

EFFECTS OF ECONOMIC CRISIS IMPACT KARDAN Q1-2009 RESULTS

- **Net loss for the quarter of EUR 18 million (Q1-2008: profit EUR 13 million)**
- **Financial Services: Improved liquidity on account of profitability to maintain valuable platforms**
- **Financial Services: Devaluation of local currencies and provisions on loan portfolio negatively impacted P&L as well**
- **Real Estate: Despite difficult markets, record new rental agreements for 60,000 sqm of space and strong liquidity position**
- **Water related Infrastructure increased backlog compared to March 31, 2008 by 28%**
- **Kardan and Group companies focus on liquidity until turmoil in financial markets calms down**

Key figures Kardan N.V. – Non consolidated	March 31, 2009	December 31, 2008	Change (%)
Total Assets (EUR mn)	999	1,025	(3)
Of which invested ⁱ in:			
– Real Estate (GTC)	492	559	(12)
– Financial Services (KFS)	200	121	65
– Infrastructure (Tahal)	104	106	(2)
– Other Business	69	68	1
Shareholders' equity (EUR mn)	373	368	1
Solvency Ratio (shareholder's equity/total assets)	37%	36%	3
Net Debt (EUR mn) ⁱⁱ	369	397	(7)

Breakdown of the net (loss) profit for Equity Holders of Kardan N.V. (EUR mn)ⁱⁱⁱ	March 31, 2009	March 31, 2008
– Real Estate	(2)	10
– Financial Services – Banking and retail lending	(14)	(2)
– Financial Services – Insurance and Pension	(3)	(4)
– Infrastructure – Projects	1	-
– Infrastructure – Assets	1	(1)
– Other Business	2	-
– Corporate activities	(3)	10
Total net profit (loss) attributable to equity holders	(18)	13
Profit (loss) per share (EUR)	(0.18)	0.16
Profit (loss) per share diluted (EUR)	(0.18)	(0.04)

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 of Q1-2009:

“The activities of the Kardan Group are primarily in emerging markets because we believe their growth will outperform the growth in developed countries.

However, as a result of the credit crisis that started last year, growth in the CEE/CIS countries has been severely curtailed. As expected, the major effects of this crisis have now trickled down, half a year later, to the real economies which have shown serious signs of recession. These developments impacted our activities and their results. In order to maintain the platforms that we have developed in prior years and which we believe will uncover significant value once the markets recover, we have applied since Q2 2008 a “Watch and Hold” strategy: **Watch** very closely the important developments in our markets and businesses by listening to our partners and local managers and vigilantly assess our risk management, as a result of which quick decisions needed in such situations can be and are taken. **Hold** our 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.

The Financial Services division was hurt the most by the global decrease in GDP. The economies in Russia and Ukraine have been hit hard as many people are losing their jobs resulting in delay of payment of principal and interest of their borrowings. As a result we focused strongly on liquidity and collection, this did not however preclude an increase in the provision we had to take. In the Real Estate division, despite the macro economic situation, we managed to conclude rental contracts for 60,000 sqm in various CEE countries. Given the current circumstances we are very satisfied with this achievement. In (Water) Infrastructure, we notice a significant deal flow, but funding is a constraint. Based on our strong position in this industry, and in order to benefit from the opportunities that seem to open up in this sector, we are looking at various ways to raise funds for this sector.

For the rest of 2009, although signs of stability after the storm of last year have appeared here and there, we expect that the circumstances will remain difficult. Therefore we will stick to the Watch and Hold strategy, not disregarding opportunities that may come along”.

Overview first quarter 2009

- **Activities**

Kardan N.V. (Kardan), operating in emerging markets, is mainly active in three sectors benefitting from strong middleclass demand: Real Estate, Financial Services, and Infrastructure (water related). As a result of the ‘Watch and Hold’ strategy no new investments were made during the first quarter of 2009. However, during the first quarter Kardan used the opportunity to buy back from Israel Discount Bank an 11% stake in KFS. The acquisition price amounted to EUR 30 million to be paid upon closing of the transaction and EUR 8.5 million payable in 7 years. This transaction valued KFS at approx. EUR 320 million. Furthermore, Israel Discount Bank granted new facilities to Kardan and group companies.

