



PRESS RELEASE

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KARDAN FIRST QUARTER 2006 RESULTS CONTINUED GROWTH

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Highlights first quarter 2006:

- Net profit grew to USD 30.5 million (Q1 2005: USD 14.8 million)
- Increase in total assets (from USD 1.8 billion to USD 2.1 billion) and shareholders' equity (from USD 160.9 million to USD 197.8 million)
- Consolidation of holdings in Financial Services segment
- Expansion of Real Estate activities into Slovakia

Key figures	31 March 2006	31 Dec 2005	Change
Total assets (USD 1,000)	2,116,320	1,768,571	19.7%
Shareholders' equity (USD 1,000)	197,802	160,917	22.9%
Equity per share	2.93	2.42	21.1%

	Q1 2006	Q1 2005	
Total Revenues (USD 1,000)	231,132	142,315	62.4%
Net profit attributable to equity holders	30,492	14,782	106.3%

Net result per share – fully diluted	0.38	0.23	65.2%
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“During the first quarter, we continued to expand our activities. Our real estate subsidiary GTC SA successfully completed a capital increase and expanded its activities to Slovakia. Our financial services businesses continued to perform well and we consolidated our holdings in this segment. All activities contributed positively to the results and continued to develop strongly. The recently completed equity offering will help us to support our growth going forward” according to Mr. Rubin of the Management Board of Kardan N.V.

Financial overview

International investment company **Kardan N.V.** (Kardan) reports a **net profit** of USD 30.5 million for the first quarter of 2006, compared to a net profit of USD 14.8 million for the first quarter of 2005.



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Net profit attributable to equity holders (x USD million)	Q1 2006	Q1 2005
Main businesses		
Real Estate	44.9	6.0
Financial Services	0.8	4.8
Infrastructure	0.2	0.6
Other businesses		
Automotive & Consumer Goods	1.6	2.7
Communications & Technology	(0.1)	5.0
Other	(16.9)	(4.3)
Total	30.5	14.8

The above table shows the contribution of each of the businesses to the result of Kardan. As profit attributable to minority shareholders has already been deducted, these figures do not represent the full net profit realized in each segment, and therefore cannot be compared to the figures presented in the review of the separate business. In that review, all figures are presented before minority interest and thus represent 100% of the results of each sector.

The 2006 first quarter results mainly improved due to (i) revaluation gains of investment properties in the real estate segment (ii) the equity gain resulting from the capital increase in GTC SA, and (iii) the strengthening and expansion of the Group activities.

Total first quarter revenues for the Group amounted to USD 231.1 million, a substantial increase when compared to USD 142.3 million for the first quarter of 2005. Main operations contributed revenues of USD 223.2 million this quarter (Q1 2005: USD 125.4 million), while other operations contributed USD 7.4 million (Q1 2005: USD 16.5 million).

Total operating result of the main businesses (Real Estate, Financial Services and Infrastructure) amounted to USD 158.0 million (Q1 2005: USD 56.2 million). The operating profits from the other sectors (Automotive & Consumer Goods, and Communications & Technologies) amounted to USD 2.5 million (Q1 2005: USD 11.8 million). Corporate activities (including other investments) resulted with a loss of USD 2.6 million in the first quarter of 2006 (compared to a loss of USD 4.0 million in the first quarter of 2005). This resulted in a **total operating result** of USD 157.9 million for the quarter under review, compared to USD 64.0 million in the same period last year.

The loss generated by corporate activities is mainly caused by the revaluation of options and warrants to their market value, as required by IFRS. As Kardan's share price continued to increase during Q1 2006, and reached EUR 7.25 at 31 March 2006, the increased value of the options is reported as a loss in Kardan's books.

Minority interest holders' share in Kardan's profit amounted to USD 64.2 million in the first quarter of 2006 (Q1 2005: USD 31.8 million). The minority interest primarily represents the interest of Kardan's strategic partners in the subsidiaries of the Real Estate and Financial Services businesses.



At the end of the first quarter, **total assets** amounted to USD 2,116.3 million compared to USD 1,768.6 million at year-end 2005, while **shareholders' equity** increased by 23% in the first quarter to USD 197.8 million at 31 March 2006 (year end 2005: USD 160.9 million). The increase in total assets was mainly a result of: (i) the increase in investment properties as several projects were completed and revalued to fair market value from USD 759.5 million at year end 2005 to USD 847.5 million at the end of first quarter 2006, and (ii) the increase in cash primarily from the GTC SA share issuance proceeds. Shareholders' equity increased as a result of the net profit for the year and the issuance of shares following the exercise of options.

In the first quarter of 2006 total net cash flows increased by USD 191.0 million, mainly from financing activities as a result of cash generated by the capital increase of GTC SA, and the issuance of several long-term loans.

Review of main businesses¹

Real Estate

Revenues from the Real Estate activities amounted to USD 177.9 million, compared to USD 63.8 million for the same period last year. The Real Estate segment contributed an operational result of USD 157.8 million (Q1 2005: USD 46.1 million).

GTC SA booked a record profit over the year 2005, and was included in the GPR 250, the index of the 250 leading and most liquid property companies worldwide. During the first quarter of 2006, it successfully completed a capital increase, which will be used to finance its accelerated growth. This capital increase resulted in a USD 41.5 million gain to Kardan.

