

**KARDAN REPORTS NINE MONTHS 2008 RESULTS**

- Third quarter profit of EUR 7 million brings nine months profit to EUR 23 million
- Real Estate: increase in rental income drives positive revaluation result
- Financial Services: negative result mainly due to Russian insurance activities suffering from difficult market structure and financial expenses
- No new investments in Real Estate and Financial Services until turmoil calms down; Kardan and group companies preserve cash
- Kardan and GTC RE shareholders' meeting on 11 December 2008 to approve merger, resulting in increased financial strength of Kardan N.V. and transparency of Kardan group

Key figures Kardan N.V. – Non consolidated	30 September 2008	31 December 2007	Change (%)
Total Assets (x EUR million)	776	704	10
of which invested ¹ in:			
– Real Estate (GTC)	276	240	15
– Financial Services (KFS)	199	242	(18)
– Infrastructure (Tahal)	86	77	12
– Other Business	89	75	19
Shareholders' equity (x EUR million)	362	343	6
Solvency Ratio	47%	49%	
Net Debt (x EUR million) ²	224	174	29

Breakdown of the net profit For Equity Holders of Kardan N.V. (x EUR million) ³	9M 2008	9M 2007	Change (%)
– Real Estate	31	16	94
– Financial Services – Banking and retail lending	5	(12)	
– Financial Services – Insurance and Pension	(16)	17	
– Infrastructure - Projects	(3)	(1)	
– Infrastructure - Assets	(5)	(5)	
– Other Business	2	1	100
– Corporate activities	9	18	(52)
Total net profit attributable to equity holders	23	34	(33)
Profit per share (EUR)	0.28	0.42	(33)

¹ Investments includes Kardan's investment in equity of the subsidiary, interest bearing receivables and goodwill

² The definition of Net Debt as presented in this press release is broadened to include interest bearing loans, borrowings and (convertible) debentures, less cash and cash equivalents and interest bearing receivables

³ 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 profit realized in each segment.

Mr. Ickovics, Chairman of the Management Board of Kardan N.V. commented on the results until September 2008 and the recent developments in the emerging markets:

“The net profit for equity holders of Kardan in Q3 was EUR 7 million. Taking into account the economic environment of Q3, this overall result was satisfactory. The contribution of the Real Estate development and investment activity was beyond our expectations and originated from successful leasing of commercial properties. The pension and insurance division of Kardan Financial Services suffered from losses due to the difficult market structure, where significant fees need to be paid to agents to increase premium volume. Despite a declining growth, the banking and lending activity was still profitable. The results of the Infrastructure division and Kardan Israel were in line with last year.

In the course of the fourth quarter the global economy weakened further, reducing the growth in emerging markets. Real Estate and Financial Services suffer from these developments. Based hereon, Kardan and its subsidiaries have decided to keep the liquidity level as high as possible and not to use their current cash position to make new investments until markets stabilised and the depth of the recession is clear. We also focussed on cutting costs. The platforms established in Kardan’s sectors of activity throughout the regions are maintained, which may cause some operational losses, the size of which will depend, amongst others, on the length of this uncertain period.

Results for the near future which includes 2009 will therefore depend on the length of this very unstable economic period.

For the long term we are still very positive. As soon as the global economy driven by interventions of the governments recovers, emerging markets should be among the first to benefit. First of all because of the growth perspective, which is significantly higher than in the Western markets, and secondly because the value of companies and currencies decreased strongly. This should fuel a return of Western investors to these markets and thus stimulate further growth. However, we will only be able to return into full growth mode once markets have stabilized, and investors confidence has returned although we may benefit from very interesting opportunities along the way.”

Summary nine months 2008

- **Investment activity 2008**

International investment company Kardan N.V. (Kardan), operating in fast growing markets, mainly invests in three sectors: Financial Services, Real Estate and Infrastructure (water related). During the nine months period ending 30 September 2008, the Financial Services and Real Estate operations further expanded their activities. Expansion mainly took place in the first half of 2008. This was realised from existing resources as a result of a careful funding policy. The Real Estate segment entered into new markets and significantly increased its investments in China. The Financial Services division acquired a controlling stake in a Ukrainian insurance company. The Infrastructure division made new investments in water infrastructural assets in China and won turn key projects in Africa. The infrastructure investment in China fits the strategic decision taken during 2006 to focus on assets under development, instead of solely advising and building water infrastructure projects. These investments were supported by funding from Kardan.

To safeguard the cash positions, the investment activities of Kardan N.V. and its real estate and financial services subsidiaries were put on hold until markets stabilize. As a result of government investment programmes for infrastructure it is likely that Tahal may face more investment opportunities than before. Agreements are signed only when funding is secured.

- **Results Kardan N.V. (non-consolidated)**

Net profit attributable to equity holders over the period until 30 September of 2008 amounted to EUR 23 million, a decrease of EUR 11 million compared to the same period in 2007.

The contribution of the Real Estate segment increased by EUR 15 million to EUR 31 million compared to the same period of last year. Lower gains from the revaluation of properties (EUR 12 million) and higher funding expenses were compensated by a positive revaluation of convertible debentures (EUR 33 million).

Also the contribution of Financial Services-banking and lending division improved from a loss of EUR 12 million to a profit of EUR 5 million. The main contributor was the revaluation (i.e decrease) of a put option. The operational results of the subsidiaries were similar to last year.

The insurance and pension division lost EUR 16 million. Mainly due to commissions paid to brokers in order to increase the number of insurance contracts, the Russian activities lost EUR 5 million. In addition, finance expenses related to loans raised for the funding of acquisitions made in 2007 and the first half of 2008 increased by EUR 5 million. Furthermore an amount of EUR 5 million has been written off related to a capitalized price adjustment of a prior year transaction. In 2007 the profit of this segment was boosted by a gain of EUR 20 million resulting from the sale of part of the shares of the insurance and pension division to Vienna Insurance Group.

