

KARDAN N.V.
AMSTERDAM, THE NETHERLANDS

Condensed Interim Consolidated Financial Statements
As of March 31, 2008

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CONDENSED INTERIM CONSOLIDATED BALANCE SHEET**A s s e t s**

	March 31,		December
	2008	2007	31, 2007
	€in millions	€ in millions	€ in millions
Non-current assets			
Property, plant and equipment	100	42	80
Real estate under construction	341	237	306
Investment properties	1,048	657	960
Investment in associates	125	110	127
Available-for-sale financial assets	55	61	65
Loans to bank customers	247	73	232
Long-term loans and receivables	268	117	202
Deferred acquisition costs (insurance companies)	13	8	12
Intangible assets and goodwill	417	123	342
Deferred income tax assets	13	5	17
	<u>2,627</u>	<u>1,433</u>	<u>2,343</u>
Current assets			
Inventories and contract work and buildings inventory in progress	337	158	297
Current maturities of long-term loans and receivables	238	91	223
Loans to bank customers	161	43	165
Trade receivables	53	48	44
VAT and income tax receivables	33	21	34
Insurance premiums receivables	41	17	36
Other receivables and prepayments	156	64	117
Reinsurance receivables and insurance companies	31	20	32
Short-term investments	100	55	88
Cash and cash equivalents	724	595	893
	<u>1,874</u>	<u>1,112</u>	<u>1,929</u>
Total assets	<u><u>4,501</u></u>	<u><u>2,545</u></u>	<u><u>4,272</u></u>

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

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

	March 31,		December
	2008	2007	31,
			2007
	€ in millions	€in millions	€ in millions
Equity attributable to equity holders of the parent			
Issued and paid-in capital	17	17	17
Share premium	176	167	176
Foreign currency translation reserve	(39)	(14)	(25)
Property revaluation reserve	118	68	109
Revaluation reserve, other	-	(1)	(5)
Retained earnings	75	27	71
	<u>347</u>	<u>264</u>	<u>343</u>
Minority Interest	752	493	730
Total equity	<u>1,099</u>	<u>757</u>	<u>1,073</u>
Non-current liabilities			
Interest-bearing loans and borrowings	1,050	515	829
Banking customer accounts	99	148	43
Other long-term liabilities	10	4	7
Warrants and options	169	94	164
Convertible debentures	30	43	31
Other Debentures	731	335	742
Insurance provisions	149	94	139
Deferred income tax liabilities	116	67	110
Accrued severance pay, net	1	1	1
	<u>2,355</u>	<u>1,301</u>	<u>2,066</u>
Current liabilities			
Advances from customers in respect of contracts	23	18	12
Banking customers accounts	383	141	443
Income tax payable	9	16	10
Trade payables	77	48	65
Interest-bearing loans and borrowings	308	166	353
Other payables and accrued expenses	247	98	250
	<u>1,047</u>	<u>487</u>	<u>1,133</u>
Total liabilities	<u>3,402</u>	<u>1,788</u>	<u>3,199</u>
Total equity and liabilities	<u>4,501</u>	<u>2,545</u>	<u>4,272</u>

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CONDENSED INTERIM CONSOLIDATED INCOME STATEMENT

	Three months ended		Year ended
	March 31,		December 31,
	2008	2007	2007
	€in millions	€in millions	€in millions
Revenues			
Sales and services	10	13	61
Contract revenues	33	16	86
Insurance activities	28	13	66
Banking and retail lending activities	23	9	72
Rental revenues	16	13	60
Equity in net earnings of associated companies	1	1	6
Management fees	-	-	2
Gain on issuance of shares in associated companies and subsidiaries to third parties	2	1	45
Adjustment to fair value of investment properties	49	11	287
Gain on disposal of assets and other income	-	2	47
Other Financial income	45	8	42
	<u>207</u>	<u>87</u>	<u>774</u>
Expenses			
Cost of sales and services	8	10	46
Contract costs	26	12	68
Operating expenses of insurance activities	30	13	64
Costs of Banking and lending activities	23	8	65
Costs of rental operations	4	3	12
Selling and marketing expenses	5	4	19
General and administration expenses	12	8	56
Financing expenses	49	25	148
Other expenses, net	-	2	4
	<u>157</u>	<u>85</u>	<u>482</u>
Net profit before income taxes	50	2	292
Income taxes	<u>(13)</u>	<u>(5)</u>	<u>(42)</u>
Net profit (loss) for the period	37	(3)	250
Attributable to:			
Equity holders	13	(4)	90
Minority interest holders	24	1	160
	<u>37</u>	<u>(3)</u>	<u>250</u>
Earning (loss) per share attributable to shareholders			
Basic	0.16	(0.06)	1.11
Diluted	(0.04)	(0.06)	1.10

