



PRESS RELEASE

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**Q1 2010 NET LOSS EUR 13 MILLION; POSITIVE OPERATING RESULTS;
EQUITY INCREASE**

- Net loss of EUR 13 million (including negative accounting impact of EUR 16 million);
- Equity increase by EUR 38 million due to strengthening of currencies in countries of operation vis a vis the Euro;
- Operating profit¹ in CEE Real Estate increased to EUR 3 million(Q1 2009: loss EUR 1 million) , mainly from increase in rental and services revenues (+42% YoY);
- Significant increase YoY in sales contracts apartments in China (990 units versus 291 units) will increase future results;
- Banking and Lending operating profit before credit losses substantially improved (EUR 17 million in Q1 2010 versus EUR 10 million in Q1 2009); credit losses decreased to EUR 16 million from EUR 20 million;
- (Water) Infrastructure: Q1 2010 revenues increased by 22% YoY; major contracts signed in Angola and Ghana; operating profit of EUR 3 million.

Breakdown of the net result For Equity Holders of Kardan N.V. (EUR million) ²	Q1 2010	Q1 2009	2009
- Real Estate	3	(2)	(63)
- Financial Services – Banking and Lending	(17)	(14)	(29)
- Financial Services – Insurance and Pension	7	(3)	19
- (Water) Infrastructure – Projects	-	1	2
- (Water) Infrastructure – Assets	-	1	(4)
- Rental and Leasing of vehicles	2	-	1
- Sale of vehicles	2	2	5
- Other	(10)	(3)	(23)
Total net result attributable to equity holders	(13)	(18)	(92)
Profit (loss) per share (EUR)	(0.13)	(0.18)	(0.91)
Profit (loss) per share diluted (EUR)	(0.13)	(0.18)	(0.92)

Kardan NV – balance sheet (non consolidated)	March 31, 2010	December 31, 2009
Total Assets (in EUR million)	965	909
Total Equity (in EUR million)	331	293
Equity/Total assets (%)	34	32

¹ Before fair value adjustments such as revaluation of properties, disposal of assets and finance expenses

² The table shows the contribution of each of the businesses to the results attributable to the shareholders of Kardan N.V. and excludes results attributable to minority shareholders.

Alain Ickovics, Kardan N.V.'s ("Kardan") Chairman of the Management Board comments on Kardan's Q1 2010 results:

"Kardan is active in emerging markets to create long term value for shareholders. Despite the difficult economic circumstances during part of 2008 and 2009 resulting in significant losses in 2009, we continue to keep a firm believe in the recoveries of these markets. The results of Q1 2010, give us reasons to believe that the worst is behind us, although markets are still very volatile and the South European sovereign crisis may negatively impact emerging markets as well. Several of our larger markets are performing very well (e.g. China, Poland, Israel, Czech Republic and Russia); others like Ukraine, Bulgaria and Romania are facing challenges due to measures taken by the respective governments to reduce their fiscal deficit. These measures may have a negative impact on the short term purchasing power of the public, but will significantly improve their competitive position in the long run. The net loss for the period amounted to EUR 13 million while our equity increased by EUR 38 million. The result was negatively impacted by an amount of EUR 16 million recognized on the increase of the stake in VAB Bank due to the application of a new accounting standard. Without this IFRS requirement Kardan would have recognized a profit of EUR 3 million".

Summary Results – Q1 2010

The results of Kardan attributable to equity holders amounted to a loss of EUR 13 million over the three months period ended March 31, 2010 compared to a loss of EUR 18 million in Q1 2009.

The net contribution of the Real Estate division was a profit of EUR 3 million (Q1 2009: loss of EUR 2 million). Revaluation gains of EUR 8 million on GTC's first shopping mall in China led to a positive contribution of the Real Estate division to Kardan shareholders. This amount was partly off set by finance expenses (EUR 2 million) and a revaluation loss on a project in Israel (EUR 2 million).

In the Banking and Lending segment, the net contribution widened from a loss of EUR 14 million in Q1 2009 to a loss of EUR 17 million in Q1 2010. This loss for the period can be mainly explained by the application of revised IFRS 3 on the increase of Kardan's indirect stake in the Ukrainian bank VAB Bank from 49% to 63%. Due to this standard, foreign exchange losses in prior years already recorded directly in Equity, now had to be reclassified to the Profit and Loss account; the impact of the application of this standard is a loss of EUR 16 million.

The operating profit before loan loss provisions increased by EUR 7 million (EUR 17 million in Q1 2010 versus EUR 10 million in Q1 2009). The results were positively impacted by fair value gains on our bond investment portfolio in Russia. Due to the global financial crisis, the quality of the loan portfolio eroded. However, positive developments in Russia decreased provisions charged to the Profit and Loss account in Q1 2010 to EUR 16 million from EUR 20 million in Q1 2009.

The Insurance and Pension segment contributed a profit of EUR 7 million (Q1 2009: loss of EUR 3 million). Besides an operating profit before finance expenses of EUR 1 million (Q1 2009: nil) a profit of EUR 7 million (Q1 2009: nil) was recognized due to the revaluation of a put option to sell the stake in TBIH to our partner.

The net contribution of the (Water) Infrastructure division reduced from a profit of EUR 2 million in Q1 2009 (as the result of a capital gain) to nil in Q1 2010. Higher revenues (up 22% YoY) and gross margins (up 28% YoY) resulted in an operating profit of EUR 3 million. The operating profit was off set by finance expenses and overhead costs.

The Israeli Sale of vehicles and Rental and Leasing of vehicles segments contributed EUR 4 million (Q1 2009: EUR 2 million) due to higher revenues and improvement in gross profit margins.

Finally, Other Results, mainly comprising of finance and general expenses not allocated to specific activities, amounted to (a loss of) EUR 10 million in Q1 2010 (Q1 2009: loss of EUR 3 million). Due to the revaluation of a forward transaction regarding Kardan NV's Israeli Shekel denominated debentures that were purchased through a subsidiary that not qualified for hedge accounting, Kardan NV recorded in Q1 2010 additional 3 million finance expenses compared to Q1 2009.

Developments within the divisions in Q1 2010

GTC, Kardan's Real Estate division, realized strong growth in rental and service income throughout the CEE region of 42%, YoY, resulting in positive operating results.

The positive result reflects the quality of GTC SA's office and retail assets, which was recently illustrated by the signing of a letter of intent to sell two office buildings in Warsaw, Poland, at attractive yields. GTC SA's strong reputation and financial position as well as its relationship with high quality banks, allowed GTC SA to continue the development of its portfolio and to increase its holdings in joint ventures.

In the real estate operations in China, 990 sales contracts of apartments were signed, significantly outpacing the Q1 2009 level (291 contracts signed). In the income statement these sales will only be recognized upon delivery of the apartments, which is expected between 14 and 18 months after signing the sales contract. The high prices and threat of a real estate bubble will have limited impact on GTC China due to GTC China's specific strategy. GTC constructs apartments in Tier 2 and Tier 3 cities mainly for buyers' own use and not for speculative purposes. In addition, larger projects are constructed in phases, allowing to adapt to changing market circumstances. The construction of the first shopping mall in China (Chengdu) is on track and opening is expected in Q4 of this year.

Within the Banking and Lending segment (TBIF) of the Financial Services division, the developments in Russia are promising: the loan portfolio of the bank increased significantly as did the deposit taking. The bank was also profitable for the second quarter in a row among others due to lower amount of non performing loans, reducing the provisions for bad debt. In the other countries where TBIF operates (Ukraine, Romania and Bulgaria), the environment is still difficult due to governmental measures that are taken to reduce the fiscal deficit. On the mid to long term though, these measures should translate into an improved competitive position of these countries' industries followed by recovering economies.

Tahal, Kardan's Water Infrastructure division, continued to see strong demand for its services, particularly in China and Africa which are facing a severe lack of (clean) water with revenues up 22% YoY. Tahal's excellent reputation enabled it to sign an agreement in January 2010 with the Angolan government to develop a project that will generate revenues of EUR 143 million throughout the project which will last for approximately three years from the start. Additionally, Tahal recently signed an agreement with the government of Ghana for a project with expected revenues of EUR 83 million (over three years from the start of the project). To accommodate the many opportunities for (water) infrastructure projects, in May Tahal signed a letter of intent with an investor to invest up to EUR 40 million.

The Israeli automotive activities presented improved results in Q1 2010 on the back of strong macro developments.

