PRESS RELEASE

Number of pages: 10

KARDAN 2005 ANNUAL RESULTS
Excellent year with strong profit increase

Amsterdam/Tel Aviv, 27 March 2006

Highlights 2005:

- **Net profit grew more than tenfold to USD 52.6 million in 2005 (2004: USD 4.7 million)**
- **Operating profit of the main business sectors more than tripled to USD 257.3 million (2004: USD 79.4 million)**
- **23% increase in total assets to USD 1.8 billion**
- **Continued rapid growth of existing activities and expansion into new markets of Ukraine, Russia, China**
- **Strategic partnership with Wiener Städtische in Financial Services activities**
- **Further strengthening of the Real Estate activities in the CEE region with a significant increase in the holdings in GTC Group Companies**

Key figures	**31 Dec 2005**	**31 Dec 2004**	**Change (%)**
Total assets (USD 1,000)	1,768,571	1,436,501	23.1%
Shareholders' equity (USD 1,000)	160,917	104,347	54.2%
Equity per share	2.42	1.68	44.0%
	Full year 2005	**Full year 2004**	
Total Revenues	546,733	336,836	62.3%
Operating result	281,342	80,794	248.2%
Net profit attributable to equity holders	52,613	4,726	1013.3%
Net result per share – fully diluted	0.78	0.08	

"2005 was an exciting year for Kardan during which we accelerated our growth. The results improved significantly, we closed a number of important transactions and the expansion of our activities continued. We further developed the scope of our activities in the markets in which we are active and entered new high growth markets like Ukraine, Russia and China. We also strengthened the group's financial base during last year and have recently announced that we are exploring the possibility of a capital increase." 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 52.6 million for the full year 2005, compared to a net profit of USD 4.7 million for 2004. All Kardan business sectors showed strong growth and continued to contribute positively to both the operating and net result.

Net profit attributable to equity holders (x USD million)	**Full year 2005**	**Full year 2004**
Main businesses		
Real Estate	17.9	4.9
Financial Services	44.2	16.1
Infrastructure	3.6	2.8
Other businesses		
Automotive & Consumer Goods	6.7	4.4
Communications & Technology	5.8	(4.0)
Other	(25.6)	(17.3)
Impact of restatement	-	(2.2)
Total	52.6	4.7

Total net profit amounts to USD 52.6 million. 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 100% of the net profit of each segment, and can therefore not 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 Real Estate segment contributes a profit of USD 17.9 million, mainly caused by revaluations. The Financial Services segment contributed USD 44.2 million, mainly due to the sale of equity interests. All other segments also contributed positively. The expenses were higher mainly due to higher financing and G&A expenses. The impact of the restatement reflects the impact of the new and revised IFRS standards.

Total revenues for the Group increased to USD 546.7 million in 2005, an increase of 62% compared to USD 336.8 million in 2004. Main businesses (in the sectors Real Estate, Financial Services and Infrastructure) contributed USD 501.5 million (2004: USD 307.8 million), while other businesses (in the sectors Automotive & Consumer Goods and Communications & Technologies) contributed USD 38.0 million (2004: USD 26.3 million).

Operating results from main businesses increased significantly to USD 257.3 million (2004: USD 79.4 million). The operating result from other sectors also showed a significant increase to USD 19.2 million (2004: USD 2.1 million). Corporate activities (including other investments) contributed USD 4.9 million in 2005 (compared to USD 0.8 million loss in 2004). This resulted in a **total operating result** of USD 281.3 million for the year under review, compared to USD 80.8 million in the previous year.

The full year 2005 results improved due to:
(i) revaluation gains of investment properties,
(ii) equity gains from the sale of the Slovak pension fund Tatry and the Romanian insurance company Omniasig,
(iii) equity gains from a private placement in the Financial Services business and from the listing of Kardan Israel, and
(iv) expansion of the Group activities, primarily the real estate and financial services.

