KARDAN N.V.

Director’s Report and Financial Statements Kardan N.V. First Q2 and H1 2016

Amsterdam/Tel Aviv, August 25, 2016
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FINANCIAL REPORTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2016

The Financial Reports contain the following sections:

1. ADDITIONAL INFORMATION FOR H1 2016

1.1. Main events in the first half a year of 2016

Kardan

- In March 2016 Mr. Shouky Oren had informed the Board of Directors of Kardan N.V. of his intention to leave the Company, after four years as CEO and member of the Board of Directors. The Board has appointed Mr. Ariel Hasson, CEO of Kardan Financial Services, as the new CEO of Kardan N.V. to replace Mr. Oren who relinquished his duties on April 15, 2016. Mr. Hasson was nominated as an Executive Board Member at the Company's Annual General Meeting that took place on May 26, 2016.

Real estate (GTC Real Estate)

- In January 2016 Kardan received EUR 13.2 million (the 'Dalian Deposit'), following the release of the pledges which were registered to secure the previous Dalian project loan.

- In February 2016 the Company, GTC RE and Lone Star Real Estate Fund III ('the Buyer') signed a settlement agreement, according to which GTC RE would pay the Buyer an amount of EUR 4 million in exchange for a final and absolute waiver by the Buyer of all its existing and future claims and demands towards the Company and GTC RE in relation to the Buyer's demands according to the Claw Back mechanism, and of mutual cancellation and deletion of all proceedings taken in this matter. The settlement agreement did not impact the H1 2016 results. In February 2016 Kardan Land Dalian Ltd. withdrew an additional amount of RMB 100 million (EUR 14 million) from its RMB 1 billion credit facility from Ping An Trust, which was announced by the Company on October 27 and November 30, 2015.

Water Infrastructure (Tahal)

- In April 2016 Star Pumped Storage Ltd., in which Kardan's subsidiary Tahal Consulting Engineers Ltd. ('TCE') holds a 40.5% stake, has signed a principle construction agreement ('the Agreement') with a joint consortium, comprising Sinohydro Corporation (a subsidiary of Power China, one of the leading energy companies in China) and Alstom Hydro France (which was acquired by GE).

  The Agreement encompasses a full EPC (engineering, construction and procurement) turn-key assignment for the Project, representing a total amount of NIS 1.7 billion (approximately EUR 394 million). In addition, an operating and maintenance agreement was signed with GE Renewable Energy Ltd., in the amount of NIS 16 million (approximately EUR 3.7 million) per year, for a period of up to 18 years, including possibilities to end earlier as stipulated in the agreement. The terms of the two agreements are subject to the approvals of the banks financing the Project. In addition, the completion of both agreements is subject to completion of the financial closing for the entire project (which is expected in the fourth quarter of 2016). In addition, the board of directors of TCE has decided that TCE should sell part of its holdings in the project.

- In June 2016, the Company announced that Tahal Group Assets B.V. ('Tahal Assets') completed the sale of the remaining 25% of the shares in the Chinese water infrastructure company Kardan Water International Group Ltd. ('KWIG') to China Gezhouba Group Investment Holding Co. Ltd. ('CGGC Investment') (the 'Transaction'). The total consideration for the 25% stake amounts to USD 27.7 million, including interest as detailed in the agreement. In addition, Tahal Assets has paid the taxes due on the sale of the 75% of KWIG shares. Therefore, according to the trust agreement that was signed, the amount of the tax deposit will be reduced to USD 1.7 million (from USD 10 million as previously announced), to cover the taxes due by Tahal Assets on the second phase of the transaction. This amount will be transferred from the funds already reserved by Tahal Assets from the proceeds of the first phase of the sale of KWIG. As a result no additional tax deposit is required from the consideration of the second phase of the Transaction. The net consideration for this second phase of the Transaction were used by Tahal Assets for dividend distribution to its shareholders. Kardan used the received funds for partial early repayment of its debentures, in accordance with the provisions of the Amended Deeds of Trust dated July 2, 2015. Refer to section 1.2 for additional information.

Financial Services

In March 2016, the Company announced that its wholly owned subsidiary Kardan Financial Services B.V. ('KFS') had signed an agreement ('the Agreement') to sell its 100% holding in the subsidiary TBIF ('the Transaction"), comprising the banking and retail lending activities of the Kardan Group for a total consideration ('the Consideration') to be paid in two parts. On the completion date the buyer will pay KFS an amount of approximately EUR 69 mn. Subsequently, following the Completion date, the Consideration will be adjusted to take into account the audited result of the sold asset in the period January 1, 2016 until the Completion date ('the Adjustment'). In August 2016, the transaction was completed. For additional information refer to section 1.2.

1.2. Subsequent Events

- On August 4, 2016 S&P has ratified the rating (ilB with outlook Negative) of Kardan and its Debentures Series A and series B following the completion of the sale of KWIG at the end of June 2016 and the prospective sale of TBIF.

- On July 24, 2016 the Company made an early repayment of accrued interest and principal of debentures series A and series B amounting to €26 million, using the proceeds of the sale of the 25% of KWIG and existing funds.
  On August 17, the Company announced that it intends to make an additional early repayment of accrued interest and principal of debentures series A and series B amounting to €62 million using the net proceeds from the sale of TBIF.

- On August 11, 2016, Kardan Financial Services B.V. ('KFS'), the Company's wholly owned subsidiary, completed the sale of its 100% holding in the subsidiary TBIF, comprising the banking and retail lending activities of the Kardan Group. The total consideration of the Transaction comprises two parts, a sum of circa € 69 million which was paid at the time of closing, plus an adjustment to take into account the reviewed result of the sold assets since January 1, 2016. The adjustment is expected to be paid within the coming weeks. To secure payment of this adjustment, the buyer has pledged shares of TBIF in favor of KFS. The Company expects to record a total increase in equity of approximately € 15 million through profits and release of capital reserves. Prior to the completion of the transaction TBIF had transferred to KFS all assets that are not part of TBIF's banking and retail lending activities. These assets, including Avis Ukraine, are not part of the Transaction. KFS undertakes to indemnify the buyer for costs and damages which might occur under circumstances which have been specifically detailed in the Agreement, including a breach of the customary representations and warranties given by KFS. Accordingly, KFS has deposited an amount of € 6 million for a period of two years and pledged this in favor of the buyer as collateral for the indemnification, which amount will be reduced to € 5 million after one year. In addition, Kardan will guarantee KFS's obligation in this respect. The buyer, 4finance Holding S.A., is one of Europe's largest and fastest growing online and mobile consumer lending groups with operations in 14 countries.

1.3. Book value of investments Kardan N.V.

The following table summarizes the book value of the companies held directly by Kardan as of June 30, 2016 and December 31, 2015 (amounts in EUR millions):

Holding Com-pany	Name of subsi-diary	Share in subsi-diary	Consoli-dated equity	Share holders consoli-dated equity	Adjust-ments of Kardan NV	Book Value in Kardan NV	Share holders Loans*	Total Invest-ment in books 30.06.16	Total Invest-ment in books 31.12.15
Kardan NV	GTC RE (**)	100%	282.6	282.6	2.3	284.9	(11.5)	273.4	301.4
	KFS	100%	61.5	61.5	-	61.5	33.0	94.5	84.5
	TGI	98.43%	41.8	41.9	(4.2)	37.7	-	37.7	60.4
	Emerg-ing Invest ments XII (***)(*)	100%	121.5	121.5	-	121.5	-	121.5	130.5

Holding Com-pany	Name of subsi-diary	Share in subsi-diary	Consoli-dated equity	Share holders console-dated equity	Adjust-ments of GTC RE	KLC Book Value	Share-holders Loans	Total Invest-ment in books 30.06.16	Total Invest-ment in books 31.12.15
GTC RE	Kardan Land China	100%	306.8	306.8	2.2	309.0	(50.2)	258.8	290.1

Holding Com-pany	Name of subsi-diary	Share in subsi-diary	Consoli-dated equity	Share holders console-dated equiity	Adjust-ments of KFS	TBIF Book Value	Loans granted by KFS	Total Invest-ment in books 30.06.16	Total Invest-ment in books 31.12.15
KFS	TBIF	100%	91.4	91.4	-	91.4	-	91.4	81.4

Holding Com-pany	Name of subsi-diary	Share in subsi-diary	Consoli-dated equity	Share holders console-dated equity	Adjust-ments of TGI	Book Value	Loans granted by TGI	Total Invest-ment in books 30.06.16	Total Invest-ment in books 31.12.15
TGI	Tahal Group Assets B.V.	100%	5.9	9.4	-	9.4	(3.2)	6.2	24.8
	Tahal Group B.V.	100%	39.9	38.4	-	38.4	0.6	39.0	41.4

(*) The shareholder's loans were granted through the Company's 100% subsidiary, Emerging Investments XII B.V. For convenience, the shareholder's loans are presented as part of the investments in subsidiaries.

(**) GTC RE held NIS 51,366,250.76 par value debentures (Series A) of the Company having a liability value of EUR 14.5 million as of 30.6.16.

(***) Emerging Investment XII held the following Kardan N.V Debentures as of June 30, 2016:

	Nominal Value In NIS	Liability Value including accrued interest In EUR millions
Series A	211,576,523.75	59.8
Series B	142,681,737.39	40.3

For additional information regarding early repayment subsequent to the balance sheet date refer to events in the period.

1.4. Financial Position of holding companies of the Kardan Group as of June 30, 2016

- **Net debt**

The following table summarizes the net debt of Kardan N.V. and, if applicable and of its directly held subsidiaries (company only) as of June 30, 2016:

Company	Net Debt* (in EUR million)	
Kardan NV / GTC RE / Emerging Investments XII	**Liabilities:**	
	Debentures**	(370.6)
	LT Liability	(2.1)
	Assets:	
	Loan to KFS	33.0
	Cash and short term investments	28.9
	Net debt	**(310.8)**
KFS / TBIF	**Liabilities:**	
	Loans from Kardan NV	(33.0)
	Assets:	
	Cash and short term investments	12.9
	Loans to others	6.7
	Loans to subsidiaries and other receivables	4.5
	Net debt	**(8.9)**
TGI/TG/TGA	**Liabilities:**	
	LT Liability	(0.5)
	Assets:	
	Cash and short term investments	1.5
	Net cash	**1.0**

(*) Net debt includes interest bearing loans and borrowings, debentures, less cash and cash equivalents and interest bearing receivables.
(**) The balance is presented net of debentures held by subsidiaries, see section 1.3 above.

1.5. Risk Management

During H1 2016, no material change has occurred with regard to the risks to which the Company is exposed nor the way these risks are being managed.

For an overview of the main risk categories which the Group is exposed to, reference is made to the 2015 Annual Report.With respect to the impact of the sale of TBIF on the risk which thr Group is exposed to, reference is made to note 6D to the financial statements as of June 30, 2016 (which can be found on the corporate site).
In addition, reference is made to the 2015 consolidated financial statements as well as to the 2015 Israeli Annual Report (Barnea), which can also be found on the corporate site. It should be noted that there may be other significant risks Kardan has not yet identified or that have not been assessed as having a significant potential impact on the business but which in a later stage could materialize as such.

2. PART 2 ADDITIONAL INFORMATION

2.1. Financial analysis

2.1.1 Following is a summary of Kardan N.V.'s consolidated balance sheet (in EUR thousands)

	June 30, 2016	June 30, 2015	December 31, 2015	Notes
Total balance sheet	920,328	1,053,915	975,742	The decrease in total balance sheet compared to December 31, 2015 is mainly due to the weakening of the RMB and repayment of interest related to the debentures.
Current assets	549,444	570,622	474,143	The increase in current assets compared to December 31, 2015, is mainly due to the classification of the assets of TBIF as held for sale.
Non-current assets	370,884	483,293	501,599	The decrease in non-current assets compared to December 31, 2015, is mainly due the classification of the non-current assets of TBIF as held for sale.
Current liabilities	523,864	680,710	482,490	The increase in current liabilities compared to December 31, 2015, is mainly due to classification of the TBIF liabilities as held for sale and the presentation of current maturities on the Company's debentures.
Debentures	260,749	186,653	356,272	The decrease in long term debentures compared to December 31, 2015, is mainly due to classification of current maturities relating to the February 2017 payment to short term.
Long term Interest-bearing loans and borrowings	62,510	72,107	40,550	Long term loan relates mainly to the Europark Dalian project loan.
Equity attributable to equity holders of the parent	54,069	90,429	71,461	The decrease in equity compared to December 31, 2015, is mainly due to negative currency impact as a result of the weakening of the RMB and the loss in the period.

