



PRESS RELEASE

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KARDAN 2006 ANNUAL RESULTS

Continued growth of operating result

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Highlights 2006:

- Total assets increased to USD 2.9 billion at year end 2006
- Shareholders' equity more than doubled in 2006 due to capital increases
- In 2006 total operating result increased 36% to USD 382 million
- Real Estate activity continued expansion: 21 new development sites acquired
- Financial Services segment restructured holdings to capitalize on strong growth opportunities

Key figures	31 Dec 2006	31 Dec 2005	Change (%)
Total assets (USD 1,000)	2,929,797	1,779,432	64.6
Shareholders' equity (USD 1,000)	351,300	160,917	118.3
Equity per share	4.41	2.42	82.2
Return on Equity	14.4%	32.7%	(56.0)
Net Debt (x USD million) ¹	63	78	(19.2)

(x USD 1,000)	FY 2006	FY 2005	Change (%)
Net profit attributable to equity holders²	50,671	52,613	(3.7)
Of which:			
Main businesses			
Real Estate	34,666	17,916	93.5
Financial Services	9,232	44,218	(79.1)
Infrastructure	1,675	3,621	(53.7)
Other businesses	9,759	12,504	(22.0)
Other (mainly corporate activities)	(4,661)	(25,646)	81.8

“During 2006, we continued our development, prepared the company for significant expansion of our existing activities and entered new markets. We expect 2007 to show a significant increase in investment activity to further fuel our growth. The capital increase during 2006, in combination with the debt raising early 2007, will support our further expansion. We are confident about the prospects of the group as a whole and look forward to continue our successful strategy. This year should be an important year for Kardan based on our planned investments.” according to Mr. Ickovics of the Management Board of Kardan N.V.

¹ The definition of Net Debt as presented in this press release is broadened to include interest bearing loans and borrowings less cash and cash equivalents and interest bearing receivables.

² The above 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.



Financial overview³

International investment company **Kardan N.V.** (Kardan) increased its **total revenues** for the Group to USD 700.7 million, an increase of 25% compared to USD 559.0 million in 2005. Main businesses (Real Estate, Financial Services and Infrastructure) contributed USD 657.1 million (2005: USD 513.8 million), while other businesses (Automotive & Consumer Goods and Communications & Technologies) contributed USD 37.8 million (2005: USD 38.0 million).

The revenues include revaluation gains in the real estate segment of USD 261.0 million, compared to USD 152.3 million in 2005. The revenues also include a gain of 63.6 on the issuance of shares in subsidiaries to third parties, while the 2005 revenues included an equity gain of USD 41.6 million as a result of the sale of two subsidiaries in the financial services segment.

The **total operating result** increased 34% from USD 283.8 million in 2005 to USD 381.7 million in 2006. Operating results from main businesses increased to USD 363.7 million (2005: USD 259.7 million). The operating result from other sectors showed a decrease to USD 14.7 million (2005: USD 19.2 million). Corporate activities (including other investments) contributed USD 3.3 million in 2006, compared to USD 4.9 million in the previous year.

Financing expenses increased and amounted to USD 123.1 million over 2006 compared to USD 68.9 million for the prior year. The largest part of the financing expenses is due to the revaluation of the options issued by Kardan and its subsidiaries to the public and debt holders. The major part of the options relate to the debentures Kardan has issued. The increase in the Kardan share price from EUR 5.28 at 31 December 2005 to EUR 9.99 at 31 December 2006, resulted in a higher valuation of the options and a corresponding loss of USD 79.5 million (2005: USD 31.2 million). The options are valued at USD 84.9 million year-end 2006. The rest of the increase in financing expenses was caused by the additional debt Kardan raised during 2006 from banks and other third parties to finance its current and future growth.

Taxes amounted to USD 57.2 million compared to USD 38.8 million in 2005.

Total **net profit** for the full year 2006 increased over 15% to USD 194.4 million, compared to USD 168.7 million for 2005. **Minority interest** holders' share in Kardan's profit amounted to USD 143.7 million in 2006 (2005: USD 116.0 million). The minorities' share in the profit increased due to the various transactions and changes in the holdings structure. **Net profit attributable to equity holders** for 2006 decreased slightly to USD 50.7 million (2005: USD 52.6 million). This represents a **net profit per share** of USD 0.57, compared to USD 0.78 for 2005.

Kardan is considering recommending a dividend payment within the framework of a revised dividend policy to be approved by the upcoming Annual General Meeting of Shareholders.

³ Unless otherwise indicated, all income and expense figures are presented on a 100% basis; thus before deduction of minority interests.



Fourth Quarter

Revenues in the fourth quarter 2006 decreased to USD 113.3 million (Q4 2005: USD 142.8 million), and the operating result decreased to USD 29.8 million (Q4 2005: USD 73.4 million). The net result in the last quarter of 2006 improved from a net loss of USD 17.9 million in Q4 2005 to a loss of USD 1.1 million.

