KARDAN N.V.

Director's Report and Financial Statements Kardan N.V. Q2 and H1 2015

Amsterdam/Tel Aviv, August 27, 2015
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The Additional Information and the Financial Statements of Kardan N.V., Q2 + H1 2015, are drawn up in accordance with the Dutch and Israeli regulations and together with the separately presented press release on the Q2 + H1 2015 results of Kardan ('Kardan'/ 'the Company') form an integral part of the regulatory requirements and presentation.

FINANCIAL REPORTS
FOR THE SIX MONTHS ENDED JUNE 30, 2015

The Financial Reports contain the following sections:

KARDAN N.V.

1. ADDITIONAL INFORMATION FOR H1 2015

1.1. Main events in the first half year of 2015

Kardan

- The Board of Directors of Kardan decided in December 2014 to propose an agreement in principle regarding debt restructuring ('the Principles') to the holders of debentures Series A and Series B (the 'Debenture Holders') as negotiated and agreed upon in principle with the trustees and representatives of the Debenture Holders. The proposed Principles comprised two phases:

  1) A proposal to amend the deeds of trust for debentures Series A and Series B (combined referred to as 'the Immediate Amendment'), which in headline entailed to postpone the February 2015 interest and principal payments by six months until August 2015 for both Series.

  2) The Company and the trustees and the Debenture Holders would, within approximately 90 days after receiving the approval of the Debenture Holders, begin to draft the amendments to the deeds of trust according to the proposed Principles, which in headline entailed to postpone the majority of payment of principals by 24 months against certain conditions, restrictions and collaterals.

  On January 6, 2015, Kardan was informed that both the meetings of the Debenture Holders had given their approval to the Immediate Amendment and to the trustees of both Series to conduct negotiations with the Company to reach final agreements based on the proposed agreement in principle. For additional information regarding the Debt Settlement, see Note 3 of the H1 2015 Financial Statements.

- In May 2015, Kardan announced that after negotiations with the trustees and representatives of the Debenture Holders regarding the amendments to the deeds of trust, Kardan's Board of Directors approved the amended deeds of trust to replace the existing deeds of trust regarding its Debentures.

  Later in May 2015, the Company announced that it had come to an agreement with the Debenture Holders on the amended deeds of trust which are to replace the original deeds of trust ('the Amended Deeds of Trust'), in which the main change constitutes a difference in the allocation of the Company's shares to the Debenture Holders, namely to allocate to the Debenture Holders approximately 10% of the issued capital of the Company on the completion date and a payment in cash of € 750,000 – instead of the earlier agreed 12% allocation of shares - all within 45 business days from the date on which the Amended Deeds of Trust have entered into force, instead .

  In June, 2015, Kardan was informed that both the meetings of the Debenture Holders approved the Amended Deeds of Trust (replacing the original deeds of trust), reflecting the abovementioned Debt Settlement, mainly entailing postponing the payments of principal of 2015 and 2016 by 24 months, against an additional interest of 1.875% p.a. for each series and pledges on the Group's interests in all its main subsidiaries, a 10% share allocation combined with a cash payment of EUR 750k, a prohibition on dividend distribution until certain thresholds are met and the nomination of a Board Member to the Board of Kardan, to be approved by the general meeting of shareholders, for which Kardan convened an Extraordinary General Meeting in July to take place end of August 2015.

  The Debt Settlement entered into effect on July 3, 2015, (the "Completion Date").

- In January 2015, S&P reported that it had changed the rating of the Company and of its Debentures (series A and series B, hereinafter the 'Debentures') to D (from ilCC) on the announcement that the February 2015 interest and principal payments for the Debentures had been postponed by six months. However, on the following day, S&P reported that it had reassigned the rating of the Company to ilCCC Negative Outlook, and of its Debentures (series A and series B, hereinafter the 'Debentures') to ilCCC, taking into account the interim debt agreement which had been approved as well as that this approval entailed that the Company and the trustees of the Debenture Holders would begin to draft the amendments to the deeds of trust according to the proposed Debt Settlement Principles.

- On March 31, 2015, Kardan early repaid interest and principal of its Debentures (series A and series B). The early repaid interest relating to series A amounted to approximately EUR 4.4 mn and to series B approximately EUR 14.3 mn. The early repaid principal relating to series A amounted to approximately EUR 3.3 mn (3.69% of the outstanding series) and to series B amounted to approximately EUR 3.4 mn (1.23% of the outstanding series). The total repayment amounted to approximately EUR 25.4 mn.

- In May, 2015, the Annual General Meeting of shareholders approved the appointment of PricewaterhouseCoopers N.V Amsterdam, the Netherlands and PricewaterhouseCoopers, Israel (jointly "PwC"), as the external auditor responsible for auditing the annual accounts for the financial year 2015. Kardan Land China Ltd and their subsidiaries and investees will continue to be audited by Ernst & Young China who will report to PwC as group auditors. In cooperation with management PwC will review the possibility to take over the audit activities of the Chinese operations as from financial year 2016. PwC has replaced Ernst & Young per June 1, 2015.

Real estate (GTC Real Estate)

- In February 2015, GTC RE repaid the remaining EUR 5 mn plus interest of an outstanding bank loan, using the funds of the proceeds of the sale of the TBIF subsidiary (see below), thereby releasing all relating pledges.

- In April 2015, further to its announcement on November 17, 2013 ('the Initial Announcement') regarding the agreement ('the Sale Agreement') to sell the stake which GTC RE held in Globe Trade Centre S.A. ('GTC SA') to Lone Star Real Estate Fund III ('the Buyer') in consideration of EUR160 million, Kardan announced the following:

  The Sale Agreement includes a Claw Back mechanism, whereby, at the demand of the Buyer, GTC RE will have to repay the Buyer up to EUR6.3 million, in the event GTC SA does not reach two business targets, as agreed in the agreement; the first was supposed to be reached by March 31, 2015, and the second by December 31, 2015.

  In April 2015, GTC RE and the Company received a demand from the Buyer to pay an amount of EUR 3.15 million, as the Buyer claims that GTC SA did not meet one of the said targets. The Company reserved in its bank accounts the necessary funds to pay the said amount, however it is reviewing the Buyer's demand and reserves all its rights and claims in this matter.

Water Infrastructure (Tahal)

- In January 2015, Kardan's indirectly held subsidiary Tahal Group Assets BV ('Tahal Assets') signed a Share Purchase Agreement with China Gezhouba Group Investment Holding Co. Ltd. ('CGGC Investment') to sell its shares in the Chinese water infrastructure company Kardan Water International Group Ltd. ('KWIG'), to take place in two phases (75% and 25%) to be finalized before the end of June 2015. The total consideration of the two phases amounts to RMB 630 mn (at the time of the release approximately EUR 86 mn / USD 101 mn, 'the Consideration') ('the Transaction'). The first phase (75%) of the Transaction was concluded in March 2015. Additionally, on top of the Consideration and as part of the Transaction, CGGC Investment repaid all outstanding loans provided to KWIG by Kardan Group companies, totaling approximately USD 46 mn (approximately EUR 42 mn).
  In June it was announced that the second phase of the sale was postponed by three months until September 30, 2015 at the request of CGGC Investment. Since the completion of the first phase, Tahal Group International and CGGC have conducted meetings both in China and Israel with respect to future cooperation and collaboration on possible water infrastructure and agricultures projects in China. Based on the cooperation between the parties and the commitment of CGGC to complete the Transaction, Tahal Assets agreed to accept the postponement request of CGGC and the Transaction agreement will be amended accordingly. The second phase is part of the overall agreement regarding the Transaction and consequently is not dependent on additional conditions precedent.

  The decision to sell KWIG is due to Tahal Group International's ('Tahal') wish to focus on its core competences as an Engineering, Procurement and Construction player and KWIG's need for funding in order to further grow its capital intensive operations as well as due to Kardan's need to generate cash. The funds of the Consideration will be used by Tahal for its ongoing business operations as well as for repayment of debt, on Tahal's and on Kardan's level. Tahal and CGGC furthermore agreed to cooperate in order to expand their activities both in China and abroad.

- In March 2015, TGI fully repaid FIMI the loan principal of USD 25 mn together with accrued interest as of that date. As a result, in the first quarter of 2015, TGI recorded a financial expense of approximately EUR 3 million due to the early repayment.

- In June 2015, Kardan's indirectly held subsidiary Tahal Consulting Engineers Ltd. signed an agreement with the government of the State of Karnataka in India to design, build and operate a water supply system to provide treated potable water to approximately 331,000 inhabitants in 131 villages in the Gadag District ('the Agreement' and 'the Project', respectively).
The total compensation for the Project is approximately EUR 67 million (4.7 billion Rupees). This is the first project of this type and scope carried out by Tahal in India. The Project, which is a Turn-Key project, comprises 2 phases: the design and construction phase which is expected to last 30 months - which includes the design and construction of a water intake system, a transmission pipeline, a distribution network over 600 km, a water treatment plant and 8 reservoirs - and the operations and maintenance phase which is expected to last 60 months. Over 80% of the compensation will be paid for the first phase of the Project. Half of the funding for the Project is provided by the Central Government of India, and the other half by the government of the state of Karnataka. A down payment of 5% of the total compensation is expected to be paid soon, after which the first phase of the Project will commence.