2.1.2 Cash Flow Statement analysis (in EUR thousands)

	H1 2016	H1 2015	Q2 2016	Q2 2015	FY 2015	Notes
Net cash provided by (used in) operating activities	(32,421)	(12,606)	3,987	15,023	3,866	-
Net cash provided by (used in) investing activities	10,986	85,277	12,857	(31,431)	52,986	In H1 2016 EUR 21.9 million were net proceeds from sale of the remaining share of KWIG. In H1 2015, EUR 119 million were provided from proceeds from sale of a subsidiary, and EUR 31.6 million were used for the acquisition of tangible fixed assets and investment properties.
Net cash provided by (used in) financing activities	7,291	(13,804)	(10,168)	(9,735)	(69,223)	In H1 2016 EUR 14.8 million were provided from long term loans. In H1 2015, EUR 29.9 million were used for repayment of loans, and EUR 23.1 million were provided from loans from bank customers.

2.1.3 Cash Flow Forecast and source of funding

The review opinion of the external auditors as of June 30, 2016, includes a voluntary emphasis of matter referring to the financial position of the Company as described in Note 2 to the H1 2016 financial statements. In addition, the Company presents a negative working capital in the stand-alone financial statements. These are "warning signs" as defined in Regulation 10 (b) (14) of the Israeli Securities Authority regulations.

Therefore, the Company provides a cash flow forecast for a period of two years as of June 30, 2016.

Forecast cash flow	July 1, 2016–December 31, 2016	January 1, 2017 - December 31, 2017	January 1, 2018 – June 30, 2018
	in € millions		
Cash and cash equivalents at the beginning of the period – Kardan NV*	**28.9**	**26.9**	**115.7**
Company only resources			
From operating activities			
General and administration expenses	(2.3)	(4.5)	(2.2)
From investing activities			
Sale of assets	87.9	111.4	
Resources from investee companies			
From operating activities in investments – Management fees	0.2	0.4	0.2
Total Resources	**114.7**	**134.2**	**113.7**
Expected Uses			
From financing activities			
Interest payment of debentures – Series A	2.8	1.5	2.8
Interest payment of debentures – Series B	10.8	6.7	15.7
Principal payment of debentures – Series A	36.5	5.1	44.9
Principal payment of debentures – Series B	37.7	5.2	46.3
Total Uses	**87.8**	**18.5**	**109.7**
Cash and cash equivalents at the end of the period	**26.9**	**115.7**	**4.0**

Assumptions and Notes to the cash flow forecast

1. The cash flow forecast has been jointly prepared for Kardan NV (company-only) and its wholly owned subsidiaries GTC Real Estate Holding BV and Emerging Investments XII BV, as the treasury of these companies is centralized. With respect to limitations regarding the transfer of funds between Kardan NV and GTC RE please see under point 8 below.

2. The cash flow forecast was prepared based on the provisions of the Amended Deeds of Trust which became effective on July 3, 2015. However, for conservative reasons, it does not include mandatory early repayments according to the debt settlement upon sale of certain agreed assets. Unless such an early repayment was announced or executed subsequent to the balance sheet date. Details about such sale processes is described in 4 below.

3. The forecasted General and administration expenses are based on estimates of the Company according to its past experience.

4. With respect to sale of assets in 2016 and 2017, the Company is conducting processes through its subsidiaries to sell a part or its total holding of its significant assets. The proceeds to be received from sale of such assets, both as dividend as well as repayment of shareholder's loans, would be used for (early) repayment of the Company's Debentures in accordance with the provisions of the Amended Deeds of Trust. The main sources are as follows:

   - In June 2016 the Company completed the sale of 25% of the shares of KWIG for a consideration of $27.7 million. In July 2016 the Company early repaid debentures in the amount of €26 million.
   - In August 2016 the Company received approx. € 62 million upon the completion of the transaction to sell TBIF (net of a deposit amount of € 6 million which was deposited for a period of 2 years as collateral for indemnification and additional expenses). The Company will use the amount of €62 million for an early repayment in September 2016.
   - An additional amount is expected in 2016 from the adjustment to the sale price, this will be deducted with some transaction costs.
   - Additional funds from directly held subsidiaries which are available to the Company.
   - The completion of the above 2 transactions leaves the Company a period of approximately 1.5 years to sell assets in order to repay its liabilities in 2018 and onwards. This funding is expected to be received from a full or partial sale of subsidiaries or real estate assets.

5. The amount of Management fees from investee companies is based on existing agreements between the Company and its subsidiaries as of the balance sheet date.

6. The interest calculations are based on Israeli CPI, exchange rates and interest rates which are applicable as of June 30, 2016. The principal and interest payments for the debentures are presented on the net outstanding balance, excluding the debentures held by GTC RE and Emerging Investment XII BV.

7. Payments of interest and principal of debentures in 2016 relate to an early repayment in the amount of approx. € 26 million which was completed in July 2016 and the expected early repayment in September 2016 as described in item 4 above. The subsequent repayment in 2017 was reduced accordingly.
8. The cash flow forecast does not include any additional investments which the Company will make once those will be approved by the appropriate bodies in the Company. As of the date of approval of these financial statements, the Company did not resolve to make any new investments. In addition, according to the Amended Deeds of Trust there are limitations on new investments.

9. Restriction on transferring funds:
Transfer of funds between Kardan NV, GTC RE, Emerging Investments XII, TGI and KFS is mostly done through intercompany loans or distribution of dividend.
Breakdown of distributable reserves and intercompany loans:

Subsidiary	Distributable reserves (EUR million) as of 30.6.16	Intercompany loan (EUR million) as of 30.6.16
TGI	35.4	-
GTC RE	194.8	(11.5)
KFS	61.5	33.0
Emerging	121.5	-

10. This estimate is forward looking information 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.

KARDAN N.V.

2.2 Fair Value Disclosure

Galleria Dalian

Country	City	Project name	Use of asset	KNV share of the asset	Right on the asset	Estimated NRV SQM	Value of the project in the Financial Statements (in € mn)	Valuation gain(loss) recorded in the period (in € mn)	Discount rate (%)	Exit rate (%)	Rent per SQM assumed in the valuation	Valuation Method	External value	Date of the last valuation
China	Dalian	Galleria Dalian	Investment Property	100%	Lease	65,584	240.4	(0.4)	10.5%	5.5%	EUR 23 per Sqm	Direct Comparison Approach and DCF for the retail portion;	external valuation – DTZ C&W	30.06.2016

2.3 Issuance of debentures (*)

The following are details regarding the marketable debentures of Kardan NV as of June 30, 2016:

	Debenture series A	Debenture series B
Issuance date	20.2.2007, 13.8.2007, 16.2.2008	16.2.2008
Par value of issued debentures	EUR 277.8 million (NIS 1,190,000,000)	EUR 311.4 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 June 30, 2016	EUR 133.8 million (NIS 573,054,735 par value)	EUR 263.6 million (NIS 1,129,343,960 par value)
Debentures held by subsidiaries	NIS 262,942,774.51 par value	NIS 142,681,737.39 par value
Interest rate (per annum)	6.325%	6.775%
Principal repayment (****)	Two installments one in February 2017 and the second in February 2018.	Four installments from February 2017 to February 2020.
Interest payment dates	3 annual installments from February 2016 to February 2018	5 annual installments from February 2016 to February 2020
Total debt up to the date of the balance sheet (including interest and Israeli CPI linkage) *	EUR 87.6 million (net of debentures held by subsidiaries)	EUR 277.1 million (net of debentures held by subsidiaries)
Market capitalization as of June 30, 2016*	EUR 73.7 million (net of debentures held by subsidiaries)	EUR 203.3 million (net of debentures held by subsidiaries)
The trustee	Aurora Fidelity Trust Co. Ltd (CPA Iris Shlevin)	Hermetic Trust (1975) (Adv. Dan Avnon)
Rated by	S&P Maalot	S&P Maalot
Rating at the time of issuance	AA - (February 2007)	AA - (February 2007)
Updated rating	B (August 2016)	B (August 2016)
Right of early repayment	In accordance with the amended deeds of trust, the Company is eligible to announce on a partial or full early repayment throughout the entire term of the debentures. Such early repayment will be carried out without any compensation and in accordance to the full liability value of the debentures.	
Pledged Assets as of June 30, 2016	According to the Amended Deeds of Trust, the Company committed to establish and register primary, exclusive pledges with no limitations of amounts over all of the Group's interests in GTC RE, KLC, KFS, TBIF, TGI, EMERGING (the 'Pledged Subsidiaries'), including all benefits which will emanate from these interests and all the rights of the Group in loans granted to the Pledged Subsidiaries. A primary exclusive pledges with no limitations of amounts over the bank accounts of the Company. Pledge on all the Company's debentures held by the Group. Additional negative pledges. As of June 30, 2016 not all pledges have been established.	
Guarantee to secure the obligations of Kardan NV	A limited guarantee in the amount of EUR 100 million by Kardan Land China.	

(*) Net of debentures which are held by subsidiaries;
(**) Debentures (Series A and B) are material to the Company.
(***) During and at the end of H1 2016 the Company met the terms of the Amended Deeds of Trust.
(****) for information regarding early repayments subsequent to the balance sheet date refer to subsequent events.

2.4 Directors with accounting and financial expertise

Kardan N.V. is a company incorporated in the Netherlands and consequently the Israeli Companies Law 5759-1999 does not apply to it, so that, among other things, it does not have to appoint external directors and is not required to appoint directors with accounting and financial expertise.

However, in accordance with Kardan's articles of association, there are decisions that the Board has to take according to a special approval procedure which requires, among other things, the consent of the independent directors who attend the Board meetings, as defined in Company's Articles of Association and Corporate Governance Code.
In addition, in accordance with the Netherlands Corporate Governance Code ("The Code"), Kardan N.V. has adopted the duty whereby at least one of the independent non-executive members of the Board, has knowledge of financial management and accounting. It is further noted that as of reporting date, the majority of Kardan's directors who serve on the Board are independent directors (five out of eight directors).

The directors with financial and accounting knowledge currently serving on the Board are: Peter Sheldon, Cor van den Bos, Eytan Rechter and Bouke Marsman.

Members of management with accounting and finance experience who are members of the Executive Management are: Einat Oz-Gabber and Ariel Hasson.

For further information regarding education and experience, reference is made to the corporate site and to the part 4 of the IL Periodic report.

2.5 Financial Statement Approval Procedure

Kardan N.V.'s Board decided that the members of the Audit Committee (comprising currently of 2 non-executive independent directors) also serve as the 'Financial Statements Review Committee'. In addition, the Company's CEO and CFO participate in those meetings on a regular basis. The external auditor (PwC) of Kardan N.V., as well as other financial functionaries at the Company, are invited and participate in the Company's Financial Statement Review Committee sessions as well as in the Board meetings in which financial statements are discussed.

The Board Members in the Financial Statement Review Committee, are:

Cor van den Bos - Chairman of the Audit Committee, holds university degrees in Economics and in Accounting and Business Administration and serves as a consultant and director of various companies. Cor van den Bos has management and financial experience through his positions in various Insurance corporations. Accordingly, Mr. van den Bos has the ability to read and understand financial statements.

Peter Sheldon – Chairman of the Board, Member of the Audit committee and of the Remuneration, Appointment and Selection committee. Peter Sheldon is an FCA and was a partner in an audit & accounting firm in England. Peter Sheldon has management and financial experience through the various positions he held as a member of Boards of Directors in a wide range of international listed and private companies, including Banking and High Tech companies. Based on his experience and positions, as detailed above, Mr. Sheldon has the ability to read and understand financial statements.

For additional information regarding the committee members reference is made to the corporate website.

