KARDAN N.V.

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KARDAN 2008 RESULTS POSITIVE DESPITE DIFFICULT MARKETS

- **Fourth quarter profit of EUR 29 million brings annual profit to EUR 52 million**
- **Real Estate: increase in rental income of investment properties drives positive revaluation result**
- **Financial Services: negative result due to operating losses and goodwill impairments**
- **Water related Infrastructure incurred operating losses and impairment of investments**
- **Kardan and Group companies focus on liquidity until turmoil on financial markets calms down;**
- **Merger of Kardan N.V. and GTC NV increased transparency of Kardan N.V.**

Key figures Kardan N.V. – Non consolidated	**December 31, 2008**	**December, 31, 2007**	**Change (%)**
Total Assets (EUR mn)	1,025	704	46
Of which invested1[i] in:			
– Real Estate (GTC)	559	240	133
– Financial Services (KFS)	121	242	(50)
– Infrastructure (Tahal)	106	77	38
– Other Business	68	75	(9)
Shareholders' equity (EUR mn)	368	343	7
Solvency Ratio (shareholder's equity/total assets)	36%	49%	
Net Debt (EUR mn)[ii]	397	174	115

Breakdown of the net profit For Equity Holders of Kardan N.V. (EUR mn)[iii]	**2008**	**2007**	**Change (%)**
– Real Estate	89	23	286
– Financial Services – Banking and retail lending	(54)	6	
– Financial Services – Insurance and Pension	8	30	(73)
– Infrastructure – Projects	(5)	1	
– Infrastructure – Assets	(16)	(8)	(100)
– Other Business	3	1	200
– Corporate activities	27	37	(32)
Total net profit attributable to equity holders	**52**	**90**	**(42)**
Profit per share (EUR)	0.63	1.11	(43)
Profit per share diluted (EUR)	0.28	1.10	(75)

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

[ii] 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

[iii] 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 recent developments in the emerging markets and the results in 2008:

“With the deepening crisis of the financial markets in Q3 2008, emerging markets began to be affected. Due to a decrease in Western capital flow and a decline in exports, the economic growth forecasts in emerging markets for the near future are significantly reduced. Contrary to Western economies, however, there is still growth in several of these markets.

Kardan's decentralized organizational structure with strong local management on the ground and close to the operations enabled us already in early 2008 to detect signs of a slowdown in some of our markets. We therefore proactively took measures to protect our businesses and platforms. Although our geographic diversification and balanced portfolio protected us from all kinds of economic cycles in the past, the continuing global economic crisis has added new and unforeseen dimensions that we believe we are prepared for.

Our strategy over the past year has been to "**Watch and Hold**". **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 liquidity. Make sure we have the proper liquidity levels to service our debt and meet all of our commitments, and to support group companies during 2009 according to current requirements. We also decided to postpone several new investments until the depth and length of the crisis become more predictable.

The success of this strategy has enabled us to protect our many platforms and organizations that, once out of this crisis, will make us a much stronger group that can benefit from new opportunities.

The 2008 results show the strength and depth of the organization. Although our profits have been influenced by several one-off and accounting factors, even on an operational level, when compared to results across similar industries, we have fared relatively well.

Overview 2008

- **Activities**

Kardan N.V. (Kardan), operating in emerging markets, is active in three sectors benefitting from strong middleclass demand: Real Estate, Financial Services, and Infrastructure (water related). During the first half of 2008, the Financial Services and Real Estate divisions further expanded their activities. In the second half only a few new investments were made. The new investments were funded from existing resources as a result of a careful funding policy in prior years.

GTC, the Real Estate division entered into new markets (Russia and Ukraine) and significantly increased its investments in China. In January and February 2008 it acquired two land plots in the city of Changzhou and won a tender for the acquisition of a land plot in the city of Shenyang. The projects are mixed use, mainly residential, including commercial space. Construction of both projects started in the first half of 2008 and is estimated to take five (Changzhou) and four (Shenyang) years to full completion. In July 2008 GTC China has further extended its real estate operations to Hangzhou, its fifth city of operations. Finally in December 2008 GTC China won an auction and acquired land in Dalian to develop a mixed use project including retail and residential, each accounting for approx. 50% of the construction area.

The Financial Services division acquired a controlling stake in a Ukrainian insurance company during February 2008. In December 2008, the insurance activities in Bulgaria, Croatia, Albania, Kosovo and Macedonia were sold to our partners, Vienna Insurance Group. Also the pension activities in Romania were sold to BRC Bank a subsidiary of Erste Bank. The closing of part of these transactions is still subject to regulatory approval which is expected in the course of 2009. These sales improved the financial position significantly. Upon closing of the part of the transaction that requires regulatory approval Kardan expects to record a gain amounting to approximately EUR 10 million in 2009. Finally the insurance activities in Russia were disposed in December 2008 at a loss of approximately EUR 3 million. It was

decided to divest these loss making activities which, due to the structure of the market combined with the current market crisis could not be restructured into a profitable operation.

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 water infrastructure projects.

In order to simplify the structure of the Kardan group and further increase transparency, the listing of GTC Real Estate N.V. (GTC NV) on the Tel Aviv Stock Exchange was terminated in December 2008 following the completion of the merger of this company into Kardan. The merger also created a larger holding company with a strengthened equity position. The shareholders meetings of Kardan and GTC RE in which the merger was approved took place on 11 December 2008. As part of the merger, Kardan N.V. increased its holding in the Real estate division from 67% into 100%, through a wholly owned subsidiary of Kardan, GTC Real Estate Holding B.V. (GTC RE), Kardan's new top holding of its real estate activities, and the minority shareholders received shares of Kardan in exchange for their shares in GTC NV.

- **Results 2008 attributable to equity holders of Kardan N.V.**

Net profit attributable to equity holders in 2008 amounted to EUR 52 million, a decrease of EUR 38 million compared to 2007.

The net profit of the Real Estate division increased by EUR 66 million to EUR 89 million, from EUR 23 million in 2007 as a result of:

- Gains from the revaluation of properties after deduction of corporate income taxes fell by EUR 10 million from EUR 59 million in 2007 to EUR 49 million in 2008, as a result of yield expansion which was mitigated by rental increase and property completion. Moreover, Kardan has decided to early adopt a revised accounting standard (IAS 40), which allows to measure investment property under construction at fair value. This early adoption contributed EUR 25 million of the above positive revaluation gains in 2008.
- The net profit was negatively influenced by a deduction of goodwill amounting to EUR 32 million. The goodwill was capitalized in the past upon acquisition of properties under construction. As a consequence of the revaluation of investment property the goodwill had to be written off.
- In addition, the merger between Kardan and GTC RE resulted in a negative goodwill, amounting to EUR 77 million, which is recorded as a profit in 2008, because the book value of GTC NV's assets and liabilities exceeded the value of the shares issued by Kardan.
- Corporate income taxes are mainly attributable to the revaluation of property (see first bullet). In addition GTC had an additional tax burden in 2008 of EUR 8 million due to the impact of a higher tax base in local currencies caused by the devaluation of these currencies against the Euro.
- In 2007 the revaluation of convertible debentures contributed a loss of EUR 40 million to the division's results.

KFS, the Financial Services division contributed a loss of EUR 46 million to the equity holders of Kardan compared to a profit of EUR 36 million in 2007. This loss can be explained as follows:

The banking and lending activities (TBIF; 90% owned by Kardan as of December 31, 2008) recorded a loss of EUR 54 million versus a profit of EUR 6 million in 2007. The difference is mainly caused by:

- a decrease of EUR 23 million in the profit of the operational companies from EUR 3 million in 2007 to a loss of EUR 20 million; the main driver for the decrease are the risk associated costs: write offs and provisions on the loan portfolio increased from 2.5% in 2007 to 6.5% in 2008 (2007: EUR 15 million. 2008: EUR 45 million).
- Due to the deteriorating economy impairment losses in 2008 amounted to EUR 55 million vs EUR 0 million in 2007.
- Net finance expenses related to the funding of acquisitions and equity of the operational companies amounted to EUR 4 million in 2008 vs EUR 3 million in 2007.
- The decrease of the fair value of the financial services division reduced the value of a put option held by management decreased, resulting in a profit of EUR 26 million (2007 a loss of EUR 20 million).
- Finally, in 2007 a profit of EUR 22 million was recorded relating to the sale of an 11% stake in KFS to Israel Discount Bank

The insurance and pension activities (TBIH; 36% directly owned by Kardan as of December 31, 2008). The contribution of TBIH decreased from a profit of EUR 28 million in 2007 to a profit of EUR 8 million in 2008. The decrease can be explained as follows:

- Despite the difficult markets TBIH managed to switch the 2007 loss of EUR 0.2 million to a small profit of EUR 0.1 million;
- Due to difficult markets impairment charges were booked amounting to EUR 10 million;
- The finance expenses related to the funding of acquisitions and increase of equity of the operational companies in 2008 amounted to EUR 5 million, compared to EUR 1 million in 2007;
- The discontinued activities suffered from a loss of EUR 8 million vs a zero gain in 2007. These activities were sold at a profit of EUR 9 million. On balance the contribution of discontinued activities in 2008 is a profit of EUR 1 million;
- In 2008 KFS recorded fair value profits amounting to EUR 30 million mainly relating to the value of a put option to sell its stake in TBIH to the partner;
- In 2007 a profit of EUR 30 million was recorded relating to the sale of an 11% stake in KFS to Israel Discount Bank and the sale of part of TBIH to Vienna Insurance Group.