Based on non consolidated key figures (see front page) the amounts invested^{iv} by Kardan in the Real Estate division decreased by EUR 67 million from EUR 559 million to EUR 492 million. This is mainly caused by a partial repayment of the loan, provided by Kardan N.V. In Q1-2009, GTC SA, the CEE property developer, managed to conclude rental contracts for 60,000 sqm. This made Q1-2009 very successful. The most significant contracts were concluded in Hungary, a very difficult market these days where GTC SA concluded contracts with the Ministry of Finance (8,500 sqm) and with Budapest Bank, a subsidiary of General Electric Capital for 16,700 sqm.

GTC China did not acquire any new land in Q1-2009. This is the result of the Watch and Hold strategy. As explained before the first signs of a recovery in this market were noticed. GTC China realized a small increase in the sale of apartments compared to Q4 2008: in Q1-2009 291 apartments have been sold, against 280 in Q4 2008. In the first quarter GTC China also started the construction of the shopping mall in Chengdu.

^{iv} Investment include investment in equity of the subsidiary, interest bearing receivables and goodwill

The investment^v in KFS, the Financial Services division, increased to EUR 200 million from EUR 121 million as at December 31, 2008 as a result of the acquisition of the 11% stake in KFS from Israel Discount Bank and a loan provided by Kardan N.V. The portfolio of activities did not change during the first quarter of 2009. The total amount lent to customers decreased by approximately EUR 70 million (almost 6%) due to the restricted lending policy currently in place as a reaction to the current economic circumstances. The amount of deposits decreased by EUR 13 million only since December 31, 2008 which demonstrates the confidence of depositors in the banks. In order to minimize liquidity risk, our banks in Russia and Ukraine requested and received the support from the Central Banks in these countries. In Ukraine the line of support amounted to approx. EUR 100 million whereas the portfolio totals EUR 538 million as of March 31, 2009. In Russia the amount of support received from the National Bank is EUR 60 million on a portfolio of EUR 321 million. As of March 31, 2009 in both Ukraine and Russia, the lines of support were not fully drawn. The financial services activities, amongst others leasing, in Romania and Bulgaria saw a decline of the portfolio of 12% compared to December 31, 2008. Here again the reason for the decline is a restricted lending policy combined with a lack of funding.

The Infrastructure division signed new contracts for projects in the amount of approx. EUR 17 million. Because the potential deal flow is significant, among others as a result of government investments in Infrastructure, Kardan decided to increase the efforts to raise funds for this very promising activity.

- **Results first quarter 2009 attributable to equity holders of Kardan N.V.**

Net loss of the first quarter 2009 attributable to equity holders amounted to EUR 18 million compared to a profit of EUR 13 million the same period in 2008.

The net profit of the Real Estate division decreased by EUR 12 million to a loss of EUR 2 million in Q1-2009 as a result of:

- A loss of EUR 1 million (Q1-2008: EUR 1 million loss) stemming from operating activities (excluding revaluation) less finance expenses and related corporate income taxes.
- Gains from the revaluation of completed properties after deduction of a provision for deferred income taxes fell by EUR 18 million from EUR 10 million in 2008 to a loss of EUR 8 million in 2009, as a result of yield expansion which was mitigated by rental increase and property completion. As of Q4 2008 Kardan applied the revised accounting standard (IAS 40), which prescribes to measure investment property under construction at fair value which resulted in a revaluation profit after tax of EUR 11 million.
- Corporate income taxes are mainly attributable to the revaluation of property (see first bullet). In addition GTC had an additional tax burden in Q1-2009 of EUR 4 million (Q1-2008: nil) due to the impact of a higher tax base in local currencies caused by the devaluation of these currencies against the Euro.