2005 financing expenses amounted to USD 66.4 million compared to USD 23.6 million for the prior year. Approximately USD 34.8 million (USD 25.2 million in Q4 of 2005) of this increase is the result of the implementation of the new and revised accounting standards regarding the measurement and accounting of financing instruments. Based on the new standard (Revised IAS 32 and 39), options issued by Kardan or its subsidiaries to the public and debt holders should be presented at their fair market value and changes in the fair values should be recognized as profit or loss. The value of the options depends highly on the price of the underlying Kardan shares, which has increased over the last year from EUR 2.05 at 31 December 2004 to EUR 5.28 at 31 December 2005[*]. This resulted in a higher value of the options and a corresponding loss. The options are valued at USD 39.7 million year-end 2005. In Kardan's acquisition strategy and management philosophy options play an essential role. The option mechanism promotes the entrepreneurial spirit within the companies Kardan invests in.

In addition, during 2005 Kardan raised additional debt from banks and other third parties to finance its current and future growth, causing a further increase in financing expenses.

Taxes amounted to USD 38.8 million compared to USD 11.7 million in 2004. Taxes increased mainly as a result of the increase in operating result.

Minority interest holders' share in Kardan's profit amounted to USD 116.0 million in 2005**.** The minority interest primarily represents the interest of Kardan's partners in the subsidiaries of the Real Estate and Financial Services businesses, in line with Kardan's strategy to enter into strategic partnerships.

Net profit in 2005 amounted to USD 52.6 million, compared to USD 4.7 million in 2004. Management will propose to the Annual General Meeting of Shareholders in June 2006 to not distribute any dividends for the financial year 2005 and to add the net income to the retained earnings in order to invest in future growth.

Total assets as of 31 December 2005 amounted to USD 1,768.6 million as compared to USD 1,436.5 million at the prior year-end, an increase of 23.1%. The increase was mainly a result of the increase in investment properties due to the completion of several projects and their revaluation to fair market value from USD 462.9 million in 2004 to USD 759.5 million in 2005.

As of 31 December 2005 **shareholders' equity** amounted to USD 160.9 million, an increase of 54.2% compared to USD 104.4 million at year-end 2004. The increase is a result of the net profit for the year and the issuance of shares following the exercise of options.

In 2005 **total net cash flows** decreased by USD 17.9 million. The cash flows used in operating activities amounted to USD 9.1 million compared to USD 46.1 million cash flow provided last year. Cash used in investing activities amounted to USD 310.7 million (2004: USD 163.9 million) and primarily include USD 129.6 million invested in real estate under construction and USD 166.3 million investment in companies and partnerships. Kardan generated USD 296.1 million from financing activities, compared to USD 183.3 million the previous year. The increase is primarily the result of increase in debt granted during the year.

[*] USD 1.51 per 31 December 2004 to USD 4.48 per 31 December 2005

Fourth Quarter: Revenues amounted to USD 142.8 million, an increase of 67% when compared to the fourth quarter last year (USD 85.5 million) and the operating result in Q4 came in at USD 73.4 million, an increase when compared to the USD 12.5 million operating result in Q4 2004. Even though operating performance remained stable compared to the previous quarter, net result for the fourth quarter came in at a loss of USD 17.9 million, compared to a net loss of USD 4.9 million in the same period in 2004. This loss was caused by the revaluation of stock options to the amount of USD 25.2 million.

Organizational structure

In December 2005 Kardan completed the increase of its holdings in the Real Estate activities, through the increase of Globe Trade Centre S.A. (GTC SA) share in GTC Hungary, GTC Serbia and GTC Croatia to approximately 97% and in GTC Romania to approximately 94%. In addition GTC RE the controlling shareholder (51%) of GTC SA, signed an agreement to increase its holding in GTC International, to 100%. These transactions strengthened GTC SA's regional position and enabled Kardan to consolidate its franchise in the CEE real estate markets.

Kardan further adjusted its structure when it completed a tender offer for shares of Kardan Real Estate Enterprise and Development Ltd (Kardan RE) and at the same time listed Kardan Israel's shares on TASE (Tel Aviv Stock Exchange). The tender offer has contributed to the transparency of the Group by creating a more streamlined structure. The subsequent listing has allowed the capital markets to assign a value to the Group's Israeli activities separately.

Management and Supervisory Board changes

At the Annual General Meeting of Shareholders to be held in June 2006, the Supervisory Board will nominate Mr. Alain Ickovics to become a member of the Board of Management of Kardan. Mr. Ickovics has been actively involved in managing the Kardan Group for more than 10 years already, the last years in the capacity of director in the Real Estate and Financial Services sectors.