Tahal, the Infrastructure division lost EUR 21 million in 2008 compared to a loss in 2007 of EUR 7 million.

Tahal Projects, engaged in consultancy and construction of water related projects, contributed a loss of EUR 5 million in 2008 whereas in 2007 a profit of EUR 1 million was realized. The decrease was mainly derived from projects in Romania (Arad and Brasov) and Russia. As a consequence a loss of EUR 7 million was accounted for in 2008 regarding these projects. To avoid similar issues in the future a restructuring took place including management changes and the incorporation of a separate department at head-office to improve control and enhance project execution capabilities.

Tahal Assets, investing in water related assets faced a doubling of its losses from EUR 8 million in 2007 to EUR 16 million in 2008. The increase of the loss stems from impairment of assets. The impairment was necessary because some projects have not started whereas others are put on hold because of the economic circumstances.

The contribution of other business ('Automotive and Consumer Goods' and 'Communications and Technologies' operated by Kardan Israel) increased from EUR 1 million in 2007 to EUR 3 million in 2008. This was driven by the positive results of the automotive activities.

Corporate Activities reported a profit of EUR 27 million (2007: EUR 37 million). In 2008 a gain was realized on the buy back of Kardan's debentures (EUR 15 million) and the revaluation of options to Kardan NV shares (EUR 24 million) due to the decrease of the share price of Kardan. Finance expenses amounted to EUR 6 million (2007: 4 million). In 2007 a profit of EUR 42 million was recorded from the revaluation of convertible debentures.

Net profit attributable to equity holders of EUR 52 million represents a **basic net result per share** of EUR 0.63, compared to a basic net profit per share of EUR 1.11 for the comparable period in 2007. The diluted net profit per share amounts to EUR 0.28 in 2008 compared to EUR 1.10 in 2007.

- **Equity as of December 31, 2008, attributable to equity holders of Kardan N.V.**

As of December 31, 2008, the equity attributable to the shareholders of Kardan increased to EUR 368 million, compared to EUR 343 million at year-end 2007. This increase was the result of the profit for the period (EUR 52 million), and the issuance of new shares relating to the increase of the stake (merger) in the real estate activities (EUR 33 million, net). The equity was reduced by the a negative direct movement mainly related to foreign currency translation and hedging results of EUR 45 million and the dividend distribution of EUR 18 million in July 2008.

The solvency (shareholder's equity/total assets of Kardan N.V. stood at 36%, which is lower compared to 49% at year-end 2007. Due to the merger between Kardan N.V. and GTC NV, Kardan took over from GTC NV, (non) convertible debentures and got a receivable from GTC RE of EUR 178 million as of December 31, 2008, which reduced the solvency by 7%.

As a result of the financial transactions and investments, the net debt position as of December 31, 2008 increased to EUR 397 million from EUR 174 million at YE2007. The increase was mainly caused by transfer of the debentures from GTC RE as referred to above.

- **Financial Position of Kardan Group as at 31 December 2008**

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 many agreements with lenders are in place with different covenants. Some 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 31 December 2008 for Kardan N.V. and its divisions[iv];

EUR Millions	Free Cash & Cash equivalents	Debt/loans maturing				
		Before YE2009[v]	Before YE2010	Before YE2011	Before YE2012	After YE2012
Kardan N.V.	140	59	30	8	3	482
GTC Group	263	53	46	78	77	877
KFS	166	471	90	53	46	93
Tahal Group International	29	29	2	1	1	28
Kardan Israel	12	61	33	4	6	18

*The data in the table do not include the cash and the liabilities due to deposit holders of the banking activities in Russia and Ukraine which are supported by the Russian and Ukrainian national banks, respectively.

The table shows that on the short term (2009/2010) the amount that needs to be refinanced is moderate. Based upon the positions as at December 31, 2008, Kardan management has no reason to believe that Kardan N.V. and its divisions are not able to fulfill their obligations.

In November 2008 S&P Maalot (Israel) 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 related to these debentures are no longer applicable.

- **Dividend 2008**

The dividend policy of Kardan N.V. recommends an annual dividend distribution between 20% and 30% of net income, taking into consideration amongst others the liquidity and capital position and future financing requirements. According to this policy, the Management Board, with the approval of the Supervisory Board, has decided to allocate the entire profit to the reserves and therefore no dividend will be distributed for the financial year 2008. This decision is based upon the strategy followed as of the middle of 2008 to preserve cash as much as possible in order to be able to fulfill the commitments of the Kardan Group towards suppliers.

[iv] 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 operational debt of the banking and lending activity is not included in the table.

[v] From the liabilities of KFS and Kardan Israel respectively EUR 235 million and EUR 37 million has been refinanced in 2009.

- **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 second half of 2008. The number of formal and informal meetings between the management of Kardan and division management increased. During these meetings the latest developments and expectations in the respective markets and the financial position of the group companies are discussed as well as the actions to be taken.

Furthermore the value of investment properties, financial instruments and goodwill as at 31 December 2008 has been reviewed in detail almost all by reputable external appraisers.

The revaluation of investment properties recorded in the books amounted to EUR 197 million gross (before income taxes and minority interests). Contrary to last year Investment properties under construction (IPUC) were subject to revaluation, following the endorsement by the EU of the revised IAS 40 in the beginning of 2009. As a result of the adoption of this standard, 9 main projects were positively revalued from cost to fair value by EUR 117 million, using an average yield of 8%. The completed properties were revalued positively with EUR 105 million. From this amount EUR 32 million relates to existing investment properties. The remainder was booked upon completion of properties under construction which provides a profit since projects are more valuable upon their completion then their constructions costs. The positive revaluation of existing investment properties is the result of higher rental income due to increasing rents (10%) and lower vacancies (16%). On the other hand the average yield increased by 18% (from 6.2 to 7.3%). If rental income would not have increased, the value of the properties would instead have decreased by nearly EUR 200 million.

For all Group companies goodwill impairment tests have been performed, primarily by external valuators. Main drivers of the business, like GDP growth and financial industry growth are foreseen to be lower than previously forecasted. On the basis of the valuation reports an amount of EUR 90 million was written off on a consolidated basis. As a consequence of the lower value of the divisions, the put options value held by the Kardan and given to management and (joint venture) partners changed. This had a positive impact of EUR 58 million on the results of 2008. Consequently the net negative impact in 2008 of the reduction in value amounts to EUR 32 million.

In the future further write offs of goodwill could become necessary if the valuation elements that are taken into account are developing unfavorable.

- **Fourth Quarter 2008 results attributable to equity holders of Kardan N.V.**

In the fourth quarter 2008 Kardan recorded a profit of EUR 29 million vs EUR 55 million in 2007.

The profit in Real Estate amounts to EUR 58 million and mainly stems from a positive revaluation adjustment of EUR 17 million, the negative goodwill as a consequence of the merger between Kardan and GTC (EUR 77 million), (deferred) tax expense amounting to EUR 8 million and goodwill expense amounting to EUR 24 million. The goodwill relates to properties that have been revalued; consequently the corresponding goodwill had to be written off.

The Banking and Lending activity lost EUR 59 million. The majority of the loss concerns impairment of goodwill (EUR 55 million). The net loss from the operational companies (EUR 19 million, mostly caused by credit losses and impairments of the loan portfolio), was compensated by the revaluation adjustment of a put option granted to management.

In 'Insurance and Pension' a profit of EUR 24 million was realized. Revaluation of a put option to sell the shares of TBIH to our partner, Vienna Insurance Group (profit of EUR 30 million) and goodwill impairment (loss of EUR 10 million) were the main contributors to the result.