KFS, the Financial Services division contributed a loss of EUR 17 million compared to a loss of EUR 6 million in Q1-2008. This loss can be explained as follows:

The banking and lending activities (TBIF; 90% indirectly owned by Kardan as of March 31, 2009) recorded a loss of EUR 14 million versus a loss of EUR 2 million in Q1-2008. The difference is mainly caused by:

- A decrease of EUR 12 million in the result of the operational companies from a break even result in Q1-2008 into a loss of EUR 12 million in Q1-2009. The main driver for this decrease are the risk associated costs: write offs and provisions on the loan portfolio increased from EUR 5 million in Q1-2008 to EUR 20 million in Q1-2009. In Q4 2008, the loan provisions also amounted to approximately EUR 20 million.
- Net finance expenses related to the funding of acquisitions and equity of the operational companies amounted to EUR 2 million in Q1-2009 (Q1-2008: EUR 1 million).

The insurance and pension activities (TBIH; 38% indirectly owned by Kardan as of March 31, 2009) contributed a loss of EUR 3 million in Q1-2009 versus a loss of EUR 4 million in Q1-2008. This can be explained as follows:

- Despite the difficult markets TBIH managed to restrict the operational loss in the continued operations during the first quarter of 2009 to EUR 1 million. At the end of 2008 TBIH sold part of its insurance activities which reported a loss of EUR 3 million in Q1-2008.

^v Investment include investment in equity of the subsidiary, interest bearing receivables and goodwill

- The finance expenses related to the funding of acquisitions and increase of equity of the operational companies in Q1-2009 amounted to EUR 1 million which is equal to the expense in Q1-2008.

Tahal, the Infrastructure division, contributed a profit of EUR 2 million in Q1-2009, compared to a loss of EUR 1 million in Q1-2008.

Tahal Projects, engaged in consultancy and construction of water related projects, contributed a profit of EUR 1 million in Q1-2009 whereas in the same period of 2008 the result was break even. In Q1-2009 revenues in Africa increased whereas on the other hand revenues in Europe and Latin America fell compared to Q1-2008. On balance the total revenues amounted to EUR 20 million (Q1-2008: EUR 19 million). The backlog as of March 31, 2009 compared to March 31, 2008 increased significantly with EUR 51 million to EUR 233 million. For this reason it is forecasted that the revenues for the remainder of 2009 will be higher than the revenues in 2008.

In Q1-2009 Tahal Assets, investing in water related assets reported a profit of EUR 1 million compared to a loss of EUR 1 million in Q1-2008. This improvement is attributable to the Chinese water activities (KWIG), where Tahal realized a capital gain of approx. EUR 2 million on the increase of its share in KWIG.

The contribution of Other Business ('Rental, Leasing and Sale of vehicles' and 'Communications and Technology' operated by Kardan Israel) amounted to EUR 2 million (Q1-2008: nil). Despite the difficult markets, the contribution of the automotive activities increased slightly, also due to the first-time consolidation of AVIS Israel.

Corporate Activities reported a loss of EUR 3 million (Q1-2008: profit of EUR 10 million). The loss concerns mainly general and administrative expenses and finance expenses of Kardan Israel and Kardan N.V. The result of Q1-2008 was positively impacted by the revaluation of the convertible debentures and options to Kardan N.V. shares.

- **Equity as of March 31, 2009, attributable to equity holders of Kardan N.V.**

As of March 31, 2009, the equity attributable to the shareholders of Kardan increased to EUR 373 million, compared to EUR 368 million at year-end 2008. This increase was the result of the loss for the period (EUR 18 million) that was more than compensated by the foreign currency translation and hedging results of EUR 23 million.

The solvency (shareholder's equity/total assets) of Kardan N.V. stood at 37%, which is almost equal to the rate as at December 31, 2008 (36%).

As a result of the financial transactions and investments, the net debt position as of March 31, 2009 improved to EUR 369 million (December 31, 2008: EUR 397 million).

- **Financial Position of Kardan Group as at March 31, 2009**

Kardan has a decentralized funding structure. This implies that Kardan, its direct subsidiaries (all being holding companies of the operational entities), and the operational entities mostly are responsible for the funding of their own activities. As a consequence, within the Kardan Group many agreements with lenders are in place with different financial 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 March 31, 2009 for Kardan N.V. and its divisions^{vi};

^{vi} 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.