The Infrastructure division projects, engaged in consultancy of water related projects, lost EUR 3 million (9M 2007: a loss of EUR 1 million). The difference in the result was mainly caused by unexpected expenses related to Romanian projects and financial expenses, caused by an appreciation of the Israeli Shekel.

The Infrastructure asset division lost EUR 5 million (same as in 2007). The assets bought are not using their full capacity yet. Consequently, start up costs and finance expenses are higher than the gross profit.

The contribution of other business (mainly Kardan Israel excluding Real Estate) doubled to EUR 2 million. This was driven by the positive results of the automotive activity.

The results of Corporate Activities decreased from EUR 18 million to EUR 9 million compared to the same period of last year, in which a profit of EUR 9 million was recorded from the sale of a part of the investment in Kardan Israel.

Net profit attributable to equity holders of EUR 23 million represents a **basic net result per share** of EUR 0.28, compared to a basic net profit per share of EUR 0.42 for the comparable period in 2007.

- **Total Assets and Equity Kardan N.V. (non-consolidated)**

In line with the restrictive investment policy elaborated above, total assets of Kardan were stable during the third quarter of 2008. In the first nine months of 2008 total assets increased by 10% from EUR 0.7 million to EUR 0.8 million. Equity investments and loans granted to Real Estate and Infrastructure increased by 15% and 12% respectively, while the book value of the investment in Financial Services declined by 22% due to the loss in 9M 2008 and repayment of loans.

As at 30 September 2008, shareholders' equity of Kardan increased to EUR 362 million, compared to EUR 343 million at year-end 2007. This increase was the result of the profit for the period (EUR 23 million) and a positive direct movement (mainly related to foreign currency translation and hedging results) in equity of EUR 14 million, minus the dividend distribution of EUR 18 million in July 2008.

Kardan's solvency ratio stood at 47%, which is almost the same level as per year-end 2007 (49%). As a result of the financial transactions and investments, the net debt position per 30 September 2008 increased to EUR 224 million (year-end 2007: EUR 174 million). The increase is mainly caused by new loans granted to KNV.

- **Restructuring**

In order to simplify the structure of the Kardan group and further increase transparency, Kardan is in the process of merging GTC Real Estate N.V (GTC RE) into Kardan, as announced for the first time in April of this year. If this merger is effectuated, a larger holding company with a strengthened equity position will be created. The shareholders meetings of Kardan and GTC RE, in which shareholders are asked to adopt the intended merger, will take place on 11 December 2008. If so adopted, Kardan expects the merger to become effective on 16 December. On 26 November 2008, following the approval of the AFM, Kardan has published a prospectus in the Netherlands for the offering of Kardan shares to shareholders of GTR RE under the merger. The prospectus is available on www.kardan.nl

- **Financial Position as per 30 September 2008**

The Kardan Group has a decentralized funding structure. This implies that Kardan, its direct subsidiaries (all being holding companies of the operational entities), and the operational entities are mostly 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. Some of the covenants are under pressure and management is in discussion with the relevant parties.

The following table gives an overview of the refinance obligations and interest payable till 30 September 2009, the total interest bearing liabilities and the respective cash positions of Kardan and its direct holdings (non consolidated figures) as per 30 September 2008:

EUR Millions	Free Cash and Cash equivalents	Redemption and interest payments till 30-9-2009	Total interest bearing liabilities and interest payments
Kardan	46	53	298
GTC RE	129	2	367
KFS	9	18	250
Tahal Group International	1	-	-
Kardan Israel	7	50	78

Based upon this information Kardan management has no reason to believe that these companies are unable to fulfill their obligations.

- **Risk management and valuation**

In addition to the risk management activities described in the Annual Report 2007, Kardan took additional control measures driven by the turbulent developments in the last couple of months. The number of (in)formal meetings between the management of Kardan and its subsidiaries increased. During these meetings the latest development and expectations in the respective markets and the financial position of the subsidiaries are discussed.

Furthermore the value of investment properties and goodwill has been reviewed in detail because these items represent a significant part of the assets in the (consolidated) balance sheet. Especially the value of goodwill was tested more in detail than usual at the end of Q3.

The revaluation of investment properties recorded in the books amounted to EUR 140 million in the nine months period ending 30 September 2008. This amount was derived from reports of external appraisers. From this amount EUR 50 million relates to existing investment properties. The remainder was booked upon completion of properties under construction. The positive revaluation of investment properties is the result of higher rental income due to increasing rents and higher occupancy. In case the rental income would not have gone up, we would have faced a negative revaluation result of EUR 60 million, from the increased yields. The valuation of properties according to the external valuation

reports was compared with the book value including goodwill of each of the projects. Based upon this comparison, no goodwill impairment was necessary.

For most subsidiaries held by KFS goodwill impairment tests have been performed as per 30 September 2008. The internal calculations made were based upon the expected future cash flows. Main drivers of the business, like GDP growth and financial industry growth are foreseen to be lower than previously forecasted. Generally we expect in all the countries of operations to see economic slowdown in 2009 and partially in 2010.. Although the value is lower than previous valuations, no impairment is necessary. The reason is that previous valuations presented fair values that were significantly higher than the book values. The recent valuations have decreased this surplus significantly.

At year end the (external) valuations could result in impairments for some of the investments with a small cushion between fair value and book value, if the valuation elements that are taken into account such as the discount rate are developing unfavorable.

- **Third Quarter results Kardan**

In the third quarter of 2008, net profit attributable to equity holders was EUR 7 million compared to a break even result in Q3 2007.

Subsequent events

On the 12th of November S&P Maalot published that they reduced the credit rating of the Kardan N.V. debentures from AA- to A-, negative outlook. The reason for the downgrade is the slow down of the economy in the geographical areas Kardan is active in. A consequence of the revision is that certain covenants under its debentures are no longer applicable.