The infrastructure division suffered an operating loss of EUR 13 million. Impairment of Assets amounting to EUR 9 million and reversal of profits booked in prior periods on Projects in Romania and Russia amounting to EUR 4 million was recorded in the fourth quarter.

In ‘Corporate Activities’ an profit of EUR 15 million is recorded related to the buy back of debentures issued by Kardan N.V. and EUR 4 million from revaluation of options.

Subsequent events

After 31 December 2008 the (financial) markets have deteriorated further. Especially the situation in Ukraine became worse. Although IMF granted support to the country, so far only part of the total support amounting to EUR 16 billion has been remitted. This has a negative impact on the ability of the Ukrainian Central Bank to support the economy. VABank in Ukraine noted a further increase of non performing loans but has received liquidity support from the Central Bank.

In March 2009 Kardan bought 11% of KFS from Israel Discount Bank (IDB). The price amounts to EUR 38.5 million. EUR 30 million is payable upon closing of the transaction and EUR 8.5 million after seven years. Simultaneously IDB granted a new credit facility to Kardan in excess of the purchase price. In addition, IDB received a call option valid for 6 years to purchase 5% of the shares in KFS. The exercise price is based upon a value of KFS varying between EUR 386 million and EUR 470 million, depending on the moment the call option is exercised.

In the Real Estate division GTC SA in Hungary managed to conclude a lease contract with the Hungarian revenue service for the lease of approximately 8,000 sqm in an office building in Budapest.

Outlook 2009

We have prepared for a difficult economy in 2009. To that end, we have lowered costs, improved our cash position, and intensified our management processes. In 2009, these measures will be further intensified. As already announced Kardan and its subsidiaries do not anticipate entering into new investments until the markets stabilize. At the same time, we will continue to execute our long-term strategy. We will continue to build strong businesses with conservative funding that will perform over the long term.

Looking forward, we are convinced that the economic growth of emerging markets will return. Once the market stabilizes and signs appear that the market is poised for an upswing, the Kardan Group should outperform its peers due to management's "Watch and Hold" strategy. We are prepared to hold and operate our assets through the cycle to maximize value and protect our platforms. We anticipate then to emerge from this cycle as a more valuable and better-positioned company.

About Kardan

Kardan is 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 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.

Total assets per December 31, 2008 amounted to EUR 5.3 billion, with revenues of EUR 492 million in 2008 (2007: EUR 207 million). The number of employees engaged by the group is approximately 15,000 as of December 31, 2008 Kardan is listed on NYSE Euronext Amsterdam and the Tel-Aviv Stock Exchange.

The financial statements according to IFRS and the Documents prepared according to the Israeli SEC regulations will be published on the website of Kardan at www.kardan.nl.

Enclosed:

- Segmental information
- Consolidated Balance sheet
- Consolidated income statement
- Valuation of rental properties in Central and Eastern Europe

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

SEGMENTAL INFORMATION

Real Estate (GTC)

Kardan via GTC RE is active in Central and Eastern Europe through its 46% owned group company Globe Trade Centre S.A. (GTC SA), in Western Europe through GTC Investments B.V. (also 46% owned) and in China through GTC Real Estate China Ltd. (GTC China), and has begun activities in India. Via Kardan Real Estate Enterprise and Development Ltd. (Kardan Real Estate), Kardan is active in Israel.

Markets

The main markets for GTC RE are the CEE countries and China. Due to the economic slowdown, hardly any new investments are being made in investment properties in CEE, where the market for residential properties is also declining. The number of new project developments starting in 2008 decreased significantly compared to last year. Rental income is still going up. Yields, however, are increasing due to the current uncertainty.

In China, GDP growth is slowing down, mainly due to lower export volumes. Moreover, inflation is decreasing strongly, which gave the Chinese Government room 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.

Reaction to economic turmoil and slowing down of global economy

Until the markets stabilize and it becomes clear what the impact will be 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. The managements of the various GTC companies are carefully monitoring global developments and the impact on the countries of operation. In addition, cost measures have been taken wherever possible. In China, a slowdown of the demand has been observed in the cities where GTC China is developing projects. Prices of apartments in the second- and third-tier cities where GTC China is active are only decreasing marginally. A positive development for the real estate sector is the decrease in the prices of raw materials, resulting in lower construction costs than anticipated.

Portfolio development

In the CEE/CIS countries, the pipeline of portfolio projects under development includes approximately 2.2 million sqm of net office, retail and residential space (GTC SA share).
As of December 31, 2007, it stood at 2.1 million sqm. At year end 2008, GTC SA has started development of approx. 0.7 million sqm. The start of the development of the remainder of this pipeline depends on the availability of funding and acceptable pre-let/pre-sales levels.

The various projects in China, for which development has started, comprise approx. 24,400 apartments and 280,000 sqm of retail space. As of 31 December 2008, approx. 7,500 units were either completed or under construction, of which approx 5,500 have been sold. Start of construction of new apartments depends upon demand. GTC China‘s share in these projects is approx. 50%. In addition, construction work for a shopping mall (50,000 sqm) has begun in December 2008.

During the first half of 2008, GTC China has been very active in China. In January and February, two land plots in the city of Changzhou were acquired and a tender was won for the acquisition of a land plot in the city of Shenyang. The projects are for 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 operation. Finally in December 2008, GTC China won an auction and acquired land in Dalian.

Through its subsidiary GTC SA, GTC RE has penetrated new markets. In April, GTC SA entered the Russian market as its 9th 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 in the Ukrainian real estate market.

Financial Overview

Consolidated results of Real Estate Division

The results of the Real Estate Division can be detailed as follows:

EUR million	2008	2007	Change (%)
Result subsidiaries	73.2	102.1	(28)
Net financial expenses	(13.3)	(11.5)	(16)
Fair value adjustment convertible debentures	11.5	(65.9)	
Impairment of goodwill	(12.6)	(5.5)	(129)
General and admin expenses	(2.1)	(1.7)	(23)
Other	2.9	(2.2)	
Net profit GTC RE	59.6	20.3	193
Kardan N.V. share in net profit	36.8	20.5	80
Impact Merger between Kardan and GTC	77.0		
Impairment Goodwill	(24.0)		
Real Estate activities Kardan Israel	(1.6)	1	
Contribution to Equity holders Kardan N.V.	88.4	21.5	311
Total Consolidated Assets	2,868	2,249	28
Total Equity	1,052	902	17
Solvency (%)	37	40	(8)
Net debt	48	151	(54)

Results
The contribution of the Real Estate division to the results of Kardan N.V. was EUR 66 million higher than last year. The result of the operating subsidiaries was EUR 29 million lower, a relatively small decrease considering the current economic slowdown. Details of the results of the operating companies in CEE, China and Western Europe are discussed hereafter. Due to several fair value adjustments and the impact of the merger between Kardan N.V., GTC N.V. and GTC RE in December 2008, the contribution to equity holders of Kardan increased significantly.
The fair value adjustment amounting EUR 11.5 million relates to the revaluation of the equity component of convertible debentures. As part of the merger the convertible debentures have been transferred to Kardan N.V. This implies that in 2009 the Real Estate division will not record a result deriving from these convertible debentures. Goodwill amounting to EUR 12.6 million was released due to revaluation of investment properties.
Several items of the profit and loss account of Kardan N.V. are assigned to the Real Estate division. The main item is the profit of EUR 77 million resulting from the merger between Kardan, GTC NV. and GTC RE. At that occasion, Kardan acquired 33% of the equity of GTC NV held by minority shareholders against issuance of shares in Kardan N.V. The book value of the acquired stake exceeded the market value of the shares issued by Kardan N.V. The difference is a negative goodwill which was immediately recorded in the profit and loss account as a gain. Goodwill amounting to EUR 24 million was released due to revaluation of investment property.

Financial position
For notes to the balance sheet reference is made to the notes to the operating companies.
The net debt of GTC RE (company only) decreased. This is mainly caused by the transfer of debentures to Kardan N.V. as part of the merger. The majority of the cash outflow has been used to increase the equity of the Chinese activities.
The interest-bearing debt of GTC RE (company only) amounts to EUR 235 million out of which EUR 178 million is owed to Kardan N.V.