EUR Millions	Free Cash & Cash equivalents	Debt/loans maturing					
		Before March 31, 2010	Before March 31, 2011	Before March 31, 2012	Before March 2013	After March 31, 2013	Total
Kardan N.V.	107	70	9	9	4	484	576
GTC Group	236	50	36	94	88	938	1,206
KFS	181	360	110	82	20	82	654
Tahal Group International	20	21	4	9	10	24	68
Kardan Israel	26	131	78	30	22	86	347
Total	570	632	237	224	144	1,614	2,851

*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. For KFS, the amount due before March 31, 2010 includes the support from the Central Banks in Ukraine and Russia amounting to EUR 100 million. As of March 31, 2009 KFS was not compliant with certain covenants relating to cross-defaults of subsidiaries, amounting to €16 million. For that reason the loan from IDB, amounting to approximately €175 million, is presented, together with loans of TBIF's subsidiaries as due before March 31, 2010. Parties involved expect to solve the issue in due course.

Based upon the positions as at March 31, 2009, Kardan management has no reason to believe that Kardan N.V. and its divisions are not able to fulfill their obligations.

Risk management

In addition to the risk management activities described in the Annual Report 2008, 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.

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 169 million in Q1 2009 (Q1 2008: EUR 95 million). The revenues for 2008 amounted to EUR 492 million (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 condensed interim financial statements as of March 31, 2009 according to IFRS will be published on the website of Kardan at www.kardan.nl.

Enclosed:

- Segmental information
- Consolidated Balance sheet
- Consolidated income statement

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

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. Kardan is also active in Israel, via several subsidiaries of Kardan Israel Ltd.

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 weak. Especially the markets in Hungary and Romania are suffering from the economic slow down. Both countries received support of IMF amounting to approx. EUR 12 billion each. In Poland the situation is much better, because of lower current account deficits.

In China, IMF expects a growth of GDP of 6.5% in 2009 making China the only economy amongst the world top 5 economies that expects a growth in 2009. In Q1-2009 the growth of GDP was 6.1%, mainly driven by government spending. In order to increase also private investment, which is considered to be the most important job creator, the government also stimulates consumer spending by a.o. subsidizing replacement of old vehicles by new ones. This program most likely will be expanded to household appliances. The economy including the real estate sector will also benefit from the loosening of quantity restrictions on credit growth and decreasing lending rates.

In the real estate market the Tier one cities which have been hit most by the slow down of the economic growth show a recovery of prices. GTC is not active in the Tier 1 cities, but only in Tier 2 and 3 cities. In 2008 and the first months of 2009, in these cities prices slightly decreased. Compared to Q4 of last year we noticed an increase in demand.

Portfolio development

In the CEE/CIS countries the completed properties of GTC SA comprise approximately 0.3 million sqm of net office and retail space (GTC SA share). Under construction are 0.4 million sqm of office, retail and residential property. Construction for new projects will only start if funding and sufficient pre lease contracts have been concluded.

In Q1-2009, GTC SA managed to conclude rental contracts for 60,000 sqm. This made Q1-2009 very successful. The most significant contracts were concluded in Hungary, one of the most difficult markets: with the ministry of finance a contract of approx. 8,500 sqm for the Spiral building and with Budapest bank, a subsidiary of general Electric Capital a rental agreement comprising of almost 17,000 sqm were concluded. These contracts are the main contracts that have been signed in the country recently.

GTC China did not acquire any new land in Q1-2009. This is the result of the Watch and Hold strategy. As explained before the first signs of a recovery of the market are noticed. GTC China did not face a further decline of apartments sold compared to Q4-2008: in Q1-2009 291 apartments have been sold, against 280 in Q4-2008.

In the first quarter we also started the construction of the shopping mall in Chengdu.

Financial Overview

Real Estate Division (GTC)

The results and balance sheet position of the Real estate division and the contribution to equity holders of Kardan N.V. can be summarized as follows:

