KARDAN N.V.
AMSTERDAM, THE NETHERLANDS

Condensed Interim Consolidated Financial Statements
As of June 30, 2008

CONTENTS

CONDENSED INTERIM CONSOLIDATED BALANCE SHEET

A s s e t s

	June 30,		December 31,
	2008	2007	2007
	€ in millions	€ in millions	€ in millions
Non-current assets			
Property, plant and equipment	103	63	80
Real estate under construction	464	216	306
Investment properties	1,104	816	960
Investment in associates	134	122	127
Available-for-sale financial assets	77	62	65
Loans to bank customers	272	180	232
Long-term loans and receivables	307	181	202
Deferred acquisition costs (insurance companies)	14	6	12
Intangible assets and goodwill	422	224	342
Deferred income tax assets	17	5	17
	2,914	1,875	2,343
Current assets			
Inventories and contract work and buildings inventory in progress	389	191	297
Current maturities of long-term loans and receivables	272	173	223
Loans to bank customers	172	73	165
Trade receivables	60	54	44
VAT and income tax receivables	49	21	34
Insurance premiums receivables	46	32	36
Other receivables and prepayments	237	87	117
Reinsurance receivables and insurance companies	30	33	32
Short-term investments	117	62	88
Cash and cash equivalents	699	779	893
	2,071	1,505	1,929
Total assets	4,985	3,380	4,272

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

	June 30, **2008**	June 30, 2007	December 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	175	176
Foreign currency translation reserve	(35)	(20)	(25)
Property revaluation reserve	124	81	109
Revaluation reserve, other	23	3	(5)
Retained earnings	54	43	71
	359	299	343
Minority Interest	787	561	730
Total equity	1,146	860	1,073
Non-current liabilities			
Interest-bearing loans and borrowings	1,131	787	829
Banking customer accounts	142	116	43
Other long-term liabilities	5	5	7
Warrants and options	167	138	164
Convertible debentures	32	40	31
Other Debentures	943	550	742
Insurance provisions	135	118	139
Deferred income tax liabilities	124	84	110
Accrued severance pay, net	1	1	1
	2,680	1,839	2,066
Current liabilities			
Advances from customers in respect of contracts	24	17	12
Banking customers accounts	409	176	443
Income tax payable	9	9	10
Dividend payable	18	9	-
Trade payables	92	57	65
Interest-bearing loans and borrowings	331	271	353
Other payables and accrued expenses	276	142	250
	1,159	681	1,133
Total liabilities	3,839	2,520	3,199
Total equity and liabilities	4,985	3,380	4,272

The accompanying notes are an integral part of these financial statements

CONDENSED INTERIM CONSOLIDATED INCOME STATEMENT

	Six months ended June 30,		Three months ended June 30,		The year ended December 31
	2008	2007	**2008**	2007	2007
	€ in millions	€ in millions	€ in millions	€ in millions	€ in millions
Revenues					
Sales and services	26	21	16	8	61
Contract revenues	72	35	39	19	86
Insurance activities	60	23	32	10	66
Banking and retail lending activities	56	30	33	21	72
Rental revenues	35	27	19	14	60
Equity in net earnings of associates	3	3	2	2	6
Management fees	1	1	1	1	2
Gain on issuance of shares in associates and subsidiaries to third parties	2	3	-	2	45
Adjustment to fair value of investment properties	71	102	22	91	287
Gain on disposal of assets and other income	3	30	3	28	47
Other financial income	85	16	40	8	42
	414	291	207	204	774
Expenses					
Cost of sales and services	21	16	13	6	46
Contract costs	59	26	33	14	68
Operating expenses of insurance activities	62	22	32	9	64
Costs of banking and lending activities	52	26	29	18	65
Costs of rental operations	8	6	4	3	12
Selling and marketing expenses	10	9	5	4	19
General and administration expenses	27	20	15	12	56
Financing expenses	90	51	41	27	148
Other expenses, net	1	2	1	-	4
	330	178	173	93	482
Net profit before income taxes	84	113	34	111	292
Income taxes	19	25	6	20	42
Net profit for the period	65	88	28	91	250

The accompanying notes are an integral part of these financial statements

CONDENSED INTERIM CONSOLIDATED INCOME STATEMENT (CONT.)