GTC SA

The results of GTC SA and the development of the main balance sheet positions are as follows:

EUR million	2008	2007	Change (%)
Gross profit rental	53.5	41.1	31
Gross profit sale of apartments	9.1	8.8	3
Revaluation and other fair value income	235.6	292.4	(19)
Net profit	189.1	261.4	(28)
GTC Holding share in net profit	73.4	102.6	(28)
Occupancy rate (%)	90.9	89.1	2
Rental yield (%)	7.3	6.2	18
Personnel at year end (number)	178	156	14
Assets under construction	1,007.0	507.6	99
Investment property	1,143.1	860.9	33
Total assets	2,558.4	1,861.2	37
Shareholders' equity	1,155.9	988.1	17
Return on (average)[vi] equity	18.3	31.6	

Results
The gross profit from the rental of completed investment properties and the sale of apartments increased from EUR 49.9 million to EUR 62.6 million. The growth is derived from an increase in the number of available rental space, and an increase in the average rent per sqm. Expressed in a percentage of revenue, the gross profit declined from 68% in 2007 to 55% in 2008. Furthermore, the occupancy rate increased. The increase in the average rent per sqm is the result of the conclusion of long-term lease contracts with tenants that include clauses such as gradual rent increases.
Total revaluation gains in 2008 declined by EUR 64 million from EUR 292 million in 2007 to EUR 236 million in 2008. The revaluation result can be detailed as follows:

	2008	2007
Newly completed properties	78	93
Completed properties in prior years	33	199
Property under construction	125	n/a
	236	292

Revaluation results on properties completed in 2008 were positive. They reflect an average development margin of 32%. Revaluation of properties under construction took place for the first time, and is the consequence of the application of the revised IAS 40. This standard basically prescribes that property under construction (office and retail), for which a substantial part of the development risks have been eliminated, should be measured at fair value. Approximately 26% of the investment properties under construction met the criteria for fair value valuation. The other office and retail buildings under construction are stated at cost. The development margin taken into account for the revaluation is approx. 33% and yields are approximately 8%.

[vi] To be calculated by adding the equity amounts as of the end of the previous year and of each calendar quarter and divide the result by 5.

Despite the current economic situation, several investment properties completed in prior years were revalued positively. The increase in the average yield of 18% (from 6.2% to 7.3%), was compensated by higher revenue due to a decrease in vacancies and an increase of the average rent per sqm
In Q4 of 2008, however, the total revaluation on completed properties was negative (EUR 35 million), because of the yield increase.
The net profit in 2008 decreased mainly due to lower revaluation profits as described before, and relatively higher taxes due to, among others, the devaluation of local currencies, causing higher taxes in the reporting currency (EUR).

Financial position
In 2007 and the first half of 2008, a significant number of projects were started, resulting in an increase in "property under construction." The majority of the projects concern office and retail. For an overview of the projects, please refer to the annex to the press release. The same holds for the investment in completed properties. In 2008, 83,140 sqm were completed, bringing the total to 342,000 sqm (both figures represent GTC SA share). No properties were sold in 2008.

As of December 31, 2008, GTC SA has a cash position of EUR 227 million.
The maturity of the interest-bearing liabilities can be detailed as follows:

EUR million	Maturing before 12-31-2009	Maturing before 12-31-2010	Maturing before 12-31-2011	Maturing before 12-31-2012	Maturing after 12-31-2012
GTC SA	51	41	48	45	792

GTC SA's commitments in 2009, to construction companies, amount to EUR 470 million.
The funds to finance these commitments are generated from available cash and current financing facilities, other external financing or future installments under already contracted sale agreements and yet to be contracted sale agreements.

GTC China

The results of GTC China and the development of the main balance-sheet positions are as follows (please note that the figures only comprise GTC China's stake in the projects because all the residential projects are developed under joint-control agreements and consequently consolidated proportionally):

EUR million	2008	2007	Change (%)
Gross profit sale of apartments	4.8	1.8	167
Revaluation and other fair value income	N/A	N/A	
Net result	(0.6)	(3.0)	80
GTC Holding share in net profit	(0.6)	(3.0)	80
Personnel at year-end (number)	215	146	47
Assets under construction	115.5	37.4	208
Total assets	193.7	103.0	88
Shareholders' equity	86.6	27.5	214

Results
At the end of 2008, GTC China has sold 5,500 apartments compared to 4,100 in 2007, of which 2,200 have been delivered (2007:1,000). The revenue and gross profit are recorded in the books upon delivery and not upon sale. The gross margin realized in 2008 on deliveries is 27% (2007: 30%). The net result improved significantly following the increased number of deliveries.

Financial position
The assets under construction include 7,000 apartments, including the apartments for which construction has been finalized but not yet delivered. Out of these, 5,500 have been sold.
GTC China has borrowed EUR 34 million as of December 31, 2008. Out of this amount EUR 29 million is owed to the parent company GTC RE. EUR 5 million has been borrowed from financial institutions. This has to be repaid in 2009 and 2010. The reason for the relatively low debt is that land has been bought with equity and buyers of apartments have to pay (a large part of the) purchase price when they buy the apartment. Due to this system, the buyers are funding a major part of the construction cost of residential projects.
The commitments to constructors as of December 31, 2008, amount to EUR 21 million.

GTC Investments
Results
The gross rental profit of GTC Investments decreased with 5% from EUR 11.8, million to EUR 11.2 million. This is the result of a slightly lower occupancy rate, namely 94.8% at the end of 2008 compared to 95.1% as of December 31, 2007. Due to the increase in yield from 5.7% as of December 31,2007 to 6% as of December 31, 2008, the revaluation result was negative (minus EUR 1.2 million) compared to a positive result in 2007 of EUR 1 million. The net profit decreased from EUR 4.5 million in 2007 to EUR 1.0 million.

Financial position
Total investment property increased to EUR 185 million (2007: EUR 178 million). The increase is mainly attributable to currency exchange differences. Shareholders' equity increased to EUR 12.3 million (2007: EUR 10.6 million).
The interest-bearing debt at year-end amounts to EUR 66.7 million. Most of the debt matures after 5 years.

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 85% in KFS, which in turn holds 90% and 40% in TBIF and TBIH respectively. The figures presented below represent Kardan's share.

Markets
In the first half of 2008, the markets KFS operated in continued to show the overall growth trends that have been customary of CIS and CEE financial markets. In the second half of 2008, and especially in the last quarter, the effects of the global crisis filtered into KFS' countries of operation. The main manifestations of the crisis are the difficulties in attaining new funding, adverse macroeconomic conditions that contribute to an increase in unemployment, and consequently higher levels of defaults on loans and traded financial instruments.

Reaction to economic turmoil and slowing down of global economy
The following measures were taken to deal with the slowdown of the economy:

TBIF - substantially more rigid loan origination policy, especially in Ukraine, increased focus on liquidity, increased efforts to attract retail deposits, cost-cutting measures relating mainly to downsizing staff and closing branches and points of sales.

TBIH – with the view of substantially improving TBIH's long-term liquidity situation and decreasing its leverage, TBIH disposed of certain insurance subsidiaries as mentioned above. TBIH was able to do so at values higher than those in the December 2007 Discount Bank transaction, for subsidiaries that had been included in TBIH's portfolio at the time. This proves that the strategy of focusing on value creation instead of optimizing the short-term results pays off.

Financial overview

Consolidated results of Financial Services Division

The details are as follows:

EUR million	2008	2007	2008 vs 2007 (%)
Results of subsidiaries	(66.9)	6.2.	
Net financial expenses	(5.3)		
Capital gain / (loss)	(3.3)	27.3	
Fair value income options	64.7	(21.6)	
Impairment Goodwill	(26.7)		
Other	(3.0)	(3.5)	
Net profit / (loss)	(40.5)	7.6	
Kardan NV share in net profit / (loss)	(36.1)	6.0	
Impairment goodwill	(9.8)		
Capital gain		30.0	
Contribution to Equity Holders Kardan N.V.	(45.9)	36.0	
Total consolidated assets	1,742	1,464	19
Total Consolidated equity	139.7	177	(21)
Solvency (shareholder's equity/total assets)	8%	12%	(33)
Net debt – KFS (company only)	(89.3)	(34)	

Results
KFS recorded a loss of EUR 40.5 million in 2008 compared to a profit of EUR 7.6 million in 2007. The transition to loss is the result of the following factors:

- Decrease in the results of the subsidiaries: the results from subsidiaries include their operational results, to be discussed below, as well as charges relating to impairment of goodwill amounting to a EUR 43 million, stemming mostly from the banking and insurance operations in Ukraine and banking operations in Russia.
- Capital gain in 2007, amounting to EUR 27.3 million, was not matched in 2008. The 2007 capital gain mainly related to the restructuring deal with Vienna Insurance Group in 2007, whereby KFS decreased its holdings in TBIH to 40% from 60%. The capital loss in 2008 relates to the costs of disposing of Russian non-life insurance operations.
- KFS recorded fair value income amounting to EUR 64.7million, relating to two items: 1) a put option of a minority shareholder in TBIF created a profit of EUR 30 million in 2008, compared to expenses of EUR 22 million in 2007; 2) initial recognition of the fair value of a put option to sell the holding in TBIH.
- KFS recorded fair value expenses of EUR 26.7 million, stemming mostly from impairment of goodwill.