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CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent					Retained earnings	Total	Minority interests	Total equity
	Issued and paid-in capital	Share premium	Property revaluation reserve	Revaluation reserve, other	Foreign currency translation reserve				
	€in millions	€in millions	€in millions	€in millions	€in millions	€in millions	€in millions	€in millions	
Balance at January 1, 2008	17	176	109	(5)	(25)	71	343	730	1,073
Currency translation differences	-	-	-	-	(14)	-	(14)	(6)	(20)
Change in fair value of hedge instrument	-	-	-	5	-	-	5	1	6
Change in unrealized revaluation reserve	-	-	-	-	-	-	-	-	-
Total income and expense for the period recognized directly in equity	-	-	-	5	(14)	-	(9)	(5)	(14)
Net result for the period	-	-	-	-	-	13	13	24	37
Total income /expense for the period	-	-	-	5	(14)	13	4	19	23
Share based payments	-	-	-	-	-	-	-	-	-
Issuance and sale of shares in subsidiaries	-	-	-	-	-	-	-	3	3
Exercise of warrants and options	-	-	-	-	-	-	-	-	-
Reclassification according to statutory requirements (*)	-	-	9	-	-	(9)	-	-	-
Balance at March 31, 2008	<u>17</u>	<u>176</u>	<u>118</u>	<u>-</u>	<u>(39)</u>	<u>75</u>	<u>347</u>	<u>752</u>	<u>1,099</u>

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

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CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Attributable to equity holders of the parent						Minority interests	Total equity	
	Issued and paid-in capital	Share premium	Property revaluation reserve	Revaluation reserve, other	Foreign currency translation reserve	Retained earnings			Total
	€in millions	€in millions	€in millions	€in millions	€in millions	€in millions	€in millions	€in millions	
Balance at January 1, 2007	17	160	65	-	(14)	39	267	491	758
Change in fair value of hedge instrument	-	-	-	(1)	-	-	(1)	-	(1)
Adjustment due to restatement of subsidiary	-	-	-	-	-	(5)	(5)	(2)	(7)
Change in unrealized revaluation reserve	-	-	-	-	-	-	-	-	-
Currency translation differences	-	-	-	-	-	-	-	-	-
Total income and expense for the period recognized directly in equity	-	-	-	(1)	-	(5)	(6)	(2)	(8)
Net result for the period	-	-	-	-	-	(4)	(4)	1	(3)
Total income /expense for the period	-	-	-	(1)	-	(9)	(10)	(1)	(11)
Share based payments	-	1	-	-	-	-	1	1	2
Issuance of shares in subsidiaries	-	-	-	-	-	-	-	2	2
Exercise of warrants into Company's shares	-	6	-	-	-	-	6	-	6
Rreclassification according to statutory requirements (*)	-	-	3	-	-	(3)	-	-	-
Balance at March 31, 2007	17	167	68	(1)	(14)	27	264	493	757

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

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CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	<i>Attributable to equity holders of the parent</i>						Total	Minority interest	Total equity
	Issued and paid-in capital	Share premium	Property revaluation reserve	Revaluation reserve, other	Foreign currency translation reserve	Retained earnings			
	€in millions	€in millions	€in millions	€in millions	€in millions	€in millions			
Balance as of January 1, 2007	17	160	65	-	(14)	39	267	491	758
Currency translation differences	-	-	-	-	(11)	-	(11)	1	(10)
Change in fair value of hedge instrument	-	-	-	(4)	-	-	(4)	(1)	(5)
Adjustment due to restatement of subsidiary	-	-	-	-	-	(5)	(5)	(2)	(7)
Change in unrealized revaluation reserve	-	-	-	(1)	-	-	(1)	-	(1)
Share base payment	-	2	-	-	-	-	2	3	5
Put options granted to minority shareholders in subsidiaries	-	-	-	-	-	-	-	-	-
Total income and expense for the year recognized directly in equity	-	2	-	(5)	(11)	(5)	(19)	1	(18)
Net profit for the period	-	-	-	-	-	90	90	160	250
Total income /expense for the year	-	2	-	(5)	(11)	85	71	161	232
Issuance and sale of shares to minority	-	-	-	-	-	-	-	78	78
Exercise of warrants and options	-	14	-	-	-	-	14	-	14
Shares purchase in consolidated companies	-	-	-	-	-	-	-	-	-
Dividend	-	-	-	-	-	(9)	(9)	-	(9)
Reclassification according to statutory requirements (*)	-	-	44	-	-	(44)	-	-	-
Balance as of December 31, 2007	<u>17</u>	<u>176</u>	<u>109</u>	<u>(5)</u>	<u>(25)</u>	<u>71</u>	<u>343</u>	<u>730</u>	<u>1,073</u>