Results per segment

Real Estate (primarily GTC RE Group):

The result from operations (before financial expenses and tax) decreased by EUR 79 million (32%) to EUR 168 million for 9M 2008. The decrease of the results in 2008 is caused by lower revaluation gains of EUR 140 million in the nine months period compared to EUR 221 million in the same period of last year and a lower contribution from investments in associated companies (EUR 4 million). On the other hand the gross profit from rental income and sale of apartments increased by EUR 6 million and general and administrative expenses went down (EUR 3 million).

Financial expenses decreased from EUR 62 million to EUR 14 million due to revaluation and conversion of the convertible debentures issued by GTC RE.

The tax burden decreased by EUR 2 million to EUR 30 million in line with of a lower profit before tax.

As a consequence, net profit for the nine months period until 30 September 2008 decreased by EUR 23 million (16%) to EUR 121 million (9M 2007: EUR 144 million).

After deduction of the net profit attributable to minority holders, the profit GTC RE contributed to Kardan amounts to EUR 31 million, compared to a profit of EUR 16 million in the same period of 2007. The profit contribution to Kardan increased whereas the net profit of GTC RE decreased. The reason is that some profit and loss items are fully attributable to the shareholders of GTC RE and not to the minority shareholders of GTC RE subsidiaries.

Financial Services (KFS):⁴

The Financial Services activities of Kardan are divided into a Banking and Retail Lending segment (TBIF) and an Insurance and Pension segment (TBIH). The results of the holding company KFS are assigned to the two divisions.

Kardan's share in the net profit of the Banking and Lending segment increased from a loss of EUR 12 million in 9M 2007 to a profit of EUR 5 million in 9M 2008. The contribution of the operating entities was equal to last year. The main reason for the increase in net profit is the impact of the revaluation of a put option (+EUR 28 million). The value of the put option decreased due to a depreciation of the value of TBIF caused by the current economic circumstances. This depreciation did not result in an

⁴ These figures do not represent 100% of the segment, but the impact on Kardan, as part of these activities are proportionately consolidated

impairment of Kardan's holding in KFS. In 2007 TBIF realized a capital gain amounting to EUR 9 million as a result of the restructuring of the Russian Banking activities.

TBIH suffered a loss in the nine months till 30 September. Kardan's share in the loss amounted to EUR 16 million. The loss in 2008 was mainly caused by the operations in Russia (a loss of EUR 6 million), due to the relatively high costs to penetrate the market. Furthermore, there was an increase of EUR 5 million in financial expenses from loans raised in 2007 for the acquisition of companies in Turkey, Russia, Ukraine, Macedonia and Kosovo. Finally, an amount of EUR 6 million relating to a capitalized price adjustment of a prior year transaction has been written off. Last year Kardan's share in the results was a profit of EUR 17 million, which included a capital gain of EUR 20 million from the sale of part of the activities to the Vienna Insurance Group.

Infrastructure (Tahal):

Tahal consists of two divisions of which one is engaged in turn key and in the consultancy of projects and the other is investing in assets. The infrastructure segment Projects realised a net loss of EUR 3 million over the first nine months of 2008 (9M 2007: loss of EUR 1 million). The loss is attributable to the Romanian and American activities. In the third quarter a significant cost overrun was recognised. Management of the Romanian activities was replaced and control strengthened.

During 2006 a strategic decision was taken to invest in ownership of water infrastructure assets under development. Since 2006, Tahal made investments in China, Turkey and Israel. In the nine months period, the division lost EUR 5 million, similar to the loss in the same period of 2007. The potential capacity of some of the assets is not in full use yet. The reason is that some of the assets are still under construction. This implies that the gross profit is not sufficient yet to compensate the expenses connected to setting up the organisation and the financial expenses related to the acquisition of assets.

Other business:

The other business includes the activities of two divisions of Kardan Israel: Automotive and Consumer Goods and "Communications and Technologies. Kardan's share in the net profit of these divisions amounted to EUR 2 million (9M 2007: EUR 1 million). The main contributor to the profit was UMI, which imports and distributes General Motors vehicles in Israel, while the Communications and Technologies activities showed a loss in the period under review.

Corporate activities:

The corporate activities include mainly financial results from lending and borrowing and general expenses. The profit amounted to EUR 9 million (9M 2007: EUR 18 million). The difference mainly derives from a profit resulting from the dilution of Kardan's stake in Kardan Israel in 2007 which amounted to EUR 9 million.

Outlook

Kardan has grown into an important player in emerging markets. Currently, the growth in emerging markets is subject to the impact of the global economic turmoil. In CEE/CIS countries, foreign investors are selling their investments, banks are reluctant to refinance existing debt and prices of raw materials for export decrease. This development reduces growth and weakens the local currencies. The growth rate in China is also slowing down, mainly due to a significant decline of the export. To counter the negative trend, the Chinese government announced that they will stimulate the economy through massive investments in infrastructure. They also cut interest rates.

Due to the current turmoil, Kardan and its subsidiaries do not anticipate entering into new investments in Real Estate and Financial Services until the markets stabilize. As a result of government investment programmes for infrastructure it is likely that Tahal may face more investment opportunities than before. Moreover, agreements are only signed when funding is secured.

Another implication is that the value of properties and value of goodwill could be exposed to further depreciation if year end valuation reports reveal lower fair values compared to 30 September 2008 reports.

On the near term as long as the markets stay unstable, Kardan will focus on its liquidity by limiting new investments and cutting costs while protecting the value of the platforms it has created throughout its regions of activity.

Aside from these influences, the long term trend is positive. Kardan has a strong track record of operating in challenging environments while looking at long term value creation, and is well positioned to benefit from these long term trends.

About Kardan

Kardan is an international investment company based in Amsterdam with a focus on three sectors: Real Estate, Financial Services and Infrastructure. The company is primarily active in emerging markets in Central and Eastern Europe and China, where it conducts most of its activities.

Kardan holds controlling interests in its main businesses 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.