Several items in the profit and loss account of Kardan N.V. are assigned to KFS. The balance sheet of Kardan N.V. includes goodwill relating to KFS. Because it is not expected that future cash flows fully justify the capitalized goodwill, an amount of EUR 9.8 million has been written off. Including the impairment on Kardan N.V. level, the loss for KFS in 2008 amounts to EUR 45.9 million. In 2007 the profit realized on the sale of 11% of the shares of KFS to Israel Discount Bank is recorded as a capital gain.

Financial position
KFS (company only) has no principal payments due until 2012 and no need to refinance loans.
The consolidated assets increased by EUR 282 million. This is mainly due to the change of the consolidation method for the participation in Sovcom Bank in Russia from proportional consolidation to full consolidation (see footnote 3). The impact of the change amounted to EUR 300 million. Equity decreased caused by the net loss for the year; negative currency translation differences were compensated by the minority interest in the Equity of Sovcom Bank.

TBIF

The results of TBIF and the development of the main balance-sheet positions are as follows.

EUR million	2008	2007	2008 vs 2007 (%)
Revenues from banking and lending[vii]	141.6	94.4	50
Operating result of banking and lending	(23.8)	1.1	
Impairment of goodwill, intangibles and other assets	(38.0)	-	
Capital gains	-	9.7	
Other items	2.1	-	
Net profit / (loss) contributable to KFS	(59.9)	10.8	
Cost / income ratio	85%	76%	(12)
Credit losses and impairment losses on portfolio	(45.7)	(14.7)	
Personnel at year end	9,401	8,335	13
Total loan portfolio (banking and non banking)[viii]	944.8	743.4	27
Total deposits[ix]	577.2	422.4	37
Total assets	1,380.2	1,031.6	34
Shareholder's Equity	117.9	128.2	(9)
Solvency (shareholder's equity/total assets)	9%	12%	(25)
Return on equity (average)	(5.3%)	1.3%	

Results

The banking and lending businesses (including consumer finance leasing, asset management and mortgages) contributed an operating loss of EUR 23.8 million in 2008 (2007: profit of EUR 1.1 million). This decrease in profitability is a reflection of the adverse macroeconomic situation in TBIF's countries of operation.

As a result:

- TBIF has chosen to focus on liquidity and has been much more selective in loan origination; a policy which put a strain on portfolio levels and on revenues, especially in the fourth quarter of 2008.
- TBIF has taken active measures in order to adjust its cost structure to the current market conditions. The focus is on reducing the number of branches and points of sale and decreasing staff and salaries. The full effect of these measures is not reflected in the 2008 results, as the measures were taken mostly in the last quarter of the year. The expenses incurred for the reduction of personnel comprise the payment of a couple of months of salary after the departure of the employee. These costs will be recorded in the accounts of 2009. On balance, it is expected that personnel expenses will decrease in 2009 compared to 2008.
- In 2008, the average level of NPLs (Non Performing Loans, 90 days overdue) in TBIF's portfolio has more than doubled: from an average of 2% in 2007 to almost 5% in 2008. This is reflected in increased risk costs recorded in the P&L: from EUR 14.7 million in 2007 to EUR 45.7 million in 2008.

vii Includes net interest income, net fee and commissions' income and investment income.

[viii],[ix] Data presented as in TBIF's IFRS financials: in 2007 includes proportional consolidation of banking activities (Russia - 50% and Ukraine - 49%) and full consolidation of Romanian and Bulgarian lending activities; in 2008 includes proportional consolidation of Ukrainian banking activities (49%) and full consolidation of Russian Romanian and Bulgarian activities. Assuming full consolidation of all the activities the loan portfolio is approximately EUR 1.25 billion and EUR 1.19 billion as of 31 December 2008 and 2007, respectively. On the same basis, the deposits are EUR 755 and EUR 858 million as of 31 December 2008 and 2007 respectively.

- TBIF recorded goodwill and intangibles impairment charges amounting to EUR 38 million in 2008 (2007: nil). The impairment relates to banking activities in Russia and Ukraine.
- Capital gains in 2007 relate to the partial sale of Russian consumer credit operations. No capital gains were recorded in 2008.

The cost/income ratio is high and has significantly increased in 2008. In 2007 and in 2008 (mainly first half), this was the effect of the strategy to grow the platform through an increase in the distribution network: since the expenses of newly opened offices, branches and points of sale were not yet fully covered by an increase in income, the cost-income ratio is high compared to mature financial institutions.

Financial position
On a fully consolidated basis, the loan portfolio grew with approx. 5%, which is less than the amount presented in the table above, which shows a larger increase. The reason for the difference is the way in which some subsidiaries are consolidated (reference is made to footnote 5). The same holds for the deposits. The growth was realized mostly in the first half of 2008.
Due to the net loss, equity decreased to 9% of total assets; the decrease driven by the effect of the translation reserve due to the devaluation of the Russian Rouble and The Ukrainian Hryvnia, was compensated by the increase of the minority interest due to the full consolidation of Sovcom Bank. Including the shareholders loans amounting to EUR 156 million, solvency is satisfactory (18%).
Towards the end of 2008, the financial markets, both international and local, virtually closed down to a great extent. This seriously limited the ability of TBIF businesses to attract external funding. As a result, new business generation was substantially curbed and limited only to the available funds coming from non-utilized sources and portfolio repayments. Moreover, in certain environments the existing credit lines from banks began to close down (not renewed upon expiry). The banks have focused their efforts on maintaining liquidity and attracting deposits, also seriously reducing credit origination. Accordingly, TBIF's work plans for 2009 were built under the conservative assumption of lack of new funding sources, which will lead to a significant decrease in the volumes and portfolios, thus enabling the subsidiaries and TBIF to repay all interest and principal maturities falling due throughout the year 2009. As the year evolves, and especially once the crisis is over and financial markets begin to reopen, the companies will again actively seek new funding.

TBIH

The results and balance sheet positions of TBIH are as follows:

EUR million	**2008**	**2007**	**2008 vs 2007 (%)**
Insurance premiums	223.7	105.1	113
Pension fees and commissions	9.9	8.7	14
Operating result – Insurance	(2.0)	(4.0)	50
Operating result – Pension	(1.9)	(4.7)	40
Net Financial expenses	(21.4)	(2.2)	
Impairment of goodwill and intangible assets	(7.8)	-	
Capital gains	39.9		
Loss from discounted operations	(22.3)	1.8	
Other items	1.0	(2.5)	
Net profit / (loss)	(14.5)	(11.6)	
KFS share in net profit / (loss)	(5.8)	(4.6)	
Assets under management – pension	762.8	743.2	
Number of pension fund members (in .000)	1,821.9	1,714.4	

Total assets	674.7	795.0	
Shareholder's Equity	111.5	126.8	
Solvency	16.5%	16.0%	
Return on equity (average)	(13.0%)	(9.1)%	

Figures in the table above as in TBIH financial statements. KFS consolidates TBIH proportionally, 40%.

Results
Total earned insurance premiums amounted to EUR 224 million for 2008, compared to EUR 105 million in 2007. This change can be attributed mostly to premiums from Turkish and Ukrainian activities, which were not fully consolidated over 2007, and also to organic growth in Ukraine and Georgia. In 2008, the insurance activities contributed an operating loss of EUR 2 million to TBIH (2007: minus EUR 4 million). The decrease in operational loss is caused by improved results in Turkey, Georgia and Romania, despite the economic slow down. Due to a careful investment policy the investment losses were limited.

Pension funds activities generated a loss of EUR 1.9 million (2007: minus EUR 4.7 million). Losses were incurred mainly due to investments related to acquiring new members in the pension funds, which are apportioned to the current period and cannot be capitalized under IFRS. Losses decreased in 2008 compared to 2007 due to the increasing profitability of the Bulgarian operations (Doverie). The number of pension fund members increased from 1.7 million at December 31, 2007 to 1.8 million at December 31, 2008. The assets managed by these pension funds increased from EUR 743 million at December 31, 2007 to EUR 763 million at December, 31 2008. The modest increase in assets relates to the adverse effect of the turmoil in the stock markets in 2008.