EUR million	Q1-2009	Q1-2008	Change (%)	December 31, 2008
Result subsidiaries (GTC SA, GTC China, GTC Investments)	1.1	18.1	(94)	
Net financial expenses	(1.3)	(5.9)	(78)	
Fair value adjustment convertible debentures		6.9		
Release of goodwill due to revaluation		(5)		
General and admin expenses	(0.3)	(0.8)	(63)	
Other		(0.1)		
Net profit (loss) GTC RE	(0.5)	13.2		
Kardan N.V. share in net profit GTC RE	(0.5)	9.4		
Release of goodwill due to revaluation	(2.2)			
Real Estate activities Kardan Israel	0.3	0.4		
Contribution to Equity holders Kardan N.V.	(2.4)	9.8		
Total Consolidated Assets GTC RE	2,912	2,354	24	2,868
Total Equity	1,079	936	15	1,052
Solvency (shareholders' equity/total assets)	37	40	(8)	37
Net debt GTC RE (non – consolidated)	132	196	(33)	48

Results

The contribution of the Real Estate division to the results of Kardan N.V. amounted to a loss of EUR 2.4 million and was EUR 12.2 million lower than Q1-2008. The result of the operating subsidiaries amounting to EUR 1 million was EUR 17 million lower than last year. The main reason for the decrease of the results are lower revaluation results (Minus EUR 28 million), higher income taxes (EUR 5 million), partly compensated by almost doubling of gross profits in Q1- 2008 to from the rental income of investment properties and sale of apartments (from EUR 14.9 million to EUR 26.9 million).

Several items of the profit and loss account of Kardan N.V. are assigned to the Real Estate division. Goodwill amounting to EUR 2.2 million was released due to revaluation of investment property of GTC SA.

Financial position

The net debt of GTC RE, comprising of external debt minus cash, cash equivalents and interest bearing receivables from third parties (company only) increased from EUR 48 million at year end 2008 to EUR 132 million at 31-3-2009, due to the fact that GTC RE took a loan from the Israel Discount Bank amounting to EUR 70 million.

GTC SA

The consolidated results of GTC SA and the main balance sheet positions can be summarized as follows:

EUR million	Q1-2009	Q1-2008	Change (%)	December 31, 2008
Gross profit rental	16.5	11.1	49	
Gross profit sale of apartments	4.9	0.6		
Revaluation result	24.1	52.6	(54)	
Net profit	4.4	34.8	(87)	
GTC Holding share in net profit	1.0	16	(94)	
Assets under construction	1,095	558	96	1,007
Investment property	1,148	948	21	1,143
Total assets	2,599	1,976	32	2,558
Shareholders' equity	1,176	1,016	16	1,156

Results

In Q1-2009, the revenue from the rental of completed investment properties increased with 47% from EUR 14.6 million to 21.5 million. This is mainly due to the commencement of rental periods in newly completed buildings. The gross profit from rental income increased from EUR 11.1 million to EUR 16.5 million, an increase of 49%. Expressed in a percentage of revenue, the gross profit increased slightly from 76.1% to 76.5%. The revenue from the sale of apartments increased from EUR 1.4 million last year to EUR 23.7 million in 2009. The gross profit on sale of apartments declined from 40% to 20%. The decline can be explained by the very low number of sold apartments in Q1-2008. In Q4-2008 the margin was 19%.

Total revaluation gains in Q1-2009 declined by EUR 28.5 million from EUR 52.6 million in Q1-2008 to EUR 24.1. The revaluation result can be detailed as follows:

EUR million	Q1-2009	Q1-2008
Newly completed properties		52.6
Completed properties in prior years	(13)	
Property under construction	37.1	n/a
	24.1	52.6

In Q1-2009 no properties were completed. The value of properties completed in prior years decreased by EUR 13 million. (Q4-2008: decrease of EUR 35 million). The reason is a compression of yields, which vary between 7% in Poland to 7.7% on average in other countries.

Revaluation of properties under construction took place for the first time in Q4-2008, 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.

All valuations at the end of Q1-2009 have been performed by management. It has to be noted that low liquidity and reduced transaction volumes in the real estate investment markets result in a lack of clarity as to the pricing levels for completed assets as well as low visibility of future trends. As a result there is less certainty with regard to valuations, and market values can change rapidly due to the volatile market conditions.

The net profit in Q1-2009 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); the impact of the latter is €9 million.

Financial position

In 2007 and 2008, a significant number of projects were started, resulting in an increase in "property under construction", compared to March 31, 2008. Compared to December 31, the increase was EUR 9%. The majority of the projects concern office and retail. No properties were sold in Q1-2009.