Total assets per September 30, 2008 amounted to EUR 5.2 billion, with revenues including financial income of EUR 710 million in the first nine months of 2008 (first nine months 2007: EUR 545 million). The number of employees engaged by the group is approximately 16,900 as of June 30, 2008 Kardan is listed on NYSE Euronext Amsterdam and the Tel-Aviv Stock Exchange.

The condensed interim financial statements according to IFRS will be published on the website of Kardan at www.kardan.nl.

Enclosed:

- Segmental information
- Condensed P&L
- Condensed Segment Information
- Condensed Balance sheet
- Valuation of rental properties in Central and Eastern Europe

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SEGMENTAL INFORMATION

Real Estate (mainly GTC RE)

GTC RE is active in Central and Eastern Europe through Globe Trade Centre S.A. (GTC SA), in Western Europe through GTC Investments B.V., in China through GTC Real Estate China Ltd., and has begun activities in India. Via Kardan Real Estate and Enterprise Ltd. (Kardan Real Estate), Kardan is active in Israel. Kardan currently holds (directly and indirectly) a 67% stake in GTC RE, which holds a 46% stake in GTC SA. The shares of GTC RE are listed on the Tel Aviv Stock Exchange. The results of GTC RE and Kardan Real Estate are fully consolidated by Kardan and the figures represented below therefore represent 100% of the activity.

Markets

The main markets for GTC RE are the CEE/CIS countries and China. Due to the financial crisis, hardly any new investments are made in investment properties in CEE. Also the number of new project developments decreased significantly compared to the beginning of the year. Rental income, especially in the upper segment in which the GTC RE subsidiaries generally operate, are still going up. Yields however are increasing due to the current uncertainty.

In China, the GDP-growth is slowing down mainly due to lower export volumes. Also inflation is decreasing strongly, which gave room to the Chinese Government to lower interest rates and to announce a significant injection in the economy in order to stimulate internal growth and consumption. These measures should have a positive impact on the real estate market. In second and third tier cities where GTC RE is active, demand is still strong as a result of a growing and wealthier middle class.

Portfolio development

In the CEE/CIS countries the pipeline of portfolio projects under development includes approximately 2.3 million sqm of net office, retail and residential space (GTC SA share) and in China. GTC RE's stake is approximately 1.3 million sqm. As per 30 September 2007 it stood at 1.6 million sqm and 0.7 million sqm respectively. The start of the development of part of this pipeline depends on the availability of funding and acceptable pre-let/pre sales levels.

In Q3 2008 the portfolio only grew marginally, because GTC RE decided not to invest in acquisition of land as long as it is not clear how markets will develop.

During the first half of 2008, GTC RE has been very active in China. After the purchase of two land plots in the city of Changzhou for a consideration of EUR 34 million, GTC China won a tender for the acquisition of a land plot in the city of Shenyang in February of this year. The consideration for this plot amounted to EUR 35 million. The projects are mixed use, mainly residential, including commercial space. Construction of both projects started in the first half of this year and is estimated to take five (Changzhou) and four (Shenyang) years. In July 2008 GTC China has further extended its real estate operations to Hangzhou, its fifth city of operations.

Through its subsidiary GTC SA, GTC RE entered new markets. In April, GTC SA entered the Russian market as its 10th country of operation in the region, through the purchase of a 50% stake in a project for office development in a district of St. Petersburg. In July 2008, an agreement was signed to acquire shares in a company active in the Ukraine, signaling the first transaction on the Ukrainian real estate market.

Reaction to economic turmoil and slowing down of global economy:

Until the markets are calming down and it becomes clear what the impact is on the real estate markets, GTC RE and its subsidiaries will not enter into new investments unless funding is secured and pre-let/sales income is satisfactory. Management of GTC companies is carefully monitoring the global developments and the impact on the countries of operation. Funding is secured for projects under construction. In China, no slow down of the demand has been noted in the cities GTC RE is developing projects. A positive development for the real estate sector is the decrease of raw material prices resulting in lower construction costs than anticipated.

Financial Overview

(x EUR million)	9M 2008	9M 2007	Change (%)	Q3 2008	Q3 2007	Change (%)
Revenues	252	303	(17)	117	165	(30)
Result from operations (before financial expenses and tax)	168	247	(32)	78	133	(41)
Financial expenses	14	62	(77)	12	23	(48)
Profit before tax	151	176	(14)	66	107	(38)
GTC RE	30 September 2008	31 December 2007	Change (%)	30 September 2007	Change (%)	
Total consolidated assets	2,858	2,249	27	1,980	44	
• Investment properties	1,231	944	30	809	52	
• Property under construction	508	280	81	270	88	
• Inventories	391	249	57	214	83	
Consolidated Equity	1,049	902	16	731	44	
Consolidated Interest bearing debt:						
• Long term	1,340	966	39	828	62	
• Short term	31	33	(6)	46	(33)	
LTV (%)	64	68		68		
Solvency (%)	37	40		37		
Net Debt (company only)	209	151		153		

Results

Revenues in the real estate segment were lower during the nine months of 2008 at EUR 252 million (9M 2007: EUR 303 million). Total revaluation gains in the nine months of 2008 decreased by EUR 81 million from EUR 221 million in 2007 to EUR 140 million in 2008.

The decrease in revaluation gains of investment properties was partially compensated by an increase in rental revenues of EUR 10 million (24%) to EUR 54 million and an increase from residential sales of EUR 9 million (43%) to EUR 29 million. The increase reflects the growth of the real estate activities in CEE. An acquisition of a construction company by Kardan Israel during the second half of 2007 contributed EUR 13 million to revenues.

Despite a weakening economy, the revaluation results in Q3 2008 were positive and amounted to EUR 69 million compared to EUR 119 million in 2007. The reason for the positive revaluation results is increased rental income, which was partially off-set by higher yields.

Almost all investment properties were valued by external appraisers in Q3 2008.