The approval of the H1 2016 financial statements included, inter-alia the following sessions:

A meeting of the Audit Committee (Financial Statement Review Committee) included a comprehensive principle discussion on the material accounting and auditing issues and a preliminary discussion in order to form its recommendations to the Board in relation to the approval of the H1 2016 financial statements. All committee members attended this meeting of August 23, 2016, including the external auditors, the CEO and the CFO of the Company, the Controller and General Counsel of the Company as well as other relevant position holders in the Company. The committee examined, by means of a detailed presentation by the various financial bodies of the Company and by means of the external auditors' presentation, the H1 2016 operational result as well as the material issues in the Financial Statements, critical estimations and assumptions that were implemented, reasonableness of information, transactions that are not in the ordinary course of business, proper disclosure and the valuations including the underlying assumptions. In addition, the meeting included a comprehensive discussion on the Company's financial position, considering the Company's results and liquidity analysis in light of the expected maturities of the debentures. The Company presented the cash flow forecast for the next two years and explained why the Company believes it would be able to repay its liabilities.
The recommendation of the Financial Statement Review Committee was presented to the Board after the aforesaid meeting on August 23, 2016. The date is consistent with the Board requirement.

On August 23, 2016 the Board discussed the recommendation of the 'Financial Statement Review Committee' with respect to the approval of the Financial Statements as of June 30, 2016.
The Board members, Executive Management, the external auditors, the Company's Controller and General Counsel and various other relevant position holders at the Company attended the meeting. During the meeting the Financial Statements were presented to the Board, as well as a comprehensive review of the issues discussed at the prior meeting of the Financial Statement Review Committee.

Following an additional meeting which was held on August 24, 2016 the Board approved the H1 2016 financial statements.

August 24, 2016

P. Sheldon (Chairman of the Board)
A. Hasson (CEO and Board Member)

DISCLAIMER

This press release contains forward-looking statements and information, for example concerning the financial condition, results of operations, businesses and potential exposure to market risks of Kardan N.V. and its group companies (jointly "Kardan Group"). All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements (including "forward looking statements" as defined in the Israeli Securities Law). Forward-looking statements are statements of future expectations that are based on management's current expectations and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in these statements. These forward-looking statements are identified by the use of terms and phrases such as ''anticipate'', ''believe'', ''could'', ''estimate'', ''expect'', ''intend'', ''may'', ''plan'', ''objectives'', ''outlook'', ''probably'', ''project'', ''will'', ''seek'', ''target'', ''risks'', ''goals'', ''should'' and similar terms and phrases. A variety of factors, many of which are beyond Kardan Group's control, affect our operations, performance, business strategy and results and could cause the actual results, performance or achievements of Kardan Group to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. For Kardan Group, particular uncertainties arise, amongst others but not limited to and not in any order of importance, (i) from dependence on external financing with the risk that insufficient access to capital threatens its capacity to grow, execute its business model, and generate future financial returns (ii) from concentration of its business in Central Eastern Europe and China as a result of which Kardan Group is strongly exposed to these particular markets (iii) from risks related to the financial markets as a result of Kardan N.V.'s listings on NYSE Euronext Amsterdam and the Tel Aviv Stock Exchange and (iv) from it being a decentralized organization with a large number of separate entities spread over different geographic areas in emerging markets, so that Kardan Group is exposed to the risk of fraudulent activities or illegal acts perpetrated by managers, employees, customers, suppliers or third parties which expose the organization to fines, sanctions and loss of customers, profits and reputation etc. and may adversely impact Kardan Group's ability to achieve its objectives and (v) from any of the risk factors specified in Kardan N.V.'s Annual Report and in the related "Periodic Report " (published by Kardan N.V. in Israel) published in April and which is also available at the Kardan website. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in the relevant forward-looking statement as expected, anticipated, intended, planned, believed, sought, estimated or projected. Kardan N.V. does not intend or assume any obligation to update or revise these forward-looking statements in light of developments which differ from those anticipated.

Interim report on effectiveness of internal control over financial reporting and disclosure

The management under the supervision of the Board of Directors of Kardan N.V. ("the Company") is responsible to determine and maintain proper internal control over financial reporting and disclosure by the Company.

For this matter, the Management consists of:

1. A. Hasson, CEO and Board member
2. E. Oz-Gabber, Chief Financial Officer

Internal control on financial reporting and disclosure comprises existing controls and procedures at the Company – determined by the CEO and most senior financial officer, or under their supervision, or by those acting in said capacities, under supervision of the Company's Board - which are designed to provide reasonable certainty with respect to the reliability of financial reporting and preparation of reports pursuant to statutory provisions, and to ensure that information which the Company is required to disclose in reports, issued pursuant to statutory provisions, is collected, processed, summarized and reported on schedule and in the format prescribed by law.

Internal control includes, inter alia, controls and procedures designed to ensure that information which the Company is required to disclose, is collected and submitted to the Company's management, including to the CEO and to the most senior financial officer, or to those acting in said capacities, so as to enable decisions to be made at the appropriate time with regard to the required disclosure.

Due to structural limitations, internal control over financial reporting and disclosure is not designed to provide absolute certainty that misrepresentation of omission of information on the reports would be avoided or discovered.

In the quarterly report on the effectiveness of the internal control over financial reporting and disclosure, which is attached to the Israeli periodic report for the period ended March 31, 2016 (hereinafter – the "latest interim report on internal control"), the internal control is effective.

As of the date of the report, no event or matter came to the attention of the Board of Directors, nor to the Management, that would change the assessment of the effectiveness of the internal control as presented as part of the latest annual report on internal control.

As of the reporting date, based on the assessment of the effectiveness of the internal control in the latest quarterly report on internal control and based on the information brought to the attention of the Board and the management, as above, the internal control is effective.

Certification by CEO pursuant to Regulation 38C (D)(1) of the regulations:

I, A. Hasson, certify that:

1. I have reviewed the periodic report of Kardan NV ("the corporation") for the second quarter of 2016 ("the report").

2. To the best of my knowledge, the report is free of any misrepresentation of material fact and is not lacking any representation of material fact required for the representations made there in, under the circumstances in which they were made, to not be misleading in reference to the period covered by the report.

3. To the best of my knowledge, the financial statements and other financial information included in the report properly reflect, in all material aspects, the financial standing, operating results and cash flows of the corporation as of the dates and for the periods to which the report refers.

4. I have disclosed to the corporation's Independent Auditor, Board and Audit Committee and the Financial Statement Review Committee of the corporation, based on my most current assessment of the internal control over financial reporting and disclosure:

    a. All significant faults and material weaknesses in specification of operation of internal control over financial reporting and disclosure which may reasonably impact the corporation's capacity to collect, process, summarize or report financial information in a manner which may cast doubt over the reliability of financial reporting and preparation of financial statements pursuant to statutory provisions; and –

    b. Any fraud, whether or not material, involving the Chief Executive Officer or any of the direct reports thereof, or involving any other employees having a significant capacity in internal control over financial reporting and disclosure;

5. I, on my own or with others at the corporation:

    a. Have set controls and procedures and/or verified that controls and procedures have been specified and maintained under our supervision, designed to ensure that material information with regard to the corporation, including subsidiaries thereof, as defined in Securities Regulations (Annual financial statements), 2010, is brought to my attention by others at the corporation and its subsidiaries, specifically during preparation of the report; and –

    b. Have set controls and procedures and/or verified that controls and procedures have been specified and maintained under my supervision, designed to reasonably ensure the reliability of financial reporting and preparation of the financial statements pursuant to statutory provisions, including pursuant to generally-accepted accounting principles;

    c. No event or issue came to my attention in the period between the last periodic report and the date of this report that may change the conclusion of the Management or Board with respect to the effectiveness on the internal control over financial reporting and disclosure.

The foregoing shall not detract from my statutory responsibility, or that of any other person.

August 24, 2016

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A. Hasson – CEO and Director

Certification by CFO pursuant to Regulation 38C(D)(2) of the regulations:

I, E.Oz-Gabber, certify that:

1. I have reviewed the financial statements and other financial information which is included in the report of Kardan NV ("the corporation") for the second quarter of 2016 ("the report").

2. To the best of my knowledge, the report is free of any misrepresentation of material fact and is not lacking any representation of material fact required for the representations made there in, under the circumstances in which they were made, to not be misleading in reference to the period covered by the report.

3. To the best of my knowledge, the financial statements and other financial information included in the report properly reflect, in all material aspects, the financial standing, operating results and cash flows of the corporation as of the dates and for the periods to which the report refers.
4. I have disclosed to the corporation's Independent Auditor, Board and Audit Committee and the Financial Statement Review Committee of the corporation, based on my most current assessment of the internal control over financial reporting and disclosure:

   a. All significant faults and material weaknesses in specification of operation of internal control over financial reporting and disclosure as long as it relates to the financial statements and other financial information in the report, which may reasonably impact the corporation's capacity to collect, process, summarize or report financial information in a manner which may cast doubt over the reliability of financial reporting and preparation of financial statements pursuant to statutory provisions; and –

   b. Any fraud, whether or not material, involving the Chief Executive Officer or any of the direct reports thereof, or involving any other employees having a significant capacity in internal control over financial reporting and disclosure;

5. I, on my own or with others at the corporation:

   a. Have set controls and procedures and/or verified that controls and procedures have been specified and maintained under our supervision, designed to ensure that material information with regard to the corporation, including subsidiaries thereof, as defined in Securities Regulations (Annual financial statements), 2010, as long as it relates to the financial statements and other financial information in the report, is brought to my attention by others at the corporation and subsidiaries, specifically during preparation of the report; and –

   b. Have set controls and procedures and/or verified that controls and procedures have been specified and maintained under our supervision, designed to reasonably ensure the reliability of financial reporting and preparation of the financial statements pursuant to statutory provisions, including pursuant to generally-accepted accounting principles;

   c. No event or issue relating to the interim financial statements or any other financial information which is included in the interim financial reports came to my attention in the period between the last periodic report and the date of this report that may change the conclusion of the Management or Board with respect to the effectiveness on the internal control over financial reporting and disclosure.

The foregoing shall not detract from my statutory responsibility, or that of any other person.

August 24, 2016

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E.Oz-Gabber, CFO

Kardan N.V.

(the "Company")

Substantial events and developments

Filings pursuant to Israeli Law

August 24, 2016

In accordance with Regulation 39 (a) of the Israeli Securities Regulations (Periodic and Immediate Reports) - 1970, all the Events and Developments as described in the 2015 annual financial statement published by the Company on March 24, 2016 are deemed included by reference.

For details regarding the material events that occurred in the first quarter 2016 up to March 24, 2016, reference is made to the annual report (subsequent events note).
For details regarding the material events that occurred in the first quarter 2016 up to May 26, 2016, reference is made to the quarterly financial statements for the three months ended March 31, 2016 the Company published on May 26, 2016 (reference number: 2015-01-031449) (Condensed Interim Consolidated Financial Statements As of March 31, 2016) which is included in this report by way of reference.

Real Estate

1. In addition to the disclosure of the very material projects in the 2015 annual report, below are disclosure tables related to the Company's very material investment property as of June 30, 2016 are as follows:

Shopping center – Galleria Dalian
(Dalian, China)

(Data according to 100%; Kardan N.V. indirect share in the Property: 100%)	**Second quarter 2016**	**First quarter 2016**	**2015**
Fair value at the end of the period (€ in millions) (*)	240	242	250
NOI (€ in millions)	(0.7)	(0.7)	(0.9)
Valuation gains for the period (€ in millions)	(0.4)	-	20.9
Average occupancy rate in in the period	70.91%	70.3%	66.2%
Average rental rate per sqm. (in €)	8.2	10.9	10.5
Part of the constructed area for which rental agreements were signed during the period, net (%)	2.02%	(0.36)%	10.7%
Part of the constructed area for which rental agreements were signed accumulated (%)	72.16%	70.14%	70.5%
Average rent per sqm in contracts signed during the Period, gross (per month) (RMB) (**)	78	84	74

(*) The asset functional currency is the RMB .

(**) Represents only basic rent, however, the rental agreements also include a turnover rent element.

2. <u>Material Financing</u>

<u>The following are updates concerning the fundamental credit agreements of the Company and its subsidiaries:</u>

<table>
<tr><th>Name of the Loan and the article in the annual report which refers to the loan</th><th>Update information</th><th>Calculation of financial covenants</th></tr>
<tr><td>Debentures series A section 13.1.4.1a of the annual report</td><td rowspan="2">For additional information regarding the debenture holders meeting series A and series B see 6 below.

On July 24, 2016 the Company early repaid 48,157,634.04 par value debentures series A and 30,847,876.45 par value debentures series B.
For additional information refer to immediate reports published on July 6, 2016 and July 24, 2016.