	Six months ended June 30,		Three months ended June 30,		The year ended December 31
	2008	2007	**2008**	2007	2007
	€ in millions	€ in millions	€ in millions	€ in millions	€ in millions
Net profit for the period	65	88	28	91	250
Attributable to:					
Equity holders	16	34	3	38	90
Minority interest holders	49	54	25	53	160
	65	88	28	91	250
Earning (loss) per share attributable to shareholders					
Basic	0.20	0.42	0.04	0.48	1.11
Diluted	0.02	0.42	0.03	0.48	1.10

The accompanying notes are an integral part of these financial statements

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent							Minority interests	Total equity
	Issued and paid-in capital	Share premium	Property revaluation reserve	Revaluation reserve, other	Foreign currency translation reserve	Retained earnings	Total		
	€ in millions	€ in millions	€ in millions	€ in millions	€ in millions	€ in millions	€ in millions	€ in millions	€ in millions
Balance at January 1, 2008	17	176	109	(5)	(25)	71	343	730	1,073
Currency translation differences	-	-	-	-	(10)	-	(10)	(8)	(18)
Change in fair value of hedge instruments	-	-	-	28	-	-	28	7	35
Total income and expense for the period recognized directly in equity	-	-	-	28	(10)	-	18	(1)	17
Net result for the period	-	-	-	-	-	16	16	49	65
Total income /expense for the period	-	-	-	28	(10)	16	34	48	82
Share based payments	-	-	-	-	-	-	-	-	-
Issuance and sale of shares in subsidiaries	-	-	-	-	-	-	-	9	9
Dividend	-	-	-	-	-	(18)	(18)	-	(18)
Reclassification according to statutory requirements (see Note 3D)	-	-	15	-	-	(15)	-	-	-
Balance at June 30, 2008	17	176	124	23	(35)	54	359	787	1,146

The accompanying notes are an integral part of these financial statements

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Attributable to equity holders of the parent							Minority interests	Total equity
	Issued and paid-in capital	Share premium	Property revaluation reserve	Revaluation reserve, other	Foreign currency translation	Retained earnings	Total		
	€ in millions	€ 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	-	-	-	4	-	-	4	1	5
Adjustment due to restatement of subsidiary	-	-	-	-	-	(5)	(5)	(2)	(7)
Release of capital reserves	-	-	-	(1)	(1)	-	(2)	-	(2)
Currency translation differences	-	-	-	-	(5)	-	(5)	(1)	(6)
Total income and expense for the period	-	-	-	3	(6)	(5)	(8)	(2)	(10)
Net result for the period	-	-	-	-	-	34	34	54	88
Total income /expense for the period	-	-	-	3	(6)	29	26	52	78
Share based payments	-	1	-	-	-	-	1	2	3
Issuance of shares in subsidiaries	-	-	-	-	-	-	-	25	25
Purchase of shares in consolidated	-	-	-	-	-	-	-	(9)	(9)
Exercise of warrants into Company’s	-	14	-	-	-	-	14	-	14
Dividend declared	-	-	-	-	-	(9)	(9)	-	(9)
Reclassification according to statutory requirements (see Note 3D)	-	-	16	-	-	(16)	-	-	-
Balance at June 30, 2007	17	175	81	3	(20)	43	299	561	860

The accompanying notes are an integral part of these financial statements

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Attributable to equity holders of the parent							Minority interests	Total equity
	Issued and paid-in capital	Share premium	Property revaluation reserve	Revaluation reserve, other	Foreign currency translation reserve	Retained earnings	Total		
	€ in millions	€ in millions	€ in millions	€ in millions	€ in millions	€ in millions	€ in millions	€ in millions	€ in millions
Balance at April 1, 2008	17	176	118	-	(39)	75	347	752	1,099
Currency translation differences	-	-	-	-	4	-	4	(2)	2
Change in fair value of hedge instruments	-	-	-	23	-	-	23	6	29
Total income and expense for the period recognized directly in equity	-	-	-	23	4	-	27	4	31
Net result for the period	-	-	-	-	-	3	3	25	28
Total income /expense for the period	-	-	-	23	4	3	30	29	59
Share based payments	-	-	-	-	-	-	-	6	6
Issuance and sale of shares in subsidiaries	-	-	-	-	-	-	-		
Dividend	-	-	-	-	-	(18)	(18)	-	(18)
Reclassification according to statutory requirements (see Note 3D)	-	-	6	-	-	(6)	-	-	-
Balance at June 30, 2008	17	176	124	23	(35)	54	359	787	1,146