Outlook 2010

In the Real Estate division, the portfolio of yielding properties in CEE should increase by approximately 50% in 2010 and 2011 due to the completion of properties under construction. Residential sales in CEE will be lower than last year due to the difficult markets. In China, we anticipate continued strong sales of apartments in the first half of 2010 followed by a weaker second half due to the measures taken by the government to cool down the property market. In Q4 2010, it is expected that GTC China's first shopping mall in Chengdu city will be opened. Based upon these expectations, management believes the operating profits for the full year 2010 of the Real Estate activities should be positive.

In the Financial Services sector in CEE, the economic environment in Russia has shown signs of improvement. In some other countries where we operate in like Bulgaria, Romania and Ukraine, circumstances are more challenging. We expect that on balance, lending activities should increase and provisions for bad debt will decrease throughout 2010. On the other hand, profits on the investment in bonds should be lower as further upside will be limited. Due to the uncertainties in our markets, we are not able to give an expectation of the operating results for the full year.

In the (Water) Infrastructure division, due to completion of waste water treatment plants in China in 2009 and 2010 and the backlog increases for the design, engineering and construction activities, management expects an improvement in operating profit in 2010.

The operating companies of the Israeli activities are expected to continue the positive performance.

About Kardan

Kardan, with headquarters in Amsterdam, focuses on three main fields of activities: Real Estate, Financial Services and (Water) Infrastructure. The company operates in seven segments throughout emerging markets, primarily in Central and Eastern Europe and China, where it conducts most of its activities.

Kardan NV holds controlling interests in its divisions and management 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.

Kardan is listed on NYSE Euronext Amsterdam and the Tel Aviv Stock Exchange.

Total assets as of March 2010 amounted to EUR 6.3 billion (December 31, 2009 and 2008 respectively EUR 5.6 and 5.2 billion) with revenues of EUR 192 in Q1 2010 (EUR 753 million in 2009 and EUR 492 million in 2008).

As of Page 5 of this press release, financial reports drawn up in accordance with the Dutch and Israeli regulations are included.

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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)"



FINANCIAL REPORTS FOR THE THREE MONTHS ENDED MARCH 31, 2010

The Financial Reports contain the following sections:

PART 1 MANAGEMENT BOARD REPORT FOR Q1 2010

1. Developments of divisions and their respective markets
2. Main events in the period
3. Subsequent events
4. Results and equity attributable to equity holders of Kardan NV
5. Value of investments Kardan NV
6. Financial position of Kardan Group as at March 31, 2010
7. Risk management
8. Segmental key indicators for the period

PART 2 ADDITIONAL INFORMATION

1. Financial analysis of the consolidated balance sheet, profit and loss account and cash-flow statement
2. Fair value disclosure
3. Issuance of debt
4. Immaterial transactions procedure
5. Procedure for approving the financial reports

PART 3 FINANCIAL STATEMENTS INCLUDING AUDITOR'S OPINION (PUBLISHED ON THE WEBSITE OF KARDAN N.V. (WWW.KARDAN.NL))



PART 1³ MANAGEMENT REPORT FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2010

1.1 Development of divisions⁴ of Kardan and the respective markets

Real Estate (GTC)

General Market Developments Central and Eastern Europe

In Central and Eastern Europe, the Kardan Group is active via GTC SA, a leading real estate developer, which also operates completed properties that it initially developed.

In the investment market, demand is growing both in terms of interested buyers and the size of the transactions. This shows an increased confidence and liquidity in the CEE property investment market compared to the same period last year. The interest however is not seen yet across the whole area, but mainly in Poland and the Czech Republic and primarily restricted to the main cities and properties with prime tenants and long term leases.

In the development market, funding of new developments and refinance of completed properties is difficult to obtain.

In Q1 2010, the office market saw increased occupancy demand as tenants seem to make decisions faster. In Q1, effective rental rates in Warsaw trend towards recovery but markets in secondary cities are still weak. Due to the lower supply of new projects in 2011, a supply gap is expected potentially leading to an increase of rents.

The retail market continues to be challenging as footfall and sales do not reflect the economic recovery. As a result, some tenants put pressure on current rent levels. Expectations are that sales will recover in 2011. Although the market s are beginning to see interest from large fashion chains terms offered are aggressive.

The residential market, in which GTC SA has only limited activities, continues to face difficulties. Demand is low due to the economic uncertainty and banks are reluctant to provide mortgages.

Developments GTC SA

- Rental income in Q1 2010 increased significantly to EUR 30.6 million (+42% YoY, mainly due to newly completed properties in 2009. Revenues from residential sales declined to EUR 6.5 million (from EUR 23.7 million in Q1 2009) due to the lower number of new residential units being completed and handed over, as part of the normal business cycle in those projects. This is in line with GTC SA's current strategy that called for reducing its exposure to the residential sector and focusing on office and retail development.

The gross margin from rental income of commercial properties remained stable at 78% (2009:77%). The total gross margin from operations amounted to EUR 24.6 million (+15% YoY).

³ Reference is made to the disclaimer at the end of part. 1

⁴ For the percentage of ownership reference is made to paragraph 1.5. The elaborations in Par 1.1 relate to 100% of the activities

Operating profit after revaluation results in Q1 2010 was EUR 18.5 million (Q1 2009: EUR 33.1 million). The higher gross margin from operations was more than compensated by the lower revaluation results. In Q1 2010, GTC SA did not record any revaluation gain, whereas in Q1 2009 the revaluation profit was EUR 21 million.

As per March 31, 2010, the average yields in the valuation of GTC SA's investment properties are similar to year end 2009 (%):

	Poland	Other countries
Completed Property	7.5	8.2
Property Under Construction	NA	9.3

- As part of the strategy to expand the development of retail centers, in March 2010, GTC SA has agreed to the terms of a joint venture with Polnord SA to develop a modern shopping mall in one of the most affluent residential districts in Warsaw, Poland. GTC SA will hold a 50% stake in the project. The final joint venture agreement has been signed by the end of May 2010.
- GTC's shopping mall under construction in Croatia –Avenue Mall Osijek- received a EUR 40 million financing package from the European Bank for Reconstruction and Development (EBRD), including an equity investment of 20% and a syndicated loan with Raiffeisen Zentralbank.
- Until 2008, GTC SA sold approximately one or two assets a year. In 2008 and 2009, due to the recession, no transactions took place. In the course of 2009 and the beginning of 2010 investors came back to the market, though interest is restricted to main cities like Warsaw and to prime quality properties. In May 2010, GTC SA signed a letter of intent for the sale of two office buildings in Warsaw. For further information on this transaction reference is made to paragraph.1.3 "Subsequent events".
- As of March 31, 2010, GTC SA holds a total amount of EUR 211 million in cash and deposits. This position and the existing credit lines are sufficient to complete the assets currently under construction. In Q1 2010, cash flow from operating activities and proceeds from financing exceeded the investments made.

General Market Developments in China

The Kardan group is active in real estate in China via GTC China, a developer of residential and commercial projects in Tier 2 and Tier 3 cities.

Macro

China's economy continues its strong growth. After 8.7% growth in 2009, China's growth accelerated to 11.9% in Q1 2010, the fastest pace since 2007. With rising disposable income, and favourable demographic trends, the Chinese economy remains fundamentally healthy and is expected to grow by 11.4% in 2010. The CPI is expected to rise throughout 2010; however, China should continue a moderately loose monetary policy throughout 2010.

Property Market

The strong GDP growth, accelerating urbanization in Tier 2 and Tier 3 cities (where GTC China operates) and increases in disposable income is keeping demand high for new residential space while increases in private consumption is driving the need for commercial centres throughout China.

The Chinese government continues to enact tougher property policies in an attempt to curb credit growth and combat soaring property prices, in hopes to keep home prices at reasonable levels. The government is aiming to boost the supply of affordable housing and is using economic and legal measures to curb home purchases for speculative purposes.

The recent policy change in the property sector aims to fight speculation (involving the tightening of mortgage lending conditions, increased supply of affordable housing construction and supervision of property development and sales) will likely ease the rapid increase in property prices and reduce the risk

of a bubble forming. In the wake of these measures, apartment sales increased. After the announcement of the latest measures it is expected that sales volumes will moderate for the remainder of the year.

Developments GTC China

GTC China, active mainly in the residential and commercial real estate market, noted a significant improvement in sales of apartments in Q1 2010 compared to Q1 2009 (990 sales contracts concluded versus 291). In April 2010, the sales further increased in anticipation of expected measures to cool down the market. The results on these sales will be recognized in the profit and loss account upon delivery of the apartments, which will lag by roughly 14 to 18 months post sale.