Group value

Total assets as of 31 December 2006 amounted to USD 2.93 billion as compared to USD 1.77 billion at the end of 2005. This 65% increase in total assets was mainly the result of: (i) the significant increase in cash, primarily from the Kardan and GTC SA share issuance proceeds, as well as the investment of Wiener Städtische in Kardan Financial Services B.V. (KFS), the holding company of Kardan's activities in the financial services sector (ii) the increase in investment properties due to, among others, revaluation gains on existing properties and several completed projects, (iii) the increase in real estate under construction for both office projects as well as residential projects as a result of the numerous new projects started in 2006, and (iv) the investment by the financial services segment in the Ukrainian bank.

As of 31 December 2006, **shareholders' equity** more than doubled compared to USD 160.9 million at year-end 2005 and amounted to USD 351.3 million, mainly as a result of new capital raised from share issues..

Management changes

During the AGM in June 2006, Mr. Alain Ickovics was appointed to the Board of Management. As announced in December 2006, the Supervisory Board will nominate Mr. Walter van Damme to become a member of the Board of Management at the AGM in June 2007. Upon the intended appointment of Mr. Walter van Damme, the Board of Management of Kardan will consist of: Mr. Zach Rubin, Mrs. Einat Gabber, Mr. Alon Shlank, Mr. Alain Ickovics and Mr. Walter van Damme.

Outlook

The changes in the holdings structure, the capital increases of 2006 and the funds raised during the first quarter of 2007, have positioned Kardan for significant expansion. This year, Kardan intends to invest at an accelerated pace in its main businesses to capitalize on the strong growth opportunities it foresees. In addition, Kardan intends to intensify its activities in real estate and infrastructure in China.

Divisional review⁴

Real Estate

(x USD million)	FY 2006	FY 2005	Change (%)	Q4 2006	Q4 2005	Change (%)
Revenues	445.7	256.3	74%	36.1	95.6	(62.2)
Operational profit	353.6	195.6	81%	13.3	75.2	(82.3)

The operational profit includes a gain from the revaluation of investment properties of USD 261.0 million (2005: USD 152.3 million). Combined with the expansion in the real estate segment, this resulted in the reported increase in revenues and results. The results in the fourth quarter of 2005 were impacted by the sale of the Allianz office building in Poland and the sale of the 50% interest in Galeria Kazimierz shopping center in Krakow.

GTC SA achieved record profits over 2006 and the pace of investment is gaining momentum. GTC SA acquired 19 new investments with 725,000 sq.m of potential building rights during the year and further expanded its office and residential development activities in Poland. After entering Slovakia to develop a residential project and Bulgaria to develop office and retail space, GTC SA also entered the Ukraine as the ninth country of operations, in a partnership with the European Bank for Reconstruction and Development.

Furthermore, GTC SA has teamed up with Deutsche Bank to develop residential property in Romania and Hungary. The cooperation between GTC SA and Deutsche Bank is expected to create a powerful brand in the residential market. GTC SA will manage this project on behalf of all partners.

After entering China during 2005, GTC Real Estate N.V. (GTC RE) has started two more projects in China together with its partner the Lucky Hope Group. The total area under development of the Chinese projects amounts to approximately 1.36 million sq.m with a total investment of approximately USD 400 million.

GTC RE is active in Europe through GTC SA and GTC Investments B.V., and in China through GTC Real Estate China Ltd. Kardan currently holds (directly and indirectly) a 61.1% stake in GTC RE. Kardan holds indirectly a 28.5% stake in GTC SA.

GTC RE's net debt position as per 31 December 2006 amounted to USD 171 million.

Financial Services

(x USD million)	FY 2006	FY 2005	Change (%)	Q4 2006	Q4 2005	Change (%)
Revenues	130.1	195.5	(33.5)	33.6	24.8	35.5
Operational profit	6.9	59.0	(88.3)	(2.1)	(4.6)	

The decrease in revenues in 2006 compared to 2005 is attributable to the sale of the insurance company Omniasig and the pension fund VSP Tatry during 2005. In 2005, the operational profit included an equity gain of USD 41.6 million from the sale of these two

⁴ All figures in the review of operations are presented before minority interests thus represent 100% of the results of each sector and therefore cannot be compared to the figures presented in the table on the first page. In that table the contribution of each of the businesses to the results of Kardan is presented.



KARDAN

companies. As a result, a comparison between the 2005 and 2006 figures is difficult to make. The contribution to revenues and profits of the lending activities started to increase from the second half of 2006 onwards, which is reflected in the increase shown in the fourth quarter.

During 2006 Kardan started a reorganization of its holdings in the financial services segment with a view to further increase its focus on the banking and retail lending activities and to capitalize on the strong growth opportunities in these segments. Upon completion of a number of transactions with its strategic partner Wiener Städtische (WS), Kardan will effectively hold 80% in the retail lending and asset management activities (TBIF) and 35.8% in the insurance and pension activities (TBIH). TBIH will remain under the joint control of Kardan and WS (subject to certain conditions) until December 2010. Kardan and WS intend to cooperate in pursuing further opportunities in insurance and pension activities in the CEE countries.