The accompanying notes are an integral part of these financial statements

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Attributable to equity holders of the parent							Minority interests	Total equity
	Issued and paid-in capital	Share premium	Property revaluation reserve	Revaluation reserve, other	Foreign currency translation	Retained earnings	Total		
	€ in millions	€ in millions	€ in millions	€ in millions	€ in millions	€ in millions	€ in millions	€ in millions	€ in millions
Balance at April 1, 2007	17	167	68	(1)	(14)	27	264	493	757
Change in fair value of hedge instruments	-	-	-	5	-	-	5	1	6
Release of capital reserves	-	-	-	(1)	(1)	-	(2)	-	(2)
Currency translation differences	-	-	-	-	(5)	-	(5)	(1)	(6)
Total income and expense for the period	-	-	-	4	(6)	-	(2)	-	(2)
Net result for the period	-	-	-	-	-	38	38	53	91
Total income /expense for the period	-	-	-	4	(6)	38	36	53	89
Share based payments	-	-	-	-	-	-	-	1	1
Issuance of shares in subsidiaries	-	-	-	-	-	-	-	23	23
Purchase of shares in consolidated companies	-	-	-	-	-	-	-	(9)	(9)
Exercise of warrants into Company's	-	8	-	-	-	-	8	-	8
Dividend declared	-	-	-	-	-	(9)	(9)	-	(9)
Reclassification according to statutory requirements (see Note 3D)	-	-	13	-	-	(13)	-	-	-
Balance at June 30, 2007	17	175	81	3	(20)	43	299	561	860

The accompanying notes are an integral part of these financial statements

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Attributable to equity holders of the parent							Minority interests	Total equity
	Issued and paid-in capital	Share premium	Property revaluation reserve	Revaluation reserve, other	Foreign currency translation	Retained earnings	Total		
	€ in millions	€ 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	-	-	-	(4)	-	-	(4)	(1)	(5)
Adjustment due to restatement of subsidiary	-	-	-	-	-	(5)	(5)	(2)	(7)
Change in unrealized revaluation reserve	-	-	-	(1)	-	-	(1)	-	(1)
Share based payment	-	2	-	-	-	-	2	3	5
Currency translation differences	-	-	-	-	(11)	-	(11)	1	(10)
Total income and expense for the period	-	2	-	(5)	(11)	(5)	(19)	1	(18)
Net result for the period	-	-	-	-	-	90	90	160	250
Total income /expense for the period	-	2	-	(5)	(11)	85	71	161	232
Issuance of shares in subsidiaries	-	-	-	-	-	-	-	78	78
Exercise of warrants into Company's	-	14	-	-	-	-	14	-	14
Dividend	-	-	-	-	-	(9)	(9)	-	(9)
Reclassification according to statutory requirements (see Note 3D)	-	-	44	-	-	(44)	-	-	-
Balance at December 31, 2007	17	176	109	(5)	(25)	71	343	730	1,073