The risk that the buoyant circumstances on the real estate market will result in a bursting bubble and consequently in deteriorating results for GTC China is mitigated by:

1. GTC China is constructing apartments mainly for self use and not by speculators. It is expected that the construction of these apartments will continue to be promoted by the Chinese government;
2. GTC China is constructing its projects in phases. The number of unsold apartments for which construction started is limited.

Due to lower sales volumes in 2008, and according to expectations, the number of apartments handed over in Q1 2010 was limited, 172 versus 230 in Q1 2009 and consequently revenue was relatively low. As a result the operating result was negative.

In Q1 2009, GTC China commenced the construction of a shopping mall with approximately 35,600 sqm of net rentable area in Chengdu, in Western China. It is expected that the shopping mall will be opened in Q4 2010. Until March 2010, more than 20% of the mall was preleased. Negotiations with other major potential tenants are advancing. Due to the progress in construction and pre leasing, the mall was revalued resulting in revaluation profit of approximately EUR 8 million after tax.

Financial Services (KFS)

General Market Developments CEE/CIS

The Kardan group is active in CEE/CIS via Kardan Financial Services (KFS) in banking and lending through TBIF and in insurance and pension through TBIF. Important countries of activity are Russia and Ukraine.

Russia

After a 2009 decline in GDP of 7.9%, Russia's GDP grew by 4.5% in Q1 2010 and is poised to grow by approximately 5.8% in 2010. The return to GDP growth in 2010 is being driven by higher commodity prices and strong industrial production, on the back of the global recovery, ongoing rate cuts and low inflation. Russia's expansionary fiscal policy and signs of recovery in Europe and the US has led to a strengthening of the Rouble which could continue through 2010. These factors should stimulate both consumer demand and investment.

Analysts are expecting a continuing recovery in banking sectors driven by falling provisions, likely to be offset by margin deterioration. After having shrunk their loan books considerably in the previous two years, private banks are likely to resume lending in H2 2010 and into 2011. At the same time government pressure on the state banks to boost lending is likely to be maintained – in exchange for the funding from Central Bank of Russia and Ministry of Finance to be kept in place.

Deposits have stabilized and confidence is being restored, after heavy deposit withdrawals on the back of the banking and currency crisis in early 2009. Retail deposits in Roubles have been growing and corporate deposits growth has also been nearly flat or positive since May 2009, suggesting cash reserves of the companies have stabilized.

Ukraine

The first five months of 2010 were marked by positive news flow. Transition of power after the presidential elections was swift, with the new government taking control in early March and moved fast to assure the general public and investors of its commitment to economic reforms. The CPI continued to decelerate, with 2010 expectations of 11%, well below 2008 CPI of 22%. The Hryvnia strengthens

against the Euro, while public confidence in the banking system continued to improve. This was translated into growth of deposit taking by local banks. Full-year 2010 GDP growth forecasts of 5.5% are a vast improvement over FY 2009 contraction of 15%. Analysts believe that despite the risks, the Ukrainian economy has passed its lowest point.

The Ukrainian Parliament approved the 2010 state budget an important step forward for the Ukrainian government in negotiating a lending program with the IMF.

There have also been several positive developments in the economy. Real sector data show early signs of recovery in household consumption, while recent surveys suggest private sector investment demand is reviving as well. Though bank lending has not yet resumed, restraining the growing investment demand, banks are cutting deposit rates in response to increasing inflows of household savings. As this trend continues, banks should cut loan rates and step up lending.

In the insurance sector, important talks are on going to change the taxation system. Currently, income taxes are levied on the premium volume. In the future this may shift towards taxing profits. This can potentially reduce the tax burden.

Bulgaria and Romania

In Bulgaria and Romania, where KFS is mostly active in non-banking leasing and consumer finance, the economy remains challenging due to a significant drop in capital inflows and measures taken to reduce fiscal deficits that on the short term reduces purchasing power and demand for our products.

IMF-EU support has resumed to **Romania** after being temporarily withheld as a new government continues implementing strong reform policies. Romania's improved outlook is primarily driven by the sharp consolidation of its current account deficit and the approval and implementation of the 2010 budget. The expected GDP growth rate for 2010 is 1.9% versus a contraction of 7.2% in 2009.

In **Bulgaria**, the combination of rising unemployment, a stagnant real estate market and anaemic activity were the main causes of the contraction of the GDP in 2009 and continues to influence the economy in 2010. However, Bulgaria's low budget deficits have led Moody's to restore its pre crisis level rating. With the risk of a more protracted recovery due to the Greek debt crisis expected, GDP growth will remain questionable. Measures also had a negative impact on the pension market where the government decided to slow down the payment of pension contributions to the asset managers.

Developments KFS

In Q1 2010, the composition of the portfolio of the banking and lending activities (TBIF) changed. The stake of TBIF in VAB Bank increased from 49% to 63%. Consequently, the Balance Sheet of VAB Bank is fully consolidated as of March 31, 2010 (December 31, 2009: proportional consolidation). The Profit and Loss account of Q1 2010 is still consolidated proportionally.

- Banking and Lending

Sovcom

As a result of the improving macroeconomic environment, Sovcom (Kardan's bank in Russia) reported strong Q1 2010 operating and net results. The deposit taking and lending increased significantly compared to December 31, 2009.

The loan portfolio of Sovcom before deduction of provisions (gross loan portfolio) in Q1 2010 increased QoQ by EUR 71 million (18%) to EUR 459 million of which 53% was retail. EUR 36 million of the increase was due to the weakening of the Euro against the Rouble. During Q1 2010, Sovcom extended its lending to small and medium sized enterprises. Due to the improved economic situation in the country, Sovcom considers that risk dissipated to nearly pre-crisis levels.

The non-performing loans overdue for more than 90 days (NPL) decreased in Q1 2010 from 6.8% as at December 31, 2009 to 6.0% as at March 31, 2010. Due to the improved quality of the loan portfolio, the provision for bad loans decreased by EUR 3 million to 10.9% of the portfolio (December 31, 2010: 13.6%).

The outstanding deposits increased by EUR 86 million from EUR 517 million as of December 31, 2009 to EUR 593 million as of March 31, 2010. EUR 47 million of the increase is due to the

weakening of the Euro against the ruble. The retail deposits count for 78% of the total (December 31, 2009: 78%).

As a result of the developments the loan to deposit ratio as of December 31, 2010 is 77% (December 31, 2009: 75%). The over-liquidity of the bank is partly used to invest in bonds of reputable companies and municipalities.

The net profit of Sovcom in Q1 2010 amounted to EUR 8.4 million versus a loss of EUR 6.6 million in Q1 2009. The increased operating results were partly due to EUR 11 million lower provisions charged to the profit and loss account.

VAB Bank

Mainly due to the some what improved macro economic and political situation, the loan portfolio and deposit taking in Q1 2010 slightly increased compared to December 31, 2009. Unlike Q4 2009 with decreased lending (EUR 23 million), in Q1 2010 the gross loan portfolio increased by EUR 31 million to EUR 564 million due to the weakening of the Euro against the local currency (Hryvnia). Eliminating the exchange rate impact, the gross portfolio would have been decreased by EUR 7 million. Of the total loan portfolio, 15.7% is overdue for more than 90 days (December 31, 2009:15.7%). Although the NPL's remained stable, the provisions increased to 16.5% as of March 31, 2010 (December 31, 2009: 14.6%).

The increase of deposits of EUR 35 million, from EUR 256 million as of December 31, 2009 to EUR 291 million as of March 31 2010, exceeded the increase of the loan portfolio and thus improved the financial position of VAB Bank. In Q1 2010, the share of retail deposits increased to 69% from 66% at year end 2009. EUR 18 million of the increase is due to the weakening of the Euro against the Hryvnia.

As a result of the developments, the loan to deposit ratio as of March 31, 2010 improved to 194% (December 31, 2009: 208%). In addition to deposits, the loan portfolio is funded through a line of support from the National Bank of Ukraine amounting to approximately EUR 80 million and a bond due in June 2014, amounting to EUR 100 million.

The net loss of VAB Bank in Q1 2010 amounted to EUR 11.7 million versus a loss of EUR 4.3 million in Q1 2009. The increase of the loss is mainly due to the reduction of the loan portfolio resulting in lower interest margins. This reduction was only partly compensated by cost cutting measures.