On August 17, 2016 the Company announced that on September 2, 2016 it intends to make an additional early repayment to debentures series A and series B. For additional information refer to immediate reports published on August 17, 2016.</td><td rowspan="2">The coverage ratio of Kardan NV according to financial statements as of 30.6.2016 was 116%.</td></tr>
<tr><td>Debentures series B section 13.1.4.1b of the annual report</td></tr>
<tr><td>Credit facility amounting up to RMB 1 billion (approximately EUR142 million) taken by Kardan Land Dalian Ltd from the investment fund Shenzhen Ping An Da Hua Huitong Wealth Management Co., (‘the Fund‘) in China, article 7.12.5 and 7.17.1.5 of the annual report</td><td>-</td><td>Total debt to total assets ratio shall be no more than 50%.
As of 30.6.2016 the ratio was 32%.</td></tr>
</table>

General

3. Further to paragraph 16 of part D of the annual report, in relation to directors and officers of the Company, and further to an immediate reports published by the Company relating to the resignation of Mr. Albert May as a Director, the appointment of Mr. Ariel Hasson as the CEO and the appointment of Mr. Guy Elias as the deputy CEO of the Company, on May 26, 2016 the Company published an updated list of senior office holders. For additional information refer to immediate reports published on May 26, 2016.

4. Further to paragraph 8.13.3 of part A of the annual report, in relation to the agreement signed by Kardan Financial Services B.V. ('KFS'), a wholly owned subsidiary of the Company, to sell all the shares of TBIF Financial Services B.V. ('TBIF'), the Company announced on August 11 2016, that the sale transaction was completed. For additional information refer immediate reports published on August 11 2016, on May 29 2016 and on June 16 2016.

5. Further to paragraph 9.16.1.1 of part A of the annual report, in relation to TGA agreement to sell its holding in Kardan Water International Group Ltd. ('KWIG'), on June 3 2016, the Company announced that TGA signed an agreement to complete the second part of the sale transaction. The transaction closing date was schedule to June 30 2016. The total consideration for the 25% stake amounts to USD 27.7 million, including interest as detailed in the agreement. In addition, the parties signed a trust agreement that includes the provisions and release of tax deposit. Subsequently, on June 30 2016, the Company announced the completion of the second part of the transaction. For additional information refer to immediate reports published on June 3 2016 and on June 30 2016.

6. On June 23 2016, the general meetings of the Company's debenture holders (series A and series B) approved to the Company and KFS to execute the transaction to sell its 100% holding in TBIF and confirmed that the completion of the sale transaction will include the release of the pledge in favor of the trustee on TBIF shares held by KFS, subject to receiving a written approval from the Company. The meetings also approved other relating issues arising from the sale transaction. For additional information refer immediate reports published on June 23 2016.

7. On August 4, 2016 S&P has ratified the rating (ilB with outlook Negative). For additional information refer to immediate reports published on August 4, 2016.

8. Further to paragraph 6 part A of the Company Periodic Report, in connection with the Company's obligations under the 'Law to promote competition and reduce concentration (2013) (the 'Concentration act') as a result of the Company being a third tier company (as the term defined in the Concentration act). On May 26 2016 Mr. Albert May term as a director in the company has ended. Mr. May was defined as an independent director in accordance to the Dutch Corporate Governance code and complied with paragraph 1 of the Companies act as an independent director. Following the end of Mr. May's term as a director in the Company, the Board of Director consists of eight Directors, four of which comply with the definition of an independent director as defined in the Dutch Corporate Governance Code and the Companies act. As of this date, the Company is taking steps to convene a meeting of the shareholders of the Company to appoint an additional Director to the Board that will meet the definition of an independent Director in accordance to the Dutch Corporate Governance Code and the Companies Act in a manner in which the ISA relief regulation would apply.

KARDAN N.V.
AMSTERDAM, THE NETHERLANDS

Condensed Interim Consolidated Financial Statements
As of June 30, 2016

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CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
A s s e t s

	Note	June 30, 2016	June 30, 2015	December 31, 2015
		Unaudited		Audited
		In €'000		
Non-current assets				
Tangible fixed assets, net		11,329	21,788	24,161
Investment property	6	240,407	263,759	250,310
Investments in associates using the equity method		11,138	8,834	9,540
Investments in joint ventures accounted using the equity method	7	92,979	92,688	95,964
Loans to bank customers	8	-	68,688	83,143
Long-term loans and receivables		6,680	17,626	23,570
Intangible assets and goodwill, net		6,041	5,610	6,361
Deferred tax assets		2,310	3,233	3,065
Other financial assets		-	1,067	5,485
		370,884	483,293	501,599
Current assets				
Inventories, contract work, buildings and apartments inventory, and land bank		107,715	124,659	109,818
Current maturities of long-term loans and receivables	8	4,821	16,323	16,749
Loans to bank customers	8	-	51,566	55,112
Trade receivables		63,730	82,560	67,318
Current tax assets		1,096	1,112	1,155
Other receivables and prepayments		20,228	41,604	40,383
Short-term investments		2,863	7,557	7,787
Cash and cash equivalents		84,899	215,269	143,920
		285,352	540,650	442,242
Assets held for sale	8	264,092	29,972	31,901
Total current assets		549,444	570,622	474,143
Total assets		920,328	1,053,915	975,742

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

E q u i t y   a n d   l i a b i l i t i e s

	Note	**June 30, 2016**	June 30, 2015	December 31, 2015
		Unaudited		Audited
		In €'000		
Equity attributable to equity holders of the parent company				
Issued and paid-in capital	5	25,276	23,041	25,276
Share premium		206,482	208,002	206,482
Foreign currency translation reserve		13,878	32,793	24,711
Property revaluation reserve		36,407	37,425	36,713
Revaluation reserve, other		7,455	8,860	8,144
Non-controlling interest holders transactions reserve		15,669	15,446	15,669
Treasury shares		-	(2,625)	-
Accumulated deficit		(251,098)	(232,513)	(245,534)
		54,069	90,429	71,461
Non-controlling interests		4,500	4,359	4,477
Total equity		58,569	94,788	75,938
Non-current liabilities				
Interest-bearing loans and borrowings		62,510	72,107	40,550
Banking customers accounts	8	-	256	129
Other long-term liabilities		3,860	2,559	2,544
Derivative financial instruments		2,552	471	2,495
Debentures		260,749	186,653	356,272
Deferred tax liabilities		7,110	14,890	13,909
Accrued severance pay, net		1,114	1,481	1,415
		337,895	278,417	417,314
Current liabilities				
Liability due to work in progress		37,140	65,397	47,709
Banking customers accounts	8	-	212,270	191,933
Trade payables		17,471	20,093	20,268
Current maturities of debentures		94,517	179,850	-
Interest-bearing loans and borrowings		49,641	71,471	68,448
Current tax liabilities		5,159	10,687	3,933
Advances from apartment buyers		33,519	978	34,263
Advance from customers		14,673	21,328	17,102
Other payables and accrued expenses		69,612	98,636	98,834
		321,732	680,710	482,490
Liabilities associated with assets held for sale	8	202,132	-	-
Total current liabilities		523,864	680,710	482,490
Total liabilities		861,759	959,127	899,804
Total equity and liabilities		920,328	1,053,915	975,742

The accompanying notes are an integral part of these condensed interim consolidated financial statements

CONDENSED INTERIM CONSOLIDATED INCOME STATEMENT

	Note	For the six months ended June 30		For the three months ended June 30		For the year ended December 31
		2016	2015	**2016**	2015	2015
		Unaudited				Audited
		In €'000				
Contract revenues	4A	59,377	87,953	29,738	50,192	167,861
Rental revenues		1,792	311	925	311	1,822
Revenues from sale of apartments		336	522	203	-	791
Management fees and other revenues		4,502	1,453	3,450	769	3,398
Total revenues		66,007	90,239	34,316	51,272	173,872
Contract costs		49,736	73,871	24,809	41,538	141,930
Cost of rental revenues		788	627	422	627	1,473
Cost of sale of apartments		310	491	191	19	889
Other expenses, net		2,952	1,479	1,306	755	7,078
Total expenses		53,786	76,468	26,728	42,939	151,370
Gross profit		12,221	13,771	7,588	8,333	22,502
Selling and marketing expenses		3,940	4,273	1,989	2,513	9,963
General and administration expenses		9,399	12,707	4,546	6,218	24,202
Profit (loss) from operations before fair value adjustments, disposal of assets and investment and other income		(1,118)	(3,209)	1,053	(398)	(11,663)
Adjustment to fair value of investment property		(408)	21,856	(408)	21,220	20,907
Gain (loss) on disposal of assets and other income, net		1,087	366	1,123	12	268
Profit (loss) from fair value adjustments, disposal of assets and investments and other income		679	22,222	715	21,232	21,175
Profit (loss) from operations		(439)	19,013	1,768	20,834	9,512
Financial income		2,089	15,467	1,825	14,240	1,518
Financial expenses		(15,177)	(63,177)	(12,221)	(33,026)	(66,431)
Total financial income (expenses), net		(13,088)	(47,710)	(10,396)	(18,786)	(64,913)
Profit (loss) before share of profit (loss) from investments accounted for using the equity method		(13,527)	(28,697)	(8,628)	2,048	(55,401)
Share of profit (loss) of investments accounted for using the equity method, net	7	24	(1,431)	(3,313)	(1,867)	2,683
Profit (loss) before income taxes		(13,503)	(30,128)	(11,941)	181	(52,718)
Income tax expenses (benefit)		(1,246)	6,308	(450)	5,599	6,493
Profit (loss) for the period from continuing operations		(12,257)	(36,436)	(11,491)	(5,418)	(59,211)
Net profit from discontinued operations	8	6,308	27,297	3,925	3,722	36,253
Net profit (loss) for the period		(5,949)	(9,139)	(7,566)	(1,696)	(22,958)
Attributable to:						
Equity holders		(5,870)	(9,182)	(7,782)	(1,532)	(22,915)
Non-controlling interest holders		(79)	43	216	(164)	(43)
		(5,949)	(9,139)	(7,566)	(1,696)	(22,958)
Earnings (loss) per share attributable to shareholders						
Basic from continuing operations		(0.10)	(0.33)	(0.09)	(0.05)	(0.51)
Basic from discontinued operations		0.05	0.24	0.03	0.03	0.31
		(0.05)	(0.09)	(0.06)	(0.02)	(0.2)
Diluted from continuing operations		(0.10)	(0.33)	(0.09)	(0.05)	(0.51)
Diluted from discontinued operations		0.05	0.24	0.03	0.03	0.31
		(0.05)	(0.09)	(0.06)	(0.02)	(0.2)

The accompanying notes are an integral part of these condensed interim consolidated financial statements

CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended June 30,		For the three months ended June 30,		For the year ended December 31,
	2016	2015	**2016**	2015	2015
	Unaudited				Audited
	In €'000				
Net profit (loss) for the period	(5,949)	(9,139)	(7,566)	(1,696)	(22,958)
Foreign currency translation differences (1)	(10,402)	9,215	(262)	(8,540)	1,100
Change in hedge reserve, net of tax (2)	(517)	(1,959)	(300)	155	(2,784)
Other comprehensive income (expense) for the period to be reclassified to profit or loss in subsequent periods (3)	(10,919)	7,256	(562)	(8,385)	(1,684)
Total comprehensive income (expenses)	(16,868)	(1,883)	(8,128)	(10,081)	(24,642)
Attributable to:					
Equity holders	(17,220)	(2,291)	(9,211)	(10,177)	(24,931)
Non-controlling interests holders	352	408	1,083	96	289
	(16,868)	(1,883)	(8,128)	(10,081)	(24,642)

(1) In 2015 including an amount of €13,287 thousand related to reclassification of translation funds due to the sale of KWIG (see also Note 8).

(2) Including reclassification of unwinding of hedge reserve of €756 thousand and €668 thousand for the six months ended June 30, 2016 and 2015, respectively, €378 thousand and €334 thousand for the three months period ended June 30, 2016 and 2015, respectively and €(1,431) thousand for the year ended December 31, 2015.
The amounts presented are net of tax amounting to €252 thousand and €223 thousand for the six months ended June 30, 2016 and 2015, respectively, €126 thousand and €111 thousand for the three months period ended June 30, 2016 and 2015, respectively, and €477 thousand for the year ended December 31, 2015.