The accompanying notes are an integral part of these financial statements

CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT

	Six months ended June 30.		Three months ended June 30,		Year ended December,
	2008	2007	**2008**	2007	31, 2007
	€ in millions	€ in millions	€ in millions	€ in millions	€ in millions
Cash flow from operating activities					
Net profit before income taxes	84	113	34	111	292
Adjustments required to present cash flow from operating activities (see A below)	(145)	(211)	(44)	(172)	(392)
Net cash (used in) provided by operating activities	(61)	(98)	(10)	(61)	(100)
Cash flow from investing activities					
Acquisition of property, plant and equipment and investment properties	(221)	(91)	(143)	(24)	(200)
Investments in companies and partnerships	(28)	(20)	(17)	(15)	(63)
Collecting (granting) of loans to associated companies, net	(7)	(2)	(5)	(3)	(11)
Proceeds from disposal of property, plant and equipment and investment properties	1	16	1	15	16
Granting of long-term loans	(292)	(125)	(169)	(31)	(442)
Change in loans to bank costumers	(30)	(42)	(37)	(90)	(113)
Collecting of long-term loans and receivables	166	105	96	69	298
Change in short-term investments	(60)	(4)	(38)	(1)	(4)
Acquisition of newly-consolidated subsidiaries, net of cash acquired (see B below)	(85)	(44)	(33)	(44)	(134)
Increase in cash resulting from sale of investments in formerly proportionately consolidated subsidiaries (see C below)	2	-	2	-	119
Increase in cash due to transaction in the financial services segment (see D below)	-	18	-	18	18
Change in deferred brokerage fees	(2)	(1)	(2)	-	(2)
Income tax paid	-	(10)	-	2	(21)
Net cash used in investing activities	(556)	(200)	(345)	(104)	(539)

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CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

	Six months ended June 30.		**Three months ended June 30,**		**Year ended December,**
	2008	2007	**2008**	2007	31, 2007
	€ in millions	€ in millions	€ in millions	€ in millions	€ in millions
Cash flows from financing activities					
Proceeds from issuance of shares in associated companies and subsidiaries to third parties, net	-	6	-	4	62
Issuance of debentures	155	466	155	211	691
Repayment of debentures	-	(3)	-	(3)	(47)
Issuance of shares to minority in subsidiaries	7	-	6	-	-
Change in loans from bank customers	26	33	64	33	195
Receipts or proceeds of long-term loans	466	320	180	173	545
Repayment of long-term loans	(229)	(137)	(104)	(60)	(273)
Costs related to issuance of debt and shares	(2)	(2)	(2)	(1)	(3)
Dividend	-	-	-	-	(9)
Change in short-term loans and borrowings, net	(2)	(15)	13	(9)	(26)
Net cash provided by financing activities	421	668	312	348	1,135
Foreign exchange differences relating to cash and cash equivalents	2	-	18	1	(12)
	(194)	370	(25)	184	484
Cash and cash equivalents at the beginning of the period	893	409	724	595	409
Cash and cash equivalents at end of the period	699	779	699	779	893

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CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

	Six months ended June 30.		**Three months ended June 30,**		**Year ended December,**
	2008	2007	**2008**	2007	31, 2007
	€ in millions	€ in millions	**€ in millions**	€ in millions	€ in millions
A. Adjustments to reconcile net profit to net cash					
Charges/(credits) to profit/loss not affecting operating cash flows:					
• Equity earning of associated companies	(3)	(3)	(2)	(2)	(6)
• Dividend received from associated companies	6	3	3	1	11
• Gain on issuance of shares in associated companies and subsidiaries to third parties, net	(2)	(3)	-	(2)	(45)
• Gain on disposal of investments in companies, property, plant and equipment and investment properties, net	-	(26)	-	(26)	(31)
• Share based payments	-	3	-	2	5
• Depreciation and amortization	5	4	1	2	13
• Fair value adjustments	(71)	(102)	(22)	(90)	(292)
• Exchange differences, net	24	(1)	16	(8)	61
• Change in fair value of options and share appreciation rights	(12)	23	9	14	51
• Decrease (increase) in fair value of securities held for trading, net	2	-	-	1	1
• Gain (loss) from early repayment of loans	-	(1)	-	-	(3)
• Increase in accrued severance pay, net	-	-	-	-	(1)
Changes in operating assets and liabilities					
• Change in insurance provisions and deferred acquisition costs, net	12	11	12	2	12
• Change in outstanding insurance premiums, reinsurance receivables and insurance companies	(13)	(10)	(9)	-	(11)
• Change in trade and other receivables	(57)	(37)	(36)	(8)	(94)
• Change in inventories and in contract work in progress, net of advances from customers	(87)	(15)	(50)	(17)	(97)
• Change in trade and other payables	55	(54)	36	(40)	40
Income taxes paid	(4)	(3)	(2)	(1)	(6)
	(145)	(211)	(44)	(172)	(392)