The other financial services activities, which include non-banking leasing and consumer finance (mainly in Romania and Bulgaria), saw a 3% decline in the portfolio compared to December 31, 2009. The main reason for the decline is the restrictive lending policy combined with a lack of funding and decreased market demand.

- **Insurance and Pension**

The main insurance activity of TBIH is Ray Sigorta, our operation in Turkey with a 2.5% market share. Ray Sigorta is one of the top 15 companies in the market. Premium income increased compared to the first quarter of 2009, due to increase of the market. Premium levels though went down. The sector operated break even in Q1 2010. The pension activity of TBIH has remained profitable, particularly Doverie, (Bulgaria's largest pension fund with a market share of 33%) , increasing the assets under management by 5%, to EUR 567 million as at March 31, 2010 from EUR 542 million as at December 31,2009.

Water Infrastructure (Tahal)

Tahal is Kardan's (Water) Infrastructure platform. Tahal operates via Tahal Group ("Tahal Projects") providing design, planning and construction services, and Tahal Group Assets ("Tahal Assets") which invests in water infrastructure asset developments.

Global Market Developments

The global water infrastructure market continues to be very robust. Demand continues to increase globally due to population growth and industrial expansion. At the same time, the world's fresh water supply is shrinking due to pollution, draining of underground aquifers and climate change. According to an updated report by Global Water Intelligence, despite the global economic environment the 2009 water market value grew approximately 8.2% YoY to a value of nearly EUR 350 billion and is expected to grow in developing countries and China (Tahal's regions of activity) by 10% and 20% respectively, over the next several years versus 3%-5% in developed countries.

The main difficulty in bidding for and developing projects is the lack of funding. Financial institutions are restrictive in lending due to the deleveraging that is still in process and secondly the deteriorating credit quality of sovereigns.

In China, where Tahal Assets is active in the operation of water supply and waste water treatment plants, the market is developing very strongly. China is acutely strained with only 7% of the water supply for 21% of the global population. Scarcity of water and severe water pollution is driving significant investments. It has been reported that the upcoming, Chinese government's 12th Five-Year-Plan (2011-2016) will dedicate over USD 22 billion to the overall water market with nearly 50% of that amount specifically allocated to waste water management. China's water market is expected to grow over 20% annually, over the next several years. Competition is continually growing as new suppliers enter the market and changes in ownership to private concerns from government control increases.

Developments Tahal

Since the start of 2010, Tahal has reported on a number of positive developments.

In January 2010, Tahal Projects signed an agreement with the government of Angola for the development, construction of the water supply, sewage and drainage system for a new rural settlement and the irrigation of farm land. The expected revenue from this agreement is EUR 143 million. The start of the project depends upon the receipt of certain tax declarations and an advance payment.

After March 31, 2010 Tahal signed a letter of intent by which FIMI, an Israeli private equity fund, will lend an amount of up to approximately EUR 40 million. These funds will enable Tahal to increase the pace of investments in the water market.

In another post reporting date announcement, Tahal Projects signed a contract for the planning, construction, expansion and upgrading of drinking water systems in three regions in Ghana. The total revenues of this project amount to approximately EUR 83 million. The project is expected to take approximately three years from commencement until completion. Commencement is subject to the finalization of certain administrative procedures.

The pipeline (orders for which down payments have received) of Tahal Projects as at the end of March 31, 2010 stands at approximately EUR 172 million (December 31, 2009: EUR 181 million), not including the new projects in Angola and Ghana.

Tahal Assets is developing and investing in assets such as water supply systems and water treatment plants mainly in China, Turkey and Israel. During the development phase no cash is generated. After the completion of a development, water is delivered to municipalities and industrial areas on long term concession basis (typically for twenty to thirty years). In Q1 2010, the plant in Dazhou (China) became operational. In addition, Tahal assets won a tender in China for the acquisition of a waste water treatment plant in Xuanhua with a capacity of 120,000 cubic meters per day. The transaction is expected to be closed in Q3 2010.

Activities in Israel

Kardan is active in Israel in three main sectors: Rental and Leasing of Vehicles, Sale of Vehicles and Real Estate Development

General Market Developments Israel

Israel has been perceived as a safe harbour throughout the global economic crisis as Israel's GDP posted solid growth in 2009 of 0.7%. IMF expects for 2010 a firm increase of GDP of 3.2%, which is significant in the light of the increase in 2009. Israel has clearly recovered from the recession and the growth momentum remains strong. In recognition of Israel's strong economy, the OECD awarded Israel with acceptance to the group of 31 strongest economies in May 2010.

Rental and Leasing of Vehicles

Kardan is active in rental and leasing of vehicles mainly in Israel. Kardan holds an indirect stake of approximately 24% in Avis Israel.

Developments of Rental and Leasing of vehicles market in Israel

Since Q1 2010 due to improving general market conditions, both finance availability and second hand vehicle prices improved.

Developments Avis Israel

The increase in second hand vehicle prices and leasing prices contributed to an increase of 7% in revenues in Q1 2010 YoY. In addition, due to lower interest expenses and reduction of amortization rate of car fleet from 15% to 14.5%, net profit significantly improved in Q1 2010.

Sale of vehicles

Developments of sale of vehicles market in Israel

In this segment, Kardan owns a 30% indirect stake of UMI, the exclusive importer of General Motors brands in Israel. In light of improving general market conditions, Israeli automotive sales market increased by 30% in Q1 2010 YoY with approximately 50 thousand vehicles being handed over in Q1 2010.

Developments UMI

Due to an improved mix of more profitable vehicles and strengthening of the NIS, net profit increased by 21% YoY.

1.2 Main events in Q1 2010

Real estate (GTC)

In March 2010, GTC SA agreed upon the terms of a joint venture with Polnord SA for the development of a modern shopping mall in Wilanow, one of the most affluent residential areas in of Warsaw, Poland. The approximate size of the mall is 60,000 sqm, The construction is expected to start in H2 2010, after the receipt of the building permit. In May 2010, the joint venture agreement was signed.

Financial Services (KFS)

- In January 2010, Kardan decided to increase the stake in VAB Bank from 63% to 98%, subject to certain conditions precedent to be fulfilled by the seller and approval from Ukrainian authorities. The price to be paid is approximately EUR 24 million. Closing of the transaction is not expected before Q2 2010. (Note: This transaction will not trigger similar IFRS 3R impact on the income statement as the increase from 49% to 63%; reference is made to page 1 of the Press Release).
- In March 2010, VAB Bank refinanced debentures in the amount of approximately EUR 90 million: Maturity was extended from June 2010 to June 2014, the interest rate increases from 10.125% to 10.5%; Investors who voted in favour of the restructuring before March 19, will receive a prepayment of 10% of the principal.

(Water) Infrastructure (Tahal)

- In January 2010, Tahal signed its biggest infrastructure contract in its history. The government of Angola awarded Tahal a contract for a project for the development, construction of the water supply, sewage and drainage system for a new rural settlement and the irrigation of farm land. The expected revenue from this agreement is EUR 143 million.
- In January 2010, Tahal assets won a tender in China for the acquisition of a waste water treatment plant in Xuanhua (180 km from Beijing) with a capacity of 120,000 cubic meters per day. The purchase price amounts to approximately EUR 28 million. The transaction is expected to be closed in Q3 2010.

1.3 Subsequent events

Kardan NV

In May 2010, Maalot, the Israeli subsidiary of Standard & Poor's, decided to downgrade the rating of the debentures issued by Kardan to iBBB+, outlook negative from iA-, outlook negative. The negative outlook is due to the concern of Maalot that the economies in which Kardan is active in will deteriorate.

Real Estate (GTC)

In May 2010, GTC SA signed a letter of intent with an international investor for the sale of two of its office buildings in Warsaw with a total area of approximately 27,000 sqm. The transaction reflects a price of about EUR 3,000 per net sqm and yields of 7.0-7.2% on current income. Closing of the transaction is among others subject to due diligence and is planned for the end of June 2010.

Financial Services (KFS)

The 31% co-shareholder in the Russian bank Sovcom, expressed its intention to exercise a call option to buy 19% of the shares in Sovcom Bank from TBIF. The option should be exercised before September 3, 2010. After closing of the transaction, TBIF and the buying shareholder will each own 50% of Sovcom Bank. If the option will be exercised, the cash consideration expected from the sale of the shares amounts to approximately EUR 39 million. The final purchase price will be determined upon closing. Although the accounting implications of this transaction are still under investigation, if the option is exercised and based upon the positions as of March 31, 2010 Kardan is expected to record a gain.