<u>Financial Services</u>

- In October 2014, TBIF Financial Services B.V. ('TBIF'), a wholly owned subsidiary of Kardan, signed an agreement to sell all of its shares in a subsidiary that holds a non-performing credit portfolio and other non-banking financial operations ('the Subsidiary').
Closing of the sale of the shares took place in February 2015, when the full consideration of approximately EUR 10 mn was received. The Company used the proceeds to fully repay a bank loan of EUR 5 mn plus interest, thus releasing all relating pledges. As a result of the transaction the Company has recorded a small net gain.

1.2. Subsequent Events

In July 2015, Maalot, the Israeli subsidiary of Standard & Poor's ("S&P"), reported that it had adjusted the rating of Kardan upwards to ilB with outlook Negative, and to ilB for its Debentures Series A and Series B. S&P has increased the rating of Kardan and its Debentures Series A and series B from ilCCC to ilB following the completion of the debt settlement which was announced by Kardan on July 3.

Furthermore, Kardan announced in July 2015 that it has convened an Extraordinary General Meeting of Shareholders ('EGM') on August 25, 2015, following the approval by the Debenture Holders of the Debt Settlement, which includes the nomination of a new member of the Board to be approved by the shareholders of the Company.

During the Extraordinary General Meeting of Shareholders ('EGM') in August 2015, Mr. Bouke Marsman was appointed as a non-executive member of the Board for a term of four years, ending at the end of the annual general meeting of shareholders to be held in 2019, or earlier in the event that certain relief conditions, as specified in the Debt Settlement, have been met. This appointment was part of the Company's Debt Settlement with its Debenture Holders. As Mr. Groen offered to step down from the Board per this appointment, the Board continues to comprise nine members, eight of whom are non-executive members. In accordance with the Debt Settlement, Mr. Marsman has been also been appointed as a member of the RAS Committee and as a member of the board of Kardan Land China Ltd.

Additionally, during the EGM held in August 2015, the shareholders approved to revise the remuneration package of the CEO, i.e. to change the CEO's variable remuneration for 2015 to (a)a short term incentive in the form of an annual bonus of the Euro equivalent of USD 300,000 (gross) as at the date of payment, conditional upon the achievement of specified targets, and (b) a long term incentive, granting the CEO new options to purchase ordinary shares in the share capital of the Company representing 2% of the outstanding issued share capital (after their issuance) prior to the issuance of shares to the Company's Debenture Holders pursuant to the Company's Debt Settlement. The exercise price is NIS 1.191 or EUR 0.2807 per option, being the average closing price of the Company's share at the Tel Aviv Stock Exchange or on the Euronext Amsterdam stock exchange during three months prior to 30 June 2015. For further details, reference is made to the 'Notes to the agenda for the EGM on August 25, 2015', as published on the Company's corporate website.

Following an earlier announcement in March 2015 regarding the fact that a bank had filed a request for bankruptcy against one of its controlling shareholders, Mr. Joseph Grunfeld, in August 2015, Kardan was informed that the District Court in Tel Aviv, Israel, accepted the request of the Leumi Bank and ordered the assets of Mr. Grunfeld to be put in receivership by the official General Receiver and appointed Leumi Bank's Lawyer as special administrative receiver.
Mr. Grunfeld holds, directly and indirectly, 21,493,927 shares of the Company, representing approximately 17.47% of the Company's share capital. All the shares that Mr. Grunfeld holds in the Company are pledged. 11,591,189 shares are pledged to Bank Hapoalim Ltd. ("Bank Hapoalim"), 9,053,738 shares are pledged to Bank Leumi le-Israel BM ("Leumi Bank") and the majority of the remaining shares are pledged to two other financial institutions. The Company was also informed that Bank Hapoalim filed a request to execute the pledge on the shares which Mr. Grunfeld holds of the Company (i.e. to receive the shares). A decision regarding this request has not yet been rendered.
The Company estimates, for the time being, that abovementioned events should not have a material effect on the Company or its assets.

Also in August 2015, a binding agreement (the 'Agreement') was signed between Kardan Land Dalian Ltd. (the 'Project Company'), a wholly owned subsidiary of Kardan Land China Ltd. ('KLC'), and Fraser Suite Dalian Company Ltd. ('the Purchaser') to sell Building B of the Europark Dalian project (the 'Project') for a total consideration of approximately RMB 481 million (approximately EUR 68 million) (the 'Consideration'). Fraser Suite Dalian Company Ltd. is a Chinese company belonging to the Frasers Centrepoint Ltd. group, a public company listed on the Singapore Stock Exchange. The Purchaser shall pay 10% of the Consideration within twenty-five working days from the date the Agreement has been signed. The balance of the Consideration shall be paid in phases, subject to meeting certain conditions precedent and receiving certain approvals which are expected to be met or obtained during the development of the Project, as stipulated in the Agreement. KLC estimates that 50% of the Consideration will be received in 2015, 25% in 2016, 15% in 2017 and the balance (10%) in 2018. The delivery of the 262 serviced apartments and 14 parking spaces that Building B comprises is expected to take place in the fourth quarter of 2017 when the agreed upon interior construction has been finished in the already completed core and shell of Building B. The Consideration will be used by the Project Company to repay part of a bank loan and for further development of the Project.

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, 2015 and December 31, 2014 (amounts in EUR mn):

Holding Company	Name of subsidiary	Share in subsidiary	Consolidated equity	Shareholders consolidated equity	Adjustments of Kardan NV	Book Value in Kardan NV	Shareholders Loans*	Total Investment in books 30.06.15	Total Investment in books 31.12.14
Kardan NV	GTC RE Holding	100%	324.9	324.3	3.5	327.8	(10.8)	317.0	278.3
	KFS	100%	46.2	46.2	-	46.2	32.1	78.3	79.3
	TGI	98.43%	61.1	61.4	(3.4)	58.0	-	58.0	99.4
	Emerging Investments XII *,	100%	21.3	21.3	-	21.3	-	21.3	22.3

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 30.06.15	Total Invest-ment in books 31.12.14
GTC RE Holding	Kardan Land China	100%	340.9	340.9	2.6	343.5	(37.0)**	306.5	272.0

Holding Com-pany	Name of subsi-diary	Share in subsi-diary	Consoli-dated equity	Share holders console-dated equity	Adjust-ments of KFS	TBIF Book Value	Loans granted by KFS	Total Invest-ment in books 30.06.15	Total Invest-ment in books 31.12.14
KFS	TBIF	100%	75.1	75.1	-	75.1	-	75.1	66.2

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 30.06.15	Total Invest-ment in books 31.12.14
TGI	Tahal Group Assets B.V.	100%	24.1	27.2	-	27.2	0.4	27.6	86.4
	Tahal Group B.V.	100%	33.9	31.1	-	31.1	6.8	37.9	37.4

(*) In October 2012, the Company assigned its shareholder's loans (provided to its subsidiaries) to Emerging Investments XII. For convenience, the shareholder's loans are presented as part of the investments in subsidiaries.
The Company's repurchased debentures are mostly held by Emerging Investments XII. The shareholder's loan which Kardan N.V. provided to Emerging Investments XII is presented net of the debentures.
(**) An equity loan and is expected to be deducted from KLC's equity.

Emerging Investment XII holds the following Kardan N.V Debentures as of June 30, 2015:

	Nominal Value	Liability Value including accrued interest
Series A	211,576,523.75	61.3
Series B	142,681,737.39	41.4

Kardan N.V provided a loan to Emerging Investments XII with the same conditions as its Debentures, in order to enable Emerging Investments XII to purchase the Debentures in previous years. It is the Company's intention is to settle the loan and Debentures through a net settlement. Therefore the Company presents the loan and debentures net.
GTC RE holds NIS 51,366,250.76 par value debentures (Series A) of the Company having a liability value of EUR 14.9 mn.

1.4. Financial Position of holding companies of the Kardan Group as of June 30, 2015

- **Net debt**

The net debt position of Kardan N.V., GTC RE BV, Emerging Investments XII, KFS BV and TBIF BV as of June 30, 2015 amounts to EUR 326.2 mn (year-end 2014: EUR 323.6 mn).

The following table summarizes the net debt of Kardan N.V. and if applicable of its directly held subsidiaries (company only) as of June 30, 2015:

Company	Net Debt* (in EUR million)	
Kardan NV / GTC RE / Emerging Investments XII	**Liabilities:**	
	Debentures**	(376.5)
	Assets:	
	Loan to KFS	32.1
	Cash and short term investments	26.8
	Net debt	**(317.6)**
KFS / TBIF	**Liabilities:**	
	Loans from Kardan NV	(32.1)
	Assets:	
	Cash and short term investments	4.8
	Loans to others	12.6
	Loans to subsidiaries and other receivables	6.1
	Net debt	**(8.6)**
TGI	**Assets:**	
	Cash and short term investments	0.4
	Net debt	**(0.4)**

(*) Net debt includes interest bearing loans and borrowings, debentures, less cash and cash equivalents and interest bearing receivables.
(**) The majority of the repurchased Debentures are held by Emerging Investments XII.