The result from operations (result before financial expenses and tax) decreased by 79 million (32%) to EUR 168 million for the first nine months. This is caused by lower revaluations (EUR 81 million) and a lower contribution from investments in associated companies (EUR 4 million), partly compensated by increased result from rental income and sale of apartments (EUR 6 million) and lower general and administrative expenses (EUR 3 million).

Financial expenses decreased by EUR 48 million to EUR 14 million. This decrease is mainly due to the revaluation of the equity component of convertible debentures issued by GTC RE in 2004. According to IFRS the equity element in the convertibles needs to be revalued, and varies with the

share price. In the nine months period ending 30 September 2008, this resulted in a profit because the share price of GTC RE decreased, while due to an increase in the share price in the same period of 2007 this resulted in an expense (i.e the liability of GTC RE versus the bond investors increased).

As a result of the above, the result before income tax amounted to EUR 151 million, compared to EUR 176 million in the nine months period ending 30 September 2007.

Balance sheet and funding

The total assets increased as a result of the increase in inventory, real estate under construction and revaluation of investment properties by 27% compared to the end of last year and 44% compared to 30 September 2007. Equity increased in line with the increase in total assets.

The increase in equity is derived from retaining profits and conversion of the convertible debentures into equity. As a result, the solvency ratio stood at 37%, almost equal to the solvency ratio per 31 December 2007.

The amount invested in real estate (properties and properties under construction and inventories) increased with 64% to EUR 2.1 billion (30 September 2007: EUR 1.3 billion); the interest bearing loans increased in the same period by 57%.

As a result, the LTV (interest bearing loans/investment in real estate) decreased from 68% to 64%. The LTV is overstated because properties under construction and inventories are valued at cost; the revaluation results for these assets are recorded upon completion.

As per 30 September 2008, GTC RE and its subsidiaries complied with the various covenants, which vary significantly from project to project. GTC RE and its subsidiaries currently have sufficient funds available to finance the projects under construction.

Israeli Real Estate Activities

At the end of the first quarter of 2008, Kardan announced its intention to merge the activities of its Israeli real estate subsidiary Kardan Real Estate with Delek Real Estate (DRE) to create one of the largest residential property developers in Israel. The combination will have a land bank for the development of approximately 7,000 housing units of which 1,600 are already under construction. Upon completion of the transaction, Kardan Real Estate will be jointly held by Kardan Israel (60%) and DRE (40%). The completion of the transaction is subject to certain conditions precedent.

Financial Services

Kardan Financial Services (KFS) is the holding company of TBIF (Banking and Retail Lending) and TBIH (Insurance and Pensions). Kardan holds a direct stake of 80% in KFS, which in turn holds 90% and 40% in TBIF and TBIH respectively. The figures presented below represent Kardan's share.

Markets

KFS is active in the CEE/CIS markets. In the third quarter the global financial crisis began to impact these markets. Reluctance from western investors to provide funding and withdrawal of foreign currency loans put pressure on the financial position of banks and non-banking financial institutions like leasing companies. Decreasing export volumes and departing western investors put GDP growth under pressure. For this reason financial institutions are decreasing lending activities in order to preserve cash. In the lending portfolio, the non performing loans are increasing.

Portfolio Development⁵

In Banking and Retail Lending, the lending portfolio increased organically from EUR 1.26 billion as per 31 December 2007 to EUR 1.53 billion per 30 September 2008 (+21%).

The insurance companies noted an increase of the insurance premiums income: from EUR 203 million in the nine months period of 2007 to EUR 319 million (+57%) in the same period of this year.

The pension activity experienced a healthy growth. The assets under management grew from EUR 743 million as per 31 December 2007 to EUR 812 million (+9%) at the end of September 2008 and the number of members increased in the same period from 1.71 to 1.81 million (6%). The growth of the pension activities was organic.

The main acquisition in 2008 was the purchase of 62% of Ukrainian Insurance Group (UIG), a Ukrainian non life insurance company for a total consideration of approximately EUR 31 million. In banking and lending, the stake in the Russian banking and consumer finance operations was increased from 50% to 63.5% and the "AVIS Ukraine" transaction was finalized, purchasing, with a partner, 90% of a company that operates a car rental and operational lease business in Ukraine under the AVIS brand.

Reaction to economic turmoil and slow down of economy

In the banking and lending activity our subsidiaries are confronted with the impact of the credit crisis. We anticipate an increased number of deposit holders withdrawing their deposits and/or deciding not to renew it. At this moment however in Russia the deposits placed are still growing and in Ukraine the government ruled that deposits cannot be withdrawn before maturity. Wholesale lending however slowed down. As a consequence the KFS subsidiaries are restrictive in the provision of new loans to consumers and small and medium enterprises in order to protect their cash position.

Because the number of non performing loans increases, the collection departments follow more strict guidelines to reduce losses.

The subsidiaries active in insurance activities do not experience a declining growth of new insurance policies yet. Even though the companies have invested their premium reserves in a balanced way, the company recorded some losses on the investments of their reserves due the down turn in the capital market.

Financial Overview

KFS

EUR million	30 September 2008	31 December 2007	Change (%)	30 September 2007	Change (%)
Total consolidated assets	1,718	1,464	17	1,278	34
Consolidated Equity	165	177	(7)	105	57
Solvency (%)	10	12		8	
Net Debt (company only)	82	34	141	101	(34)

The increase in assets was realised through organic and acquisitive growth. TBIF benefited from the transaction with the Israeli Discount Bank, taking a share of 11% in KFS, concluded at year-end 2007. Part of the transaction was a loan of EUR 225 million granted to KFS, part of which was used by KFS, to expand its lending operations). KFS' equity decreased in the nine months period in 2008 mainly because of the net loss caused by the Insurance activities.

⁵ The developments of the portfolio of the financial services activities represent the full portfolio (100% of the activities) and does not take into account the percentage of consolidation

TBIF (Banking & Lending)

(x EUR million)	9M 2008	9M 2007	Change (%)	Q3 2008	Q3 2007	Change (%)
Revenues	94	56	68	38	24	58
Results from operations (before financial expenses and tax)	8	(6)		5	(13)	

Revenues from banking and lending activities until 30 September 2008 increased by 68% compared to the same period last year from EUR 56 million to EUR 94 million, due to organic growth and the acquisition of Sovcombank during 2007.