The accompanying notes are an integral part of these financial statements

CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

	Six months ended June 30.		Three months ended June 30,		Year ended December,
	2008	2007	**2008**	2007	31, 2007
	€ in millions	€ in millions	**€ in millions**	€ in millions	€ in millions
B. Acquisition of newly consolidated subsidiaries and increase of holding in joint ventures, net of cash acquired					
Working capital (including cash)	3	(77)	6	(77)	(97)
Non-current assets	(126)	(37)	(51)	(36)	(122)
Goodwill on acquisition	(73)	(22)	(5)	(22)	(80)
Minority interests	2	2	-	2	9
Gain on disposal of investment	-	-	-	-	7
Long-term liabilities	74	66	21	65	123
Total purchase price	(120)	(68)	(29)	(68)	(160)
Less-cash in subsidiaries acquired	9	24	(8)	24	26
Payable on account of investment	26	-	4	-	-
Cash used in acquisition, net of cash acquired	(85)	(44)	(33)	(44)	(134)
C. Disposal of formerly-consolidated subsidiaries, net of cash disposed					
Working capital (including cash)	(18)	-	(18)	-	-
Non-current assets	21	-	21	-	-
Goodwill	2	-	2	-	-
Investment properties	-	-	-	-	120
Total consideration	5	-	5	-	120
Investment in associates	(1)	-	(1)	-	-
Cash of subsidiaries which ceased to be consolidated	(2)	-	(2)	-	(1)
Cash flows from disposal, net of cash disposed	2	-	2	-	119

The accompanying notes are an integral part of these financial statements

CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

	Six months ended June 30.		Three months ended June 30,		Year ended December,
	2008	2007	**2008**	2007	31, 2007
	€ in millions	€ in millions	€ in millions	€ in millions	€ in millions
D. Increase in cash due to transaction in the financial services segment					
Cash	-	84	-	84	84
Working capital (excluding cash)	-	100	-	100	100
Non- Current assets	-	(158)	-	(158)	(158)
Goodwill on acquisition	-	(27)	-	(27)	(27)
Minority interests	-	14	-	14	14
Long-term liabilities	-	70	-	70	70
Total consideration	-	83	-	83	83
Change in cash	-	(84)	-	(84)	(84)
Change in capital reserves	-	(1)	-	(1)	(1)
Gain on disposal	-	20	-	20	20
Cash flows from disposal, net of cash disposed	-	18	-	18	18
E. Significant non-cash transactions					
Investment in real estate under construction against payables	18	21	8	10	35
Exercise of options to Company's shares	-	14	-	8	14
Conversion of convertible debentures into shares of consolidated companies	5	5	-	3	158
Dividend declared	18	9	18	9	-
Payable on account of investments	26	-	4	-	-
F. Additional information					
Interest paid in cash	91	43	44	37	65
Interest received in cash	87	8	54	1	24

The accompanying notes are an integral part of these financial statements

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
June 30, 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 August 28, 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.

For the condensed interim consolidated financial statements for the period ended on June 30, 2008 the Company applied the same accounting principles and methods of computation as compared with the consolidated financial statements for the year 2007.

B. Exchange rates and index

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:

	EUR/USD	EUR/NIS	CPI
June 30, 2008	1.5766	5.2849	195.6
June 30, 2007	1.344	5.7132	186.7
December 31, 2007	1.4715	5.6592	191.1
Change in 2008 (6 months)	7.1%	(6.8%)	2.3%
Change in 2008 (3 months)	(0.3%)	(6.2%)	2.2%
Change in 2007 (6 months)	0.6%	2.6%	1.0%
Change in 2007 (3 months)	2.3%	3.1%	1.2%
Change in 2007 (12 months)	11.7%	1.7%	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.