1.5. Risk Management

Kardan has three divisions: Real Estate (GTC RE), Water Infrastructure (Tahal), and Banking and Retail lending (KFS). These divisions are divided into three segments, which can each consist of one or more operating company/ies. Each segment is managed by an executive director or Board of Directors, responsible for managing the operations and the market segment risks. In addition, each operating company has a senior manager who is responsible for risk management. As of the beginning of 2014, Mr. Guy Elias, member of the Executive Management of Kardan, is overall responsible for Risk Management. For more details on Mr. Guy Elias's resume, reference is made to the corporate site of Kardan, www.kardan.nl.

The main risk categories relating to Kardan's strategy, such as liquidity and capital availability and financial market risks (which includes interest rate and currency risks), etc. are described in

Kardan's Annual Report 2014. The above described risks should be seen as re-quoted in this report by way of reference. It is noted specifically that fluctuations in the exchange rates of the various currencies in which the business affairs of Kardan are managed may affect the financial status of Kardan as the Company reports in Euro, whereas it has NIS denominated debts and most of its assets are denominated in Chinese RMB.

Given Kardan's business philosophy, which is based on the view that emerging markets generally develop faster than developed markets supported by economic strengthening of the middle classes, the Company is predominantly active in emerging markets. Emerging markets are generally inherently more volatile and therefore often exposed to risks arising from unforeseen changes such as (geo)political, regulatory and economic.

Developments and shocks in global markets and particularly in the Chinese and other emerging markets may affect the liquidity of Kardan N.V., its equity value, the value of its assets, its ability to realize its assets, the state of its business (including the demand for its assets), its ability to distribute dividends and its ability to raise finance for its ongoing activities and long-term activities, as well as the terms of such financing.

Contacts between the CEO, the members of the Executive Management and local management of Kardan's subsidiaries are frequent and intensive, to discuss the latest development and expectations in the respective markets as well as the (financial) resilience of these subsidiaries.

For an overview of Kardan's main risk categories, reference is made to the 2014 Annual Report (which can be found on the corporate site).
In addition, reference is made to the 2014 consolidated financial statements as well as to the 2014 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.

Disclaimer

This report contains forward looking information as defined in the Israeli Securities Act, based on macro-economic data relevant to each geographical region in which Kardan N.V. is active, the management's experience and the condition of the local and global market. 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, new regulations, continuation and/or worsening of the global economic crisis or incorrect assessments by management.

This report also contains information regarding market developments which are based on external party research which was published in the following reports.

KARDAN N.V.

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, 2015	June 30, 2014	December 31, 2014	Notes
Total balance sheet	1,053,915	948,867	1,013,609	The increase in total balance sheet compared to December 31, 2014 is mainly due to the strengthening of the RMB and additional deposit taking in TBI Bank. The increase was partially off-set by the sale of KWIG and repayment of debentures.
Current assets	570,622	432,680	490,509	The increase in current assets compared to December 31, 2014, is mainly due to increase in Cash as a result of the sale of KWIG and deposit taking in TBI Bank, and due to classification of the remaining investment in KWIG as held for sale.
Non-current assets	483,293	516,187	523,100	The decrease in non-current assets compared to December 31, 2014, is mainly due to the sale of KWIG.
Current liabilities	680,710	525,099	555,324	The increase in current liabilities compared to December 31, 2014, is mainly due to an increase in current maturities of the Company's debentures, and to increases in bank customer's accounts.
Long term Debentures	186,653	250,490	250,047	The decrease in long term debentures compared to December 31, 2014, is mainly due to classification of current maturities relating to the February 2016 payment to short term.
Long term Interest-bearing loans and borrowings	72,107	91,200	84,131	The decrease in long term interest bearing loans and borrowings compared to December 31, 2014 is mainly due to repayment of the FIMI loan which was partially off-set by the strengthening of the RMB.
Equity attributable to equity holders of the parent	90,429	57,775	92,398	The decrease in equity compared to December 31, 2014, is mainly due to the loss in the period which was partially off-set by the strengthening of the RMB.

	6 months ended June 30, 2015	6 months ended June 30, 2014	3 months ended June 30, 2015	3 months ended June 30, 2014	Year ended December 31, 2014	
Revenues						
Contract revenues	87,953	70,776	50,192	35,769	142,795	The y-o-y increase in Q2 and H1/2015 contract revenues is a result of revenue recognized in existing and new water infrastructure projects, mainly in Africa and Eastern Europe.
Sale of apartments	522	8,739	-	3,392	46,866	Sale of apartments relates exclusively to the delivery of apartments in the Europark Dalian project in China.
Banking and retail lending activities	17,844	18,386	9,241	9,831	33,295	-
Management fees and other income	3,736	3,126	2,120	1,468	7,425	-
Total Revenues	**110,055**	**101,027**	**61,553**	**50,460**	**230,381**	
Expenses						
Contract costs	73,871	59,495	41,538	29,998	118,426	See explanations for the changes in revenues from contract works.
Cost of sales of apartments	491	7,234	19	2,795	44,217	See explanations for the changes in revenues from sale of apartments.
Cost of banking and lending activities	12,079	12,229	5,650	6,429	25,578	See explanations for the changes in revenues from banking and retail lending activities.
Other expenses, net	2,874	2,436	1,927	1,019	6,108	
Total expenses	**89,315**	**81,394**	**49,134**	**40,241**	**194,329**	
Gross margin	**20,740**	**19,633**	**12,419**	**10,219**	**36,052**	
Selling and marketing expenses	4,273	3,731	2,512	2,141	8,191	The increase in selling and marketing expenses is mainly attributable to the Dalian project.
General and administration expenses	12,707	9,656	6,218	5,173	21,260	The increase in general and administration expenses is primarily attributable to foreign exchange developments and to share based payment expenses.
Profit (loss) from operations before fair value adjustments, disposals of assets and financial expenses	**3,760**	**6,246**	**3,689**	**2,905**	**6,601**	-

	6 months ended June 30, 2015	6 months ended June 30, 2014	3 months ended June 30, 2015	3 months ended June 30, 2014	Year ended December 31, 2014	Notes
Adjustment to fair value of investment properties	21,856	3,198	21,220	2,209	8,859	Adjustment to fair value of investment properties in the reported period relates to the revaluation of the Europark Dalian shopping center in China, mainly in Q2.
Gain on disposal of assets and other income	(24)	563	(154)	407	17,798	-
Profit (loss) on disposal of assets and investments	21,832	3,761	21,066	2,616	26,657	-
Profit (loss) before finance expenses and income taxes	**25,592**	**10,007**	**24,755**	**5,521**	**33,258**	**-**
Financial income	17,749	5,058	3,548	3,715	2,048	Financial income is mainly the result of interest on the cash balances and deposits of the Group and exchange rate differences on financial instruments.
Financial expenses	(63,077)	(19,470)	(21,216)	(16,698)	(21,363)	The financial expenses are mainly related to financing costs of loans and debentures in the group. The y-o-y increase in the financial expenses in Q2 and H1/2015 is mainly a result of exchange rate differences.
Total financial expenses, net	**(45,328)**	**(14,412)**	**(17,668)**	**(12,983)**	**(19,315)**	**-**

	6 months ended June 30, 2015	6 months ended June 30, 2014	3 months ended June 30, 2015	3 months ended June 30, 2014	Year ended December 31, 2014	Notes
Profit (loss) from operations	**(19,736)**	**(4,405)**	**7,087**	**(7,462)**	**13,943**	-
Share of profit (loss) of companies accounted for using the equity method	(1,431)	968	(1,867)	507	6,712	The y-o-y decrease in share of profit of companies accounted for using the equity method in H1 2015 relates primarily to the real estate operations from joint venture projects in China.
Net profit (loss) before income taxes	**(21,167)**	**(3,437)**	**5,220**	**(6,955)**	**20,655**	-
Income tax (benefit) expenses	6,998	2,670	5,954	1,177	13,002	-
Net profit (loss) for the year from continuing operations	**(28,165)**	**(6,107)**	**(734)**	**(8,132)**	**7,653**	-
Net profit (loss) from discontinued operations	19,026	2,202	(962)	1,220	(2,591)	Discontinued operations relates to the sale of KWIG in Q1.
Net profit (loss) for the period	**(9,139)**	**(3,905)**	**(1,696)**	**(6,912)**	**5,062**	-
Net profit (loss) attributed to equity holders of the parent	**43**	**25**	**(164)**	**50**	**5,091**	-
Net profit (loss) attributed to non-controlling interest holders	**(9,182)**	**(3,930)**	**(1,532)**	**(6,962)**	**(29)**	-

2.1.1 Cash Flow and source of funding (in EUR thousands)

	H1 2015	H1 2014	Q2 2015	Q2 2014	FY 2014	Notes
Net cash provided by (used in) operating activities	(12,606)	27,592	15,023	29,388	28,749	-
Net cash used in investing activities	85,277	(32,634)	(31,431)	(22,458)	183	In H1 2015, €119 mn were provided from proceeds from sale of a subsidiary. € 31.6 mn were used for the acquisition of tangible fixed assets and investment properties. In H1 2014, € 22.7 mn were used for the acquisition of tangible fixed assets and investment properties. In 2014, € 45 mn were used for the acquisition of tangible fixed assets and investment properties. € 35 mn were used to provide long-term loans. € 74 mn were provided from sale of a company accounted for using the equity method
Net cash provided by financing activities	(13,804)	(5,518)	(9,735)	22,954	17,759	In H1 2015, € 30 mn were used for repayment of loans. € 23 mn were provided from loans from bank customers. In H1 2014, € 69 mn were used for repayment of debentures. € 84 mn were provided from long term loans. In 2014, € 69 mn were used for repayment of debentures. € 89 mn were provided from long term loans.