(3) Including impact from associates and joint ventures of €(3,440) thousand and €5,815 thousand for the six months ended June 30, 2016 and 2015, respectively, €(790) thousand and €(9,872) thousand for the three months ended June 30, 2016 and 2015, respectively, and €4,721 thousand for the year 2015.

The accompanying notes are an integral part of these condensed interim consolidated financial statements

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent									
	Issued and paid-in capital	Share premium	Foreign currency translation reserve (*)	Property revaluation reserve (*)	Revaluation reserve,other (*)	Non-controlling interest holders transactions reserve	Accumulated deficit	Total	Non-controlling Interests	Total equity
	In €'000									
Balance as of January 1, 2016 (audited)	25,276	206,482	24,711	36,713	8,144	15,669	(245,534)	71,461	4,477	75,938
Other comprehensive income (loss)	-	-	(10,833)	-	(517)	-	-	(11,350)	431	(10,919)
Loss for the period	-	-	-	-	-	-	(5,870)	(5,870)	(79)	(5,949)
Total comprehensive income (loss)	-	-	(10,833)	-	(517)	-	(5,870)	(17,220)	352	(16,868)
Share-based payment	-	-	-	-	(172)	-	-	(172)	50	(122)
Dividend distributed to non-controlling shareholders	-	-	-	-	-	-	-	-	(379)	(379)
Reclassification according to the Netherlands civil code requirements (*)	-	-	-	(306)	-	-	306	-	-	-
Balance as of June 30, 2016 (unaudited)	25,276	206,482	13,878	36,407	7,455	15,669	(251,098)	54,069	4,500	58,569

(*) In accordance with the Netherlands civil code, part of the equity is restricted for distribution.

The accompanying notes are an integral part of these condensed interim consolidated financial statements

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Attributable to equity holders of the parent										
	Issued and paid-in capital	Share premium	Foreign currency translation reserve (*)	Property revaluation reserve (*)	Revaluation reserve,other (*)	Non-controlling interest holders transactions reserve	Treasury shares	Accumulated deficit	Total	Non-controlling interests	Total equity
	In €'000										
Balance as of January 1, 2015 (audited)	23,041	208,002	23,943	21,033	10,765	15,178	(2,625)	(206,939)	92,398	5,362	97,760
Other comprehensive income (loss)	-	-	8,850	-	(1,959)	-	-	-	6,891	365	7,256
Profit (loss) for the period	-	-	-	-	-	-	-	(9,182)	(9,182)	43	(9,139)
Total comprehensive income (loss)	-	-	8,850	-	(1,959)	-	-	(9,182)	(2,291)	408	(1,883)
Share-based payment	-	-	-	-	54	-	-	-	54	800	854
Dividend distributed to minority shareholders	-	-	-	-	-	-	-	-	-	(780)	(780)
Transactions with non-controlling interest holders	-	-	-	-	-	268	-	-	268	-	268
Deconsolidation of subsidiary (See to Note 8A)	-	-	-	-	-	-	-	-	-	(1,431)	(1,431)
Reclassification according to the Netherlands civil code requirements (*)	-	-	-	16,392	-	-	-	(16,392)	-	-	-
Balance as of June 30, 2015 (unaudited)	23,041	208,002	32,793	37,425	8,860	15,446	(2,625)	(232,513)	90,429	4,359	94,788

(*) In accordance with the Netherlands civil code, part of the equity is restricted for distribution.

The accompanying notes are an integral part of these condensed interim consolidated financial statements

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Attributable to equity holders of the parent									
	Issued and paid-in capital	Share premium	Foreign currency translation reserve (*)	Property revaluation reserve (*)	Revaluation reserve, other (*)	Non-controlling interest holders transactions reserve	Accumulated deficit	Total	Non-controlling interests	Total equity
	In €'000									
Balance as of April 1, 2016 (unaudited)	25,276	206,482	15,007	36,713	7,731	15,669	(243,622)	63,256	3,718	66,974
Other comprehensive income (loss)	-	-	(1,129)	-	(300)	-	-	(1,429)	867	(562)
Profit (loss) for the period	-	-	-	-	-	-	(7,782)	(7,782)	216	(7,566)
Total comprehensive income (loss)	-	-	(1,129)	-	(300)	-	(7,782)	(9,211)	1,083	(8,128)
Share-based payment	-	-	-	-	24	-	-	24	78	102
Dividend distributed to minority shareholders	-	-	-	-	-	-	-	-	(379)	(379)
Reclassification according to the Netherlands civil code requirements (*)	-	-	-	(306)	-	-	306	-	-	-
Balance as of June 30, 2016 (unaudited)	25,276	206,482	13,878	36,407	7,455	15,669	(251,098)	54,069	4,500	58,569

(*) In accordance with the Netherlands civil code, part of the equity is restricted for distribution.

The accompanying notes are an integral part of these condensed interim consolidated financial statements

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Attributable to equity holders of the parent										
	Issued and paid-in capital	Share premium	Foreign currency translation reserve (*)	Property revaluation reserve (*)	Revaluation reserve, other (*)	Non-controlling interest holders transactions reserve	Treasury shares	Accumulated deficit	Total	Non-controlling interests	Total equity
	In €'000										
Balance as of April 1, 2015 (unaudited)	23,041	208,002	41,593	21,510	8,677	15,078	(2,625)	(215,066)	100,210	3,954	104,164
Other comprehensive (loss) income	-	-	(8,800)	-	155	-	-	-	(8,645)	260	(8,385)
Profit (loss) for the period	-	-	-	-	-	-	-	(1,532)	(1,532)	(164)	(1,696)
Total comprehensive income (loss)	-	-	(8,800)	-	155	-	-	(1,532)	(10,177)	96	(10,081)
Share-based payment	-	-	-	-	28	-	-	-	28	309	337
Transactions with non-controlling interest holders	-	-	-	-	-	368	-	-	368	-	368
Reclassification according to the Netherlands civil code requirements (*)	-	-	-	15,915	-	-	-	(15,915)	-	-	-
Balance as of June 30, 2015 (unaudited)	23,041	208,002	32,793	37,425	8,860	15,446	(2,625)	(232,513)	90,429	4,359	94,788

(*) In accordance with the Netherlands civil code, part of the equity is restricted for distribution.

The accompanying notes are an integral part of these condensed interim consolidated financial statements

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Attributable to equity holders of the parent										
	Issued and paid-in capital	Share premium	Foreign currency translation reserve (*)	Property revaluation reserve (*)	Revaluation reserve, other (*)	Non-controlling interest holders transactions reserve	Treasury shares	Accumulated deficit	Total	Non-controlling interest	Total equity
						In €'000					
Balance as of January 1, 2015 (audited)	23,041	208,002	23,943	21,033	10,765	15,178	(2,625)	(206,939)	92,398	5,362	97,760
Other comprehensive (loss) income	-	-	768	-	(2,784)	-	-	-	(2,016)	332	(1,684)
Profit (loss) for the period	-	-	-	-	-	-	-	(22,915)	(22,915)	(43)	(22,958)
Total comprehensive income (expense)	-	-	768	-	(2,784)	-	-	(22,915)	(24,931)	289	(24,642)
Issuance of shares	2,235	789	-	-	-	-	-	-	3,024	-	3,024
Release of treasury shares	-	(2,309)	-	-	-	-	2,625	-	316	-	316
Share-based payment	-	-	-	-	163	-	-	-	163	918	1,081
Dividend distributed to non-controlling shareholders	-	-	-	-	-	-	-	-	-	(780)	(780)
Transaction with non-controlling interest	-	-	-	-	-	491	-	-	491	119	610
Deconsolidation of subsidiary	-	-	-	-	-	-	-	-	-	(1,431)	(1,431)
Reclassification according to the Netherlands civil code requirements (*)	-	-	-	15,680	-	-	-	(15,680)	-	-	-
Balance as of December 31, 2015 (audited)	25,276	206,482	24,711	36,713	8,144	15,669	-	(245,534)	71,461	4,477	75,938

(*) In accordance with the Netherlands civil code, part of the equity is restricted for distribution.

The accompanying notes are an integral part of these condensed interim consolidated financial statements

CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT

	For the six months period ended June 30		For the three months period ended June 30		For the year ended December 31
	2016	2015	**2016**	2015	2015
	Unaudited				Audited
	In €'000				
Cash flow from operating activities					
Profit (loss) from continuing operations before taxes	(13,503)	(30,128)	(11,941)	181	(52,718)
Profit from discontinued operations before taxes on income	7,929	29,466	4,662	4,077	40,115
Adjustments to reconcile net profit (loss) to net cash (see A below)	(26,847)	(11,944)	11,266	10,765	16,469
Net cash provided by (used in) operating activities	(32,421)	(12,606)	3,987	15,023	3,866
Cash flow from investing activities					
Acquisition of tangible fixed assets and investment properties	(4,474)	(31,648)	(2,699)	(26,472)	(33,276)
Investments and collection (granting) loans from (to)companies accounted for using the equity method, net	(1,624)	(1,244)	(1,624)	(1,210)	(2,489)
Proceeds from sale of assets and investments	2,814	322	2,516	141	488
Change in loans to bank customers, net	(6,404)	8,408	(6,603)	4,211	(11,220)
Change in long-term loans and receivables	(282)	(9,875)	411	(8,101)	(15,612)
Change in short-term investments	(900)	(65)	(1,000)	-	(4,322)
Proceeds from sale of subsidiaries (see B below), net of tax	21,856	119,048	21,856	-	119,086
Proceeds from sale of a company accounted for using the equity method	-	331	-	-	331
Net cash provided by (used in) investing activities	10,986	85,277	12,857	(31,431)	52,986

The accompanying notes are an integral part of these condensed interim consolidated financial statements

CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

	For the six months period ended June 30,		For the three months period ended June 30,		For the year ended December 31,
	2016	2015	**2016**	2015	2015
	Unaudited				Audited
	In €'000				
Cash flow from financing activities					
Repayment and repurchase of debentures	-	(6,725)	-	-	(6,725)
Change in loans from bank customers	(6,112)	23,056	(9,929)	(6,088)	2,593
Proceeds from long-term loans	14,805	2,841	597	406	105,004
Repayment of long-term loans	(1,404)	(29,889)	(784)	(903)	(162,546)
Change in short-term loans and borrowings	5	-	12	-	239
Release (increase) of pledged deposit	-	(2,317)	-	(2,317)	(2,317)
Debentures settlement payment	-	-	-	-	(750)
Change in other long term liabilities	(3)	10	(64)	(53)	65
Dividend to Non-Controlling interest holders of a subsidiary	-	(780)	-	(780)	(780)
Transactions with non-controlling interest holders	-	-	-	-	(4,006)
Net cash provided by (used in) financing activities	7,291	(13,804)	(10,168)	(9,735)	(69,223)
Increase (decrease) in cash and cash equivalents	(14,144)	58,867	6,676	(26,143)	(12,371)
Cash relating to assets held for sale (see Note 8C)	(40,542)	-	13,375	-	-
Foreign exchange differences relating to cash and cash equivalents	(4,335)	7,857	(1,078)	(3,794)	7,746
Cash and cash equivalents at the beginning of the period	143,920	148,545	65,926	245,206	148,545
Cash and cash equivalents at the end of the period	84,899	215,269	84,899	215,269	143,920

The accompanying notes are an integral part of these condensed interim consolidated financial statements

CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

	For the six months period ended June 30,		For the three months period ended June 30,		For the year ended December 31,
	2016	2015	**2016**	2015	2015
	Unaudited				Audited
	In €'000				
A. Adjustments to reconcile net profit (loss) to net cash					
charges / (credits) to profit (loss) not affecting operating cash flows:					
Loss (gain) from disposal of assets and investment, net (See note 8A)	(682)	(20,615)	(1,429)	962	(21,969)
Share of profit of companies accounted for using the equity method	(24)	1,431	3,313	1,867	(2,683)
Share-based payment	91	579	102	7	1,039
Depreciation and amortization	2,481	2,289	1,233	1,061	4,755
Fair value adjustments of investment property	408	(21,856)	408	(21,220)	(20,907)
Financial expense and exchange differences, net	14,596	47,257	11,212	18,524	65,004
(Gain)/loss from sale of property plant and equipment	(459)	(180)	(428)	(71)	26
Increase (decrease) in provision for bad debts in the financial services segment	1,914	3,733	(7)	1,730	6,553
Changes in operating assets and liabilities:					
Change in trade and other receivables	(18,675)	(49,045)	(2,185)	(27,160)	(52,195)
Change in inventories and in contract work in progress, net of advances from customers	(13,026)	8,471	(3,109)	3,565	27,585
Change in trade and other payables	(3,802)	24,525	(6,531)	27,184	11,954
Movement in pledged time deposit	685	(55)	(30)	21	-
Interest paid	(31,424)	(25,564)	(1,375)	(4,130)	(35,076)
Interest received	22,115	19,656	10,812	9,657	42,509
Income taxes paid	(1,045)	(2,570)	(720)	(1,232)	(9,434)
Other	-	-	-	-	(692)
	(26,847)	(11,944)	11,266	10,765	16,469