In 2008, TBIH recorded impairment charges amounting to EUR 7.8 million (2007: nil) relating to insurance activities in Ukraine and pension activities in Russia. TBIH recorded a capital gain of EUR 39.9 million, mostly stemming from the above-mentioned disposal of insurance operations.

Financial expenses increased in 2008 compared to 2007 due to the increase in shareholders' loans from Vienna Insurance Group, provided mostly in the second half of 2007 and in 2008. The proceeds of the funds were used, among others, to finance the acquisition of the Ukrainian insurance activities.

Financial position
Total assets decreased. On the one hand, the acquisition of the Ukrainian insurance activities increased the consolidated assets, but the disposal of the insurance companies in Croatia and Russia decreased total assets. Shareholders' equity decreased due to the net loss in 2008. As a result, solvency is a healthy 16.5%.

Due to the transaction between TBIH and Vienna Insurance Group, the liquidity position improved substantially and, accordingly, TBIH repaid EUR 100 million of the interest-bearing debt in the fourth quarter of 2008 and in January 2009. As of January 2009, after the receipt of the proceeds from insurance disposals and repayment of shareholders' loans, TBIH has a cash balance of approx. EUR 100 million. TBIH has no refinancing needs for the next few years.

Infrastructure

Tahal Group International B.V. (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

In 2008, the number of projects in water-related infrastructure in the world increased. In Latin America the situation became more difficult due to the shift from public to privately owned infrastructure. As a consequence, competition from local suppliers increased significantly. In Africa and China, the governments are investing in water-related projects in order to be able to fulfill the needs caused by industrialization and population growth.

Reaction to economic turmoil and slowdown of the global economy
The main risk facing Tahal is that the funding of projects and the investment in assets will take longer and at less favorable terms, because banks and credit insurance agencies have become more conservative. This could potentially lead to the postponement and cancellation of projects. Another risk is the impact of the economic turmoil on the financial stability of subcontractors engaged by Tahal in the projects and consequently the level of performance of such subcontractors.

Portfolio development

Projects
Tahal succeeded in taking its share of the growth in the water related infrastructure world and managed to increase the backlog from EUR 189 million as of December 31, 2007 to EUR 235 million as of December 31, 2008. The increase is mainly stemming from African projects, where the backlog increased from EUR 11 million at the end of 2007 to EUR 107 million at the end of 2008. This concerns projects in Ghana and Angola.
The project in Angola is carried out in collaboration with the Empressa Publica de Aqus de Luanda (EPAL). The project's main focus is the construction of a water supply network for residential use in seven neighborhoods in South Luanda. The project further includes the design of the distribution system and the installation of about 400km of PVC pipes and the installation of about 140 drinking fountains. The total project comprises an area of about 1, 43 million sqm.
Tahal's activity in Ghana concerns two projects, both of which are aimed at the rehabilitation and expansion of water supply systems, and water treatment plant serving two separate rural areas. The aggregate contract value for these two projects amounts to approx. EUR 55 million.
In Europe and America, the backlog declined because hardly any new agreement was signed. With regard to Europe, it has been decided to limit the number of new projects until Tahal's management is convinced that the European organization is under control. The increase of the backlog proves that the capabilities of Tahal are globally recognized. In general, Tahal is tendering for small to middle-size projects, as Tahal believes that international competition in this segment of the market is less strong than for large projects.

Assets
In 2008, Tahal's assets activities developed further, especially in China.
The majority of activities in China operate under the name of Kardan Water International Group (KWIG). In 2008, Tahal increased its holdings in KWIG from 66% to 80%. The concession periods for the various projects range from 15 to 30 years.
The portfolio of KWIG 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.
The development of a water supply and wastewater treatment plant in Dazhou, Sichuan province, which started in 2007, will be finalized in 2009. The plant is located in Dazhou's industrial zone, an area in which the largest natural gas field in China is situated.
In Q3 2008, Tahal signed a contract to build, operate and own a wastewater treatment plant in Dingzhou, Hebei province. The treated water will be sold to the local power station company, with guaranteed payments from the government.
In Turkey, Tahal increased its participation in Task from 33% to 50%. The partner in Turkey is Akfen Holding AS. The company is active in two cities: Güllük and Dilovasi
The concession period for the assets in the two cities is approx. 30 years.

Financial Overview

Consolidated results of Infrastructure Division

The results of Tahal Group International (TGI) can be detailed as follows:

EUR million	2008
Result of subsidiaries	(16.8)
Net Financial expenses	(1.9)
Fair value result	-
General and administrative expenses	(1.1)
Net loss	(19.8)
Goodwill impairment	(1.2)
Attributable to equity holders of KNV	(21.0)
Total assets	236.3
Shareholder's Equity	10.4
Solvency (shareholder's equity/total assets)	4.4%
Net cash	7

Results
Tahal Group International B.V. was incorporated in April 2008. For that reason no comparative figures are presented.

Financial position
Total equity amounts to EUR 10.4 million. In addition, Tahal has borrowed an amount of EUR 86.3 from Kardan N.V. and including this shareholder's loan the solvency is 41%.

Tahal Projects

The results and main balance-sheet positions of Tahal projects can be detailed as follows:

EUR million	2008	2007	change (%)
Contract revenues	81.5	65.3	25
Gross profit	10.8	14.2	(24)
General, administrative and selling expenses	(14.6)	(12.7)	(15)
Net Financial expenses	(1.6)	(0.6)	(167)
Other items	1.2	0.5	140
Net profit (after minority interest)	(4.2)	1.4	
Personnel at year-end	902	851	6
Total assets	86.6	62.6	38
Total equity	12.7	17.9	(29)
Total backlog	235.3	189.2	24

Results
Revenue increased in 2008 by 25% to EUR 81.5 million. Gross profit, however, decreased to EUR 10.8 million, which is EUR 3.4 million less than in 2007.
The decrease is mainly for the account of European projects. Projects in Romania (Arad and Brasov) and Russia in particular have developed less favorably than in previous years. The impact on the loss for 2008 is approx. EUR 7 million. To avoid similar issues in the future a restructuring took place including

management changes and the incorporation of a separate department at head-office to improve control and enhance project execution capabilities

Financial position
Total assets increased by EUR 74.5 million to EUR 86.6 million. The main reason for the increase in total assets in 2008 is the increase of activities.
The equity declined mainly due to the net loss in 2008.
As of December 31, 2008, Tahal Group borrowed EUR 14 million from financial institutions These amounts mature mainly in 2009. The remainder of the assets have been funded by shareholder loans and advances from clients.

Tahal Assets

The results and main balance-sheet positions of Tahal Assets can be detailed as follows:

	2008	2007	2007 vs 2008
Contract revenues	43.0	8.6	
Gross profit	10.0	2.4	
General and administrative expenses	(13.3)	(4.8)	
Impairment of assets)	(7.2)	-	
Net financial expenses	(4.7)	(6.7)	
Other items	2.6	1.1	
Net loss	(12.6)	(8)	(57)
Personnel at year-end	779	641	22
Assets under construction	23.4	-	
Investment assets	2.0	-	
Total assets	130.5	99.4	31
Total equity	8.2	0	

Results
Contract revenues in 2008 increased with approx. EUR 34 million to EUR 43 million. The activities in China and Turkey started in the second half of 2007. This explains the significant increase of revenue in 2008.
The gross margin declined from 28% to 23%. This was caused by the lower margins on activities in China and Turkey. Impairment of assets amounting to EUR 7.2 million became necessary because Tahal Assets decided to slow down, respectively not start, some of the developments, due to the economic circumstances. This concerns asset developments in Turkey and Bulgaria, among others.
Mainly due to these impairment losses, the net loss in 2008 increased compared to 2007.

Financial position
The increase in total assets concerns the activity in China, where total assets increased from EUR 24 million as of December 31, to EUR 53 million as of December 31, 2008. The activities are financed by loans from financial institutions, amounting to EUR 48 million, the majority of which need to be repaid in 2009. Tahal is discussing refinancing options with the banks, and has no reason to believe that refinancing wouldn't be granted. In addition an amount of EUR 35 million has been borrowed from shareholders.