(Water) Infrastructure (Tahal)

- In May, Tahal signed a letter of intent with FIMI, an Israeli private equity fund, pursuant to which FIMI undertakes to provide a loan in an amount of up to approximately EUR 40 million. In exchange, FIMI will receive warrants in an amount up to EUR 40 million to purchase an equity stake in Tahal. The closing of the transaction will be subject to satisfactory completion of business, legal and financial due diligence by FIMI and the receipt of necessary consents and approvals, including corporate approvals.

- In May, Tahal closed a transaction for the planning, construction, expansion and upgrading of drinking water systems in three regions in Ghana. The total revenues of this project should amount to approximately EUR 83 million. The agreement for the transaction was concluded with Ghana Water Company Ltd. A down payment of approximately EUR 13.3 million was received which receipt was the last condition precedent that had to be fulfilled before the agreement came into force. The project is expected to take approximately three years from commencement until completion. Commencement is subject to the finalization of certain administrative procedures.

1.4 Results and Equity attributable to equity holders of Kardan N.V.⁵

Breakdown of the net result For Equity Holders of Kardan N.V. (EUR million)⁶	Q1 2010	Q1 2009	2009
- Real Estate	3	(2)	(63)
- Financial Services – Banking and Lending	(17)	(14)	(29)
- Financial Services – Insurance and Pension	7	(3)	19
- (Water) Infrastructure – Projects	-	1	2
- (Water) Infrastructure – Assets	-	1	(4)
- Rental and Leasing of vehicles	2	-	1
- Sale of vehicles	2	2	5
- Other	(10)	(3)	(23)
Total net result attributable to equity holders	(13)	(18)	(92)
Profit (loss) per share (EUR)	(0.13)	(0.18)	(0.91)
Profit (loss) per share diluted (EUR)	(0.13)	(0.18)	(0.92)

Kardan NV – Balance Sheet (non consolidated)	March 31, 2010	December 31, 2009
Total Assets (in EUR million)	965	909
Total Equity (in EUR million)	331	293
Equity/Total assets (%)	34	32

• Q1 2010 results

The net loss attributable to equity holders of Kardan in the three months period ended March 31, 2010 amounted to EUR 13 million, compared to a loss of EUR 18 million in the three months period ended March 31, 2009.

The net results of GTC, the Real Estate division, increased by EUR 5 million to a profit of EUR 3 million in Q1 2010 from a loss of EUR 2 million in Q1 2009 as a result of:

- The operating profit (excluding fair value adjustments) net of tax in Q1 2010 amounted to a loss of EUR 1 million (Q1 2009: loss EUR 1 million).

⁵ In this paragraph, the amounts and the explanations all reflect the share of Kardan N.V. in the consolidated results i.e. net of minority interests. For the sake of clarity, the explanations of paragraph 1.1 and 2.1 are based upon the consolidated figures, thus including minority interests.

⁶ The table shows the contribution of each of the businesses to the results attributable to the shareholders of Kardan N.V. and excludes results attributable to minority shareholders.

- In Q1 2010, GTC China recorded a revaluation profit net of tax of EUR 8 million on the shopping centre under construction in Chengdu, which completion is expected in Q4 2010. GTC SA did not record any revaluations this quarter (Q1 2009: profit of EUR 3 million). In Israel a revaluation loss amounting to EUR 2 million was recognized due to expected difficulties getting building permits for the second phase of “Holyland” project in Jerusalem (Q1 2009: nil).
- Finance expenses on the level of GTC Real Estate Holding, the holding company of the Real Estate division amounted to EUR 2 million (Q1 2009: EUR 2 million).
- In Q1 2009, GTC SA suffered from an additional tax burden of EUR 4 million due to a higher tax base in local currencies caused by the devaluation of these currencies against the Euro.

KFS, the Financial Services division contributed a net loss of EUR 10 million in Q1 2010, a significant improvement compared to the Q1 2009 net loss of EUR 17 million. The loss can be explained as follows:

The banking and lending segment (TBIF) recorded a net loss of EUR 17 million in Q1 2010 versus a net loss of EUR 14 million in Q1 2009. The main elements of the results are:

- The operating profit (excluding risk related costs) net of tax increased to EUR 17 million in Q1 2010 from EUR 10 million in Q1 2009. The increase is the result of a significant decrease of operational expenses due to restructuring of the activities following the economic and financial crises and substantial returns on the investment in listed bonds by the two banks in Russia and Ukraine.
- Write-offs and provisions on the loan portfolio decreased to EUR 16 million in Q1 2010 from EUR 20 million in Q1 2009.
- Net finance expenses relating to the funding of acquisitions and equity investment of the operational companies and General and Administrative expenses of the holding companies of this sector amounted to EUR 3 million in Q1 2010 (Q1 2009: EUR 4 million).
- In Q1 2010, TBIF increased the holding in VAB Bank from 49% into 63%. According to IFRS this transaction should be recorded as two transactions: on the one hand the “sale” of the (joint controlled) 49% stake and on the other hand the “acquisition” of (majority controlled) 63% of the shares. The “sale” resulted in the recognition of a net loss amounting to EUR 16 million mainly due to reversing the foreign exchange translation results on this investment through the Income statement. In prior years, these translation results, created due to the devaluation of the local currency against the Euro, were recorded already directly in Equity.

The Insurance and Pension segment (TBIH) contributed a profit of EUR 7 million in Q1 2010 versus a loss of EUR 3 million in Q1 2009. This result can be explained as follows:

- TBIH realized an operating profit of EUR 1 million (Q1 2009: nil).
- Finance expenses related to the funding of the Equity of the operational companies and general and administrative expenses of the holding company of the sector amounted to a loss of EUR 1 million (Q1 2009: 1 million).
- In Q1 2010, KFS recorded a fair value profit amounting to EUR 7 million (Q1 2009: nil) relating to the value of a put option to sell its stake in TBIH to the partner.
- In Q1 2009, an impairment loss amounting to EUR 2 million was recorded due to a lower valuation of some of the activities.

Tahal, the Water Infrastructure division, had a breakeven result in Q1 2010 versus a profit of EUR 2 million Q1 2009. Tahal operates through two segments: Tahal Projects and Tahal Assets.

- The net result of Tahal Projects, which engages in consultancy and construction of water related projects, was break even (Q1 2009: profit of EUR 1 million). An operating profit of EUR 2 million was fully offset by financing expenses. The finance expenses were mainly caused due to the devaluation of the local currencies of several countries in South and Mid America where one of Tahal Projects subsidiaries executes projects. The pipeline decreased from EUR 233 million as of March 31, 2009 to EUR 172 million as of March 31, 2010; including the new project in Ghana - see also “Developments in Tahal”- the pipeline as of the beginning of May amounts to EUR 254 million.
- Tahal Assets which invests in water related assets realized a breakeven result as well (Q1 2009: profit of EUR 1 million). The operating profit amounted to EUR 1 million, and was offset by financing expenses amounting to EUR 1 million. In Q1 2009, the profit included an amount of EUR 2 million relating to a capital gain due to the increase by Tahal Assets of the stake in the Chinese activities.

Rental and Leasing of vehicles

The segment made a profit of EUR 2 million in Q1 2010 (Q1 2009: breakeven). The increase in second hand vehicle prices contributed to an increase of 7% in revenues in Q1 2010 YoY. In addition, the net profit significantly improved due to lower interest expenses and reduction of amortization rate of car fleet from 15% to 14.5%.

Sale of Vehicles

In Q1 2010, the contribution of UMI (General Motors franchiser in Israel) to the profit for equity holders of Kardan was EUR 2.2 million (Q1 2009 EUR 1.7 million). In Q1 2010 revenues increased by 27% YoY due to improved market conditions and gross profitability improved from 15.2% to 17.4%.

Other

Other activities include investments that are relatively immaterial ("Communications and Technology", "Import and Sale of white goods" and "El Har" which performs contractual works in Israel) and general and administrative expenses as well as finance expenses of Kardan and Kardan Israel Ltd. The total loss of these activities amounted to EUR 10 million (Q1 2009: Loss of EUR 3 million). The loss derives mainly from general and administrative expenses and finance expenses related to the funding of the equity investments in subsidiaries of Kardan Israel and Kardan. Due to the revaluation of a forward transaction regarding Kardan NV's Israeli Shekel denominated debentures that were purchased through a subsidiary that not qualified for hedge accounting, Kardan NV recorded in Q1 2010 additional 3 million finance expenses compared to Q1 2009.