As of March 31, 2009, GTC SA has a cash position of EUR 192 million. As of December 2008 GTC SA had EUR 227 million in cash, including short term deposits, which are not freely available.

The maturity of the interest-bearing liabilities can be detailed as follows:

EUR million	Maturing before 03-31-2010	Maturing before 03-31-2011	Maturing before 03-31-2012	Maturing before 03-31-2013	Maturing after 03-31-2013
GTC SA	48	31	56	73	780

The available cash, current financing facilities and expected cash income from sales of apartments are sufficient to fulfill existing commitments.

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 96% in KFS, which in turn holds 90% and 40% in TBIF and TBIH respectively. The figures presented below represent Kardan's share.

Markets

The markets in CEE/CIS remain very difficult with some signs of stabilization. For Ukraine IMF forecasts a decline of GDP of 8% in 2009. On the other hand the Ukrainian currency got stronger, inflation has fallen more than expected and the current account deficit has declined significantly. Recently the IMF also approved the release of the second tranche of the support amounting to USD 2.8 billion. In Russia, the expected decline of GDP for 2009 is 6%. This expectation has been substantiated by the developments in the beginning of this year: unemployment rose to more than 10%, retail sales and investments declined by respectively 5.3% and 16% compared to the year before and Foreign Direct Investments reduced as well. These developments suggest that the end of the recession is not yet there. On the other hand however the value of the rouble stabilized against the basket of dollar/euro, without increasing support of the Central Bank. This means that the foreign currency reserves do not shrink that fast anymore and can be used for stimulus packages.

The main manifestations of the crisis for the activities of KFS are the difficulties in attaining new funding especially in the Ukraine, the risk that deposit holders want to withdraw their deposits requiring our banks to keep liquidity on a high level, deteriorating financial positions of corporate and individuals resulting in a reduction of lending and higher levels of defaults on loans.

Financial overview

Financial Services Division (KFS)

The summary of the results and balance sheet is as follows:

EUR million	Q1-2009	Q1-2008	Change (%)	December 31, 2008
Results of subsidiaries (TBIF and TBIH)	(15.4)	(6.0)	(157)	
Net financial expenses	(1.8)	(0.8)	(125)	
Other	(0.2)	(0.2)		
Net profit / (loss) KFS	(17.4)	(7.0)	(149)	
Kardan NV share in net profit / (loss)	(15.5)	(6.2)	(150)	
Other items	(1.6)			
Contribution to Equity Holders Kardan N.V.	(17.1)	(6.2)	(176)	
Total consolidated assets KFS	1,686	1,562	8	1,742
Total Consolidated equity	115	161	(29)	136
Solvency (shareholder's equity/total assets)	7%	10%	(30)	8%
Net debt – KFS (non-consolidated)	91	66	(38)	89

Results

KFS recorded a loss of EUR 17.1 million in Q1-2009, compared to a loss of EUR 7.0 million in Q1-2008. In Q4-2008, the division lost almost EUR 28 million. The results are mainly stemming from the results of the banking and lending subsidiaries, which suffered from significant provisions to be taken on the loan portfolio. In Q1-2009 the provisions amounted to EUR 30 million, compared to EUR 30 million in Q4-2008 and EUR 8 million in Q1 2008.

Financial position

KFS (company only) has no principal payments due until 2012.

The consolidated assets decreased by EUR 56 million since the end of last year. This is mainly due to a decrease of the lending portfolio as a result of the restricted lending policy. The decrease of equity since the end of 2008 is mainly caused by the loss for the period.

(Water) 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

The markets for water infrastructure are very good. Many projects are offered for tender. This is to a certain extent the impact of the stimulus packages of the governments all over the world. The main difficulty to execute the projects is the lack of funding. Financial institutions are restrictive in lending. In the first place because of the deleveraging that is still continuing and secondly because the credit quality of sovereigns is deteriorating.

Portfolio development

Projects

Tahal succeeded in taking its share of the growth in the water related infrastructure world and managed to increase the backlog by 28% from EUR 182 million as of March 31, 2008 to EUR 233 million as of March 31, 2009. The increase is mainly stemming from African projects. This concerns projects in Ghana and Angola.

