as of June 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 six months ended June 30,		For the three months ended June 30,		For the year ended December 31,
	2009	2008	2009	2008	2008
	€in millions				
Net cash flow from operating activities	-	(5)	5	(2)	(4)
Net cash flow from					(1)

investing activities	43	(2)	-	(1)	
Net cash flow from financing activities	-	-	-	(1)	(2)
Net cash flows from discontinued operations	43	(7)	5	(4)	(7)

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

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

5) Balances of capital reserves related to discontinued operations:

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

8. Subsequent events

Subsequent to the balance sheet date, on July 30, 2009, a legal claim and a request to approve it as a class action was filed with the District Court in Tel-Aviv, Israel, against Pelephone Communications Ltd., Shamir Systems and Operators Ltd. and Unicell Cellular Solutions Ltd. (an associated company 32% owned by KIL, hereinafter: "Unicell"). In the letter of claim, it has been claimed against the claimants that they collected money illegally from the plaintiff in respect to content services without the plaintiff having requested said services. The cash relief that is being claimed from all of the claimants amounts to approximately NIS 200 million (€36 million). The legal advisors of Unicell estimate that the chances for the claim to be accepted are lower than 50%. The balance of the Company's investment in Unicell as of June 30, 2009 is approximately €3 million.

Please refer to additional subsequent events in Note 4 and 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 June 30, 2009 and the related interim condensed statements of income, changes in equity and cash flows for the six 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.

Apeldoorn, August 31, 2009

Ernst & Young Accountants LLP

Signed by: A.J. Buisman

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