D. Changes in accounting policies

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

- IFRS 8 – ‘*Operating Segments*’ **-** effective from 1 January 2009,
- Annual improvements - effective from 1 January 2009 – these amendments have not been endorsed by EU till the day of these financial statements,
- Amendments to IFRS 1 and IAS 27 – ‘*Accounting for investments in subsidiaries, jointly controlled entities and associates in separate financial statements*’ - effective from 1 January 2009 – it has not been endorsed by EU till the day of these financial statements,
- IFRIC 15 – ‘*Agreements for the Construction of Real Estate*’ - effective from 1 January 2009 – it has not been endorsed by EU till the day of these financial statements,
- IFRIC 16 – ‘*Hedges of a Net Investment in a Foreign Operation*’ - effective from 1 October 2008 – it has not been endorsed by EU till the day of these financial statements,
- Amendments to IAS 39 – ‘*Financial Instruments: Eligible Hedged Items*’ - (revised in July 2008) - effective from 1 July 2009 – it has not been endorsed by EU till the day of these financial statements.
- IAS 40 (Revised) – ‘*Investment Property*’ - investment property under construction or under development for future use as investment property will also be accounted for as investment property when the fair value model is applied and can be measured reliably. The Standard will be adopted prospectively starting from the financial statements for periods commencing on January 1, 2009.

  The impact of IAS 40 (Revised) on the financial statements of the Company will be the revaluation of investment properties under construction.
- IAS 28 (Revised) – ‘*Investment in associates*’ - Pursuant to IAS 28 (Revised), the test of impairment of an investment in an associate will be carried out with reference to the entire investment. Accordingly, a recognized impairment loss will not be specifically attributed to goodwill included in the investment but rather attributed to the investment as a whole and therefore, the entire impairment loss recognized in the past may be reversed provided that the relevant conditions are met. The Standard may be adopted retrospectively or prospectively starting from the financial statements for periods commencing on January 1, 2009. Early adoption is permitted.

- IFRS 5 (Revised) – ‘*Non-current Assets Held for Sale and Discontinued Operations*’ - Pursuant to IFRS 5 (Revised), when the parent company decides to sell part of its holdings in a subsidiary whereby following the sale, the parent company will maintain a percentage of holding that does not confer control, for example, rights entitling to significant influence, all the assets and liabilities attributed to the subsidiary will be classified as held for sale and the relevant provisions of IFRS 5 will apply, including presentation as discontinued operations.

The amendment to IFRS 5 will be prospectively adopted starting from the financial statements for periods commencing on January 1, 2010. Early adoption is permitted.

Management does not expect the introduction of the above-mentioned amendments and interpretations to have a significant effect on the financial position, operating results and cash flows of the Company, unless mentioned otherwise.

3. Shareholders equity

A. Composition of share capital

	June 30, 2008		December 31, 2007	
	Authorized	Issued and Paid-in	Authorized	Issued and Paid-in
	Number of shares		Number of shares	
Ordinary shares with nominal value of EUR 0.20 each	225,000,000	80,904,797	225,000,000	80,871,183

B. Changes in the reported period:

During the six months period ended on June 30, 2008 the Company has issued 33,614 ordinary shares as a result of the exercise of 44,998 options (route 1). As a result, the shareholders' equity of the Company has increased with EUR 338 thousand. Following this exercise, the outstanding balance of the options (route 1) amounts to 1,874,925.

C. Dividend

In June 2008 the annual general meeting of shareholders approved distribution of dividend for the year 2007 in a total amount of EUR 18 million. The dividend was paid in July 2008.

D. Reclassification for statutory purposes

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.

E. In April 2008 the Management Board of the Company resolved, after approval of the Supervisory Board, to grant 150,000 options to a Management Board member, exercisable for into up to 150,000 ordinary shares in the capital of the Company 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 Employees Options Plan.
In addition, the Supervisory Board resolved granting of 175,000 options to a member of the Management Board of the Company (at that time, a nominee) exercisable into up to 175,000 ordinary shares in the capital of the Company at an exercise price per option of €9.22 reflecting 90% of the closing price of Kardan's share on Euronext on the date of grant, all subject to the approval of the annual general meeting of shareholders that was held in June 2008. The options were granted under the terms and conditions of the Company's Employees Option Plan with the following exceptions for the 175,000 options granted: 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.

In June 2008 the option plans as stated above were approved by the annual general meeting of the shareholders.