Other business

General

Kardan Israel Ltd. (Kardan Israel) is listed on the Tel Aviv Stock Exchange and operates three divisions: Real Estate, Automotive and Consumer Goods, and 'Communication and Technology. Kardan N.V. owns 73% of the shares of Kardan Israel. The results and activities of the Real Estate

segment are presented as part of the Real Estate division of Kardan. The activities and results of the other two divisions are presented hereafter.

Automotive & consumer goods
Kardan is active in the automotive & consumer goods sector in Israel through Kardan Israel and its Group companies, UMI, Dan Rent a Car (Avis Israel) and SFDI. Kardan Israel owns 40% of the shares of UMI, which company is the exclusive Israeli distributor for the General Motors Group (GM Group). UMI engages in the import and marketing of motor vehicles manufactured by the GM Group. These vehicles, which include family-sized vehicles, executive vehicles and off-road vehicles, are marketed under the brand names ''Chevrolet'', ''Buick'', ''Chevy Trucks'', and ''Cadillac'' (manufactured in North America and in Korea), ''Opel'' (manufactured in Europe) and ''Isuzu'' (manufactured in Japan and in Thailand). In addition, UMI imports trucks manufactured by Isuzu and markets them through its 50% affiliate Universal Trucks Israel Ltd.
Kardan Israel owns (in)directly 22% of Avis Israel an operational car leasing and rental company.
SFDI distributes Whirlpool and Bauknecht ''white goods'' throughout Israel.

Operational and Financial Overview of 2008
As of 31 December 2008 UMI's revenues amounted to EUR 437 million, compared to EUR 375 million in 2007. The revenues of UMI are not consolidated by Kardan. UMI's market share of total motor vehicle deliveries in Israel was 8.6% in 2008 and 7.2% in 2007. Although the automotive markets in Israel slowed down in the fourth quarter of 2008 UMI managed to record an annual profit of EUR 21 million (2007: EUR 17 million). Avis Israel recorded a revenue of EUR 205 million in 2008 and EUR 176 million in 2007. The contribution to the result of Kardan Israel in 2008 amounting to EUR 1 million was similar to last year. The total fleet at year end 2008 was 32,100 (December 31, 2007: 30,100.
The revenues of SFDI amounted to EUR 20 million for 2008, compared to EUR 22 million in 2007.

In 2008, Kardan's automotive & consumer segment contributed a net profit of EUR 9 million, compared to EUR 10 million in 2007. Because Kardan owns 73% of Kardan Israel, the net profit contribution of this segment to the equity holders of Kardan N.V. amounts to EUR 6 million (2007: EUR 6 million).

Communications & technology
Kardan operates in the communications & technology sector through Kardan Communications and Kardan Technologies.
Kardan focuses its investments on small and medium-sized companies in the technology sector, mainly in the fields of communications and media that have moved beyond the start-up stage and have strong growth potential. Kardan Communications does not consolidate the results of its Group companies in its financial statements.

Operational and Financial Overview of 2008
In 2008, Kardan's communications & technologies segment contributed a net loss to Kardan Israel of EUR 5 million, similar to the loss in 2007.

The results of RRSat, a significant holding of Kardan Communications (24%), which engages in the transfer of television and radio broadcasts, are included by means of the equity method. In 2008, RRSat's revenues amounted to EUR 61 million compared to EUR EUR 43 million in 2007. The company is listed on Nasdaq with a marketcap of approximately EUR 150 million as of December 31, 2008.
The activities of Kardan Technologies are limited to minority holdings in a venture capital fund and in several technology companies.

The contribution to Kardan of the segment is a loss of EUR 3 million.

CONSOLIDATED BALANCE SHEET

A s s e t s

	December 31, 2008	December 31, 2007
	€ in millions	
Non-current assets		
Tangible fixed assets	111	80
Property under construction	-	306
Investment properties	1,987	960
Investments in associates	152	127
Available-for-sale and held-to-maturity financial assets	119	65
Loans to bank customers	288	232
Long-term loans and receivables	406	202
Deferred acquisition costs (insurance companies)	6	12
Intangible assets and goodwill	241	342
Deferred income tax assets	18	17
	3,328	2,343
Current assets		
Inventories, contract work and buildings inventory in progress	477	297
Current maturities of long-term loans and receivables	292	223
Loans to bank customers	167	165
Trade receivables	62	44
VAT and income tax receivables	52	34
Insurance premium receivables	27	36
Other receivables and prepayments	129	140
Reinsurance receivables and insurance companies	25	32
Short-term investments	69	65
Cash and cash equivalents	540	893
	1,840	1,929
Assets held for sale	83	-
Total assets	5,251	4,272

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

	December 31, 2008	December 31, 2007
	€ in millions	
Equity attributable to equity holders of the parent		
Issued and paid-in capital	23	17
Share premium	230	176
Foreign currency translation reserve	(43)	(25)
Property revaluation reserve	140	109
Revaluation reserve, other	(35)	(5)
Retained earnings	53	71
	368	343
Minority interests	744	730
Total equity	1,112	1,073
Non-current liabilities		
Interest-bearing loans and borrowings	1,128	829
Banking customers accounts	127	43
Other long-term liabilities	91	7
Warrants and options	55	164
Convertible debentures	29	31
Other debentures	806	742
Insurance provisions	71	139
Deferred income tax liabilities	172	110
Accrued severance pay, net	2	1
	2,481	2,066
Current liabilities		
Advances from customers in respect of contracts	22	12
Banking customers accounts	469	443
Income tax payables	16	10
Trade payables	112	65
Interest-bearing loans and borrowings	673	353
Advances from buyers	123	112
Other payables and accrued expenses	183	138
	1,598	1,133
Total liabilities	4,079	3.199
Liabilities held for sale	60	-
Total equity and liabilities	5,251	4,272

CONSOLIDATED INCOME STATEMENT

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	For the year ended December 31,		
	2008	2007	2006
	€ in millions		
Sales and services	97	61	50
Contract revenues	149	86	65
Insurance activities	67	16	14
Banking and retail lending activities	96	72	25
Rental revenues	80	60	72
Management fees	3	2	1
Total revenues	492	297	227
Cost of sales and services	77	46	41
Contract costs	126	68	49
Operating expenses of insurance activities	63	15	16
Costs of banking and lending activities	120	65	21
Costs of rental operations	20	12	20
Other expenses, net	5	3	6
Total expenses	411	209	153
Gross margin	81	88	74
Selling and marketing expenses	20	19	15
General and administration expenses	27	56	44
Profit from operations before fair value adjustments, disposal of assets and financial expenses	34	13	15
Adjustment to fair value of investment properties	196	287	209
Impairment losses on goodwill	(89)	(1)	-
Gain on issuance of shares in associated companies and subsidiaries to third parties	2	45	52
Gain on disposal of assets and other income	121	47	19
Profit (loss) on disposal of assets and investments	123	92	71
Profit from operations before finance expenses and income taxes	264	391	295
Other financial income	177	42	25
Other financing expenses	(247)	(104)	(63)
Adjustment to fair value of other financial instruments	58	(44)	(61)
Total financial expenses, net	(12)	(106)	(99)
Profit from operations	252	285	196
Equity in net earnings of associated companies	3	6	7
Net profit before income taxes	255	291	203

Income taxes	81	42	46
Net profit for the year from continuing operations	174	249	157
Net profit for the year from discontinued operations	1	1	-
Net profit for the year	175	250	157
Attributable to:			
Equity holders	52	90	41
Minority interest holders	123	160	116
	175	250	157
Earnings per share attributable to shareholders			
Basic from continuing operations	0.63	1.11	0.55
Basic from discontinued operations	-	-	-
	0.63	1.11	0.55
Diluted from continuing operations	0.28	1.10	0.47
Diluted from discontinued operations	-	-	-
	0.28	1.10	0.47