Assets

Since Q4 2008 no new investments in Assets have been made. The increase of assets under construction is relating to existing investments.

Financial Overview

(Water)Infrastructure Division (Tahal)

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

EUR million	Q1-2009	Q1-2008 ^{vii}	Change (%)	December 31, 2008
Result of subsidiaries	0.8	(0.9)		
Net Financial (income/expenses)	1.2			
General and administrative expenses	(0.1)			
Net result TGI	1.9	(0.9)		
Attributable to equity holders of KNV	1.9	(0.8)		
Total assets TGI	241.3			236.3
Shareholder's Equity	17.7			10.4
Solvency (shareholder's equity/total assets)	7.3%			4.4%
Net cash	8.6			7

Financial position

Shareholders' equity amounts to EUR 17.7 million. In addition, Tahal has borrowed an amount of EUR 64 from Kardan N.V. and including this shareholder's loan the solvency is 34%.

Other business

General

Kardan Israel Ltd. (Kardan Israel) is listed on the Tel Aviv Stock Exchange and operates three divisions: Real Estate, Rental and Sale of vehicles, and 'Communication and Technology. Kardan N.V. owns 74% 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.

Rental & Sale of vehicles

Kardan is active in the automotive & consumer goods sector in Israel through Kardan Israel and its Group companies, UMI and Dan Rent a Car (Avis Israel). Kardan Israel owns indirectly 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

^{vii} As per March 31 2008, TGI was a dormant holding company without assets. As of April 1, 2008, TGI became the active holding company as a result of restructuring.

addition, UMI imports trucks manufactured by Isuzu and markets them through its 50% affiliate Universal Trucks Israel Ltd.

Kardan Israel owns indirectly 22% of Avis Israel an operational car leasing and rental company.

Operational and Financial Overview

In Q1-2009 UMI's revenues amounted to EUR 83 million, compared to EUR 127 million in Q1-2008. The total number of vehicles sold decreased from 5,518 in Q1-2008 to 3,162 in Q1-2009. The decline is a reflection of the Israeli market, where sales were down significantly. A decrease of the market is expected to continue during the rest of the year. The revenues of UMI are not consolidated by Kardan. Despite the decrease in sales the profit in Q1-2009 exceeded the profit of Q1-2008. This can be explained by a change in the hedging strategy to avoid as much as possible the currency risk related on the dollar import of vehicles. In Q1-2008 the company recorded a loss on these positions.

As of this year, Kardan Israel got (indirectly) joint control in Avis Israel although its indirect ownership is only 22%. As a consequence the balance sheet of Avis Israel has been consolidated proportionally. This led to an increase of the balance sheet total of Kardan Israel of approximately EUR 300 million.

In Q1-2009, Kardan's Rental & Sale of vehicles segment realized a net profit of EUR 3 million, compared to EUR 2 million in Q1-2008. Because Kardan N.V. owns 74% of Kardan Israel, the net profit contribution of this segment to the equity holders of Kardan N.V. amounts to EUR 2 million (Q1-2008:EUR 1 million).

CONDENSED INTERIM CONSOLIDATED BALANCE SHEET

A s s e t s

	March 31, 2009	March 31, 2008	December 31, 2008
	€in millions		
Non-current assets			
Tangible fixed assets	118	100	111
Property under construction	-	341	-
Rental vehicles	204	-	-
Investment properties (see Note 5)	2,180	1,048	1,987
Investments in associates	147	125	152
Available-for-sale and held-to-maturity financial assets	106	55	119
Loans to bank customers	298	247	288
Long-term loans and receivables	346	268	406
Deferred acquisition costs (insurance companies)	6	13	6
Intangible assets and goodwill	257	417	241
Deferred income tax assets	13	13	18
	<u>3,675</u>	<u>2,627</u>	<u>3,328</u>
Current assets			
Inventories, contract work and buildings inventory in progress	448	337	477
Current maturities of long-term loans and receivables	268	238	292
Loans to bank customers	163	161	167
Trade receivables	80	53	62
VAT and income tax receivables	50	33	52
Insurance premium receivables	29	41	27
Other receivables and prepayments	105	156	129
Reinsurance receivables and insurance companies	25	31	25
Short-term investments	127	100	69
Cash and cash equivalents	442	724	540
	<u>1,737</u>	<u>1,874</u>	<u>1,840</u>
Assets held for sale	<u>97</u>	<u>-</u>	<u>83</u>
Total assets	<u><u>5,509</u></u>	<u><u>4,501</u></u>	<u><u>5,251</u></u>