The fair value of the options was calculated using the Black & Scholes model under the following assumptions:

Number of options	150,000	175,000
Exercise price	6.62	9.22
Share price on date of grant	7.35	10.24
Risk free interest rate	3.68%	4.26%
Expected term of the option (in years)	5	6
Standard deviation	40.5%	40.4%
Value of one option (in EUR)	3.27	5.04

F. In May 2008 the Company has published a shelf prospectus in Israel, based on its financial statements for the year ended on December 31, 2007. The prospectus was published in connection with, amongst others, the announcement of the Company that it is currently in a process of investigating the possibilities to merge GTC RE into Kardan.

4. Segment information

	Real Estate	Financial Services - Insurance Pension	Financial Services – Banking Lending	Infrastructure Projects	Infrastructure Assets	Automotive & Consumer Goods	Communication & Technology	Other	Adjustments (1)	Total (2)
	€ in millions	€ in millions	€ in millions	€ in millions	€ in millions	€ in millions	€ in millions	€ in millions	€ in millions	€ in millions
For the six months ended June 30, 2008										
Segment Revenues	135	62	56	43	17	15	-	1	85	414
Segment Results	90	(3)	3	-	-	5	(1)	-	-	94
Unallocated expenses										5
Profit from operations										89
For the three months ended June 30, 2008										
Segment Revenues	60	34	33	24	8	8	-	-	40	207
Segment Results	31	-	3	-	-	3	-	-	-	37
Unallocated expenses										2
Profit from operations										35

(1) Finance income
(2) Profit before taxes and finance expenses

	Real Estate	Financial Services - Insurance Pension	Financial Services – Banking Lending	Infrastructure Projects	Infrastructure Assets	Automotive & Consumer Goods	Communication & Technology	Other	Adjustments (1)	Total (2)
	€ in millions	€ in millions	€ in millions	€ in millions	€ in millions	€ in millions	€ in millions	€ in millions	€ in millions	€ in millions
For the six months ended June 30, 2007										
Segment Revenues	138	45	33	34	1	16	(1)	9	16	291
Segment Results	114	20	6	1	1	6	(2)	8	-	154
Unallocated expenses										6
Profit from operations										148
For the three months ended June 30, 2007										
Segment Revenues	105	32	24	19	1	8	-	7	8	204
Segment Results	97	20	5	1	1	3	(1)	8	-	134
Unallocated expenses										4
Profit from operations										130
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

A. Real Estate

1. In March 2008, GTC SA has successfully completed the Nefryt office building in Warsaw, Poland, and the Globis Wroclaw office building in Wroclaw, Poland. The adjustments to fair value amounted to EUR 28 million and EUR 23.2 million, respectively, out of which the net equity holders share amounts to EUR 9 million.

2. In June 2008, GTC SA has successfully completed the Zephirus office building in Warsaw, Poland, and a subsidiary of GTC Romania has completed the Galleria Buzau shopping mall in Buzau, Romania. The adjustments to fair value amounted to EUR 10.3 million and EUR 21.2 million, respectively, out of which the net equity holders share amounts to EUR 3 million.

3. In January 2008, following the expanding 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 its 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 NIS 937,999,038 nominal value out of total NIS 1,333,967,977 nominal value existing.

4. During January-February 2008 GTC China has purchased land plots having a total area of 450,000 sq.m in different cities in China in consideration of EUR 69 million. GTC China intends to develop on the land into residential and commercial projects.

5. In March 2008 Kardan Israel Ltd. and 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.

   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.

   Kardan Israel has granted DRE a put option to sell its shares in Kardan RE 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 (approximately 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 Israel for an additional year).

6. During the six months period ended on June 30, 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.

7. During the first half year of 2008, GTC RE issued 603,409 ordinary shares as a result of the conversion of NIS 9,710,450 par values of convertible debentures. Following the conversion the Company recognized a profit of EUR 2 million.

8. In May 2008, GTC Russia signed an 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 sq.m. of net office space, to be completed in 2011-2013. GTC Russia paid approximately EUR 29 million for its share in the project. The costs for the development of the total project are estimated to amount to approximately EUR 413 million.

9. In May 2008, GTC SA completed the issuance of debentures amounting to PLN 350 million (approximately EUR 104 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.

B. Financial Services

1. In February 2008, TBIF purchased an additional 9% of the shares of the Russian bank for a consideration of EUR 29 million. The goodwill created in the acquisition amounted to EUR 7 million.