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

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CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT

	Three months ended		Year ended
	March	March	December
	31, 2008	31, 2007	31, 2007
	€in	€in	€in
	millions	millions	millions
Cash flow from operating activities			
Net result before taxes on income	50	2	292
Adjustment to reconcile net result to net cash			
Charges/(credits) to profit/loss not affecting operating cash flows:			
• Equity earning of associated companies	(1)	(1)	(6)
• Dividend received from associated companies	3	2	11
• Gain on issuance of shares in associated companies and subsidiaries to third parties, net	(2)	(1)	(45)
• Gain on disposal of investments in companies, property, plant and equipment and investment properties, net	-	(1)	(31)
• Share based payments	-	1	5
• Depreciation and amortization	4	2	13
• Fair value adjustments	(49)	(11)	(292)
• Exchange differences, net	8	7	61
• Change in fair value of options and share appreciation rights	(21)	10	51
• Decrease (increase) in fair value of securities held for trading and hedge instruments, net	2	(1)	1
• Gain (loss) from early repayment of loans	-	(1)	(3)
• Increase in accrued severance pay, net	-	(1)	(1)
Adjusted net result	<u>(56)</u>	<u>5</u>	<u>(236)</u>
Changes in operating assets and liabilities			
• Change in insurance provisions and deferred acquisition costs, net	-	8	12
• Change in outstanding insurance premiums, reinsurance receivables and insurance companies	(4)	(10)	(11)
• Change in trade and other receivables	(21)	(29)	(94)
• Change in inventories and in contract work in progress, net of advances from customers	(37)	3	(97)
• Change in trade and other payables	19	(14)	40
Net cash (used in) generated from operations	<u>(43)</u>	<u>(41)</u>	<u>(150)</u>
Income taxes paid	<u>(2)</u>	<u>(1)</u>	<u>(6)</u>
Net cash (used in) provided by operating activities	<u>(51)</u>	<u>(35)</u>	<u>(100)</u>

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

CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

	Three months ended		Year ended
	March	March	December
	31, 2008	31, 2007	31, 2007
	€in millions	€in millions	€in millions
Cash flow from investing activities			
Acquisition of property, plant and equipment and investment properties	(78)	(67)	(200)
Investments in companies and partnerships	(9)	(5)	(63)
Collecting (granting) of loans to associated companies, net	(2)	1	(11)
Proceeds from disposal of property, plant and equipment and investment properties	-	-	16
Granting of long-term loans	(123)	(94)	(442)
Change in loans to bank costumers	7	-	(113)
Collecting of long-term loans and receivables	70	84	298
Change in short-term investments	(22)	(4)	(4)
Acquisition of newly-consolidated subsidiaries, net of cash acquired (see A below)	(52)	-	(134)
Increase in cash resulting from sale of investments in formerly proportionately consolidated subsidiaries (see B below)	-	-	119
Increase in cash resulting from sale of investments in formerly proportionately consolidated subsidiaries (see C below)	-	-	18
Change in deferred brokerage fees	-	(1)	(2)
Income tax paid	-	(12)	(21)
Change in other assets	(2)	-	-
Net cash used in investing activities	(211)	(98)	(539)
Cash flows from financing activities			
Proceeds from issuance of shares in associated companies and subsidiaries to third parties, net	-	2	62
Issuance of debentures	-	254	691
Repayment of debentures	-	-	(47)
Issuance of shares to minority in subsidiaries	1	-	-
Change in loans from bank customers	(38)	-	195
Receipts or proceeds of long-term loans	286	147	545
Repayment of long-term loans	(125)	(76)	(273)
Costs related to issuance of debt and shares	-	(1)	(3)
Dividend	-	-	(9)
Change in short-term loans and borrowings, net	(15)	(6)	(26)
Net cash provided by financing activities	109	320	1,135