The accompanying notes are an integral part of these condensed interim consolidated financial statements

CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

	For the six months period ended June 30,		For the three months period ended June 30,		For the year ended December 31,
	2016	2015	**2016**	2015	2015
	Unaudited				Audited
	In €'000				
B. Proceeds from sale of subsidiaries					
Working capital (excluding cash and cash equivalents)	-	13,040	-	269	13,488
Non-current assets (excluding fixed assets and concession assets)	-	14,006	-	-	14,006
Fixed assests	-	39,165	-	-	39,165
Concession assets	-	86,637	-	-	86,637
Non-controlling interests	-	(1,431)	-	-	(1,431)
Long-term liabilities	-	(14,773)	-	-	(14,773)
Release of currency translation reserves	-	(13,287)	-	-	(13,287)
Gain on disposal of investment, net of tax	-	19,136	-	(962)	18,965
Asset classified as held for sale, net of tax	21,856	(23,445)	21,856	693	(23,684)
	21,856	119,048	21,856	-	119,086

	For the six months period ended June 30,		For the three months period ended June 30,		For the year ended December 31,
	2016	2015	**2016**	2015	2015
	Unaudited				Audited
	In €'000				
C. Material non cash transaction					
Liability to repurchase shares from non-controlling interest holders	-	4,022	-	4,022	-
Issuance of shares and treasury shares	-	-	-	-	3,340
Dividend payable to non-controlling interest holders of a subsidiary	379	-	379	-	-

The accompanying notes are an integral part of these condensed interim consolidated financial statements

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2016

1. Corporate information

Kardan N.V. (‘Kardan’ or ‘the Company’) having its legal seat in Amsterdam, The Netherlands, , was incorporated on May 2, 2003, and acts as an operating holding company which is engaged in the development of real estate, (water) infrastructure projects and assets (see Note 4) and banking and retail lending (discontinued operation) through its subsidiaries, joint ventures and associates

The Company and its subsidiaries are referred to as ‘the Group’.

These condensed interim consolidated financial statements were approved by the Board of Directors on August 24, 2016.

2. Financial Position

The Company prepared a two year liquidity analysis as part of its normal course of business which addresses the required liquidity to be able to repay interest and principal of its debentures in February 2017 and February 2018 and all its other liabilities and to finance its operating activities. Included in this analysis are, among others, the current cash balances and cash from future operations and transactions.

As at June 30, 2016 the Company had, on a stand-alone basis a working capital deficit of €75 million (excluding debentures held by subsidiaries).

In June 2016 the sale of KWIG was completed (see Note 8A below) generating to the Company approximately USD 27.7 million (€ 25 million), which allowed the Company to make an early repayment of interest and principal of its debentures of approximately €26 million in July 2016.
In August 2016, the Company completed the sale of TBIF (see Note 8C below) generating at first phase approximately €69 million. An additional adjustment (second phase) amount will be received in the coming weeks. Kardan will use the net consideration, amounting to €62 million, for an additional early repayment of its debentures in September 2016. With those transactions (the sale of KWIG and TBIF), the repayment obligations of the debentures are secured until February 2018 repayment (i.e. excluding the February 2018 payment).

These two early repayments are in addition to interest of €23.3 million paid by the Company in February 2016 using its cash balances.

The Company is currently exploring different avenues for the realization of cash to meet its future liabilities (in February 2018 and onwards).

The realization of some of the Company’s plans depends on factors that are not wholly within the Company’s control, and therefore there is no certainty that transactions will be completed, however the Company believes that given the status of the deals and other options it will be able to generate enough funds to repay its liabilities as they mature in the foreseeable future.

The Board and management believe that there is no material uncertainty which may cast significant doubt regarding the Company’s ability to repay its liabilities when they become due and its ability to continue as a going concern. The Company’s condensed interim consolidated financial statements as at June 30, 2016 have therefore been prepared on the assumption the Company will continue as a going concern.

3. Basis of presentation and preparation

A. Basis of preparation

The condensed interim consolidated financial statements as at June 30, 2016 have been prepared in accordance with International Accounting Standard (IAS) 34 as defined by the International Accounting Standards Board and as endorsed by the European Union to be used for the preparation of interim consolidated financial statements.

The condensed interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as at December 31, 2015.

The accounting policies adopted in the preparation of these condensed interim consolidated financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended December 31, 2015.

B. Foreign currency translation

Following are the representative exchange rates of the USD, NIS and RMB in relation to the EUR and the Israeli Consumer Price Index (CPI) in points:

	USD	NIS	RMB	CPI (in Israel)
June 30, 2016	0.90	0.23	0.14	131.1
June 30, 2015	0.89	0.24	0.15	132.1
December 31, 2015	0.92	0.24	0.14	131.6
		%		
Change in 2016 (6 months)	(2.3)	(0.9)	(3.8)	(0.4)
Change in 2016 (3 months)	2.2	0.0	(0.6)	0.5
Change in 2015 (6 months)	8.5	12.0	8.2	(0.5)
Change in 2015 (3 months)	(4.1)	1.3	(3.3)	1.1
Change in 2015 (12 months)	11.6	11.2	5.1	(0.9)

4. Segment information

A. Segments results:

In February 2016, KFS signed an agreement to sell its holding in TBIF, the holding company of the Banking and Retail Lending segment. The results of TBIF represent the main activities of the 'Banking and Retail lending' segment. As a result, the Company's CODM re-examined the composition of the Company's operating segments, and, starting the first quarter of 2016 the results of TBIF are presented as discontinued operation. Therefore, these activities no longer form a reportable operating segment and the Company now presents 2 operating segments. The comparative figures were adjusted to conform with the current presentation. Following the completion of the sale, subsequent to the balance sheet date, the Company is substantially no longer active in the 'Banking and Retail lending' segment and the activities which were not sold are now presented under 'Other'.

(1) For the six months ended June 30, 2016:

	Real Estate Asia	Water Infrastructure	Other	Total
	In €'000			
Revenue (**)	4,066	59,377	2,564	66,007
Other income (expense) (*)	(692)	995	400	703
Total Income	3,374	60,372	2,964	66,710
Segment result	(4,685)	3,545	2,455	1,315
Unallocated expenses				(1,730)
Loss from operations and share in profit of investment accounted using the equity method before finance expenses, net				(415)
Finance expenses, net				(13,088)
Loss before income tax				(13,503)
Income tax benefit				1,246
Loss from continuing operations				(12,257)
Profit from discontinued operations				6,308
Loss for the period				(5,949)

(*) Other income/expense includes fair value adjustments of investment property, goodwill impairment, equity earnings, gains from disposal of assets and investments and other adjustments.
(**) Revenue of the Water Infrastructure segment have decreased mainly due to two large projects which are close to being finalized and are at their final phase as of June 30, 2016. Furthermore, revenue was impacted by delays in several projects' progress and also by delays in receiving certain needed permits to carry out project work.

(2) For the six months ended June 30, 2015:

	Real Estate Asia	Water Infrastructure	Other	Total
	In €'000			
Revenue	2,540	87,953	(254)	90,239
Other income (expense) (*)	20,999	(1,340)	1,132	20,791
Total Income	23,539	86,613	878	111,030
Segment result	16,283	3,958	(125)	20,116
Unallocated expenses				(2,534)
Gain from operations and share in profit of investment accounted using the equity method before finance expenses, net				17,582
Finance expenses, net				(47,710)
Loss before income tax				(30,128)
Income tax expenses				(6,308)
Loss from continuing operations				(36,436)
Profit from discontinued operations				27,297
Loss for the period				(9,139)

(*) Other income/expense includes fair value adjustments of investment property, goodwill impairment, equity earnings, gains from disposal of assets and investments and other adjustments.

(3) For the three months ended June 30, 2016:

	Real Estate Asia	Water Infrastructure	Other	Total
	In €'000			
Revenue	2,123	29,738	2,455	34,316
Other income (expense) (*)	(3,630)	1,160	(128)	(2,598)
Total Income	(1,507)	30,898	2,327	31,718
Segment result	(5,470)	2,570	2,240	(660)
Unallocated expenses				(885)
Gain from operations and share in profit of investment accounted using the equity method before finance expenses, net				(1,545)
Finance expenses, net				(10,396)
Loss before income tax				(11,941)
Income tax benefit				450
Loss from continuing operations				(11,491)
Profit from discontinued operations				3,925
Loss for the period				(7,566)

(*) Other income/expense includes fair value adjustments of investment property, goodwill impairment, equity earnings, gains from disposal of assets and investments and other adjustments.

(4) For the three months ended June 30, 2015:

	Real Estate Asia	Water Infrastructure	Other	Total
	In €'000			
Revenue	1,210	50,192	(130)	51,272
Other income (expense) (*)	19,689	(1,067)	743	19,365
Total Income	20,899	49,125	613	70,637
Segment result	16,950	3,036	171	20,157
Unallocated expenses				(1,190)
Gain from operations and share in profit of investment accounted using the equity method before finance expenses, net				18,967
Finance expenses, net				(18,786)
Profit (loss) before income tax				181
Income tax expenses				(5,599)
Loss from continuing operations				(5,418)
Profit from discontinued operations				3,722
Loss for the period				(1,696)

(*) Other income/expense includes fair value adjustments of investment property, goodwill impairment, equity earnings, gains from disposal of assets and investments and other adjustments.

(5) For the year ended December 31, 2015:

	Real Estate Asia	Water Infrastructure	Other	Total
	In €'000			
Revenue	6,726	167,861	(715)	173,872
Other income (expense) (*)	23,954	(1,241)	1,145	23,858
Total Income	30,680	166,620	430	197,730
Segment result	13,648	6,378	(2,749)	17,277
Unallocated expenses				(5,082)
Gain from operations and share in profit of investment accounted using the equity method before finance expenses, net				12,195
Finance expenses, net				(64,913)
Loss before income tax				(52,718)
Income tax expenses				(6,493)
Loss from continuing operations				(59,211)
Profit from discontinued operations				36,253
Loss for the period				(22,958)

(*) Other income/expense includes fair value adjustments of investment property, goodwill impairment, equity earnings, gains from disposal of assets and investments and other adjustments.

B. Segments assets

	June 30,		December 31,
	2016	2015	2015
		In €'000	
Real estate - Asia	456,994	524,563	488,944
Water Infrastructure	134,065	192,069	143,504
	591,059	716,632	632,448
Unallocated assets	65,177	27,327	24,152
Discontinued operations (**)	264,092	309,956	319,142
	920,328	1,053,915	975,742

C. Segments liabilities

	June 30,		December 31,
	2016	2015	2015
		In €'000	
Real estate - Asia	198,282	217,461	198,651
Water Infrastructure	92,347	130,272	102,156
	290,629	347,733	300,807
Unallocated liabilities (*)	368,998	379,693	388,182
Discontinued operations (**)	202,132	231,701	210,815
	861,759	959,127	899,804

(*) Most unallocated liabilities relate to financing at the level of the holding companies.
(**) Discontinued operations assets and liabilities in the comparative were reclassified to align with current period presentation.

5. Share capital

Composition

	June 30, 2016		December 31, 2015	
	Authorized	Issued and Paid-in	Authorized	Issued and Paid-in
	Number of shares		Number of shares	
Ordinary shares with nominal value of €0.20 each	225,000,000	123,022,256	225,000,000	123,022,256

6. Financial Instruments and Risk Management

Further to Note 38 to the 2015 annual financial statements, below are presented additional information regarding financial instruments and risk management:

A. Set out below is a comparison by class of the differences between the carrying amounts and fair values of the Group's financial instruments.