The Company's Financial Statements as of June 30, 2015 present a negative working capital in the company only and the consolidated financial statements. Additionally, unlike the Q1-2015 financial statements, these financial statements do not include a mandatory emphasis of matter referring to note 2 of the financial statements. These are "warning signs" as defined in Regulation 10 (b) (14) of the Israeli Securities Authority regulations. It is expected that following the completion of the Debt Settlement, there should not be negative working capital in Q3-2015.
In accordance with the Israeli Securities Authority regulations the Company hereby provides cash-flow forecast for a period of two years as of June 30, 2015:

Forecast cash flow	July 1, 2015 – December 31, 2015	January 1, 2016 - December 31, 2016	January 1, 2017 – June 30, 2017
	in € millions		
Cash and cash equivalents at the beginning of the period – Kardan NV*	**26.5**	**48.6**	**134.8**
Cash and cash equivalents at the beginning of the period – GTC RE	**-**	**-**	**-**
Company only resources			
From operating activities			
General and administration expenses	(2.4)	(4.5)	(2.3)
From investing activities			
Sale of assets	23.0	110	-
Other			
Resources from investee companies			
From operating activities in investments – Loan repayment	2.0	4.0	-
From operating activities in investments – Management fees	0.3	0.6	0.2
Total Resources	**49.4**	**158.7**	**132.7**
Expected Uses			
From financing activities			
Agreed compensation to the Debenture Holders	0.8	-	-
Interest payment of debentures – Series A	-	5.3	5.6
Interest payment of debentures – Series B	-	18.6	19.0
Principal payment of debentures – Series A	-	-	42.5
Principal payment of debentures – Series B	-	-	43.9
Total Uses	**0.8**	**23.9**	**111.0**
Cash and cash equivalents at the end of the period	**48.6**	**134.8**	**21.7**

Assumptions and Notes to the cash flow forecast:

1. The cash-flow projection 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 below under point 9.

2. The projected cash flow was prepared based on the final Debt Settlement with the Debenture Holders which was completed on July 3, 2015, however, it does not include mandatory early repayments according to the debt settlement upon sale of certain agreed assets.

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 2015 and 2016, the Company is conducting processes through its subsidiaries to sell a part or the total of its significant assets. The Company recently reported the sale of the following assets:

   2015

   - During Q1 2015, Tahal Assets concluded the first phase (75%) of its sale of the shares in KWIG including repayment of all shareholder loans which were provided by Group companies to KWIG. After repayment of liabilities on the level of TGI, an amount of USD 52.5 mn was transferred from TGI to the Company. It is expected that by September 2015 the second phase (25%) of the transaction will be completed for the remaining consideration and approximately USD 25.7 mn will be transferred to Kardan NV. largely to be used for early repayment of the Company's Debentures in accordance with the Debt Settlement.

   2016

   - In 2016, the proceeds from sale of assets are expected to be received from a sale of real estate and / or sale of shares in subsidiaries from the real estate and banking and retail lending segments.

5. In 2015 and 2016, the loan repayments are due to be received from KFS from operating activities. The balance of the shareholder's loan to KFS amounted to EUR 32.1 mn as of the balance sheet date.

6. 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.

7. The Interest calculations are based on Israeli CPI, exchange rates and interest rates which are applicable as of June 30, 2015. The principal and interest payments for the debentures are presented net of the interest which relates to the debentures held by GTC RE and Emerging Investment XII BV.

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 authorization of these financial statements, the Company did not approve any new investments. It should be noted that the projected cash flow does not include amounts relating to the claw-back clause in the sale agreement, in the event such cause for payment will arise (reference is made to the subsequent event note).

9. Limitations on transferring funds: transfer of funds between Kardan NV and GTC RE is done through a loan, of which the balance amounts to EUR 10.8 mn as of June 30, 2015.
   In addition, GTC RE has free distributable reserves according to Dutch law amounting to EUR 217.0 mn as of June 30, 2015. As of June 30, 2015 GTC RE is not subject to any financial covenants.

10. Restrictions on transfer of funds: money transfer from Emerging Investments XII to the Company is done by dividend payment from Emerging Investments XII. Retained earnings according to the

Dutch law are in the amount of EUR 21.3 mn as of June 30, 2015.

11. Restrictions on transfer of funds: money transfer from TGI to Kardan N.V.; a) distributable reserves of at maximum EUR 55.0 mn may be transferred and b) covenants of lending banks of TGI Group need to be met.

12. This estimate is forward looking information as defined in the Israeli Securities Act, 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 recorded in the period (in € mn)	Discount rate (%)	Exit rate (%)	Developer profit in the valuation (%)	Rent per Sqm assumed in the valuation	Valuation Method	External valuer	Date of the last valuation
China	Dalian	Galleria Dalian	Investment Property	100%	Lease	65,584	263.8	21.9	10.5%	5.5%	5%	EUR 25 per Sqm	DCF and direct comparison approach	external valuation – C&W	Based on external valuation performed by C&W for 30.06.2015

2.3 Issuance of debentures(*)

The following are details regarding the marketable debentures of Kardan NV as of June 30, 2015:

	Debenture series A	Debenture series B
Par value of issued debentures	EUR 282.0 million (NIS 1,190,000,000)	EUR 316.2 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, 2015	EUR 135.8 million (NIS 573,054,735 par value)	EUR 267.7 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)(****)	4.45%	4.9%
Principal repayment (****)	Four equal installments from February 2013 to February 2016	Seven equal installments from February 2014 to February 2020
Interest payment dates (****)	9 annual installments from February 2008 to February 2016	13 annual installments from February 2008 to February 2020
Total debt up to the date of the balance sheet (including interest and Israeli CPI linkage)	EUR 89.8 million (net of debentures held by subsidiaries)	EUR 286.6 million (net of debentures held by subsidiaries)
Market capitalization as of June 30, 2015	EUR 67.1 million (net of debentures held by subsidiaries)	EUR 193.5 million (net of debentures held by subsidiaries)
The trustee	Aurora Fidelity Trustees Ltd (CPA Daniel Vafnish +972-3-6083252)	Hermatic trustee (1957) (Adv. Dan Avnun +972-3- 5274867)
Rated by	S&P Maalot	S&P Maalot
Rating at the time of issuance	AA - (February 2007)	AA - (February 2007)
Updated rating	B (July 2015)	B (July 2015)
Pledged Assets as of June 30, 2015	The Company committed to establish and register a primary, exclusive pledge with no limitations of amounts, over GTC RE's shares (100%) and on the accompanying rights of these shares, including dividends, options, bonus shares etc. in favor of the trustees of the Debenture Holders.	
Pledged Assets as of August 26, 2015	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. In addition, the Company will establish in favor of the trustees primary exclusive pledges with no limitations of amounts over the bank accounts of the Company. Other additional pledges also took place.	

(*) For additional information regarding the Debt Settlement, see note 1 of the 2014 Financial Statements. The information in the above table is presented according to the original deeds of trust and therefore do not include the expected changes after the approval of the Debt Settlement.
(**) Debentures (Series A and B) are material to the Company.
(***) During and at the end of 2014 the Company met the terms of the deeds of trust.
(****) In accordance with the Interim Settlement of January 2015, the interest and principal payments due in February 2015 have been postponed to August 2015. The interest on the deferred principal of series A would bear an interest of 6.325% and for series B 6.775% (an increase of 1.875%).

General meetings of the Debenture Holders

Debenture Holders meeting March 15, 2015

On March 15, 2015, a meeting of the Debenture Holders (series A and B) was held, during which an update was provided by the Company regarding the status of its business. Additionally, a decision was made to instruct the trustees of series A and the trustees of series B to come to an agreement among themselves, on the topic of the pledge of the shares of GTC RE.