The accompanying notes are an integral part of these financial statements

CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

	Three months ended		Year ended
	March	March	December
	31, 2008	31, 2007	31, 2007
	€in	€in	€in
	millions	millions	millions
Foreign exchange differences relating to cash and cash equivalents	<u>(16)</u>	<u>(1)</u>	<u>(12)</u>
Increase (decrease) in cash and cash equivalents	<u>(169)</u>	<u>186</u>	<u>484</u>
Cash and cash equivalents at the beginning of the period	<u>893</u>	<u>409</u>	<u>409</u>
Cash and cash equivalents at end of the period	<u><u>724</u></u>	<u><u>595</u></u>	<u><u>893</u></u>

The accompanying notes are an integral part of these financial statements

CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

	Three months ended		Year ended
	March	March	December
	31, 2008	31, 2007	31, 2007
	€in	€in	€in
	millions	millions	millions
A. Acquisition of newly-consolidated subsidiaries and increase of holding in joint ventures, net of cash acquired			
Working capital (including cash)	(3)	(1)	(97)
Non-current assets	(75)	(1)	(122)
Goodwill on acquisition	(68)	-	(80)
Gain on disposal of investment	-	-	7
Minority interests	2	-	9
Long-term liabilities	53	2	123
Total purchase price	(91)	-	(160)
Less – cash in subsidiaries acquired	17	-	26
Payable on account of investment	22	-	-
Cash used in acquisition, net of cash acquired	<u>(52)</u>	<u>-</u>	<u>(134)</u>
B. Disposal of formerly-consolidated subsidiaries, net of cash disposed			
Cash	-	-	1
Working capital (excluding cash)	-	-	(1)
Investment properties	-	-	120
Total consideration	-	-	120
Cash of subsidiary which ceased to be consolidated	-	-	(1)
Cash flows from disposal, net of cash disposed	<u>-</u>	<u>-</u>	<u>119</u>

	Three months ended		Year ended
	March	March	December
	31, 2008	31, 2007	31, 2007
	€in	€in	€in
	millions	millions	millions
C. Increase in cash due to transaction in the financial services segment			
Cash	-	-	84
Working capital (excluding cash)	-	-	100
Non-current assets	-	-	(158)
Goodwill on acquisition	-	-	(27)
Minority interests	-	-	14
Long term liabilities	-	-	70
	<hr/>	<hr/>	<hr/>
Total consideration	-	-	83
Change in cash	-	-	(84)
Change in capital reserves	-	-	(1)
Gain on disposal	-	-	20
Cash flows from disposal, net of cash disposed	<hr/>	<hr/>	<hr/>
	-	-	18
D. Significant non-cash transactions			
Investment in real estate under construction against payables	<hr/>	<hr/>	<hr/>
	10	12	35
Exercise of options to Company's shares	<hr/>	<hr/>	<hr/>
	-	6	14
Conversion of convertible debentures into shares of subsidiaries	<hr/>	<hr/>	<hr/>
	5	2	158
Payable on account of investment	<hr/>	<hr/>	<hr/>
	22	-	-
E. Additional information			
Interest paid in cash	<hr/>	<hr/>	<hr/>
	47	6	34
Interest received in cash	<hr/>	<hr/>	<hr/>
	33	7	24

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2008

1. Corporate information

Kardan N.V. ('the Company' or 'Kardan') having its legal seat in Amsterdam, The Netherlands, was incorporated on May 2, 2003, and acts as an investment company engaged in development of real estate, insurance and pension, infrastructure, technology and communications and consumer goods through its subsidiaries and associated companies. The registered office address of the Company is located at Claude Debussylaan 30, Amsterdam, The Netherlands. The Company's shares are traded on the NYSE Euronext Amsterdam and on the Tel Aviv Stock Exchange ('TASE').

These condensed interim financial statements were authorized for issuance by the management board on May 29, 2008.

2. Basis of presentation and preparation

A. Basis of preparation

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

The condensed interim consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto for the year 2007.