Fair value schedule

	Level	**June 30, 2016**		June 30, 2015		December 31, 2015	
		€ 000'					
		Carrying amount(*)	Fair value(**)	Carrying amount(*)	Fair value(**)	Carrying amount(*)	Fair value(**)
Liabilities							
Debentures issued by the Company	1	364,737	276,959	374,055	260,696	379,767	250,542

(*) Including accrued interest.

(**) Price on the Tel-Aviv Stock Exchange.

Financial instruments for which fair value could not be determined are immaterial.

B. Level 3 financial assets and liabilities reconciliation

Level 3 reconciliation:

	As of January 1, 2016	Fair Value gain (loss) recorded in P&L	Fair value gain in OCI	Settlements	As of June 30, 2016
	In €'000				
Warrants and call options	(2,495)	(57)	-	-	(2,552)
Other liabilities	(4,000)	-	-	4,000	-
Total liabilities	(6,495)	(57)	-	4,000	(2,552)

There were no material changes in the valuation processes, the valuation methods used, and the assumptions applied and (narrative) sensitivities, for recurring fair value measurements of investment properties and the above mentioned financial assets and liabilities. For additional information on fair value refer to Note 38 in the 2015 annual financial statements.

C. Further to Note 7 to the 2015 annual financial statements, as of June 30, 2016 there were no material changes to the significant assumptions used in valuations.

D. <u>Risk management following the completion of the sale of TBIF</u>
Further to Note 38C to the 2015 annual financial statements, the Company is exposed to a variety of risks. The Group's financial services sector (TBIF) was exposed to risks inherent in the business including financial risk, market risk, credit risk, excessive risk concentration and regulatory capital requirements for which the company focused large rescored to mitigate including keeping capital adequacy and the use of regulatory required capital, analysis of the structure of its portfolios in order to mitigate excessive risk, established a credit quality review process, receiving collaterals and more. Following the completion of the sale of TBIF subsequent to the balance sheet date the Company is no longer materially exposed to those risks.

7. Joint Ventures

A. Below is presented a summary of financial information of the material joint venture companies, Shanxi GTC Lucky Hope Real Estate Development Ltd., Green Power Development Ltd. and VIP Rent (Avis Ukraine):

1) Shanxi GTC Lucky Hope Real Estate Development Ltd.

Summary of financial data from the statement of financial position:

	June 30, 2016	June 30, 2015	December 31, 2015
	In €'000		
Current assets (not including cash and cash equivalent)	101,228	153,390	120,234
Cash and cash equivalent	7,438	12,930	5,352
Non-current assets	13,166	15,792	20,248
Current liabilities	(68,932)	(134,390)	(95,700)
Current financial liabilities	(6,972)	(5,968)	(6,810)
Non-current liabilities	(32)	(244)	-
Total equity attributed to the owners	45,896	41,510	43,324
% held in the joint venture	50	50	50
Total investment in joint ventures	22,948	20,755	21,662

Summary of financial data from the income statement:

	For the six months period ended June 30		For the three months period ended June 30		For the year ended December 31,
	2016	2015	**2016**	2015	2015
	In €'000				
Revenues from operations	26,608	38,270	5,416	3,818	71,316
Cost of operations	(17,796)	(25,826)	(3,782)	(2,658)	(49,574)
Selling and marketing, other (income) expenses, and administrative	2,894	3,438	1,152	1,240	8,542
Interest income	-	18	-	10	26
Profit before tax	5,918	9,024	482	(70)	13,226
Income tax expenses (income)	1,612	2,278	132	(6)	3,310
Profit for the year attributed to equity holders	4,306	6,746	350	(64)	9,916
% held of the joint venture	50	50	50	50	50
Group's share of profit for the year	2,153	3,373	175	(32)	4,958
Realizing of deemed cost on projects	-	(121)	-	-	(121)
Group's share of profit for the year	2,153	3,252	175	(32)	4,837
Total other comprehensive income (expenses) attributed to equity holders	2,576	2,716	76	(1,280)	1,360
% held of the joint venture	50	50	50	50	50
Group share of the total other comprehensive income (expenses)	1,288	1,358	38	(640)	680

2) Green Power Development Ltd.

Summary of financial data from the statement of financial position:

	June 30, 2016	June 30, 2015	December 31, 2015
	In €’000		
Current assets (not including cash and cash equivalent)	168,264	177,222	148,035
Cash and cash equivalent	15,336	4,292	7,081
Non-current assets	2,000	10,607	8,648
Current liabilities	(137,569)	(180,444)	(114,151)
Current financial liabilities	(35,085)	-	(36,024)
Non controlling interest holders	-	(3,141)	(3,353)
Total equity attributed to the owners	12,946	8,536	10,236
% held in the joint venture	50	50	50
Total investment in joint ventures	6,473	4,268	5,118
Deemed cost on projects	586	782	606
Total investment in joint ventures	7,059	5,050	5,724

Summary of financial data from the income statement:

	For the six months period ended June 30		For the three months period ended June 30		For the year ended December 31,
	2016	2015	**2016**	2015	2015
	In €’000				
Revenues from operations	8,756	4,543	4,820	1,952	28,865
Cost of operations	(6,812)	(2,952)	(3,654)	(1,316)	(24,656)
Selling and marketing, other income (expenses), and administrative	(888)	(8,499)	(525)	(7,608)	(4,618)
Other financial income (expenses)	650	(2,487)	(786)	1,276	(3,353)
Profit (loss) before tax	1,706	(9,395)	(145)	(5,696)	(3,762)
Income tax expenses (benefit)	581	(1,170)	415	(1,698)	972
Profit for the year attributed to equity holders	1,125	(8,225)	(560)	(3,998)	(4,734)
% held of the joint venture	50	50	50	50	50
Group’s share of profit (loss) for the year	563	(4,112)	(280)	(1,999)	(2,367)
Realizing of deemed cost on projects	(20)	(8)	(10)	(4)	(185)
Group’s share of profit (loss) for the	543	(4,120)	(290)	(2,003)	(2,552)
Total other comprehensive income (expenses) attributed to equity holders	(1,766)	(4,171)	(268)	(1,344)	2,338
% held of the joint venture	50	50	50	50	50
Group share of the total other comprehensive income (expenses)	(883)	(2,085)	(134)	(672)	1,169

3) VIP Rent (Avis Ukraine)

Summary of financial data from the statement of financial position:

	June 30, 2016	June 30, 2015	December 31, 2015
		In €'000	
Current assets (not including cash and cash equivalent)	10,007	8,808	9,979
Cash and cash equivalent	2,006	3,374	2,879
Non-current assets	26,789	20,869	25,103
Current liabilities	(3,447)	(3,440)	(2,754)
Current financial liabilities	(2,380)	(2,317)	(3,853)
Non-current liabilities	(17,225)	(15,117)	(17,280)
Total equity attributed to the owners	15,750	12,177	14,074
% held in the joint venture	66	66	66
Total investment in joint ventures	10,395	8,037	9,289

Summary of financial data from the income statement:

	For the six months period ended June 30,		For the three months period ended June 30,		For the year ended December 31,
	2016	2015	**2016**	2015	2015
			In €'000		
Revenues from operations	4,504	4,623	2,308	2,597	9,161
Cost of operations	(3,500)	(3,635)	(1,723)	(1,863)	(7,292)
Selling and marketing, other income (expenses), and administrative	1,416	1,236	599	574	2,591
Other financial expenses	(20)	17	63	57	(246)
Profit before tax	2,400	2,241	1,247	1,365	4,214
Income tax expenses	(463)	(686)	(136)	(160)	(1,172)
Profit for the year attributed to equity holders	1,937	1,555	1,111	1,205	3,042
% held of the joint venture	66	66	66	66	66
Group's share of profit for the year	1,278	1,026	733	795	2,007
Total other comprehensive income (expenses) attributed to equity holders	(260)	1,135	411	(494)	1,545
% held of the joint venture	66	66	66	66	66
Group share of the total other comprehensive income (expenses)	(172)	749	271	(326)	1,020

B. In the second quarter of 2016, the company recorded an impairment on one of its immaterial joint venture. The impairment amounted to €3.2 million and was recorded in the profit and loss as part of the Company's 'Share of profit (loss) of investments accounted for using the equity method, net'.

8. Significant transactions

A. TGI

Sale of KWIG

As described in Note 5B(3) to the 2015 annual consolidated financial statements, on January 15 2015, TGA, an indirectly held subsidiary (98.43%) signed a share purchase agreement ('the Agreement') with China Gezhouba Group Investments Holding Co Ltd. ('the Purchaser'), to sell all of its holdings in KWIG.

The sale of KWIG took place in two phases: in March 2015 the first phase of the transaction in which 75% of KWIG shares were sold was completed; the Purchaser paid 75% of the consideration and all outstanding loans from Group companies were repaid.
On June 30, 2016 TGA completed the second phase of the transaction and sold the remaining 25% of its holding in KWIG for a total consideration of USD 27.7 million (approximately €25 million), including interest as detailed in the agreement.

As a result of the transaction, the Group recorded a net gain of approximately €20.1 million in 2015 mainly due to the release of equity reserves transferred to the statement of income following the sale.

Since KWIG was considered by management as a distinguishable major geographical and operating line of business, the results of the investment in KWIG (including the gain from the sale of the investment) in all represented periods were classified, in accordance with IFRS 5 to discontinued operations.

Discontinued operations related to loss of control and sale of KWIG:

	For the six months ended June 30		For the three months ended June 30		For the year ended December 31
	2016	2015	**2016**	2015	2015
	€ ‘000				
Discontinued operation items related to the sale of KWIG:					
Capital gain*) **)	(144)	5,739	1,325	(962)	6,812
Release of capital reserves due to sale, net of tax *)	-	13,287	-	-	13,287
Net profit (loss) from discontinued operations	(144)	19,026	1,325	(962)	20,099
Net profit (loss) from discontinued operations attributed to Non-controlling	(2)	299	21	(15)	316
Net profit (loss) from discontinued operations attributed to Equity holders	(142)	18,727	1,304	(947)	19,783

*) Net of tax expenses for the six months period ended June 30, 2016 and 2015 amounting to €825 thousand and € 1,479 thousand respectively, for the three months period ended June 30, 2016 and 2015 and for the year ended December 31, 2015 amounting to €103 thousand, nil and € 1,889 thousand, respectively.
**) In 2016 - mainly due to foreign exchange rate differences and additional tax provision.

Composition of the cash flow statements related to discontinued operations:

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2016	2015	**2016**	2015	2015
	€ '000				
Net cash provided by (used in) operating activities	-	-	-	-	-
Net cash provided by (used in) investing activities	21,856	110,148	21,856	-	110,148
Net cash used in financing activities	-	-	-	-	-

There was no OCI impact in all presented periods.

B. GTC RE

Claw back liability re the sale of GTC SA

Further to Note 5 to 2015 annual financial statements, in February 2016, the Company, GTC RE and Lone Star Real Estate fund ('the Buyer') signed a settlement agreement, according to which GTC RE paid the Buyer an amount of €4 million, which has been fully provided for as at December 31, 2015, in exchange for a final and absolute waiver by the Buyer of all its existing and future claims and demands towards the Company and GTC RE in relation to the Buyer's demands according to the 'claw-back' clause, and of mutual cancellation and deletion of any proceedings taken in this matter. The settlement did not have an impact on the Company's income statement in 2016.

C. KFS

Sale of TBIF

On February 24, 2016, KFS has signed an agreement to sell its 100% holding in TBIF to a third party 4finance Holding S.A. ('the Buyer'). Subsequent to the balance sheet date, on August 11, 2016, the transaction was completed.
The total consideration for the transaction comprises two parts ('the Consideration'). On the completion date ('the Completion date') the Buyer paid KFS an amount of approximately €69 million. Subsequently, following the Completion date, the Consideration will be adjusted to take into account the reviewed result of the sold asset in the period January 1, 2016 until the Completion date ('the Adjustment'). To secure payment of the Adjustment, on the Completion date the Buyer pledged shares of TBIF in favor of KFS. According to the agreement, TBIF transferred certain non-lending assets including the investment in Avis Ukraine, with a net value of approximately €29 million to KFS before the Completion date.