Debenture Holders meeting May 19, 2015

On May 19, 2015 a meeting of the Debenture Holders (series A and B) was held, during which a general overview was provided by the Company regarding its activities in 2014, an overview was provided with respect to the published settlement documents, a discussion was held on the revised deeds of trust, a report was provided with respect to the tax implications of the proposed settlement. The revised amended deeds of trust were published On June 1, 2015.

2.4 Directors with accounting and financial expertise

Kardan N.V. is a corporation incorporated in the Netherlands and consequently the 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.

The Company has a one-tier Board. The Board, as is customary in Israel, comprises one executive Board Member, the CEO of the Company, and other non-executive Board Members, including the Chairman of the Board. In addition to the Board, the Company also established an Executive Management team.

In accordance with the Netherlands Corporate Governance Code ("The Tabaksblat Code"), Kardan N.V. has adopted the duty whereby at least one of the independent serving non-executive members of the Board, has financial and accounting expertise.

The directors with accounting and finance expertise currently serving on the Board are:

Peter Sheldon - Chairman of the Board, CPA, was a partner in an accounting firm in England.

Cor van den Bos - Chairman of the Audit Committee, former Executive Board member of Aegon Nederland, Athlon Groep and SNS Reaal, holds university degrees in Economics and in Accounting and Business Administration, and serves as a consultant and director of various companies.

Shouky Oren - CEO of the Company, a graduate of Economics and Business Administration studies, former Accountant General of the State of Israel and former CEO of Bank Leumi Switzerland.

Albert May - Chairman of the Remuneration Appointment and Selection committee, holds a university degree in Applied economics, and served as director of international banks

Eytan Rechter - Serves as CEO and director of Kardan Yazamut Ltd. Group and holds a university degree in Psychology and Economics.

Bouke Marsman – Member of the Remuneration Appointment and Selection committee, holds a master degree in chemical engineering and an MBA from IESE Business School in Barcelona, held several positions at McKinsey & Company and as CFO of an internet marketing firm.

Members of management with accounting and finance experience who are members of the Executive Management are:

Einat Oz-Gabber - CFO of the Company, holds a university degree in Economics and Accounting. She worked as an auditor at the offices of the firm of accountants of Liuboshitz, Kasirer & Co, and Deloitte Touche Amsterdam. Since 2005, she has served as a member of the Management of Kardan NV and other companies in the Group as well.

Shouky Oren - CEO of the Company, see above.

2.5 Financial Statement Approval Procedure

Kardan N.V.'s Board decided that the members of the Audit Committee (3 non-executive independent directors), also serve as the 'Financial Statements Review Committee'. In addition, the Company's CEO and CFO will 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 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 who, given their education and business experience (for their detailed biographies see www.kardan.nl), are capable of reading and understanding the financial statements, are:

Cor van den Bos - Chairman of the Audit Committee, former Executive Board member of Aegon Nederland, Athlon Groep and SNS Reaal, 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.

Peter Sheldon – Chairman of the Board, Member of the Audit committee and the Remuneration, Appointment and Selection committee. Peter Sheldon is a CPA and was a partner in an accounting firm in England. Peter Sheldon has management and financial experience through the various positions he held as a member of senior management in Retail and High Tech companies.

Albert May – Chairman of the Remuneration, Appointment and Selection committee and serves as a member of the Audit committee. Albert May holds a university degree in Applied economics and has management and financial experience through serving as a director of international banks.

The approval of the H1 2015 financial statements included, inter-alia the following sessions:

First, a meeting of the Audit Committee (Financial Statement Review Committee) took place during which a comprehensive principle discussion on the material accounting and auditing issues was held and a preliminary discussion in order to form its recommendations to the Board in relation to the approval of the H1 2015 financial statements. In this meeting of August 25, 2015, the external auditors, the CEO and the CFO of the Company, the Controller and other relevant position holders at the Company also attended. The Audit 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 2015 operational result as well as the material issues in the Financial Statements, critical estimations and assumptions that were implemented, reasonableness of transactions that are not in the ordinary course of business, modification requirement at the accounting policy, 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 in light hereof. Accordingly, the Audit Committee discussed the 'going concern' assumption. As a result, the Audit

Committee estimated that following the completion of the debt settlement, material doubts regarding the Company's ability to repay its debt as it becomes due.
A document with the recommendation of the Financial Statement Review Committee was sent to the Board after the aforesaid meeting on August 25, 2015. The date is consistent with the Board requirement.

Furthermore, on August 25, 2015 the Board discussed the recommendation of the 'Financial Statement Review Committee' with respect to the approval of the Financial Statements as of June 30, 2015.
The Board members, Executive Management, the Company's Controller 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 another board meeting on August 26, 2015, the Board approved the H1 2015 financial statements.

Declaration
In accordance with Article 5:25d of the Financial Supervision Act (Wet op het financieel toezicht) the Board declares, to the best of its knowledge, that:
(i) The condensed consolidated semi-annual financial statements as at June 30, 2015 and for the full year ended December 31, 2014, give a true and fair view of the assets, liabilities, financial position and the result of Kardan N.V. and of the group companies included in the consolidation;

(ii) The semi-annual directors' report gives a fair view of the information required pursuant to Article 5:25d sub 8 and 9 of the Financial Supervision Act

August 26, 2015

P. Sheldon (Chairman of the Board)
S. Oren (CEO and Member of the Board)

DISCLAIMER

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. S. Oren, CEO and a 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, 2015 (hereinafter – the "latest quarterly 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, S. Oren, certify that:

1. I have reviewed the periodic report of Kardan NV ("the corporation") for the first six months of 2015 ("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 26, 2015

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S. Oren - CEO

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 first six months of 2015 ("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 26, 2015

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E.Oz-Gabber, CFO

Kardan N.V.

(the“Company”)

Substantial events and developments

Filings pursuant to Israeli Law

August 26, 2015

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 2014 annual financial statement published by the Company on March 26, 2015 and its amendment dated March 31, 2015 (Reference number: 2015-01-069775), are deemed included by reference.
For details regarding the material events that occurred in the first quarter 2015 up to March 26, 2015, reference is made to the annual report (subsequent events note).
For details regarding the material events that occurred in the first quarter 2015 up to May 28, 2015, reference is made to the quarterly financial statements for the three months ended March 31, 2015 the Company published on May 28, 2015 (reference number: 2015-01-031449) (Condensed Interim Consolidated Financial Statements As of March 31, 2015) which is included in this report by way of reference.

Real Estate

In addition to the 7.6.2 disclosure of the very material investment property of the Europark Dalian project:
On August 19, 2015, the Company published an Immediate report according to which Its subsidiary Kardan Land Dalian Ltd., a wholly owned subsidiary of Kardan Land China Ltd., signed a binding agreement with Fraser Suite Dalian Company Ltd. to sell building B of the Europark Dalian project for a total consideration of approximately RMB 481 million (approximately EUR 68 million). The delivery of the 262 service apartments and 14 parking spaces that building B comprises is expected to take place in Q4 2017. For more details, see the immediate report published on August 19, 2015 (reference number: 2015-01-099750), which is included in this report by way of reference.

Further to the description of the material projects specified in section 7.12 of the annual financial statements, the disclosure table relating to the Company’s very material investment property as of Q2 2015 is as follows:

Under construction shopping center – Galleria Dalian (Dalian, China)

(Data according to 100%; Kardan N.V. indirect share in the Property: 100%)	Second quarter 2015	First quarter 2015	2014
Fair value at the end of the period (€ in millions) (*)	263.7	206.9	181.1
Valuation gains for the period (€ in millions)	21.2	0.6	9.65
Part of the constructed area for which rental agreements were signed during the period (%)	2.1%	5.2%	49.62%
Part of the constructed area for which rental agreements were signed accumulated (%)	67.1%	65%	59.81%
Average rent per sqm in contracts signed during the Period (per month) (RMB) (**)	111.9	125.40	65.46
Budget completion rate for the end of the period (%)	100%	73%	71%

(*) The asset's functional currency is the RMB .
(**) Represents only basic rent, however, the rental agreements also include a turnover rent element.

Water Infrastructure – Projects

Pursuant to Article 9.11 of Part A of the Annual Report in connection with the material agreements;
On June 3, 2015, the Company announced that its indirectly held subsidiary Tahal Consulting Engineers Ltd. signed an agreement with the government of the State of Karnataka in India to design, build and operate a water supply system to provide treated potable water to approximately 131 villages in the Gadag District. The total compensation for the project is approximately EUR 67 million (4.7 billion Rupees). For more details, see the immediate report published on June 3 2015 (ref: 2015-01-39489), which is included in this report by reference.

Water Infrastructure – Assets

Pursuant to Article 9.27.4 of Part A of the Annual Report relating to the agreement for the sale of Tahal Group Assets BV's ("TGA")100% holding in Kardan Water International Group Ltd ("KWIG") to China Gezhouba Group Investment Holding Co. Ltd in two phases (75% and 25%). On June 30, 2015, the Company announced that the second phase (25%) of mentioned sale has been postponed by three months until September 30, 2015. For further details, see the immediate report published on June 30, 2015 (reference number: 2015-01-061296), which is included in this report by reference.