During last year's Annual General Meeting of Shareholders, held on 19 May 2005, the shareholders appointed Mr. Zachary Rubin and Mrs. Einat Gabber as members of the Board of Management and Mr. Max Groen as new Supervisory Board member.

Upon the intended appointment of Mr. Alain Ickovics, the Board of Management of Kardan will consist of: Mr. Zachary Rubin, Mrs. Einat Gabber, Mr. Alon Shlank and Mr. Alain Ickovics.

Review of main businesses[1]

<u>Real Estate</u>

Revenues from the Real Estate activities amounted to USD 256.3 million in 2005 (2004: USD 101.6 million). The activities contributed an operating profit of USD 195.6 million in that year, compared to USD 54.5 million in 2004. Revenues in the fourth quarter amounted to USD 95.6 million (Q4 2004: USD 14.5 million). The operating profit includes gains from the revaluation of investment properties of USD 152.3 million. The Real Estate segment usually revaluates its investment properties in the third quarter of every year.

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

During 2005 two projects were completed: Galeria Kazimierz, a shopping mall in Krakow and GTC House, an office building in Belgrade. In December 2005 GTC Poland signed an agreement for the sale of a 50% interest in Galeria Kazimierz shopping center in Krakow for a consideration of EUR 70 million. In addition GTC sold an office building in Poland to a member of the Allianz Group.

During the year under review, the Real Estate segment continued expanding its activities. Additional land sites were purchased in Poland and Romania. GTC RE has identified China as a growth market for its real estate development activities given the strong economy, the increasing purchasing power, the urbanization trend, and government reforms of the housing policy (availability of subsidized mortgages). The first project, the development of a large residential property near Shenyang in North-East China, was started during the third quarter of 2005.

In addition, GTC RE has identified Western Europe as a potential market to further expand its real estate portfolio GTC RE has formed a joint venture with a leading Israeli investment group, which has acquired control of a real estate portfolio comprising 7 office properties in Germany and will focus on acquiring cash generating office and commercial properties throughout Western Europe.

Financial Services

For the year 2005, revenues from this segment amounted to USD 183.2 million as compared to USD 146.1 million for 2004. In 2005 operating profits increased to USD 56.5 million (2004: USD 22.0 million). The increase in revenues and profit is due to the expansion of the Financial Services activities, the capital gains from the sale of two subsidiaries, Tatry and Omniasig and an equity gain on the private placement in TBIH that took place in the beginning of the year. The private placement caused a dilution of Kardan's indirect holding in TBIH from 58.7% in December 2004 to approximately 48.6% following the completion of the transaction in June 2005. In November 2005, Kardan increased its stake in Kardan Financial Services B.V. (KFS), the majority shareholder of TBIH, by approximately 4.6%, thus increasing its indirect holding in TBIH to 51.3%. Kardan proportionally consolidates the results of the Financial Services segment.

In the fourth quarter of 2005, this segment contributed revenues of USD 24.8 million (Q4 2004: USD 49.5 million). The operating result in the fourth quarter amounted to a loss of USD 4.6 million, a decrease compared to the same period in 2004.

In TBIH total earned insurance premiums amounted to USD 264.6 million for 2005, compared to USD 221.4 million for 2004. In 2005, the insurance activities contributed to TBIH an operating profit of USD 3.4 million (2004: USD 6.4 million).

Pension funds activities generated an operating loss of USD 1.5 million (2004: operating loss of USD 1.3 million). This loss is mainly caused by investments incurred to acquire new members to the pension funds which are expensed in the current period and can not be capitalized under IFRS. The number of pension fund members decreased in 2005 to 1.4 million, primarily as a result of the sale of Tatry and the assets managed by these pension funds decreased accordingly, from USD 564 million at 31 December 2004 to USD 417 million at 31 December 2005.

The other financial business companies (consumer credit, leasing, asset management and mortgages) contributed an operating profit of USD 5.0 million in 2005 (2004: USD 3.8 million).

During the third quarter, TBIH completed the sale of its holdings in the Romanian insurance company, Omniasig, to the Austrian insurance group, Wiener Städtische (WS). The transaction resulted in an equity gain of USD 25.8 million for Kardan. This transaction signified the beginning of a strategic partnership between both parties, which further developed by signing the agreement in November with WS for an equity investment in its financial services sector, whereby WS will acquire a 40% stake in Kardan Financial Services B.V. (KFS), the majority shareholder of TBIH. This transaction is expected to be completed in the second quarter of 2006. 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 as published in the press release on 26 January 2006.