KFS undertakes to indemnify the Buyer for costs and damages which might occur under circumstances which have been specifically detailed in the agreement, including a breach of the customary representations and warranties given by KFS. Accordingly, on the Completion date KFS deposited an amount of €6 million for a period of two years and pledge this in favor of the Buyer as collateral for the indemnification, which amount will be reduced to €5 million after one year. In addition, Kardan guaranteed KFS's obligation in this respect.

The Company estimates that the completion of the transaction would result in an increase in its equity of approximately €15 million through profits and release of capital reserves.

In accordance with IFRS 5, as of June 30 2016, the investment in TBIF is presented as ‘Assets held for sale’ and ‘Liabilities associated with assets held for sale’.

Since TBIF is considered by management as a distinguishable major geographical and operating line of business, the results of the sold investment in TBIF in all represented periods were classified, in accordance with IFRS 5, to discontinued operations.

Assets held for sale and liabilities associated with assets held for sale of TBIF

Assets and liabilities held for sale as of June 30, 2016 represent the assets and liabilities of TBIF in relation to the sale transactions:

	June 30, 2016
	€ ‘000
Assets	
Assets held for sale	5,373
Other non-current assets	18,100
Loans to bank customers	144,626
Consumer finance	5,343
Financial leases	11,803
Other current assets	38,305
Cash and cash equivalents	40,542
Total assets	**264,092**
Liabilities	
Banking customers accounts	185,945
Other liabilities	16,187
Total liabilities	**202,132**
Net asset value	**61,960**

In accordance to IFRS 5, the net asset value of TBIF is presented as held for sale in its carrying amount which is lower than the fair value less costs to sell.

Discontinued operations related to the sale of TBIF:

	For the six months ended June 30,		For the three months ended June 30,		For the year ended December 31,
	2016	2015	**2016**	2015	2015
	€ ‘000				
Income	20,545	19,816	10,308	10,282	42,177
Expenses	(13,297)	(10,855)	(7,074)	(5,243)	(24,050)
Profit before tax	7,248	8,961	3,234	5,039	18,127
Income tax expenses, net	796	690	634	355	1,973
Profit (loss) from discontinued operations attributed to Equity holders	6,452	8,271	2,600	4,684	16,154

Composition of the cash flow statements related to discontinued operations:

	For the six months ended June 30,		For the three months ended June 30,		For the year ended December 31,
	2016	2015	**2016**	2015	2015
			€ '000		
Net cash provided by (used in) operating activities	(3,672)	23,869	2,941	216	(11,666)
Net cash provided by (used in) investing activities	(2,558)	6,524	(1,694)	(916)	(1,679)
Net cash used in financing activities	(138)	520	(15)	250	(764)

Composition of other comprehensive income items related to discontinued operations:

	For the six months ended June 30,		For the three months ended June 30,		For the year ended December 31,
	2016	2015	**2016**	2015	2015
			€ 000'		
Adjustments arising from translating financial statements of foreign operations	(2)	14	(78)	(143)	(86)

9. Financial Commitments and Covenants

During the six month period ended June 30, 2016 and as of June 30, 2016 all Group companies met their financial covenants.

10. Subsequent events

A. <u>Early repayment of debentures series A and series B</u>

On July 24, 2016 the Company early repaid principal amounting to approximately €15 million to Debenture Holders series A and series B, and accumulated interest of approximately €11.2 million to Debenture Holders series A and series B (net of the relative portion of debentures held by the Company's subsidiaries). The total repayment amounted to approximately €26.2 million (approximately NIS 111 million).

B. Subsequent to the balance sheet date, on August 11, 2016 the Company finalized the sale of its subsidiary TBIF. For additional information see Note 8C.

Review report

To: the shareholders of Kardan N.V.

Introduction

We have reviewed the accompanying condensed interim consolidated financial information of Kardan N.V., Amsterdam, which comprises the condensed interim consolidated statement of financial position as at 30 June 2016, the condensed interim consolidated income statement, the condensed interim consolidated statement of comprehensive income, the condensed interim consolidated statement of changes in equity, the condensed interim consolidated statement of cash flows and the selected explanatory notes for the three and six month period then ended. Management is responsible for the preparation and presentation of this (condensed) interim financial information in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope

We conducted our review in accordance with Dutch law including standard 2410, Review of Interim Financial Information Performed by the Independent Auditor of the company. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial information as at 30 June 2016 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union.

Emphasis of matter with respect to the financial position of the company

We draw attention to Note 2 'Financial position' of the condensed interim consolidated financial information, which describes management's analysis with respect to the financial position of the Company and its ability to repay its liabilities. Our conclusion is not qualified in respect of this matter.

Amsterdam, 24 August 2016
PricewaterhouseCoopers Accountants N.V.

Original has been signed by drs. E. Hartkamp RA

ADDITIONAL INFORMATION

Required under to rule 38(D) of the Israeli Securities and exchange regulations
(Periodic and immediate reports), 1970

KARDAN N.V.

Presentation of separate financial data included annexed to the

Consolidated financial statements related to the Company

As of June 30, 2016

ADDITIONAL FINANCIAL INFORMATION FROM THE COMPANY'S STATEMENT OF FINANCIAL POSITION

June 30, 2016

	June 30,		December
	2016	2015	31, 2015
	€ in thousand		
A s s e t s			
Non-current assets			
Property and equipment	106	114	114
Financial fixed assets			
Investments in consolidated subsidiaries	505,670	453,317	550,493
Loans to consolidated subsidiaries	22	22	22
	505,692	453,339	550,629
Current assets			
Cash and cash equivalents	28,701	26,374	22,867
Short-term investments	131	298	137
Other receivables and derivatives	2,290	796	687
	31,122	27,468	23,691
Total assets	536,920	480,091	574,320
E q u i t y a n d l i a b i l i t i e s			
Equity attributable to equity shareholders			
Issued and paid-in capital	25,276	23,041	25,276
Share premium	206,482	208,002	206,482
Foreign currency translation reserve	13,878	32,793	36,713
Property revaluation reserve	36,407	37,425	8,144
Other reserves	7,455	8,860	24,711
Non-controlling interest holders transactions reserve	15,669	15,446	15,669
Treasury shares	-	(2,625)	-
Accumulated deficit	(251,098)	(232,513)	(245,534)
	54,069	90,429	71,461
Long-term liabilities			
Debentures	328,669	187,347	468,407
Option liability	2,103	-	2,035
	330,772	187,347	470,442
Current liabilities			
Current maturities of debentures	138,501	201,589	-
Other payables	13,578	1,556	32,417
	152,079	203,145	32,417
Total equity and liabilities	536,920	480,921	574,320

ADDITIONAL INFORMATION FROM THE COMPANY'S INCOME STATEMENT

	For the six months ended June 30,		For the three months ended June 30,		For the year ended December 31,
	2016	2015	**2016**	2015	2015
	€ in thousand				
Net result from investments for the period	5,769	43,493	4,111	13,227	45,827
General and administrative expenses, net	(1,606)	(2,350)	(4,585)	(1,113)	(4,585)
Income from operations before financing expenses	4,163	41,143	3,313	12,114	41,242
Financing expenses, net	(9,730)	(50,102)	(11,175)	(13,534)	(63,680)
Loss before tax expenses (benefit)	(5,567)	(8,959)	(7,862)	(1,420)	(22,438)
Income tax expense (benefit)	303	223	(80)	(112)	(477)
Loss for the period	(5,870)	(9,182)	(7,782)	(1,532)	(22,915)

ADDITIONAL INFORMATION FROM THE COMPANY'S STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended June 30,		For the three months ended June 30,		For the year ended December 31,
	2016	2015	**2016**	2015	2015
	€ in thousand				
Net result for the period	(5,870)	(9,182)	(7,782)	(1,532)	(22,915)
Foreign currency translation differences*	(10,833)	8,850	(1,129)	(8,800)	768
Change in hedge reserve, net	(517)	(1,959)	(300)	155	(2,784)
Other comprehensive income (loss) for the period	(11,350)	6,891	(1,429)	(8,645)	(2,016)
Total comprehensive loss	(17,220)	(2,291)	(9,211)	(10,177)	(24,931)

***** In 2015 includes an amount of €13,287 thousand related to reclassification of translation funds due to the sale of KWIG.

ADDITIONAL INFORMATION FROM THE COMPANY'S CASH FLOW STATEMENT

	For the six months ended June 30,		For the three months ended June 30,		For the year ended December 31,
	2016	2015	2016	2015	2015
	€ in thousand				
Cash flow from operating activities of the Company					
Loss for the period	(5,870)	(9,182)	(7,782)	(1,532)	(22,915)
Adjustments to reconcile net profit to net cash of the Company					
Charges to net loss not affecting operating cash flows:					
Financial expenses	10,273	50,903	11,055	13,935	64,013
Share-based payment	(172)	54	24	29	163
Equity earnings	(5,769)	(43,493)	(4,111)	(13,227)	(45,827)
Dividend received from consolidated companies	35,652	53,742	22,442	3,650	53,742
Changes in working capital of the Company					
Change in receivables	(567)	(252)	655	(134)	(138)
Change in payables	(395)	(982)	(553)	(965)	(1,154)
Cash amounts paid and received during the period					
Interest received	5	13	2	3	20
Interest paid	(23,326)	(18,676)	-	-	(18,676)
Net cash provided by (used in) operating activities of the Company	**9,831**	**32,127**	**21,732**	**1,759**	29,228
Cash flow from investing activities of the Company					
Short term investments, net	6	498	(1)	(8)	659
Investments in subsidiaries	(4,003)	(131)	-	-	(150)
Net cash provided by (used in) investing activities of the Company	**(3,997)**	**367**	**(1)**	**(8)**	509
Cash flow from financing activities					
Debentures settlement payment	-	-	-	-	(750)
Repayment of debentures	-	(6,725)	-	-	(6,725)
Net cash used in financing activities of the Company	**-**	**(6,725)**	**-**	**-**	(7,475)
Increase (decrease) in cash and cash equivalents of the Company	5,834	25,769	21,731	1,751	22,262
Cash and cash equivalents at beginning of the period of the Company	22,867	605	6,970	24,623	605
Cash and cash equivalents at end of the period of the Company	**28,701**	**26,374**	**28,701**	**26,374**	22,867

ADDITIONAL INFORMATION

1. General

This condensed interim separate financial information is presented in accordance to rule 38(D) of the Israeli Securities and Exchange Regulations (periodic and immediate reports), 1970.

This condensed interim separate financial information should be read in conjunction with the additional separate financial information for the year ended December 31, 2015 and the accompanying notes, and in conjunction to the condensed interim consolidated financial statements for the six and three months ended June 30, 2016.

2. FINANCIAL POSITION

The Company prepared a two year liquidity analysis as part of its normal course of business which addresses the required liquidity to be able to repay interest and principal of its debentures in February 2017 and February 2018 and all its other liabilities and to finance its operating activities. Included in this analysis are, among others, the current cash balances and cash from future operations and transactions.

As at June 30, 2016 the Company had, on a stand-alone basis a working capital deficit of €75 million (excluding debentures held by subsidiaries).

In June 2016 the sale of KWIG was completed (see Note 8A to the interim consolidated financial statements) generating to the Company approximately USD 27.7 million (€25 million), which allowed the Company to make an early repayment of interest and principal of its debentures of approximately €26 million in July 2016.
In August 2016, the Company completed the sale of TBIF (see Note 8C to the interim consolidated financial statements) generating at first phase approximately €69 million. An additional adjustment (second phase) amount will be received in the coming weeks. Kardan will use the net consideration, amounting to €62 million, for an additional early repayment of its debentures in September 2016. With those transactions (the sale of KWIG and TBIF), the repayment obligations of the debentures are secured until February 2018 repayment (i.e. excluding the February 2018 repayment).

These two early repayments are in addition to interest of €23.3 million paid by the Company in February 2016 using its cash balances.

The Company is currently exploring different avenues for the realization of cash to meet its future liabilities (in February 2018 and onwards).

The realization of some of the Company’s plans depends on factors that are not wholly within the Company’s control, and therefore there is no certainty that transactions will be completed, however the Company believes that given the status of the deals and other options it will be able to generate enough funds to repay its liabilities as they mature in the foreseeable future.

The Board and management believe that there is no material uncertainty which may cast significant doubt regarding the Company’s ability to repay its liabilities when they become due and its ability to continue as a going concern. The Company’s condensed interim consolidated financial statements as at June 30, 2016 have therefore been prepared on the assumption the Company will continue as a going concern.