Material Financing

The following are updates to Section 13 of the annual financial statements concerning the fundamental credit agreements of the Company and its subsidiaries:

<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">See (*) below</td><td rowspan="2">The debt service coverage ratio in accordance with the 30.6.2015 financial statements is 126%.</td></tr>
<tr><td>Debentures series B section 13.1.4.1b of the annual report</td></tr>
<tr><td>Loan from a bank, taken by Kardan Land Dalian Ltd and KLC article 7.17.1.3 of the annual report</td><td>-</td><td>The ratio of total debt to total assets shall be no more than 75 %. As of 30.6.15 the ratio was 55%.

The ratio of net assets to contingent liabilities shall be no more than 30 %. As of 30.6.15 the ratio was 0%.

The current ratio shall be at least one. As of 30.6.15 the ratio was 1.7.</td></tr>
</table>

(*) Further to the annual financial statements and further to the immediate reports published on January 6, 2015 and on January 12, 2015, regarding the general meetings of the debentures holders (Series A and B) of the Company (the "Debentures" and Debentures Holders", respectively), on July 3, 2015, the Company announced that the Amended Trust Deeds had been signed as all conditions and actions required for the Amended trust Deeds to enter into force had been fulfilled. For more details, see the Immediate Reports published by the Company on June 1, 2015 (reference number: 2015-01-037587), on June 11, 2015 (reference number: 2015-01-045666), on June 16, 2015 (reference numbers: 2015-01-049005 and 2015-01-049011), on June 30, 2015 (reference number: 2015-01-059967), on July 9, 2015

(reference number: 2015-01-070917) and on July 16, 2015 (reference numbers: 2015-01 -074,106 and 2015-01-074547), included in this report by reference.
On July 9, 2015, the Company allocated to the Debenture Holders 12,341,258 ordinary shares, which constitute approximately 10% of the issued capital of the Company on the completion date and a payment of EUR 750,000 to the Debenture Holders. For further details see the shelf offering report published on May 28, 2015 (reference number: 2015-01-033243), which is included in this report as a reference and see immediate reports published on July 2, 2015 (reference number: 2015-01-063816) on July 3, 2015 (reference number: 2015-01-064248), on July 9, 2015 and on July 15, 2015 (reference numbers: 2015-01-069789 and 2015-01-073209), included in this report by reference.
The Company undertakes to maintain financial covenants as described below:
A) The Company's Coverage Ratio according to the financial statements to be published each quarter as foregoing shall be no less than 100%, with respect to 2015 to 2017 (inclusive), and no less than 130% with respect to 2018 (starting from Q1/2018 and thereafter).
B) If and insofar as the Company's Coverage Ratio according to the financial statements published in each quarter as foregoing (1) is less than 110% - with respect to 2015 to 2017 (inclusive); or – (2) is less than 120% - then the Coverage Ratio of KLC shall be no less than 180%. The "Coverage Ratio of KLC" shall mean – the total value of assets of KLC divided by the total liabilities of KLC (as the value of assets and total liabilities are presented in KLC's consolidated financial statements). For the purpose of calculating the Coverage Ratio of KLC, cash and cash equivalents and debts of controlling shareholders in KLC shall be neutralized from the assets and liabilities. In addition, subordinated liabilities shall be neutralized from the liabilities.

General

1. On July 13, 2015, the Company announced that Maalot, the Israeli subsidiary of Standard & Poor's, has reported that it has adjusted the rating of Kardan upwards to ilB with outlook Negative, and to ilB for its Debentures series A and series B. For more details, see immediate reports published on July 13, 2015 and on July 15, 2015 (reference numbers: 2015-01-072042 and 2015-01-, respectively), are included in this report by reference.

2. Further to article 19 of Part D of the annual financial statements, in relation to the Auditor of the Company;
   On May 28, 2015 the annual general meeting of shareholders of the Company approved the appointment of PricewaterhouseCoopers Accountants NV, Amsterdam and PricewaterhouseCoopers Accountants in Israel (together "PwC"), as the Auditor of the Company which is responsible for auditing of the financial statements for 2015. PwC replaced Ernst & Young. For more details, see the immediate report published on May 28, 2015 (reference number: 2015-01-032472) and Immediate Reports published by the Company on June 30, 2015 (reference numbers: 2015-01-061482 and 2015-01-061497), included in the report it is by reference.

3. Pursuant to Article 10.1.3 of Part D of the annual financial statements with respect to the Company's services agreement:
   On May 28, 2015 the general meeting of shareholders of the Company approved an amendment in the services agreement between the Company and Kardan Israel Ltd. (a related party). According to the amended agreement, effective March 1, 2015, the scope of services will be reduced and accordingly, the corresponding service fees will be reduced. It was also decided to extend the amended service agreement for another three years. For more details, see the immediate report published on May 28, 2015 (reference number: 2015-01-032472), which is included in this report by reference.

4. On August 9, 2015, the Company appointed The Nominee Company of Mizrahi bank Ltd. as the company's Nominee company. The new company replaced The Nominee Company of Leumi Bank. For more details, see immediate reports published on August 9, 2015 and on August 10, 2015 (reference numbers: 2015-01-092577 and 2015-01-093288, respectively), which are included in this report by way of reference.

5. On August 4, 2015, the Company published an immediate report regarding the resignation of the legal counsel of the Company, Ms. Jackie Breedveld. Accordingly, on September 1, 2015 Ms Breedveld no longer be with the Company. For more details, see the immediate report published

on August 4, 2015 (reference number: 2015-01-088590), which is included in this report by way of reference.

6. On August 13, 2015, the Company published an immediate report regarding the decision of the District Court in Tel Aviv, Israel, who accepted the request of the Leumi Bank and ordered the assets of Mr. Grunfeld, who is part of the controlling group of the Company, to be put in receivership by the official General Receiver and appointed Leumi Bank's Lawyer as special administrative receiver. The Court will schedule a sitting to discuss Mr. Grunfeld's bankruptcy on March 2016.
Mr. Grunfeld holds, directly and indirectly, 21,493,927 shares of the Company, representing approximately 17.47% of the Company's share capital and its voting rights. All the shares that Mr. Grunfeld holds in the Company are pledged. 11,591,189 shares are pledged to Bank Hapoalim Ltd. ("Bank Hapoalim"), 9,053,738 shares are pledged to Bank Leumi ('Leumi Bank") and the majority of the remaining shares are pledged to two other financial institutions.
In April 2006, a shareholders' agreement was signed between Talromit Financial Holdings (1998) Ltd. and Mr. Joseph Grunfeld, Reytalon Ltd. and Mr. Avi Schnur, and Shamait Ltd. and Mr. Eytan Rechter relating to their holdings in the controlling interest in the Company ("the Shareholders Agreement"), which includes, among other things, limitations on the transfer or sale of shares in the Company, provisions relating to the appointment of directors of the Company, and instructions on how to conduct their voting at the annual general meeting of the company. With respect to the limitations on the transfer or sale of shares in the Company (or shares in any corporation holding them) by any of the parties to the shareholders agreement to a third party or another party to the Shareholders Agreement, it was determined that a transfer or sale shall not constitute an "Event of Default" as defined in the Shareholder Agreement; and will be subject to a right of first offer as well as a right to participate in the sale (Tag Along) to be given to the parties to the Shareholders Agreement, as set forth in the Shareholders Agreement. In accordance with the Shareholders Agreement it is permitted to sell shares of the Company on the stock exchange up to 50,000 shares in each sale transaction and not exceeding 1% of the Company's issued capital in each calendar month. The transfer of the shares to the designated buyer, as far as the right of first offer was not exercised, is subject to the designated buyer becoming a party to the controlling Shareholders Agreement. He who offers his shares in the controlling interest shall not be permitted to transfer his shares to a third party if he received a message informing him that a member of the controlling interest opposes - on reasonable grounds - the transfer of the shares to the designated buyer. With respect to the manner of voting at the annual general meeting of the Company, it was determined in the Shareholders Agreement that before the convening of the general meeting of the Company a preliminary meeting shall be convened during which it shall be decided on how the parties shall vote according to the position of the holders of the majority of shares who are present in the preliminary meeting. Without limiting the foregoing, the Company's shares that are a part of the controlling interest, held and/or will be held by a party to the Shareholders Agreement, will be available for a pledge or a lien, as long as any pledge holder or lien holder as mentioned above, as well as any receiver and/or administrative receiver, will be subject to all the restrictions relating to the transfer of the Company's securities, as specified in the Shareholders' Agreement. In view of the aforesaid Shareholders Agreement, the shareholders who have signed this agreement are considered to hold their shares of the Company's as one.
The Company estimates, for the time being, that the receivership decision should not have a material effect on the Company or its assets. For more details, see the immediate report published on August 13, 2015 (reference number: 2015-01-095673), which is included in this report by reference.