Valuation of rental properties

Property name	*Valuation method*	*Valuator in 2008*	*Value (in thousands of Euro unless stated otherwise)*			*Average rent per sq. m. (in Euro unless stated otherwise)*			*Capitalization rate (in percents)*			*Sources for change in value*	*Date of last valuation*
			December 31st 2006	*December 31st 2007*	*December 31st 2008*	*December 31st 2006*	*December 31st 2007*	*December 31st 2008*	*December 31st 2005*	*December 31st 2007*	*December 31st 2008*		
Galeria Mokotow	***DCF***	***Jones Lang Lasalle***	***$ 370,300***	***$ 466,300***	***$ 556,300***	***$ 30.2***	***$ 33.2***	***$ 43.0***	***%6.0***	***%5.30***	***%5.80***	***Yield increase was offset by 30% increase in rent due to renewal of old leases at higher annual rental income and increase in turnover rent***	***December 31st 2008***
Galeria Kazimierz	***DCF***	***Jones Lang Lasalle***	***147,600***	***169,000***	***174,500***	***22.0***	***22.0***	***24.0***	***%6***	***%5.80***	***%6.25***	Yield increase compensated by 4% in annual rental income increase, office extension of 2000 sqm and higher occupancy increased from 95% to 100%	***December 31st 2008***
Globis Poznan	***DCF***	***King Sturge***	***23,000***	***34,100***	***36,350***	***12.2***	***13.0***	***17.0***	***%8.20***	***6.50%***	***7.25%***	Is under rented; upon renewal of leases annual rental income was increased from Euro 2.1 Million to 2.9 million.	***December 31st 2008***
Galileo	***DCF***	***King Sturge***	***$ 24,170***	***$ 30,460***	***$ 39,550***	***$ 14.3***	***$ 15.7***	***$ 17.0***	***%7.40***	***6.80%***	***7.25%***	Was under rented; upon renewal of leases annual rental income was increased from Euro $2. Million to $2.2 million; Further annual rental income increase is expected.	***December 31st 2008***
Topaz	***DCF***	***CBRE***	***33,820***	***36,150***	***35,900***	***15.0***	***15.0***	***17.0***	***5.90%***	***5.80%***	***6.75%***	Is under rented; upon renewal of leases annual rental income is expected to increase from Euro 2.2 Million to 2.5 Million	***December 31st 2008***
Newton	***DCF***	***King Sturge***	***-***	***$ 34,140***	***$ 39,200***	***-***	***$ 14.0***	***$ 17.0***	***-***	***6.60%***	***7.25%***	***Was under rented; upon renewal of leases annual rental income was increased from Euro $1.8 Million to $2.1***	***December 31st 2008***

Property name	*Valuation method*	*Valuator in 2008*	*Value (in thousands of Euro unless stated otherwise)*			*Average rent per sq. m. (in Euro unless stated otherwise)*			*Capitalization rate (in percents)*			*Sources for change in value*	*Date of last valuation*
			December 31st 2006	*December 31st 2007*	*December 31st 2008*	*December 31st 2006*	*December 31st 2007*	*December 31st 2008*	*December 31st 2005*	*December 31st 2007*	*December 31st 2008*		
												Million ; Further increase is expected	
Edison	***DCF***	***King Sturge***	***-***	***33,000***	***30,300***	***-***	***16.0***	***17.0***	***-***	***6.0%***	***7.0%***	***Occupancy increased from 91% to 100% with the same average annual rental income***	***December 31st 2008***
Notus	***DCF***	***King Sturge***	***-***	***28,900***	***28,900***	***-***	***17.1***	***17.1***	***-***	***6.20%***	***6.75%***	***It is in its first operation year. Annual rental income increased from Euro 1 Million to 1.9 Million***	***December 31st 2008***
Platinium1	***DCF***	***King Sturge***	***-***	***35,660***	***35,510***	***-***	***19.0***	***20.0***	***-***	***5.90%***	***6.75%***	***In its first operation year. Annual rental income was increased from Euro 2 Million to Euro 2.3 Million***	***December 31st 2008***
Platinium2	***DCF***	***King Sturge***	***-***	***-***	***33,470***	***-***	***-***	***21.0***	***-***	***-***	***6.75%***	***First valuation***	***December 31st 2008***
Globis	***DCF***	***King Sturge***	***-***	***-***	***45,150***	***-***	***-***	***16.0***	***-***	***-***	***7.0%***	***First valuation***	***December 31st 2008***
Nefryt	***DCF***	***King Sturge***	***-***	***-***	***52,150***	***-***	***-***	***19.0***	***-***	***-***	***6.75%***	***First valuation***	***December 31st 2008***
Zephirus	***DCF***	***King Sturge***	***-***	***-***	***27,550***	***-***	***-***	***17.0***	***-***	***-***	***6.75%***	***First valuation***	***December 31st 2008***
Center Point 1+2	***DCF***	***Jones Lang Lasalle***	***109,500***	***118,300***	***106,600***	***14.0***	***14.0***	***14.0***	***%6.59***	***5.70%***	***7.15%***	Increase in Yield compensated by renewal of anchor tenant leases for 5 years at higher rental rate	***December 31st 2008***

Property name	*Valuation method*	*Valuator in 2008*	*Value (in thousands of Euro unless stated otherwise)*			*Average rent per sq. m. (in Euro unless stated otherwise)*			*Capitalization rate (in percents)*			*Sources for change in value*	*Date of last valuation*
			December 31st 2006	*December 31st 2007*	*December 31st 2008*	*December 31st 2006*	*December 31st 2007*	*December 31st 2008*	*December 31st 2005*	*December 31st 2007*	*December 31st 2008*		
Riverloft Office	***DCF***	***Sale Price***	***-***	***10,500***	***11,900***	***-***	***12.0***	***12.0***	***-***	***7%***	***7.6%***	***Value adjusted to actual transaction price***	***December 31st 2008***
GTC House	***DCF***	***King Struge***	***35,500***	***40,050***	***39,800***	***18.0***	***21.0***	***19.0***	***%9***	***7.0%***	***8.0%***	***Extension of lease agreement with major tenants for additional 5 years***	***December 31st 2008***
Avenue 19	***DCF***	***King Struge***	***-***	***54,000***	***51,800***	***-***	***19.0***	***19.0***	***-***	***7.30%***	***7.50%***	***The building became operation at the end of 2007 at occupancy of 55%, as of 31.12.08 the occupancy is 85%. Occupied is based on signed lease agreements.***	***December 31st 2008***
GTC Square	***DCF***	***King Struge***	***-***	***-***	***41,900***	***-***	***-***	***16.0***	***-***	***-***	***8.25%***	***First valuation***	***December 31st 2008***
Avenue Mall	***DCF***	***CBRE***	***-***	***190,170***	***200,100***	***-***	***Retail - 32 Office -14***	***Retail - 35 Office -17***	***-***	***Retail–6.3% Office-7.0%***	***Retail–6.8% Office-7.0%***	***The shopping center became operation in September 2007. In 2008 there was substantial growth in turnover annual rental income.***	***December 31st 2008***
Aura Buzau	***DCF***	***Colliers***	***-***	***-***	***17,550***	***-***	***-***	***16.7***	***-***	***-***	***8.40%***	***First valuation***	***December 31st 2008***
Aura Suceava	***DCF***	***Jones Lang Lasalle***	***-***	***-***	***13,900***	***-***	***-***	***16.6***	***-***	***-***	***8.60%***	***First valuation***	***December 31st 2008***
Sarka Business Park	***DCF***	***CBRE***	***17,090***	***18,970***	***16,387***	***7.0***	***7.0***	***7.0***	***%10.5***	***9.5%***	***10.5%***	***Mixed logistic and class C offices; Annual rental income increases by 10%***	***December 31st 2008***

Valuation of Investment Properties Under Construction

Project	*Method*	*Valuator*	*Value € '000*	*% of completion*	*% of prelease*	*Yield*	*Valuation Date*
Galleria Verna	DCF	Jones Lang Lasalle	38,712	%35	%25	%8.32	12/31/08
Galleria Stara Zagota	***DCF***	***Jones Lang Lasalle***	***28,083***	***%35***	***%29***	***%8.27***	12/31/08
Galleria Piatra[10]	***DCF***	***Jones Lang Lasalle***	***27,788***	***%85***	***%60***	***%8.33***	12/31/08
Galleria Arad[11]	***DCF***	***Jones Lang Lasalle***	***35,427***	***%30***	***%18***	***%8.48***	12/31/08
City Gate (puarta)	***DCF***	***Colliers***	***101,741***	***%46***	***%64***	***%7.00***	12/31/08
Galleria Czestochowa	***Residual***	***DTZ***	***99,700***	***%46***	***%53***	***%7.90***	12/31/08
Kazimierz office	***Residual***	***DTZ***	***27,731***	***%45***	***%82***	***%7.90***	12/31/08
Platinum 3	***Residual***	***DTZ***	***13,840***	***%21***	***%20***	***%7.80***	12/31/08
Metro Site	***DCF***	***King Sturge***	***19,350***	***%70***	***%100***	***%8.40***	12/31/08

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[10] 50% of ownership by GTC Poland. The data represent 100% of the project

[11] 75% of ownership by GTC Poland. The data represent 100% of the project