- **Equity attributable to the shareholders of Kardan NV as of March 31, 2010**

As of March 31, 2010, the shareholder's equity of Kardan increased by EUR 38 million, to EUR 331 million, compared to EUR 293 million at year-end 2009. This increase was the result of direct movements in Equity due to the increase of foreign currency reserves (including the VAB Bank transaction influence; reference is made to "Results Q1 2010 of TBIF) and hedge reserves. This increase was partly offset by the loss in Q1 2010.

The solvency ratio (shareholder's equity/total assets) of Kardan as of March 31, 2010 stood at 34% compared to 32% at year-end 2009.

As a result of transactions in 2010, the net debt position of Kardan as of March 31, 2010 decreased to EUR 383 million from EUR 397 million as of March 31, 2009.

1.5 Value of investments Kardan N.V.

The following table summarizes the book value of the companies held directly by Kardan as of March 31, 2010 and December 31, 2009 (amounts in EUR million):

Holding Company	Name of subsidiary	Share in subsidiary	Book Value in Kardan NV	Loans granted by Kardan NV	Total Investment in books 31.03.10	Total Investment in books 31.12.09
Kardan NV	GTC RE Holding (*) (1)	100%	324	86	410	396
	KFS (**) (1)	98.6%	137	103	240	209
	Tahal (2)	100%	8	85	93	107
	Kardan Israel	73.9%	75	-	75	71

(*)

Holding Company	Name of subsidiary	Share in subsidiary	GTC Holding Book Value	Loans granted by GTC Holding	Total Investment in books 31.03.10	Total Investment in books 31.12.09
GTC RE Holding	GTC SA	43.1%	404	-	404	407
	GTC China	100%	153	29	182	161
	GTC Investments	46.3%	6	10	16	16

(**)

Holding Company	Name of subsidiary	Share in subsidiary	KFS Book Value	Loans granted by KFS	Total Investment in books 31.03.10	Total Investment in books 31.12.09
KFS	TBIF	90.4%	135	143	278	255
	TBIH	40%	67	-	67	67

- (1) The main difference in the total investments in GTC RE Holding and KFS as of March 31, 2010 compared with December 31, 2009 is a change in the translation reserves as well as the results of Q1 2010..
- (2) The main difference in the total investments in Tahal as of March 31, 2010 compared with December 31, 2009 is a result of Dividend distribution in Q1 2010.

1.6 Financial Position of Kardan Group as of March 31, 2010

- **Maturity loans**

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 covenants.

The following table gives an overview of the cash position and refinance obligations for debentures and other interest bearing loans as at March 31, 2010 for Kardan N.V. and its divisions⁷.

EUR Millions	Free Cash & Cash equivalents	Debt/loans maturing					
		Before March 31, 2011	Before March 31, 2012	Before March 31, 2013	Before March 31, 2014	After March 31, 2014 & till March 31, 2030	Total
Kardan N.V.	42	11	11	72	113	414	621
GTC Group	263	65	111	103	184	1,199	1,662
KFS	489	371	99	65	99	157	791
Tahal Group International	40	38	18	8	10	26	100
Kardan Israel	113	142	51	41	57	127	418
Total	947	627	290	289	463	1,923	3,592

⁷ 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. Free Cash & Cash equivalents of KFS include the investment in tradable bonds; the debt of KFS excludes the liabilities due to deposit holders of the banking activities in Russia and Ukraine.

From the total debt payable after March 2014, the total amounts due in the next five years are respectively EUR 659 million, EUR 318 million, EUR 136 million, EUR 195 million and EUR 231 million.

- **Net debt**⁸

The following table summarizes the net debt of Kardan NV and if applicable of its directly owned subsidiaries (company only) as of March 31, 2010:

Company	Net Debt (in EUR million)
Kardan NV	<p>Liabilities:</p> <p>Debentures (*) (468)</p> <p>Loans from banks (60)</p> <p>Assets:</p> <p>Loan to KFS 103</p> <p>Cash and short term investments <u>42</u></p> <p>Net debt (383)</p>
GTC RE Holding	<p>Liabilities:</p> <p>Loans from banks (160)</p> <p>Assets:</p> <p>Cash and short term investments =</p> <p>Net debt (160)</p>
KFS	<p>Liabilities:</p> <p>Loans from Kardan NV (103)</p> <p>Loans from banks (182)</p> <p>Assets:</p> <p>Cash and short term investments 2</p> <p>Loans to minority in subsidiary 17</p> <p>Loans to TBIF <u>143</u></p> <p>Net debt (123)</p>
Kardan Israel	<p>Liabilities:</p> <p>Debentures (76)</p> <p>Loans from banks (47)</p> <p>Assets:</p> <p>Loan to subsidiary 7</p> <p>Cash and short term investments <u>52</u></p> <p>Net debt (64)</p>

(*) Debentures are presented in EUR in accordance with the currency hedging transactions

1.7 Risk management

The Company has three main fields of activities (divisions) divided into seven segments. Each sector is managed by an executive director or board of directors which are responsible for managing its market sector risks. In addition, in each operating company a senior manager is responsible for managing its risks. The director responsible for managing the risks of Kardan NV is Mr. Walter van Damme, a member of the Management Board.

⁸ Net debt includes interest bearing loans and borrowings, debentures and convertible debentures, less cash and cash equivalents and interest bearing receivables.

The annual report 2009 describes the main risks relating to Kardan's strategy, such as interest rate and currency risks, capital availability and financial market risks etc. These risks are deemed incorporated and repeated in this report by reference.

Although green shoots can be noticed in various markets, 2010 still will be difficult. The future developments could possibly have additional adverse economic implications possibly leading to a further slowdown in the world economy in general. These global economic factors could possibly have future negative consequences for the results of the Group, its equity base, the value of its assets, its ability to comply with the covenants agreed upon with lenders and its ability to raise financing, as well as the terms of such financing.

Starting Q2 2009 the worldwide capital markets were experienced some recovery, improvement in funding as well as some other positive indicators. Nevertheless, due to concerns regarding the economic situation in some countries like Greece, Spain and Portugal which were reflected in their credit downgrading as well as recent declines in the worldwide capital markets starting Q2 2010, there is uncertainty that the above mentioned economic improvements are signing the end of the global economic crisis.

1.8 Segmental Key Indicators for the period

The following table presents key indicators for the activities of each of the three main fields of activities of Kardan N.V.

Key Indicators

The following tables contain balances as of March 31, 2010 and results for the period of 3 months ending March 31, 2010.

Real Estate

Commercial Properties

Completed

	Unit	Total	Poland	Other CEE	Czech R. pr**
NRA Pro-Rata to GTC's holdings ("pr")	[SQM '000]	470	247	211	12
Average vacancy*	[%]	8%	4%	12%	38%
Average yield used in valuations	[%]	7.9%	7.5%	8.2%	9.5%
Book value	[EUR mn]	1,506.2	811.6	683.2	11.4

* Vacancy excludes Spiral building in Hungary , NRA of 29,000 SQM which is 29% let. The vacancy in Czech Republic refers to one logistic centre.

** GTC SA holds c. 30% of the operations and thus does not consolidate the results in the financial statements.

Under construction

	Unit	Total	Poland	Other CEE	Czech R. pr	China pr
NRA pr	[SQM '000]	301	63	184	20	35
Accumulated cost	[EUR mn]	327.8	75.9	171.5	28.8	51.7
Profit from revaluations	[EUR mn]	21.0	(11.8)	12.5	7.3	13.0
Minority interest in commercial properties	[EUR mn]	(39.1)	-	(39.1)	-	-

Residential Properties

Under construction

	Unit	Total	CEE	Czech pr	China pr*
Area pr	[SQM '000]	673	59	10	604
Book value	[EUR mn]	183.7	65.2	22.9	95.6

* The selling rights of areas which are not yet under construction amount to 887 thousand SQM.