7. On August 25, 2015 the General Meeting of the Company approved the appointment of Mr. Bouke Marsman as a non-executive director in the company, for a period of four years, commencing on the date of approval of the extraordinary general meeting and ending at the end of the annual general meeting of the Company to be held in 2019. The General Meeting also approved the remuneration of Mr. Marsman.
In addition, the General Meeting approved a change in the remuneration package granted to Mr. Shouki Oren, Chief Executive Officer. Mr. Oren will be granted options that are exercisable to shares of the Company. The amount and terms of these options, are specified in the immediate report regarding the convening of the meeting, details of which are below, as well as in the private placement report detailing the terms of the options (ref: 2015 -01-078672),which is included in this report by reference. In addition, the General meeting approved the payment of a

bonus for 2015 amount in EURO equivalent to USD 300,000 (gross) at the time of the payment, which will be conditional upon the achievement of specific objectives, as determined by the Board of Directors Company.
For more details, see the immediate reports published on July 21, 2015 and on August 25, 2015 (reference numbers: 2015-01-078207 and 2015-01-104361, respectively), are included in this report by reference.

KARDAN N.V.
AMSTERDAM, THE NETHERLANDS

Condensed Interim Consolidated Financial Statements
As of June 30, 2015

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CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

A s s e t s

	Note	**June 30, 2015**	June 30, 2014	December 31, 2014
		unaudited	unaudited	audited
			In €'000	
Non-current assets				
Tangible fixed assets		21,788	55,591	60,862
Investment property	7	263,759	142,234	181,072
Investment in associates		8,834	6,512	7,378
Investment in joint ventures	8	92,688	130,460	84,445
Other financial assets		1,067	-	521
Loans to bank customers		68,688	60,528	63,763
Long-term loans and receivables		17,626	96,052	104,521
Intangible assets and goodwill, net		5,610	22,036	17,640
Deferred income tax assets		3,233	2,774	2,898
		483,293	516,187	523,100
Current assets				
Inventories, contract work and buildings inventory in progress		124,659	115,403	112,745
Current maturities of long-term loans and receivables		16,323	27,187	18,708
Loans to bank customers		51,566	45,379	54,596
Trade receivables		82,560	63,581	62,001
Income tax receivables		1,112	1,066	1,071
Other receivables and prepayments		41,604	57,365	53,449
Short-term investments		7,557	8,108	7,250
Cash and cash equivalents		215,269	108,652	148,545
		540,650	426,741	458,365
Assets held for sale	9	29,972	5,939	32,144
Total current assets		570,622	432,680	490,509
Total assets		1,053,915	948,867	1,013,609

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

Equity and liabilities

	Note	**June 30, 2015**	June 30, 2014	December 31, 2014
		unaudited	unaudited	audited
			In €'000	
Equity attributable to equity holders of the parent				
Issued and paid-in capital	6	23,041	23,041	23,041
Share premium		208,002	208,002	208,002
Foreign currency translation reserve		32,793	(3,342)	23,943
Property revaluation reserve		37,425	36,763	21,033
Revaluation reserve, other		8,860	11,658	10,765
Non-controlling interest holders transactions reserve		15,446	15,968	15,178
Treasury shares		(2,625)	(2,625)	(2,625)
Accumulated deficit		(232,513)	(231,690)	(206,939)
		90,429	57,775	92,398
Non-controlling interests		4,359	4,063	5,362
Total equity		94,788	61,838	97,760
Non-current liabilities				
Interest-bearing loans and borrowings		72,107	91,200	84,131
Banking customers accounts		256	124	230
Other long-term liabilities		2,559	4,249	3,111
Options		471	1,362	1,442
Debentures	3	186,653	250,490	250,047
Deferred income tax liabilities		14,890	13,385	20,062
Accrued severance pay, net		1,481	1,120	1,502
		278,417	361,930	360,525
Current liabilities				
Advances from customers in respect of contracts		65,397	44,901	56,454
Banking customers accounts		212,270	128,784	189,239
Trade payables		20,093	31,037	21,666
Current maturities of debentures	3	179,850	87,062	83,802
Interest-bearing loans and borrowings		71,471	100,961	89,719
Income tax payables		10,687	1,764	8,952
Advances from apartment buyers		978	26,777	164
Derivatives		15	41	49
Advance from customers		21,328	47,054	20,305
Other payables and accrued expenses		98,621	56,718	67,035
		680,710	525,099	537,385
Liabilities associated with assets held for sale	9	-	-	17,939
Total current liabilities		680,710	525,099	555,324
Total liabilities		959,127	887,029	915,849
Total equity and liabilities		1,053,915	948,867	1,013,609

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,
		2015	2014	**2015**	2014	2014
		unaudited	unaudited	unaudited	unaudited	audited
		In €'000				
Contract revenues		87,953	70,776	50,192	35,769	142,795
Retail lending activities		17,844	18,386	9,241	9,831	33,295
Sale of apartments		522	8,739	-	3,392	46,866
Management fee and other revenues		3,736	3,126	2,120	1,468	7,425
Total revenues		110,055	101,027	61,553	50,460	230,381
Contract costs		73,871	59,495	41,538	29,998	118,426
Costs of retail lending activities		12,079	12,229	5,650	6,429	25,578
Cost of sale of apartments		491	7,234	19	2,795	44,217
Other expenses, net		2,874	2,436	1,927	1,019	6,108
Total expenses		89,315	81,394	49,134	40,241	194,329
Gross margin		20,740	19,633	12,419	10,219	36,052
Selling and marketing expenses		4,273	3,731	2,512	2,141	8,191
General and administration expenses		12,707	9,656	6,218	5,173	21,260
Profit from operations before fair value adjustments, disposal of assets and investment and other income		3,760	6,246	3,689	2,905	6,601
Adjustment to fair value of investment properties	7	21,856	3,198	21,220	2,209	8,859
Gain (loss) on disposal of assets and other income, net		(24)	563	(154)	407	17,798
Profit from fair value adjustments, disposal of assets and investments and other income		21,832	3,761	21,066	2,616	26,657
Profit (loss) from operations		25,592	10,007	24,755	5,521	33,258
Financial income		17,749	5,058	3,548	3,715	2,048
Financial expenses		(63,077)	(19,470)	(21,216)	(16,698)	(21,363)
Total financial expenses, net		(45,328)	(14,412)	(17,668)	(12,983)	(19,315)
Profit (loss) before share of profit (loss) from investments accounted for using the equity method		(19,736)	(4,405)	7,087	(7,462)	13,943
Share of profit (loss) of investments accounted for using the equity method, net		(1,431)	968	(1,867)	507	6,712
Profit (loss) before income taxes		(21,167)	(3,437)	5,220	(6,955)	20,655
Income tax expenses		6,998	2,670	5,954	1,177	13,002
Profit (loss) for the year from continuing operations		(28,165)	(6,107)	(734)	(8,132)	7,653
Net profit (loss) from discontinued operations	9	19,026	2,202	(962)	1,220	(2,591)
Net profit (loss) for the period		(9,139)	(3,905)	(1,696)	(6,912)	5,062
Attributable to:						
Equity holders		(9,182)	(3,930)	(1,532)	(6,962)	5,091
Non-controlling interest holders		43	25	(164)	50	(29)
		(9,139)	(3,905)	(1,696)	(6,912)	5,062
Earnings (loss) per share attributable to shareholders	6					
Basic from continuing operations		(0.25)	(0.06)	-	(0.07)	0.07
Basic from discontinued operations		0.17	0.02	(0.01)	0.01	(0.02)
		(0.08)	(0.04)	(0.01)	(0.06)	0.05
Diluted from continuing operations		(0.25)	(0.06)	-	(0.07)	0.07
Diluted from discontinued operations		0.17	0.02	(0.01)	0.01	(0.02)
		(0.08)	(0.04)	(0.01)	(0.06)	0.05

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,
	2015	2014	**2015**	2014	2014
	unaudited	unaudited	unaudited	unaudited	audited
	In €'000				
Net profit (loss) for the period	(9,139)	(3,905)	(1,696)	(6,912)	5,062
Foreign currency translation differences (1)	9,215	1,247	(8,540)	3,382	28,638
Change in hedge reserve, net of tax (2)	(1,959)	(698)	155	(335)	(1,676)
Other comprehensive income (expense) for the period to be reclassified to profit or loss in subsequent periods (3)	7,256	549	(8,385)	3,047	26,962
Total comprehensive expenses	(1,883)	(3,356)	(10,081)	(3,865)	32,024
Attributable to:					
Equity holders	(2,291)	(3,290)	(10,177)	(3,986)	32,038
Non controlling interests holders	408	(66)	96	121	(14)
	(1,883)	(3,356)	(10,081)	(3,865)	32,024

(1) In the six months period ended June 30, 2015 including an amount of €13,287 thousand related to reclassification of foreign currency translation differences due to the sale of KWIG (see also Note 9B).

(2) Including reclassification of unwinding of hedges reserve of €(1,959) and €155 thousand for the six months period and three months period ended June 30, 2015 respectively, €647 thousand and €334 thousand for the six months period and three months period ended June 30, 2014 respectively and €1,676 thousand for the year ended December 31, 2014.
The amounts presented are net of tax amounting to €222 thousand and €111 thousand for the six months period and three months period ended June 30, 2015 respectively, €216 thousand and €111 thousand for the six months period and three months period ended June 30, 2014 respectively and €438 thousand for the year ended December 31, 2014.