The result from operations (before financial expenses and tax) increased to EUR 8 million compared to a loss of EUR 6 million last year for the same period. In almost all countries the results from activities were positive and in total equal to last year's nine month period. The absence of growth of the result from operations despite the increase in revenue is caused by the investment in growth of the distribution network. This is congruent with the strategy of Kardan to add value to the activities by increasing its presence in the countries of operation.

The main reason for the increase in results is the impact of the revaluation of a put option. In 2008 the value of the put option decreased due to a depreciation of the value of TBIF caused by the current economic circumstances. Consequently the liability decreased resulting in a gain of EUR 6 million. In 2007 the revaluation resulted in a loss of EUR 22 million, because the value of TBIF went up. The depreciation of the value of TBIF did not result in an impairment loss. The reason is that the fair value of the TBIF subsidiaries is still in excess of the book value. In 2007 TBIF realized a capital gain amounting to EUR 9 million as a result of the restructuring of the Russian Banking activities.

TBIH (Insurance & Pensions)⁶

(x EUR million)	9M 2008	9M 2007	Change (%)	Q3 2008	Q3 2007	Change (%)
Revenues	96	66	45	34	21	62
Result from operations (before financial expenses and tax)	(11)	19		(8)	(1)	

This segment includes the consolidated results of TBIH (including the insurance operation in Russia held directly by KFS).

Revenues over the nine months period until 30 September 2008 increased from organic growth of the businesses as well as from acquisitions of insurance operations throughout 2007 and the acquisition of UIG in February 2008.

The result from operations (before financial expenses and tax) decreased and showed a loss of EUR 11 million. The results in the first half of 2007 included a capital gain of EUR 20 million from the sale of part of TBIH assets to Vienna Insurance Group (VIG), which now owns 60% of TBIH. The cooperation with VIG allowed TBIH to further expand its activities.

The loss during the nine months period in 2008 is mainly attributable to the losses in the Russian insurance activity (EUR 5 million) and write offs of EUR 5 million of a capitalized price adjustment of a prior year transaction. Due to the investment in the growth of the acquired companies the result from operations is still marginal.

The Russian insurance activity also contributed EUR 5 million to the loss. The company suffered from the high commissions payable to insurance brokers in Russia for the increase of the insurance portfolio.

⁶ Proportionally consolidated, the figures represent Kardan's 40% share

Infrastructure

Tahal is 100% owned by Kardan. The largest part of Tahal's activities is directly related to water and sewage systems. As part of the focus on the ownership and development of infrastructure assets, Kardan has split the reporting of Tahal into Projects (activities relating to design and turnkey projects) and Assets (activities relating to the development, management and ownership of assets).

Markets

As the world population is rapidly growing, the importance of access to water is increasing. Only 2.5% of water on earth can be used as drinking water of which only 0.74% is accessible. Already today, many people in emerging countries do not have access to drinking water. According to its population one would expect China to use 22% of global water consumption. Currently this is 8%. This gives rise to the expectation that water supply in China and other emerging countries should increase significantly. This provides opportunities for Tahal.

Portfolio Development

The order backlog for Tahal Projects as per 30 September 2008 increased by 30% compared to the end of last year to a level of EUR 231 million.

In February of this year, Tahal signed an agreement with the national water company of Angola regarding the development of a water supply infrastructure project, including the design of the distribution system and the installation of 400 km of PVC pipes and 140 fountains. Expected revenues amount to EUR 35 million.

Furthermore in 2008 two projects in Ghana with total expected revenues of EUR 56 million were awarded to Tahal. In the mean time the funding for this project was secured. In addition, a tender was won for a turn key project in Africa. The projects size is approximately EUR 120 million. The execution of these projects will take around 3 to 5 years.

The portfolio of Tahal Assets was expanded during the first half of 2008 with an investment (88.15% of the shares) in Tianjin Huanke Water Development Co Ltd., a Chinese company specialized in water supply and waste water treatment.

Reaction to economic turmoil and slowing down of global economy

Among others, the Chinese Government has announced that it increases investments in Infrastructure to support economic growth. This will create opportunities for Tahal. To raise funding for these projects will be challenging due to reluctance of lenders. Because usually governments are the investors, it is expected that international banks specialized in project finance increase funding activity in the beginning of next year.

Financial Overview

Tahal International

EUR million	30 September 2008	31 December 2007	Change (%)	30 September 2007	Change (%)
Total consolidated assets	194	162	20	153	27
Consolidated Equity and shareholder' loans	86	79	9	73	18
Solvency (%)	44	49		48	
Net cash (company only)	16	16		13	

The solvency of Tahal includes shareholders loans. As per 30 September 2008, Kardan lend an amount of EUR 77 million to Tahal. These loans are provided to support the growth of the business.

Projects

(x EUR million)	9M 2008	9M 2007	Change (%)	Q3 2008	Q3 2007	Change (%)
Revenues	63	49	29	20	16	(25)
Result from operations (before financial expenses and tax)	(1)	(1)		(1)	(2)	

In the nine months period till 30 September 2008 revenues increased by 29% compared to the same period last year due to the acquisition of a Polish construction firm and a large project in Russia during the second half of 2007. The new projects in Africa also contributed to the increase.

The result from operations (before financial expenses and tax) was disappointing due to one time losses on projects in Romania and the Dominican Republic. The reason for the losses in Romania is failing project management and project control resulting in material cost overrun and untimely reporting of the additional costs. Management of Romania has been replaced and project control organisation and -systems have been improved.

Moreover, some of the projects in Africa started later than anticipated, resulting in overcapacity of staff.