Effective the first quarter of 2007 the financial statements of the Company which are published in Israel are also prepared in accordance with IFRS. These financial statements are also presented in accordance with the Israeli Securities Regulations and accordingly present as well comparative figures of the income statement, cash flow statement and segments information for the year ended December 31, 2007. In order to provide equal information to all the readers of the financial statements, the Company has also included such comparative information in these condensed interim consolidated financial statements.

For the condensed interim consolidated financial statements for the period ended on March 31, 2008 the Company applied the same accounting principles and methods of computation as compared with the consolidated financial statements for the year 2007, except for the changes described below.

B. Changes in accounting policies

There are changes in International Financial Reporting Standards, which should be applied in the annual period commencing on or after January 1, 2008.

The Group has adopted the following new and amended IFRS and IFRIC interpretations during the year. Adoption of these revised standards and interpretations did not have any effect on the financial performance or position of the Group. They did however give rise to additional disclosures, including in some cases, revisions to accounting policies.

With the effect from 1 January 2008 International Financial Reporting Standards have been revised. There are the following new or revised standards and interpretations, which are applicable for the period following 1 January 2008:

- IFRIC 11 – “Group and Treasury State Transactions”
- IFRIC 14 – “The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction”

The amendments have been analyzed by the Group. The changes in the standards and interpretations have no material impact on the financial data presented in these interim condensed financial statements.

There are other changes in International Financial Reporting Standards, which were issued but not yet effective, however earlier application is encouraged:

- IFRS 2 - “Share-based Payments – Vesting Conditions and Cancellations” (amended in January 2008) - effective from 1 January 2009
- IFRS 3 - “Business Combinations” (revised in January 2008) - effective from 1 July 2009
- IFRS 8 - “Operating Segments” - effective from 1 January 2009,
- IAS 1 - “Presentations of Financial Statement” (amended in September 2007) - effective from 1 January 2009
- IAS 23 - “Borrowing costs” (amended in March 2007) - effective from 1 January 2009
- IAS 27 - “Consolidated and Separate Financial Statements” (revised in January 2008) - effective from 1 July 2009
- Amendments to IAS 32 and IAS 1 Puttable Financial Instruments (amendments issued in February 2008) - effective from 1 January 2009
- IFRIC 13 Loyalty Programmes - effective from 1 July 2008

Management does not expect the introduction of the above-mentioned amendments and interpretations to have a significant effect on the accounting policies applied by the Group with exception of IFRS 3 (revised) which may have impact on the accounting for future transactions, especially with respect to transaction costs and deferred considerations. The impact is however prospective in nature only.

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

	<u>USD</u>	<u>NIS</u>	<u>CPI</u>
March 31, 2008	1.5809	5.6169	102.6
March 31, 2007	1.3318	5.5343	98.9
December 31, 2007	1.4715	5.6592	102.5
Change in 2008 (3 months)	7.4%	(0.75)%	(0.01)%
Change in 2007 (3 months)	1.1%	(0.5)%	(0.2)%
Change in 2007 (12 months)	11.5%	1.5%	(3.4)%

C. The reporting period of the financial statements of the Russian insurance subsidiary, RIC, held by TBIH, used for consolidation purposes lags three months behind the reporting period of the Company. This lag in reporting has no material effect on the financial statements of the company. [IAS 27 par 41 c]

3. Segment information

	Real Estate	Financial Services - Insurance Pension	Financial Services – Banking Lending	Infrastructure Projects	Infrastructure Assets	Automotive & Consumer Goods	Communications & Technology	Other	Adjustment (1)	Total (2)
	€in millions	€in millions	€in millions	€in millions	€in millions	€in millions	€in millions	€in millions	€in millions	€in millions
For three months ended March 31, 2008										
Segment revenues	75	28	23	19	9	7	-	1	45	207
Segment results	59	(3)	-	-	-	2	(1)	-	-	57
Unallocated expenses										3
Profit from operations										54
For three months ended March 31, 2007										
Segment revenues	32	9	13	15	-	8	-	2	8	87
Segment results	17	1	-	-	-	3	(1)	1	-	21
Unallocated expenses										2
Profit from operations										19
For the year ended December 31, 2007										
Segment revenues	412	104	103	66	9	30	(4)	12	42	774
Segment results	329	33	37	2	(1)	10	(6)	10	-	414
Unallocated expenses										16
Profit from operations										398
(1) Finance income										
(2) Profit before taxes and finance expenses										

5. Significant transactions and commitments

Real Estate

A. During January-February 2008 GTC China purchased plots at a total area of 450,000 sq. m in different cities in China in return of EUR 69 million. GTC China intends to develop on the plots residential commercial spaces.