During the first quarter of 2006, GTC SA completed 2 new office buildings in Bucharest and Warsaw. These buildings were revalued to their fair market value, which is included in the first quarter revenues, and amounts to USD 99.8 million.

The real estate activities of Kardan are rapidly expanding in Central and Eastern Europe and the development program has been accelerated to benefit from strong market demand in the CEE region. In March, GTC SA announced plans for the development of additional land plots in Romania and Serbia, and in the same month, real estate activities were started in Slovakia, its seventh country of operations. This marked another milestone in the regional expansion. GTC SA expects to be able to seize more real estate opportunities at a faster rate, and its goal for 2006 is to begin investments in the Ukraine and Bulgaria, as announced in April this year.

Financial Services

Revenues from Financial Services amounted to USD 29.4 million as compared to USD 47.3 million for the first quarter 2005. Operational profit decreased from USD 9.6 million for the first quarter of last year to a loss of USD 0.5 million for the first quarter of this year. The main reason for the decrease in revenues and profit is the sale of TBIH's holdings in the Romanian insurance company Omnisig, and in the management company of the pension fund VSP Tatry in August last year. The Financial Services segment continues to invest in pension funds and insurance companies, primarily in Russia and the Ukraine.

¹ All figures in the review of operations are presented before minority interest



KARDAN

At the end of 2005, Kardan formed a strategic partnership with the Austrian insurance group, Wiener Städtische (WS). In November, an agreement was signed with WS for an equity investment in the financial services sector, expected to be completed in the second quarter of this year. Kardan and WS intend to cooperate in pursuing further opportunities in the financial services sector with a focus on insurance related activities in the CEE countries. In the beginning of 2006, Kardan Financial Services B.V. (KFS) signed an agreement for the purchase of additional shares in TBIH, subject to the investment by WS.

During the first quarter of 2006 TBIH increased its holdings in the Ukrainian bank, JSC Va Bank, from 9.55% to 27.1% and is awaiting final approval to further increase its stake to 48.6%.

Infrastructure

Revenues from the Infrastructure activities amounted to USD 15.8 million (Q1 2005: USD 14.3 million). The segment contributed USD 0.7 million to the operating profit compared to USD 0.6 million for the same period last year.

After winning a number of new projects in Romania, Turkey, Russia, Uruguay and Israel during 2005, Tahal participated in two Israeli tenders during the first quarter of 2006. The infrastructure segment continues to explore new opportunities in existing and new markets. After the quarter under review, Kardan has undertaken a capital increase, and intends to use part of the proceeds for the further development of the infrastructure business from consultancy into asset ownership.

Outlook

Kardan aims to continue to achieve growth, by developing its existing businesses and through strategic acquisitions. Kardan constantly evaluates selective international expansion opportunities in cases where it can capitalize on its competitive strengths in emerging markets.

About Kardan

Kardan is an international investment company with a focus on three sectors: Real Estate, Financial Services and Infrastructure. Kardan is primarily active in Central and Eastern Europe, where it conducts most of its activities. Kardan holds controlling interests in its main businesses and is actively involved in the definition and implementation of their strategy. Total assets per December 31, 2005 amounted to USD 1,769 million, with revenues of USD 547 million. The number of employees engaged by the group is approximately 6,100 as of December 31, 2005. Kardan is listed on Euronext Amsterdam and the Tel-Aviv Stock Exchange.

The condensed interim financial statements according to IFRS can be found on the website of Kardan at www.kardan.com.

Enclosed:

- P&L (drawn up according to IFRS)
- Balance sheet (drawn up according to IFRS)



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Condensed profit & loss account

(x USD 1,000,=)

UNAUDITED

	Q1 2006	Q1 2005
Net Revenues	231.132	142.315
Expenses	-70.985	-74.612
Results from operations	160.147	67.703
Unallocated expenses	(2.210)	(3.744)
Financing result	(42.697)	(8.571)
Income / loss before taxes	115.240	55.388
Taxes on income	-20.590	-8.836
Income / loss after taxes	94.650	46.552
Minority interest	-64.158	-31.770
Net income (loss)	30.492	14.782

Condensed Balance Sheet

(x USD 1,000,=)

	31 March 2006 unaudited	31 Dec. 2005 audited
ASSETS		
Current assets	317.693	331.963
Non-current assets	1.332.993	1.247.634
Cash and cash equivalents	376.924	185.974
Assets held for sale	88.710	0
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	2.116.320	1.765.571
	=====	=====
 LIABILITIES AND EQUITY		
Shareholders' equity	197.802	160.917
Current liabilities	266.561	353.361
Non-current liabilities	1.059.423	998.849
Minority interest	542.110	255.444
Liabilities held for sale	50.424	0
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	2.116.320	1.768.571
	=====	=====

Note to the accounts:

Amounts were translated into USD as follows:

- Assets, liabilities and equity items are translated at the closing rates at the date of each balance sheet presented.
- Income and expense items and equity transactions are translated at the exchange rates at the dates of the transactions [or a rate that approximates the actual exchange rates].
- Equity items other than the net profit or loss were translated at the closing rate at the balance sheet date
- All exchange differences resulting from the above-mentioned translation are recognized in equity.