Assets

(x EUR million)	9M 2008	9M 2007	Q3 2008	Q3 2007
Revenues	29	2	12	-
Result from operations (before financial expenses and tax)	(3)	(1)	(3)	(2)

The focus on asset ownership generated revenues of EUR 29 million during the nine months period until 30 September of 2008, while there were almost no activities in the Assets segment during the comparable period of 2007. The main revenues were generated by Milgam, the Israeli company that was bought in the third quarter of 2007, and the Chinese operations.

The result from operations (before financial expenses and tax) is negative, the potential capacity of some of the assets is not in full use yet. The reason is that some of the assets are still under construction. This implies that the gross profit is not sufficient to compensate the expenses connected to start up the organisation.

Other business

Revenues from other operations (Automotive & Consumer Goods and Communication & Technologies) amounted to EUR 22 million in the first nine months of 2008, the same level as in the same period in 2007. Other operations contributed EUR 6 million to the result from operations (9M 2007: EUR 5 million).

Kardan's other operations are held through its 73% subsidiary Kardan Israel. Kardan Israel's net debt position amounted to EUR 32 million as of 30 September 2008.

Condensed Profit & Loss account (unaudited)
(x EUR 1,000,000)

	1-9/2008	1-9/2007
Revenues	558	509
Expenses	391	237
	-----	-----
Results from operations	167	272
Unallocated expenses	(8)	(11)
Financing result	(15)	(62)
	-----	-----
Income / loss before taxes	144	199
Taxes on income	(34)	(36)
	-----	-----
Income / loss after taxes	110	163
Minority interest	87	129
	-----	-----
Net income (loss)	23	34
	=====	=====

Segment Information (unaudited)

(x EUR 1,000,000)

	1-9/ 2008	1-9/ 2007
REVENUES		
Financial Services - Banking and Retail Lending	87	56
Financial Services - Insurance and Pensions	96	66
Real Estate	252	303
Infrastructure - Projects	63	49
Infrastructure - Assets	29	2
Other investments	22	22
Corporate activities	2	11
Adjustments	159	35
	-----	-----
TOTAL REVENUES	710	544
	=====	=====

RESULTS FROM OPERATIONS

Financial Services - Banking and Retail Lending	8	(6)
Financial Services - Insurance and Pensions	(11)	19
Real Estate	168	247
Infrastructure - Projects	(1)	(3)
Infrastructure - Assets	(3)	1
Other investments	6	5
Corporate activities	-	10
	-----	-----
TOTAL RESULTS FROM OPERATIONS	167	272
	=====	=====

Condensed Balance Sheet

(x EUR 1,000,000)

	30 Sept. 2008 unaudited	31 Dec. 2007 audited
ASSETS		
Non-current assets	3.215	2.343
Current assets	1.528	1.036
Cash and cash equivalents	506	893
	<u>5.249</u>	<u>4.272</u>
	=====	=====
LIABILITIES AND EQUITY		
Shareholders' equity	362	343
Minority interest	837	730
Non-current liabilities	2.593	2.066
Current liabilities	1.457	1.133
	<u>5.249</u>	<u>4.272</u>
	=====	=====

Valuation of rental properties in Central and Eastern Europe

* Yield rate was increased due to the market condition. Other parameters affected the property value as follow:

Property name	Country	Valuation method	Valuator	Value (in thousands of Euro unless stated otherwise)		Average rent per sq. m. (in Euro unless stated otherwise)		Capitalization rate (in percents)		Date of last valuation	Comments
				December 31, 2007	September 30, 2008	December 31, 2007	September 30, 2008	December 31, 2007	September 30, 2008		
<i>Galeria Mokotow</i>	<i>Poland</i>	<i>DCF</i>	<i>Jones Lang Lasalle</i>	<i>\$466,300</i>	<i>\$556,300</i>	<i>\$33</i>	<i>\$43</i>	<i>5.3%</i>	<i>5.8% *</i>	<i>September 30th 2008</i>	<i>30% increase in rent due to renewal of old leases at higher annual rental income and increase in turnover rent.</i>
<i>Galeria Kazimierz</i>	<i>Poland</i>	<i>DCF</i>	<i>Jones Lang Lasalle</i>	<i>169,000</i>	<i>175,500</i>	<i>22</i>	<i>23</i>	<i>5.8%</i>	<i>6.1% *</i>	<i>September 30th 2008</i>	<i>4% annual rental income increase, office extension of 2,000 sqm and higher occupancy rate, increased from 95% to 100%.</i>
<i>Globis Poznan</i>	<i>Poland</i>	<i>DCF</i>	<i>King Sturge</i>	<i>34,100</i>	<i>36,100</i>	<i>13</i>	<i>13</i>	<i>6.5%</i>	<i>7.0% *</i>	<i>September 30th 2008</i>	<i>Market prices are higher; the valuator anticipates that Further annual rental income increase is expected.</i>
<i>Galileo</i>	<i>Poland</i>	<i>DCF</i>	<i>King Sturge</i>	<i>\$30,460</i>	<i>\$37,400</i>	<i>\$15</i>	<i>\$16</i>	<i>6.8%</i>	<i>8.0% *</i>	<i>September 30th 2008</i>	<i>Market prices are higher; upon renewal of leases annual rental income was increased from Euro \$2. million to \$2.2 million ; the valuator anticipates that further annual rental income increase is expected.</i>
<i>Topaz</i>	<i>Poland</i>	<i>DCF</i>	<i>King Sturge</i>	<i>36,150</i>	<i>35,700</i>	<i>15</i>	<i>16</i>	<i>5.8%</i>	<i>6.6% *</i>	<i>September 30th 2008</i>	<i>Market prices are higher; upon renewal of leases annual rental income is expected to increase from Euro 2.2 million to 2.5 million.</i>
<i>Newton</i>	<i>Poland</i>	<i>DCF</i>	<i>King Sturge</i>	<i>\$34,140</i>	<i>\$37,500</i>	<i>\$14</i>	<i>\$17</i>	<i>6.6%</i>	<i>7.5% *</i>	<i>September 30th 2008</i>	<i>Market prices are higher; upon renewal of leases annual rental income was increased from Euro \$1.8 million to \$2.million; the valuator anticipates that further annual rental income increase is expected.</i>
<i>Edison</i>	<i>Poland</i>	<i>DCF</i>	<i>King Sturge</i>	<i>33,000</i>	<i>32,600</i>	<i>16</i>	<i>16</i>	<i>6.0%</i>	<i>6.5% *</i>	<i>September 30th 2008</i>	<i>Occupancy increased from 91% to 100% with the same average annual rental income.</i>
<i>Notus</i>	<i>Poland</i>	<i>DCF</i>	<i>King Sturge</i>	<i>28,900</i>	<i>29,000</i>	<i>17</i>	<i>16</i>	<i>6.2%</i>	<i>6.4% *</i>	<i>September 30th 2008</i>	<i>It is in its first operation year. Annual rental income increased from Euro 1 million to Euro 1.9 million.</i>

