



PRESS RELEASE

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**KARDAN FIRST QUARTER 2007 RESULTS: INCREASED INVESTMENT LEVEL**

- Increase in total assets by 14% from EUR 2.2 billion to EUR 2.5 billion<sup>1</sup>
- High level of investment in line with forecast
- Increase in shareholder value caused loss from option revaluation which was not counterbalanced by any major divestment or revaluation, and lead to a loss of EUR 4.5 million
- EUR 150 million in debentures raised to fund further expansion
- Continued expansion of activities: banking and lending operations in Russia, fourth real estate project in China
- 2007 characterized by an accelerated investment pace to further increase value

Key figures	31 March 2007	31 Dec. 2006	Change (%)
Total assets (x EUR million)	2,545.2	2,224.6	14.4%
Shareholders' equity (x EUR million)	268.1	266.7	0.5%
Return on Equity	-1.7%	14.4%	
Net Debt / (Net Cash) (x EUR million) <sup>2</sup>	69	48	43.8%

(x EUR 1,000)	Q1 2007	Q1 2006
<b>Net profit (loss) attributable to equity holders<sup>3</sup></b>	(4,486)	25,276
Of which:		
<b>Main businesses</b>		
Real Estate	(8,546)	37,117
Financial Services	180	700
Infrastructure	(534)	125
<b>Other businesses</b>	965	1,211
<b>Other (mainly corporate activities)</b>	3,449	(13,877)

"We have continued to grow the value of our investments and to accelerate our investment pace. This value creation is not always immediately translated into profit while it increases the value of stock options held by 3<sup>rd</sup> parties, which led to a loss over Q1 2007. Due to our nature as an investment company, our results vary from quarter to quarter, but we keep focused on creating value over the medium to long term. We have positioned ourselves for continued growth, significant funds were raised through the issuance of debentures and we signed a number of significant transactions in both our real estate and financial services segment. We expect 2007 to be characterized by an increase in investment activities to further fuel our growth." according to Mr. Ickovics of the Management Board of Kardan N.V.

<sup>1</sup> Starting the first quarter of 2007 Kardan is presenting its IFRS financial statements in Euro's, where previously the US dollar was used as a reporting currency. This change will be put before the shareholders at the AGM of 13 June 2007.

<sup>2</sup> The definition of Net Debt as presented in this press release is broadened to include interest bearing loans, borrowings and (convertible) debentures, less cash and cash equivalents and interest bearing receivables.

<sup>3</sup> 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.

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### Financial overview

International investment company **Kardan N.V.** (Kardan) has generated **total revenues in the first quarter 2007** of EUR 87.7 million (Q1 2006: EUR 195.8 million). Main operations (Real Estate, Financial Services and Infrastructure) contributed EUR 70.9 million to Kardan's revenues over the first quarter 2007 (Q1 2006: EUR 185.1 million). The revenues include a revaluation gain of approximately EUR 11 million following the completion of the Newton office building in Krakow. The first quarter revenues of 2006 included the revaluation of two office buildings to fair value due to completion, for an amount of EUR 82.5 million and an equity gain from the capital increase in GTC SA, for an amount of EUR 34.5 million.

In line with the decrease in revenues, the **total operating result** for the first quarter of 2007 decreased to EUR 20.5 million from EUR 132.6 million in the first quarter of 2006. Main businesses contributed EUR 18.3 million to the total operating result (Q1 2006: EUR 130.8 million).

**Financial expenses, net** for the first quarter of 2007 amounted to EUR 16.3 million (Q1 2006: EUR 35.3 million). Financial expenses in the first quarter of 2007 mainly include expenses resulting from appreciation of option rights and higher interest expenses on long-term borrowings, following the issuance of debentures in Kardan and GTC RE. The appreciation of option rights is attributable to the share price increases for Kardan and its listed group companies during the first quarter of 2007. According to IFRS rules, the increase in the value of options held by third parties must be taken in to the profit and loss. Due to the increase we are able to realise in the value of our subsidiaries, this appreciation amounts to EUR 11 million in the first quarter of 2007 (Q1 2006: EUR 31.7 million). The largest part of this loss is included in the results of the real estate division. **Taxes** for the first quarter of 2007 amounted to EUR 5.3 million, compared to EUR 17.0 million in the first quarter of 2006.

As a result of the above, the first quarter of 2007 resulted in a total **net loss** of EUR 3.5 million, compared to a net profit of EUR 78.5 million for the first quarter of 2006. Accordingly, the minorities' share in the net result decreased due to lower profitability of the underlying subsidiaries. **Net result attributable to equity holders** for the first quarter of 2007 amounted to a loss of EUR 4.5 million (Q1 2006: EUR 25.3 million). This represents a **net loss per share** of EUR 0.06, compared to net earnings per share of EUR 0.32 for the first quarter of 2006.