Furthermore, TBIH completed the sale of its 100% holding in VSP Tatry Sympatia (Tatry), the management company of the leading private pension fund in the Slovak Republic, to ING Group. This transaction generated an equity gain of USD 15.8 million for Kardan.

TBIH expanded its presence in the Ukraine and Russia. TBIH purchased 9.55% of JSC VA Bank, a commercial bank in the Ukraine with a network of 52 branches and offices and 50% of Arka Finance, a Russian consumer finance company. TBIH expects to increase its investment in VA Bank up to 49% during the first half of 2006.

<u>Infrastructure</u>
Revenues for the Infrastructure sector amounted to USD 62.0 million for the full year 2005 (2004: USD 60.1 million). Revenues slightly decreased by 2.4 % to USD 16.2 million during the fourth quarter of 2005, compared to the fourth quarter of 2004 (USD 16.6 million). Revenues from this segment fluctuate from quarter to quarter due to timing differences in revenue recognition according to accounting principles. Operating profit amounted to USD 5.1 million in 2005, compared to USD 3.0 million in 2004.

During 2005, a number of new projects were won in Romania, Turkey, Russia, Uruguay and Israel. The infrastructure segment continues to explore new opportunities in existing and new markets.

Other Businesses
In 2005, Kardan's other business sectors (Automotive & Consumer Goods and Communications & Technologies) contributed an operating result of 19.2 USD million (2004: USD 2.1 million). The Automotive & Consumer Goods segment showed an increase in its result, due to net finance income in 2005 compared to finance expenses in 2004.

Communications & Technologies also showed an increase in its operating result compared to the prior year. In 2005 this business segment contributed a gain from arbitration of USD 5.3 million to Kardan. In May 2005, Teledata Networks Ltd. signed an agreement with strategic investors, for an investment of USD 19 million in exchange for preferred shares in Teledata. These funds are used to acquire complementary businesses.

IFRS

Due to the adoption of the new International Financial Reporting Standards applicable from 1 January 2005, Kardan restated its financial statements for the year ending on 31 December 2004, for each of the quarters in 2004 and for the first quarter 2005. For FY 2004 the effect of this restatement has been a decrease of USD 2.2 million and for Q4 2004 USD 2.0 million. The 2004 figures are presented as restated in this press release.

Outlook

Kardan aims to continue to achieve growth, both organically by developing its businesses and through acquisitions. Kardan constantly evaluates selective international expansion opportunities in cases where it can capitalize on competitive strengths focusing 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 full accounts according to IFRS can be found on the website of Kardan at www.kardan.com no later than 31 March 2006.

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,=)
AUDITED

	Full Year 2005	Full Year 2004
Net Revenues	546.733	336.836
Expenses	(265.391)	(256.042)
Results from operations	**281.342**	**80.794**
Unallocated expenses	(7.498)	(8.308)
Financing result	(66.401)	(23.593)
Income before taxes	207.443	48.893
Taxes on income	(38.781)	(11.684)
Income after taxes	168.662	37.209
Minority interest	(116.049)	(32.483)
Net income	**52.613**	**4.726**

Condensed Balance Sheet

(x USD 1,000,=)
AUDITED

	31 Dec. 2005	31 Dec. 2004
ASSETS		
Current assets	334.963	264.861
Non-current assets	1.247.634	967.768
Cash and cash equivalents	185.974	203.872
	1.768.571	**1.436.501**
LIABILITIES AND EQUITY		
Shareholders' equity	160.917	104.347
Current liabilities	353.361	327.391
Non-current liabilities	998.849	653.732
Minority interest	255.444	351.031
	1.768.571	**1.436.501**

Segmental information

	Real Estate	Financial Services	Infrastructure	Automotive & Consumer Goods In USD '000	Technology & Communications	Other	Total
Full year							
Revenues	256.325	183.162	62.041	26.404	11.622	7.179	546.733
Operational Result	195.609	56.501	5.142	8.796	10.388	4.906	281.342
Q4							
Revenues	95.206	24.825	16.242	5.608	46	829	142.756
Operational Result	75.173	-4.265	1.602	772	-264	390	73.408

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.