B. In January 2008, following the expending of the bond series of GTC RE in November 2007 (series B), and for the purpose of matching the payments of the GTC RE undertakings to the GTC RE cash flow resources, which are stated in Euros, GTC RE engaged with Discount Bank in a Swap transaction for NIS 193,430,049 in bonds (series B) nominal value, under which, starting on the date each transaction is entered into, the bank shall pay GTC RE the linked NIS cash flow required for repaying the bonds (series B), and on the other hand, GTC RE shall pay the bank a corresponding cash flow in Euros, with a fixed annual interest of 6.21%. After completion of the above mentioned hedge transaction, the outstanding hedged balance is 937,999,038 nominal value out of total 1,333,967,977 nominal value existing.

C. In March 2008, a subsidiary of GTC RE successfully completed the Nefryt office building in Warsaw, Poland. The adjustment to fair value amounted to EUR 28 million out of which the net equity holders share amounts to EUR 5 million.

D. In March 2008, a subsidiary of GTC RE successfully completed the Globis Wroclaw office building in Wroclaw. The adjustment to fair value amounted to EUR 23.2, out of which the net equity holders share net amounts to EUR 4 million.

E. During the first quarter of 2008, GTC RE issued 603,390 ordinary shares as a result of the conversion of NIS 9,710,144 par values of convertible debentures. Following the conversion the Company recorded a profit of EUR 2 million.

Financial Services

A. In February 2008, TBIF purchased an additional 9% of the Russian bank shares for a consideration of EUR 29 million. After this purchase TBIF is still proportional consolidating the financial statements of the Russian bank according to the share holder's agreement. The goodwill created in the acquisition amounted to EUR 7 million.

In addition, in May 2008, TBIF purchased from the other Russian bank shareholder an additional 1% of the share capital of the bank for a price of EUR 1.7 million. After that purchase TBIF is holding 60% of the Russian bank shares. According to this agreement TBIF was granted options to increase its share in the Russian bank to 65% according to the first option and to increase its share to 75% according to the second option. The exercise price of those options will be determined by mutually agreed formula. The first and the second option will be valid for a period of 30 days after the financial statements approval for 30th of June 2008 and 31st of December 2008 respectively.

In case that TBIF will not exercise its option to increase its share in the Russian bank to 75%, the

other shareholder in the Russian bank will have an option to purchase from TBIF shares that will reduce the holding of TBIF to 50% of the Russian bank shares and that, for the same price that TBIF paid for increasing its share in the Russian bank including annual interest of LIBOR + 5%.

The exercise of the above mentioned options is subject to regulatory approvals.

B. In March 2008, TBIH completed the acquisition of 62% of Ukrainian insurance company ("UIG"), for a total consideration of EUR 33 million (in which the Company's share amounts to EUR 13 million).

The shareholders agreement includes a call option for TBIH to purchase and a put option for the Sellers to sell the remaining 38% of UIG within five years under certain terms and conditions. The excess of purchase price over the net assets of UIG (including the financial liability to recognize the put option granted to the minority shareholder) amounted to EUR 84 million (the company share is EUR 34 million). TBIH classified the excess of the purchase price over the net assets preliminary pending PPA as goodwill.

Infrastructure

In February 2008 Tahal Group B.V. signed an agreement with the national water company of Angola, Empresa Publica de Agua ('EPAL'), regarding the development of a water supply infrastructure project.

The agreement between Tahal and EPAL involves the execution of a water supply network distribution system to seven neighborhoods, located to the south of the capital city Luanda. The project includes the design of the distribution system and the installation of about 400 km of PVC pipes and the installation of about 140 fountains. The total project comprises an area of about 3,530 acres.

The project size is approximately EUR 34 million and will be financed by the Government of Angola. The execution of the project is estimated to take 18 months.

Kardan Israel

A. In March 2008 the Israeli real estate subsidiary, Kardan Real Estate Ltd. ("Kardan RE"), a subsidiary of Kardan Israel Ltd., signed an agreement with Delek Real Estate ("DRE") for the merger of their activities.

The merger will create one of the largest residential property developers in Israel with a land bank for approximately 7,000 housing units of which 1,600 are already under construction.