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

	March 31, 2009	March 31, 2008	December 31, 2008
	€in millions		
Equity attributable to equity holders of the parent			
Issued and paid-in capital	23	17	23
Share premium	230	176	230
Foreign currency translation reserve	(35)	(39)	(43)
Property revaluation reserve	145	118	140
Revaluation reserve, other	(20)	-	(35)
Retained earnings	30	75	53
	373	347	368
Minority interests	760	752	744
Total equity	1,133	1,099	1,112
Non-current liabilities			
Interest-bearing loans and borrowings	1,358	1,050	1,128
Banking customers accounts	135	99	127
Other long-term liabilities	134	10	91
Warrants and options	52	169	55
Convertible debentures	27	30	29
Other debentures	802	731	806
Insurance provisions	69	149	71
Deferred income tax liabilities	203	116	172
Accrued severance pay, net	2	1	2
	2,782	2,355	2,481
Current liabilities			
Advances from customers in respect of contracts	22	23	22
Banking customers accounts	426	383	469
Income tax payables	17	9	16
Trade payables	115	77	112
Interest-bearing loans and borrowings	629	308	673
Advances from buyers	108	-	123
Other payables and accrued expenses	213	247	183
	1,530	1,047	1,598
Total liabilities	4,312	3,402	4,079
Liabilities held for sale	64	-	60
Total equity and liabilities	5,509	4,501	5,251

CONDENSED INTERIM CONSOLIDATED INCOME STATEMENT

	For the three months ended March 31, 2009	2008	For the year ended December 31, 2008
	€in millions		
Sales and services	42	10	97
Contract revenues	37	33	149
Insurance activities	15	13	67
Banking and retail lending activities	12	23	96
Rental revenues	24	16	80
Revenues from renting and sale of vehicles	39	-	-
Management fees	-	-	3
<i>Total revenues</i>	169	95	492
Cost of sales and services	33	8	77
Contract costs	29	26	126
Operating expenses of insurance activities	14	13	63
Costs of banking and lending activities	32	23	120
Costs of rental operations	5	4	20
Cost of rental and sale of vehicles	33	-	-
Other expenses, net	4	-	5
<i>Total expenses</i>	150	74	411
Gross margin	19	21	81
Selling and marketing expenses	6	5	20
General and administration expenses	15	12	27
Profit (loss) from operations before fair value adjustments, disposal of assets and financial expenses	(2)	4	34
Adjustment to fair value of investment properties (see Note 5b)	16	49	196
Impairment losses on goodwill	-	-	(89)
Gain on issuance of shares in associated companies and subsidiaries to third parties	-	2	2
Gain on disposal of assets and other income	3	-	121
<i>Profit (loss) on disposal of assets and investments</i>	3	2	123
Profit from operations before finance expenses and income taxes	17	55	264
Other financial income	37	28	177
Other financing expenses	(64)	(58)	(247)
Adjustment to fair value of other financial	1	-	-

instruments		26	58
<i>Total financial expenses, net</i>	(26)	(4)	(12)
Profit (loss) from operations	(9)	51	252
Equity in net earnings of associated companies	3	1	3
Net profit (loss) before income taxes	(6)	52	255
Income taxes	(15)	(13)	(81)
Net profit (loss) for the period from continuing operations	(21)	39	174
Net profit (loss) for the period from discontinued operations	-	(2)	1
Net profit (loss) for the period	(21)	37	175
Attributable to:			
Equity holders	(18)	13	52
Minority interest holders	(3)	24	123
	(21)	37	175
Earnings (loss) per share attributable to shareholders			
Basic from continuing operations	(0.18)	0.16	0.63
Basic from discontinued operations	-	-	-
	(0.18)	0.16	0.63
Diluted from continuing operations	(0.18)	(0.04)	0.28
Diluted from discontinued operations	-	-	-
	(0.18)	(0.04)	0.28