Net Debt

	Unit	Total	CEE	Czech R. pr	China pr
Net financial liabilities (assets)	[EUR mn]	1,128.0	1,143.4	16.3	(31.6)

Financial Services

Banking Activities

	Unit	Sovcom	VAB	TBI Bulgaria	TBI Romania
Holding	[%]	69%	63%	100%	100%
Revenues (100%)*	[EUR mn]	38.8	3.7	5.0	5.0
Net profit / loss (100%)	[EUR mn]	8.8	(11.7)	0.4	(0.2)
Equity (100%)	[EUR mn]	86.9	37.8	13.2	35.2
Solvency	[%]	10%	6%	10%	26%
Credit portfolio, net (100%)	[EUR mn]	409.5	470.7	111.4	102.8
Provisions	[%]	11%	17%	7%	12%
Book value in TBIF - equity and loans	[EUR mn]	83.0	30.6	43.1	67.4

* Includes net interest income, net commission income and other operating income.

Insurance Activities

	Unit	Turkey	Ukraine	Georgia
Premiums (100%)	[EUR mn]	34.2	7.4	8.9
Net profit / loss (100%)	[EUR mn]	(0.4)	0.1	0.5
Market share	[%]	2%	6%	33%

Pension Activities

	Unit	Bulgaria	Ukraine	Croatia	Others
Members	[Thousands]	1,289.0	136.0	235.0	11.0
Assets under management (100%)	[EUR mn]	566.8	2.1	573.0	1.0
Net profit / loss (100%)	[EUR mn]	1.3	(0.0)	0.4	-
Market share	[%]	33%	4%	15%	-

Infrastructure

Projects Segment

		Total*
Backlog	[EUR mn]	172.3

* In January and May 2010, Tahal signed agreements to execute projects in Angola and Ghana with expected total revenues of EUR 143mn and EUR 83, respectively.

Assets Segment

		KWIG*	Task	Milgam
Book value (incl. shareholder loans)	[EUR mn]	63.2	6.9	21.1

* Includes Dingzou & Xuanhua plants which currently operate under other subsidiaries.

Disclaimer

This report contains forward looking information as defined in the Israeli Securities Act, based on macro economic data relevant to each geographical region in which Kardan NV is active, the management's experience and the condition of the local and global market. The aforesaid may not materialize completely or part thereof, or materialize in a different manner, including materially different from what is expected as a result of changes in the state of the market, new regulations, continuation and/or worsening of the global economic crisis or incorrect assessments by management.

This report also contains information regarding market developments which are based on external party research which was published in the following:

- Country Research: **Goldman Sachs**, Macro Research, **Bank of America Merrill Lynch**, Macro Research
- CEE Real Estate market: **CB Richard Ellis**, CEE Office & Retail Investment, *April 2010*.
- China Real Estate market: **Bank of America Merrill Lynch**, 2010 China Property Investment Strategy, April 2010
- Financial Services market: **Bank of America Merrill Lynch**, EEMEA Banks Research, **Dragon Capital**, Ukraine Economic Research
- (Water) Infrastructure market: **Global Water Intelligence**
- Automotive market: **Car Importers Association** (Israel) *website*

Kardan NV is not responsible for the nature or correctness of data presented in this section regarding market developments or projections.

**PART 2 ADDITIONAL INFORMATION****2.1. Financial analysis****2.1.1 Following is a summary of Kardan NV's consolidated balance sheet (in EUR millions)**

Clause	31.3. 10	31.3. 09	31.12 .09	Notes
Total balance sheet	6,308	5,509	5,633	The increase as of March 31 ,2010 compared to December 31, 2009 is mainly a result of the first time full consolidation of VAB Bank in the financial statements of TBIF as a result from increasing its stake from 50% (proportionate consolidation) to 63% (see also the main events in this segment).
Current assets	2,290	1,813	2,064	The increase as of March 31 ,2010 compared to December 31, 2009 is mainly a result of the first time full consolidation of VAB Bank in the financial statements of TBIF as a result from increasing its stake from 50% (proportionate consolidation) to 63% (see also the main events in this segment). In addition, as a result of Kardan Real Estate's IPO and Kardan Israel debentures issuance the cash and short term investments balances were increased.
Non current assets	4,018	3,696	3,569	The increase as of March 31 ,2010 compared to December 31, 2009 is mainly a result of the first time full consolidation of VAB Bank in the financial statements of TBIF as a result from increasing its stake from 50% (proportionate consolidation) to 63% (see also the main events in this segment).
Current liabilities	1,889	1,666	1,600	The increase as of March 31 ,2010 compared to December 31, 2009 is mainly a result of the first time full consolidation of VAB Bank in the financial statements of TBIF as a result from increasing its stake from 50% (proportionate consolidation) to 63% (see also the main events in this segment).
Other debentures	1,047	802	866	The increase as of March 31 ,2010 compared to December 31, 2009 is mainly a result of the first time full consolidation of VAB Bank in the financial statements of TBIF as a result from increasing its stake from 50% (proportionate consolidation) to 63% (see also the main events in this segment). In addition, as a result of Kardan Real Estate's IPO through Debentures (among others), Kardan Israel debentures issuance and partly reissuance of Kardan NV series A debentures, this balance increased.
Interest-bearing loans and borrowings	1,788	1,286	1,698	The increase as of March 31, 2010 compared to December 31, 2009 is mainly a result of receipt of bank loans for the funding of projects in the GTC Group.

Options	33	52	28	The increase as of March 31, 2010, compare to December 31, 2009 is mainly a result of revaluation of a "Put" option granted to KFS with respect to its holding in TBIH.
Equity attributable to equity holders of the parent	331	373	293	The increase as of March 31, 2010 compared to December 31, 2009 is mainly a result of the movements in the translation reserves which derived from strengthening of local currencies versus the EUR in some of the countries of operation.

2.1.2 Results of Business Operations (in EUR million):

	1-3/2010	1-3/2009	1-12/2009	Notes
<u>Revenues</u>				
Sale of goods	25	41	145	The decrease in sale of goods in 3M 2010 vs 3M 2009 is mainly a result decrease in delivery of apartments which income from the sale of these apartments could be recognized.
Contract revenues	46	37	173	The income mainly represents the revenues from projects in the (Water) Infrastructure segment operated by Tahal Group. The increase in 3M 2010 in comparison to 3M 2009 is a result of increase in the activity of Tahal in most of the operating areas.
Revenues from renting vehicles	26	26	108	The income mainly represents the revenues from AVIS.
Revenues from sale of rental vehicles	19	13	58	The income mainly represents the revenues from AVIS. The increase in 3M 2010 in comparison to 3M 2009 is a result of increase in the number of vehicles sold as well as their prices.
Insurance activities	15	15	59	The income mainly represents the revenues from TBIH
Banking and retail lending activities	35	12	96	This income includes offsetting of provisions for doubtful debts in the Russian and Ukrainian banks which were decreased in 3M 2010 vs 3M 2009.
Property rental revenues	25	24	105	The increase in property rental revenues in 3M 2010 in comparison to 3M 2009 is mainly as a result of completion of construction and leasing of a number of commercial projects during 2008 and 2009 which generated rental income starting 2009.
Services and management fees	1	1	9	-
Total Revenues	192	169	753	
<u>Expenses</u>				
Cost of goods sold	20	31	114	See explanations for the changes in sale of goods.
Contracts costs	31	29	138	See explanations for the changes in revenues from contract works.

Cost of rental vehicles	20	20	78	See explanations for the changes in revenues from sale of vehicles
Cost of sale of rental vehicles	17	13	54	See explanations for the changes in revenues from renting of vehicles.
Operating expenses of insurance activities	15	14	68	-
Cost of banking and lending activities	30	32	124	-

Results of Business Operations (in EUR millions) (cont'd) :

	1-3/2010	1-3/2009	1-12/2009	Notes
Cost of property rental operations	7	5	24	Please see the explanations for the changes in rental revenues.
Other expenses , net	5	6	30	The other expenses in 2009 are mainly due to impairment of assets in the (Water) Infrastructure segment (see also the net result analysis in this segment) as well as the write down to net realizable value to the cost of building in progress in the real estate segment.
Total expenses	145	150	630	-
Gross margin	47	19	123	-
Sales and marketing expenses	7	6	24	-
General and administration expenses	15	15	62	-
Profit (loss) from operations before fair value adjustments, disposals of assets and financial expenses	25	(2)	37	-
Adjustment to fair value of investment properties	11	16	(179)	The income in 2010 is mainly a result of revaluating the "Chengdu" shopping centre in China. In 2009, all investment properties which presented according to fair value were revaluated to their fair value, resulting in a loss of EUR 137 million. In addition, due to impairment testing done for the entire investment properties carried at cost, additional loss of EUR 33 million was recognized in 2009.
Impairment losses on goodwill	-	-	(1)	-