This transaction reflects a value of EUR 204 million of KFS, the holding company of TBIH and TBIF. Upon completion of the transactions with WS, Kardan will increase its interest in KFS from 55.1% to 89.5%.

KFS' net cash position as per 31 December 2006 amounted to USD 1 million. Taking into account KFS liability to purchase the remaining shares of the minority holders in TBIH (25%), as previously announced, KFS' net debt position amounts to USD 129 million as per year end 2006. (After the completion of the WS transaction, the net debt will decrease to approximately USD 76 million).

Infrastructure

(x USD million)	FY 2006	FY 2005	Change (%)	Q4 2006	Q4 2005	Change (%)
Revenues	81.2	62.0	31.0	21.9	16.2	35.2
Operational profit	3.3	5.1	(35.3)	0.1	1.6	(93.8)

Revenues have increased compared to last year due to the expansion of the activities and the new projects. Operational profits have decreased, mainly due to the timing of profit recognition of certain projects and an increase in marketing costs.

During 2006, a number of new projects were won in Venezuela for the national water company. In the last quarter of 2006 Tahal entered into a joint venture, Task A.S., that will manage, operate and maintain municipal water and sewage networks in Turkey. The joint venture has 35 year concession agreements for the management and operation of the water and sewage networks of two cities in Turkey, providing water to over 250,000 people. This project is a result of the increased focus towards owning and investing in the assets side of the infrastructure business.

The order book as of 31 December 2006 has a total value of USD 154 million.

Tahal is 100% owned by Kardan. Tahal's net debt as per 31 December 2006 amounted to USD 3 million.



Other operations

In 2006, Kardan's other operations (Automotive & Consumer Goods and Communications & Technologies) generated revenues of USD 37.8 million, compared to USD 38.0 million in 2005. The operating result was 14.7 USD million in 2006 (2005: USD 19.2 million). Approximately USD 8 million of this was the result of equity gains.

One of Kardan's minority investments in the Consumer Goods & Technologies segment, RRSat, was listed on the NASDAQ Stock Exchange in November 2006. Kardan realized an equity gain of USD 8 million on the listing and now holds an interest of approximately 20% in RRSat.

At the end of 2006, Kardan Israel, the subsidiary through which the other operations are held, raised approximately USD 7 million in a private placement. Following this transaction, Kardan holds a 78% interest in Kardan Israel. The private placement resulted in an equity gain for Kardan of USD 3.3 million.

Kardan Israel's net debt position as per 31 December 2006 amounted to USD 17 million.

About Kardan

Kardan is an international investment company with a focus on three main sectors: Real Estate, Financial Services and Infrastructure. Kardan is currently primarily active in Central and Eastern Europe, where it conducts most of its activities and is actively pursuing expansion into other markets. 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, 2006 amounted to USD 2,930 million, with revenues of USD 700.7 million. The number of employees engaged by the group is approximately 7,980 as of December 31, 2006. Kardan is listed on Euronext Amsterdam and the Tel-Aviv Stock Exchange.

The full consolidated financial statements drawn up in accordance with IFRS will be published on the website of Kardan at www.kardan.com.

Enclosed:

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

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Condensed Balance Sheet

(x USD 1,000,=)

	31 Dec 2006	31 Dec. 2005
ASSETS		
Non-current assets	1,647,130	1,247,634
Current assets	744,592	345,824
Cash and cash equivalents	538,075	185,974
	-----	-----
	2,929,797	1,779,432
	=====	=====
LIABILITIES AND EQUITY		
Shareholders' equity	351,300	160,917
Minority interest	646,417	353,361
Non-current liabilities	1,161,028	998,849
Current liabilities	771,052	266,305
	-----	-----
	2,929,797	1,779,432
	=====	=====

Condensed profit & loss account

(x USD 1,000,=)

	Full Year 2006	Full Year 2005
Net Revenues	700,695	559,026
Expenses	318,990	275,213

Results from operations	381,705	283,813
Unallocated expenses	7,044	7,498
Financing result	123,093	68,872

Income / loss before taxes	251,568	207,443
Taxes on income	57,207	38,781

Income / loss after taxes	194,361	168,662
Minority interest	143,690	116,049

Net income (loss)	50,671	52,613
	=====	

Note on translation of foreign currencies:

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.



Segment information

	Real Estate	Financial Services	Infrastructure	Automotive & Consumer Goods In USD '000	Technology & Communications	Other	Total
Full year							
Revenues	445,699	130,126	81,249	27,609	10,168	5,844	700,695
Operational Result	353,572	6,875	3,257	6,422	8,282	3,297	381,705
Q4							
Revenues	36,094	33,605	21,935	8,622	8,934	4,117	113,307
Operational Result	13,260	-2,091	307	2,444	7,478	3,591	24,989