   In addition, in May 2008, TBIF purchased from the other shareholder of the Russian bank an additional 1% of the share capital of the bank for in consideration of EUR 1.7 million.

   Following these acquisitions TBIF holds a 60% stake in the Russian bank. TBIF continues to proportional consolidate the financial statements of the Russian bank according to the shareholders' agreement.

   According to the 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 a mutually agreed formula. The first and the second options will be valid for a period of 30 days after the approval of the financial as of 30th of June 2008 and 31st of December 2008, respectively.

   In case that TBIF will not exercise the second option, the other shareholder in the Russian bank will have an option to purchase from TBIF shares that will reduce TBIF interest in the Russian bank for the same price that TBIF paid for increasing its share in the Russian bank plus annual interest of LIBOR + 5%.

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

2. 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 the 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 (in which the Company's share is EUR 34 million). TBIH classified the excess of the purchase price over the net assets preliminary pending PPA as goodwill.

3. In May 2008, KFS acquired the minority share (approximately 25%) of The Russian Insurance Company ('RIC') in consideration of EUR 16 million. , Following the closing of this transaction KFS will hold 100% of RIC. The excess of the purchase price over the over the net asset value of RIC amounted to EUR 3.3 million and was accounted for as goodwill.

C. Infrastructure

In February 2008 Tahal Group B.V. ('Tahal') 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.

6. Subsequent events

A. Subsequent to the balance sheet date, in July 2008 Tahal has won two tenders for turn key projects in two countries, located in the Southern Sahara.
The projects size is approximately EUR 165 million (USD 260 million) and the execution of the projects will take around 3 to 5 years. The commencing of the projects is subject, among other things, to the closing of the financing for each of the projects.

In August 2008 Tahal has closed the financing for a Turnkey project in Ghana. The project size is approximately EUR 41 million and it is financed through a grant from the government of the Netherlands and a long term loan that was made available to the ministry of treasury and finance in Ghana by a commercial bank.

B. Subsequent to the balance sheet date, in July 2008, GTC Ukraine signed an agreement to acquire a 10% stake in Europort Ltd ('Europort'), a company active in investing in real estate investments in the CIS region for a total consideration of approximately EUR 3.5 million. Furthermore, an agreement was signed to acquire 49.99% of Europort Investments (Cyprus) 1 Limited ('Europort Cyprus'), a 100% subsidiary of Europort. Europort Cyprus is active in the Ukrainian real estate sector and is developing a combined offices and logistics project of 120,000 sq.m. in Odessa, Ukraine. In addition, GTC Ukraine will grant Europort Cyprus a loan in the amount of EUR 7.9 million. The remainder of the Europort Cyprus shares will continue to be held by Europort. The costs for the development of the total project are estimated to amount to approximately EUR 109 million.

C. Subsequent to the balance sheet date, in July 2008, GTC China has won an auction to acquire a land plot of approximately 10,400 sq. m. with construction rights of approximately 109,000 sq.m. in the city of Hangzhou in China. GTC China will hold 50% in the project. The project is a mixed use project and will comprise of, residential (84,000 sq.m.) and retail and office (25,000 sq.m. in total). The consideration for the land will amount to approximately EUR 40 million. The costs for the development of the total project are estimated to amount to approximately EUR 155 million.

D. Following the term sheet signed in November 2007 by GTC RE in connection with a development in India, subsequent to the balance sheet date, in July 2008, GTC RE signed a detailed agreement with a third party, which concludes the understandings regarding the preliminary term sheet. According to the agreement, the third party will transfer a land it owns to a joint venture company, which will be held equally by the parties, and GTC RE will invest an amount of approximately USD 95 million (approximately EUR 60 million). The completion of the transaction is subject to certain conditions precedent including receiving a Special Economic Zone approval which grants significant tax benefits.

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To the management and shareholders of Kardan N.V.

Review report

Introduction
We have reviewed the accompanying interim condensed balance sheet of Kardan N.V., Amsterdam (the "Company") as at June 30, 2008 and the related interim condensed statements of income, changes in equity and cash flows for the three-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting ("IAS 34). Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

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

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

Apeldoorn, August 28, 2008

Ernst & Young Accountants LLP

signed by A.J. Buisman