Gain on issuance of shares in associated companies and subsidiaries to third parties	-	-	1	-
Gain (Loss) on disposal of assets and other income	(8)	3	30	The loss in 2010 is mainly a result of the increase of TBIF stake in VAB Bank due to the release of translation reserves which is partly offset due to revaluation of a "Put" option granted to KFS with respect to its holding in TBIH. The income in 2009 includes the revaluation of a "Put" option granted to KFS with respect to its holding in TBIH as well as the profit from the sale of 3% of GTC SA shares .
Profit (loss) on disposal of assets and investments	3	3	30	-
Profit (loss) before finance expenses and income taxes	28	17	(112)	-

Results of Business Operations (in EUR millions) (cont'd):

	1-3/2010	1-3/2009	1-12/2009	Notes
Financial Income	13	37	63	Finance income in 3M 2010 is mainly the result of devaluation of EUR denominated financial liabilities, versus the local currencies in some of the countries of operations. In addition, the income in the reported period also includes interest which derived from the cash balances of the group.
Financial expenses	(44)	(64)	(186)	The financial expenses in 3M 2010 are mainly a result devaluation of EUR denominated financial assets, versus the local currencies in some of the countries of operations. In addition, the financing expenses for the reported period include the financing costs of loans and debentures in the group.
Adjustments to fair value of other financial instruments	(2)	1	3	-
Total financial expenses , net	(33)	(26)	(120)	-
Profit (loss) from operations	(5)	(9)	(232)	-
Share of profit (loss) of associates accounted for using the equity method	3	3	7	-
Net profit (loss) before income taxes	(2)	(6)	(225)	-
Income tax (benefit) expenses	7	15	(27)	Main tax expenses/benefits are a result of a provision for deferred taxes due to revaluation/devaluation of investment properties.
Net profit (loss) for the year	(9)	(21)	(198)	-

from continuing operations				
Net profit (loss) for the year from discontinued operations	-	-	22	In 2009 the profit also derives from the sale of the pension activity in Romania.
Net profit (loss) for the period	(9)	(21)	(176)	-
Net profit (loss) attributed to equity holders of the parent	(13)	(18)	(92)	See also analysis of the net result to the equity holders of Kardan NV.
Net profit (loss) attributed to minority interest holders	4	(3)	(84)	-

2.1.3 Cash flow and source of funding (in EUR millions):

	1-3/2010	1-3/2009	1-12/2009	Notes
Net cash provided by (used in) operating activities	(40)	(18)	51	-
Net cash provided by (used in) investing activities	5	(117)	(566)	<p>In 3M 2010, EUR 39 million were generated from short term investment , EUR 6 million were generated from proceeds from sale of assets and investments and EUR 28 million were generated from changed from proportional consolidation to full consolidation. Those amounts were offset by EUR 70 million which were used for acquisition of tangible fixed assets and investment properties</p> <p>In 3M 2009, EUR 66 million were used for acquisition of tangible fixed assets and investment properties , EUR 59 million were used for short term investment and EUR 14 million were used for granting loans to bank costumers.</p> <p>In 2009, EUR 313 million were used for acquisition of tangible fixed assets and investment properties and EUR 256 million were used for short term investment.</p>
Net cash provided by financing activities	90	42	472	<p>In 3M 2010, EUR 21 million were generated from issuance of shares in subsidiaries to third parties and EUR 70 million were generated from issuance of debentures.</p> <p>In 3M 2009, EUR 326 million were generated following the receipt of long term loans, EUR 48 million were used for short term loans, EUR 26 million were used for repayment of Debentures and borrowings and EUR 215 million were used for repayment of long term loans.</p> <p>In 2009, EUR 886 million were generated following the receipt of long term loans, EUR 178 million were generated from short term loans and borrowings, EUR 22 were generated from issuance of debentures and EUR 585 million were used for repayment of long term loans.</p>

The Management Board of Kardan NV believes there is no reason for concern that Kardan NV will not be able to meet its current financial obligations and those expected in the two years following publication of the financial statements.

This assumption is based on the cash flow forecast of Kardan NV, including a breakdown of the resources, uses and the available assets for pledge as of March 31, 2010.⁹

Due to its structure and nature of operations, Kardan NV usually has negative cash flow from operating activities.

2.2 Fair value disclosure

GTC Group

In the first quarter of 2010 the Investment properties in GTC Group were valued. The following table indicates the main assumptions, methods and valuations of investment properties that had a material impact of Kardan NV results:

Country	City	Asset name	Valuation method	External valuator	Value in Euro million as March 31, 2010	Completion percent	Average rent per SQM	Pre – lease agreement / Letter of intent	Yield	Date of last valuation
China	Chengdu	Galleria Chengdu	Residual	CBRE	64.6	50%	21.3 (195RMB)	21%	9% comm. 5% parking	03.31.2010

KFS Group

The following table summarizes the main valuation, which took place in the KFS group in the first quarter of 2010 that had a material impact of Kardan NV results:

Asset/Liability which was valued	Date of valuation	Value as of 31 December, 2009 (EUR million)	Value as of 31 March, 2010 (EUR million)	The valuator	The valuation method	The main assumptions of the model
KFS put option on TBIH shares	31.3.2010	48	55	PWC	Binomial Model	Effective contractual period of the option (years)– 1.75, Annual interest rate – 2.9%, Expected volatility of shares – 52.4%

⁹ This estimate is forward looking information as defined in the Israeli Securities Act, based on management assumptions and expectations. The aforesaid may not materialize completely or part thereof, or materialize in a different manner, including materially different from what is expected as a result of changes in the state of the market, difficulties in raising credit, decrease in value of investments and change in cash amounts expected to be received from affiliated companies

2.3. Issuance of debt

The following are details regarding the marketable debentures of Kardan NV as of March 31, 2010:

	<u>Debenture series A</u>	<u>Debenture series B</u>
Par value of issued debentures	EUR 238 million (NIS 1,190,000,000)	EUR 267 million (NIS 1,333,967,977)
Linkage basis	Principal and interest linked to Israeli CPI (CPI of January 2007)	Principal and interest linked to Israeli CPI (CPI of December 2006)
Par value of debentures as of March 31, 2010	EUR 219 million (NIS 1,190,000,000 par value)	EUR 245 million (NIS 1,333,967,977 par value)
Interest rate (per annum)	4.45%	4.9%
Principal repayment	Four equal instalments from: From February 2013 to February 2016	Seven equal instalments from: From February 2014 to February 2020
Interest payment dates	Nine annual instalments from February 2008 to February 2016	13 annual instalments from February 2008 to 2020
Total debt up to the date of the balance sheet (including interest and Israeli CPI linkage)	EUR 265 million (*)	EUR 298 million (*)
Market capitalization as of March 31, 2010	EUR 260 million	EUR 280 million
The trustee	Aurora Fidelity Trustees Ltd (Adv. Iris Shlaien)	Hermatic trustee (1957) (Adv. Dan Avnun)
Rated by	S&P Maalot	S&P Maalot
Rating at the time of issuing	AA - (February 2007)	AA - (February 2007)
Updated rating	BBB+ (May 2010)	BBB+ (May 2010)

(*) The debentures are swapped to EUR by currency hedging transactions

2.4 Immaterial transactions procedure

For the selling of property, the relevant criterion to determine whether a transaction is 'immaterial' (without prejudice to the Company's discretion as described in the immaterial transactions procedure) will be the Equity ratio (next to the contribution to profit/loss ratio) instead of the Assets ratio

2.5. Procedure for approving the financial reports

The Management Board of Kardan NV holds a special meeting prior to the approval of the financial reports in order to discuss all relevant related issues. Kardan NV's external auditors in Israel and the Netherlands and Kardan NV's internal audit committee are invited to attend and take part in such meeting. This meeting is in addition to the regularly scheduled Management Board meeting in which the financial reports are discussed and approved and which are held on a date closer to the actual approval of the reports.

During the course of this special comprehensive meeting, the members of the Management Board are given a detailed presentation by Kardan NV's officers, auditors and others. During the meeting the following issues are discussed: all substantive material issues in the financial report, significant assumptions, and critical estimates, the reliability of the data and the accounting policies used and changes therein, and the implication of including according the principle of transparency and compatibility of the financial reports and accompanying information. Additional meetings of this type are held as needed.

PART 3 CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
as of March 31, 2010