### Group value

Total assets grew by 14.4% during the first quarter, from EUR 2.2 billion to EUR 2.5 billion per 31 March 2007. The increase in total assets was mainly the result of increase in cash following the issuance of debentures in Kardan and GTC RE.

As at 31 March 2007, shareholders' equity slightly increased to EUR 268.1 million, compared to EUR 266.7 million at year-end 2006, mainly as a result of the exercise of options into Kardan shares.

During the quarter under review, Kardan raised approximately EUR 150 million through a private placement of non convertible debentures to Israeli institutional investors. Kardan intends to use the majority of the funds for further expansion of its activities. Approximately EUR 38 million was used to refinance existing debt. Kardan intends to list these debentures for trading on the Tel Aviv Stock Exchange.

Kardan's operations are developing positively and it has started to accelerate its pace of investment. The reorganizations and the capital increase during 2006 have positioned the company for significant expansion. With the transactions announced year to date, the investment in a Russian bank, the fourth real estate development project in China, the completion of the restructuring of the financial services, the acquisition of an insurance company in Turkey, and the establishment of an infrastructure investment platform in China, Kardan will capitalize on the strong growth opportunities it foresees and will continue to do so going forward.

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**Divisional review<sup>4</sup>**Real Estate

(x EUR million)	Q1 2007	Q1 2006	Change (%)
Revenues	32,211	147,435	-78.1%
Operational result	16,897	130,670	-87.1%

The revenues in Q1 2007 are not comparable to the revenues in Q1 2006, due to the divestment of 50% of Galeria Kazimierz in Q2 2006 and 100% of Mokotów Business Park in Q4 2006. In Q1 2006 significant revaluation gains were booked upon completion of America House (27,000 sq.m. NRA) and Topaz (11,000 sq.m. NRA) - large office buildings in Bucharest and Warsaw, explaining the year-on-year drop in profit. Furthermore, in the first quarter of 2006 the revenues included a EUR 34.5 million gain from the capital increase in GTC SA.

In January 2007, GTC RE successfully completed a tender to Israeli institutional investors to issue non convertible debentures with a par value of approximately EUR 100 million (NIS 550 million). GTC RE will use these funds for further expansion of its activities, primarily in China.

In February, GTC RE started the fourth real estate project in China, together with its local partner. A memorandum of understanding with the Shenyang Puhe New City Administration Authority was signed for the development of a phased residential project totalling 920,000 sq.m. The total investment in the project is estimated at approximately USD 250 million. The total development pipeline for GTC China currently amounts to 2.35 million sq.m., representing an estimated total investment of approximately USD 650 million.

In Q1 2007 Newton - a class A office building in Krakow was completed, adding 10,400 sq.m. of net rentable area (NRA) to the GTC SA investment property portfolio. The new building was leased 100% before completion and boasts top quality international tenants: IBM Consulting, Fortis Bank, Hewitt Associates and Hitachi.

GTC SA is currently developing in parallel more than 150,000 sq.m. of net office space in five cities in Poland, a regional shopping centre in Czestochowa (50,000 sq.m. NRA), and 4 residential projects. The fast pace of new investment continued in 2007. In Hungary GTC SA finalized the acquisition of the Renaissance Plaza office project in Budapest. The site has an attractive location next to the Vaci ut corridor and will allow construction of 24,000 sq.m. NRA of class A office space. In Zagreb, GTC SA purchased a 12,000 sq.m. plot, to develop 18,500 sq.m. of net retail and office space. In Romania GTC SA started construction of three shopping centers in three mid-sized cities, offering 35,000 sq.m. of net retail space. During the next three years GTC SA plans to develop three to five shopping malls in Bulgaria, targeting large cities with high spending power.

GTC Real Estate N.V. (GTC RE) is active in Europe through GTC SA and GTC Investments B.V., and in China through GTC Real Estate China Ltd. Kardan holds (directly and indirectly) a 61.2% stake in GTC RE. Kardan holds indirectly a 28.2% stake in GTC SA.

GTC RE's net debt position as per 31 March 2007 amounted to EUR 135 million.

<sup>4</sup> 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.

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Financial Services

(x EUR million)	Q1 2007	Q1 2006	Change (%)
Revenues	23,230	24,469	-5.1%
Operational result	1,278	(433)	388.5%

The revenues over the first quarter 2007 slightly decreased compared to first quarter 2006, while the operational result increased.

During 2006, Kardan closed several transactions with Wiener Städtische to change its holdings in the financial services segment. These transactions were completed shortly after the quarter under review. With these transactions, Kardan separated its banking, retail lending and asset management activities (TBIF) in which Kardan has a 80% indirect stake, and its insurance and pension activities (TBIH) in which Kardan has a 35.8% indirect stake. This reorganisation allows Kardan to further increase its focus on the retail lending and asset management activities and capitalize on the strong growth opportunities in these segments.