<i>Platinum1</i>	<i>Poland</i>	<i>DCF</i>	<i>King Sturge</i>	<i>35,660</i>	<i>35,900</i>	<i>19</i>	<i>19</i>	<i>5.9%</i>	<i>6.3% *</i>	<i>September 30th 2008</i>	<i>In its first operation year. Annual rental income was increased from Euro 2 million to Euro 2.3 million due to increase in the occupancy rate.</i>
<i>Platinum2</i>	<i>Poland</i>	<i>DCF</i>	<i>King Sturge</i>	<i>-</i>	<i>35,700</i>	<i>-</i>	<i>18</i>	<i>-</i>	<i>6.3%</i>	<i>September 30th 2008</i>	<i>First time valuation upon completion.</i>
<i>Globis</i>	<i>Poland</i>	<i>DCF</i>	<i>King Sturge</i>	<i>-</i>	<i>45,200</i>	<i>-</i>	<i>15</i>	<i>-</i>	<i>6.5%</i>	<i>March 31, 2008</i>	<i>First time valuation upon completion.</i>
<i>Nefryt</i>	<i>Poland</i>	<i>DCF</i>	<i>King Sturge</i>	<i>-</i>	<i>55,600</i>	<i>-</i>	<i>18</i>	<i>-</i>	<i>6.4%</i>	<i>March 31, 2008</i>	<i>First time valuation upon completion.</i>
<i>Zephyrus</i>	<i>Poland</i>	<i>DCF</i>	<i>King Sturge</i>	<i>-</i>	<i>30,700</i>	<i>-</i>	<i>16</i>	<i>-</i>	<i>6.4%</i>	<i>June 30th 2008</i>	<i>First time valuation upon completion.</i>
<i>Center Point 1+2</i>	<i>Hungary</i>	<i>DCF</i>	<i>Jones Lang Lasalle</i>	<i>118,300</i>	<i>118,850</i>	<i>14</i>	<i>14</i>	<i>5.7%</i>	<i>6.6% *</i>	<i>September 30th 2008</i>	<i>New contracts were signed for longer periods.</i>
<i>Riverloft Office</i>	<i>Hungary</i>	<i>DCF</i>	<i>Sale agreement</i>	<i>10,500</i>	<i>11,900</i>	<i>12</i>	<i>12</i>	<i>7.0%</i>	<i>7.6% *</i>	<i>September 30th 2008</i>	<i>Value adjusted to actual transaction price.</i>
<i>GTC House</i>	<i>Serbia</i>	<i>DCF</i>	<i>King Sturge</i>	<i>40,050</i>	<i>50,900</i>	<i>21</i>	<i>20</i>	<i>7.0%</i>	<i>7.5% *</i>	<i>September 30th 2008</i>	<i>Extension of lease agreement with major tenants for additional 5 years.</i>
<i>Block 41A</i>	<i>Serbia</i>	<i>DCF</i>	<i>King Sturge</i>	<i>-</i>	<i>26,000</i>	<i>-</i>	<i>16</i>	<i>-</i>	<i>8.5%</i>	<i>September 30th 2008</i>	<i>The building became operational at the end of 2007 at occupancy of 55%, as of 30.9.08 the occupancy is 85%. Occupied is based on signed lease agreements.</i>
<i>Avenue 19</i>	<i>Serbia</i>	<i>DCF</i>	<i>King Sturge</i>	<i>54,000</i>	<i>57,200</i>	<i>19</i>	<i>19</i>	<i>7.3%</i>	<i>7.3%</i>	<i>September 30th 2008</i>	<i>First time valuation upon completion. 55% occupied.</i>
<i>Avenue Mall</i>	<i>Croatia</i>	<i>DCF</i>	<i>CBRE</i>	<i>190,170</i>	<i>200,140</i>	<i>Commercial - 32 Office - 14</i>	<i>Commercial - 35 Office - 16</i>	<i>Commercial - 6.3% Office - 7%</i>	<i>Commercial -6.3% Office - 6.5%</i>	<i>September 30th 2008</i>	<i>The shopping center became operation in September 2007. In 2008 there was substantial growth in turnover annual rental income. Office occupancy increased from 30% in 2007 to 100% at higher annual rental income than expected.</i>
<i>Galeria Buzau</i>	<i>Romania</i>	<i>DCF</i>	<i>Colliers</i>	<i>-</i>	<i>40,464</i>	<i>-</i>	<i>19</i>	<i>-</i>	<i>7.78%</i>	<i>June 30th 2008</i>	<i>First time valuation upon completion, not yet fully occupied.</i>
<i>Sarka Business Park</i>	<i>Czech</i>	<i>DCF</i>	<i>CBRE</i>	<i>18,970</i>	<i>19,380</i>	<i>7</i>	<i>7</i>	<i>9.5%</i>	<i>10.5% *</i>	<i>September 30th 2008</i>	<i>Mixed logistic and class C offices; Annual rental income increases by 10%</i>