DRE will transfer all of its shares in Dankner Investments Ltd. ("DI"), a fully owned subsidiary of DRE, to Kardan RE. DRE will receive 40% of the shares of Kardan RE. Following the transaction, Kardan RE will be jointly held by Kardan Israel (60%) and DRE (40%).

The final agreement and the closing of the transaction are subject to certain conditions precedent, including antitrust and tax authority approvals. The transaction is not yet executed as conditions precedent not yet met.

Kardan Israel has granted DRE a put option to sell its shares to Kardan Israel in case there has not been an IPO of the merged entity following the fourth anniversary of the closing. The consideration for this sale will be determined by an appraiser but will not be less than USD 67.5 million (EUR 46 million). The put option can be exercised during a period of 90 days, following the 4th anniversary of the closing (and in certain circumstances the exercise period can be postponed by Kardan RE for an additional year).

B. During the first quarter of 2008, Kardan Israel acquired 750,518 shares of GTC RE in consideration of EUR 6 million. Due to these acquisitions the holding percentage of the Company in GTC RE increased to 65.2%. The excess of the purchase price over the book value of the net assets of GTC RE amounted to EUR 2.5 million and is allocated as general goodwill.

6. Subsequent events

A. In April 2008, the Company announced that it is currently in a process of investigating the possibilities to merge GTC RE into Kardan.

The proposed merger is in line with the strategy of the Company to simplify the group structure and further increase its transparency. The intended merger will create a larger holding company, strengthening the equity and the value of the combined entity. There is no certainty if and when the merger will take place.

B. In April 2008, GTC Russia (a 95% subsidiary of GTC SA) signed a preliminary agreement to acquire a 50% stake in an office development project in Viborgsky, a district of St. Petersburg, Russia. GTC Russia intends to develop 110,000 sqm of net office space, to be completed in 2011-13. The project is expected to generate approximately EUR 53 million of net annual rental income upon its full completion. GTC Russia will pay approximately EUR 27 million for its share in the project. The acquisition is expected to be completed by the end of May 2008.

C. In May, 2008, the Management Board of Kardan, with the approval of the Supervisory Board, decided to propose to the annual general meeting of shareholders to be held in June 2008 to resolve to distribute dividend for 2007 in a total amount of EUR 18 million. The determined day, the Ex day, the day of the distribution and the way of the payment are yet to be determined.

D. In May 2008, GTC SA completed the issuance of debentures amounting to PLN 350 million (EUR 103 million). The debentures were issued to institutional investors in Poland and are not subject to any pledge or guarantee. The debentures bear fix interest of 6.63% denominated in PLN and will be repaid in 5 years from the issuance date.

E. In May 2008, KFS signed a share purchase agreement to acquire the minority share (approximately 25%) of The Russian Insurance Company (RIC) in consideration of EUR 16 million subject to adjustments. The purchase price will be financed via a loan from TBIH to KFS. The closing of the transaction is subject to certain conditions precedent. Following the closing of this transaction KFS will hold 100% of RIC.

F. In April 2008 the Management Board of the Company resolved, after approval of the Supervisory Board in February 2008, to grant 150,000 options to a Management Board member, exercisable for in total a maximum of 150,000 ordinary shares in the capital of Kardan at an exercise price of €6.615 per option, reflecting a price of 90% of the closing price of the Company's share on Euronext as at the date of grant, being April 1, 2008, all in accordance with the Company's Options Plan and all under the condition subsequent of the general meeting of shareholders denying approval to the granting of such options which approval will be requested during the annual general meeting of shareholders to be held in June 2008. In addition, the Supervisory Board resolved approved the granting of 175,000 options to a nominee of the Management Board of the Company exercisable for in total a maximum of 175,000 ordinary shares in the capital of Kardan at an exercise price per option of 90% of the closing price of Kardan's share on Euronext on the date of grant, all under the condition subsequent of the general meeting of shareholders denying approval to the granting of such options which approval will be requested during the annual general meeting of shareholders to be held in June 2008. The options will be granted to the nominee under the terms and conditions of the Company's Option Plan with the following exceptions: the options will be granted in three equal portions over three years, with the vesting period commencing at the end of two years from the date of grant. The options will be exercisable as follows: Up to two thirds of the options are first exercisable at the end of three years after the date of grant. The balance will be exercisable at the end of the fourth year after the date of grant. The options will be exercisable from the end of their vesting period until six years after the date of grant.