In February, Kardan announced that TBIF signed a term sheet with the shareholders of a regional bank in Russia (the Bank) to merge TBIF's Russian lending operations with those of the Bank. TBIF and the Bank are complementary in geography as well as activities. The merger will strengthen the retail and SME lending activities of the group as a result of clear geographic and operational synergies. This move is in line with TBIF strategy to expand its lending activities and presence in Russia and the Ukraine.

TBIH also expanded its operations and entered several new countries. TBIH will enter the Turkish insurance market with the acquisition of a 58.2% stake in Ray Sigorta, a Turkish listed company with a 3% market share in the Turkish non-life insurance market, for a consideration of approximately EUR 61.2 million (USD 81.5 million). Within the framework of the transaction, TBIH may have to make a public offer for the 21.8% of the company that is traded at the Istanbul Stock Exchange, requiring an additional investment of up to approximately EUR 22.9 million (USD 30.5 million). Furthermore, the sellers have the option to sell their remaining 20% stake to TBIH. Turkey is one of the fastest growing insurance markets in Europe with a low level of penetration and is also attractive due to its size (population of 70 million).

In March TBIH signed an MOU to purchase a controlling interest (60%) in Sigma Albania, the second largest insurance company in Albania, primarily active in non-life insurance, for a consideration of EUR 12.9 million. Sigma owns a 100% stake in Sigma Macedonia and has a branch office in Kosovo. TBIH has the option to expand its stake to full ownership. This acquisition fits in the TBIH strategy to enter markets with a low level of insurance penetration.

Kardan Financial Services (KFS), the holding company of TBIF and TBIH, had a net debt position as per 31 March 2007 of EUR 100 million. Following the closing of the transaction with Wiener Städtische as described above, the net debt position of KFS has been reduced to EUR 60 million.

Infrastructure

(x EUR million)	Q1 2007	Q1 2006	Change (%)
Revenues	15,489	13,162	17.7%
Operational result	110	586	-81.2%

The 2007 first quarter revenues increased compared to the same period last year while the operational results decreased. This is mainly due to the timing of revenue recognition of projects and an increase in marketing costs.

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In January, Tahal won a tender for a turnkey infrastructure project in Turkey. This project follows on the earlier concession project Tahal entered into in November of 2006, to manage, operate and maintain municipal water and sewage networks in Turkey. Tahal tendered together with two partners, and the contract is valued at EUR 54.2 million, of which Tahal's share is approximately EUR 18 million. The contract is the first one in a planned framework of 6 additional biological wastewater plants to be awarded by the Istanbul Water and Sewage Administration during 2007.

After the quarter under review, Tahal announced the start of a joint venture that will invest in and manage, operate and maintain water related infrastructure projects in China together with local partners. This is an important step in Tahal's strategy to further develop its asset ownership activities.

Tahal is 100% owned by Kardan. Approximately 90% of Tahal's activities are directly related to water and sewage systems. Tahal's net cash as per 31 March 2007 amounted to EUR 3 million.

#### **Other operations**

The revenues of the other operations (Automotive & Consumer Goods and Communications & Technologies) increased from EUR 6.2 million in the first quarter of 2006 to EUR 8.1 million in the first quarter of 2007. Other operations contributed EUR 2.0 million to operational profits (Q1 2006: EUR 2.1 million).

Kardan's other operations are held through its 78% subsidiary, Kardan Israel. Kardan Israel's net debt position amounted to EUR 12 million as per 31 March 2007.

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#### **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, 2006 amounted to EUR 2.2 billion, with revenues of EUR 588.0 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 condensed interim financial statements according to IFRS including reconciliation to Israeli GAAP can be found on the website of Kardan at [www.kardan.com](http://www.kardan.com).

Enclosed:

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

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## Condensed Balance Sheet

(x EUR 1,000)

	31 March 2007 unaudited	31 Dec 2006 audited
<b>ASSETS</b>		
Non-current assets	1,360,071	1,250,667
Current assets	589,857	565,371
Cash and cash equivalents	595,264	408,561
	-----	-----
	<b>2,545,192</b>	<b>2,224,599</b>
	=====	=====
<b>LIABILITIES AND EQUITY</b>		
Shareholders' equity	268,093	266,740
Minority interest	495,477	490,825
Non-current liabilities	1,293,873	881,569
Current liabilities	487,749	585,465
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	<b>2,545,192</b>	<b>2,224,599</b>
	=====	=====

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**Condensed profit & loss account**

(x EUR 1,000)

UNAUDITED

	<b>Q1 2007</b>	<b>Q1 2006</b>
<b>Net Revenues</b>	79,565	191,674
Expenses	59,080	59,040
<b>Results from operations</b>	20,485	132,634
Unallocated expenses	1,799	1,839
Financing result	16,819	35,300
<b>Income / loss before taxes</b>	1,867	95,495
Taxes on income	5,347	17,011
<b>Income / loss after taxes</b>	-3,480	78,484
Minority interest	1,006	53,208
<b>Net income (loss)</b>	-4,486	25,276