(3) Including impact resulted from associates and joint ventures of €5,815 thousand and €(9,872) thousand for the six months period and three months period ended June 30, 2015 respectively, €176 thousand and €903 thousand for the six months period and three months period ended June 30, 2014 respectively, and €(2,500) thousand for the year 2014.

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 (*)	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	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	-	-	8,850	-	(1,959)	-	-	-	6,891	365	7,256
Profit 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 (Refer to Note 9B)	-	-	-	-	-	-	-	-	-	(1,431)	(1,431)
Reclassification according to the Netherlands civil code requirements law (*)	-	-	-	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, this part of 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

	Attributable to equity holders of the parent										
	Issued and paid-in capital	Share premium	Property revaluation reserve (*)	Revaluation reserve, other (*)	Foreign currency translation reserve(*)	Non controlling interest holders transactions reserve	Treasury shares	Accumulated deficit	Total	Non-controlling Interests	Total equity
	In €'000										
Balance as of January 1, 2014	23,041	208,117	34,300	12,296	(4,680)	21,104	(2,786)	(225,297)	66,095	5,655	71,750
Other comprehensive profit (loss)	-	-	-	(698)	1,338	-	-	-	640	(91)	549
Profit (loss) for the period	-	-	-	-	-	-	-	(3,930)	(3,930)	25	(3,905)
Total comprehensive income (loss)	-	-	-	(698)	1,338	-	-	(3,930)	(3,290)	(66)	(3,356)
Share-based payment	-	-	-	106	-	-	-	-	106	133	239
Transactions with non-controlling interest holders (refer to Note 7B, 7C and 8(2))	-	-	-	-	-	(5,136)	-	-	(5,136)	(1,659)	(6,795)
Issuance of treasury shares	-	(115)	-	(46)	-	-	161	-	-	-	-
Reclassification according to the Netherlands civil code requirements law (*)	-	-	2,463	-	-	-	-	(2,463)	-	-	-
Balance as of June 30, 2014 (unaudited)	23,041	208,002	36,763	11,658	(3,342)	15,968	(2,625)	(231,690)	57,775	4,063	61,838

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

The accompanying notes are an integral part of these interim condensed 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 (*)	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	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 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 law (*)	-	-	-	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, this part of 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

	Attributable to equity holders of the parent										
	Issued and paid-in capital	Share premium	Property revaluation reserve (*)	Revaluation reserve, other (*)	Foreign currency translation reserve(*)	Non controlling interest holders transactions reserve	Treasury shares	Accumulated deficit	Total	Non-controlling Interests	Total equity
	In €'000										
Balance as of April 1, 2014	23,041	208,002	35,025	11,950	(6,653)	15,968	(2,625)	(222,990)	61,718	3,898	65,616
Other comprehensive income (loss)	-	-	-	(335)	3,311	-	-	-	2,976	71	3,047
Profit (loss) for the period	-	-	-	-	-	-	-	(6,962)	(6,962)	50	(6,912)
Total comprehensive income (loss)	-	-	-	(335)	3,311	-	-	(6,962)	(3,986)	121	(3,865)
Share-based payment	-	-	-	43	-	-	-	-	43	66	109
Transactions with non-controlling interest holders	-	-	-	-	-	-	-	-	-	(22)	(22)
Reclassification according to the Netherlands civil code requirements law (*)	-	-	1,738	-	-	-	-	(1,738)	-	-	-
Balance as of June 30, 2014 (unaudited)	23,041	208,002	36,763	11,658	(3,342)	15,968	(2,625)	(231,690)	57,775	4,063	61,838

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

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, 2014	23,041	208,117	(4,680)	34,300	12,296	21,104	(2,786)	(225,297)	66,095	5,655	71,750
Other comprehensive income (expense)	-	-	28,623	-	(1,676)	-	-	-	26,947	15	26,962
Profit (loss) for the period	-	-	-	-	-	-	-	5,091	5,091	(29)	5,062
Total comprehensive income (expense)	-	-	28,623	-	(1,676)	-	-	5,091	32,038	(14)	32,024
Share-based payment	-	-	-	-	191	-	-	-	191	593	784
Issuance of treasury shares	-	(115)	-	-	(46)	-	161	-	-	-	-
Transaction with non-controlling interest	-	-	-	-	-	(5,926)	-	-	(5,926)	(872)	(6,798)
Reclassification according to the Netherlands civil code requirements law (*)	-	-	-	(13,267)	-		-	13,267	-	-	-
Balance as of December 31, 2014 (audited)	23,041	208,002	23,943	21,033	10,765	15,178	(2,625)	(206,939)	92,398	5,362	97,760

(*) In accordance with the Netherlands civil code, this 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,
	2015	2014	**2015**	2014	2014
	unaudited	unaudited	unaudited	unaudited	audited
	In €'000				
Cash flow from operating activities					
Profit (loss) from continuing operations before taxes on income	(21,167)	(3,437)	5,220	(6,955)	20,655
Profit from discontinued operations before taxes on income	20,505	3,175	(962)	1,805	892
Adjustments to reconcile net profit (loss) to net cash (see A below)	(11,944)	27,854	10,765	34,538	7,202
Net cash provided by (used in) operating activities	(12,606)	27,592	15,023	29,388	28,749
Cash flow from investing activities					
Acquisition of tangible fixed assets and investment in investment properties	(31,648)	(22,723)	(26,472)	(15,102)	(45,257)
Investments and collection (granting) loans from (to) companies accounted for using the equity method, net	(1,244)	(881)	(1,210)	(50)	(1,958)
Proceeds from sale of assets and investments	322	644	141	62	496
Change in loans to bank customers, net	8,408	5,324	4,211	4,594	8,200
Change in long-term loans and receivables	(9,875)	(15,548)	(8,101)	(11,918)	(35,035)
Change in short-term investments	(65)	550	-	(44)	(632)
Proceeds from sale of subsidiaries (see B below and note 9B)	119,048	-	-	-	-
Proceeds from sale of a company accounted for using the equity method	331	-	-	-	74,369
Net cash provided by (used in) investing activities	85,277	(32,634)	(31,431)	(22,458)	183

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,
	2015	2014	**2015**	2014	2014
	unaudited	unaudited	unaudited	unaudited	audited
	In €'000				
Cash flows from financing activities					
Issuance of debentures	-	2,155	-	-	2,155
Repayment and repurchase of debentures	(6,725)	(68,538)	-	-	(68,538)
Change in loans from bank customers	23,056	(8,812)	(6,088)	(10,309)	51,748
Proceeds from long-term loans	2,841	83,887	406	36,950	89,152
Repayment of long-term loans	(29,889)	(8,956)	(903)	(3,439)	(48,003)
Change in short-term loans and borrowings	-	(1,344)	-	(231)	(1,415)
Release of (increase in) pledged deposit	(2,317)	8,017	(2,317)	-	8,025
Repayment of long term liability	-	(8,031)	-	-	(8,031)
Change in short term deposits	-	(350)	-	-	(351)
Costs related to issuance of loans	-	(267)	-	(17)	(267)
Change in other long term liabilities	10	-	(53)	-	75
Dividend to Non-Controlling interest holders of subsidiary	(780)	-	(780)	-	-
Transactions with non controlling interest holde	-	(3,279)	-	-	(6,791)
Net cash provided by (used in) financing activities	(13,804)	(5,518)	(9,735)	22,954	17,759
Foreign exchange differences relating to cash and cash equivalents	7,857	944	(3,794)	734	5,127
Increase (decrease) in cash and cash equivalents	66,724	(9,616)	(29,937)	30,618	51,818
Change in cash of assets held for sale	-	-	-	-	(21,541)
Cash and cash equivalents at the beginning of the period	148,545	118,268	245,206	78,034	118,268
Cash and cash equivalents at the end of the period	215,269	108,652	215,269	108,652	148,545

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,
	2015	2014	2015	2014	2014
	unaudited	unaudited	unaudited	unaudited	audited
	In €'000				
A. Adjustments to reconcile net profit (loss) to net cash					
charges / (credits) to profit (loss) not affecting operating cash flows:					
Share of profit of companies accounted for using the equity method	1,431	(968)	1,867	(507)	(6,712)
Impairment of goodwill and other intangible assets	-	233	-	-	5,429
Gain on disposal of assets and investments, net (*)	(20,615)	-	962	-	(16,739)
Share-based payment	579	354	7	167	1,302
Depreciation and amortization	2,289	2,558	1,061	1,250	5,473
Fair value adjustments of investment properties	(21,856)	(3,198)	(21,220)	(2,209)	(8,859)
Financial expense and exchange differences, net	47,257	22,991	18,524	15,557	30,268
Capital (gain)/loss from sale property plant and equipment	(180)	47	(71)	171	(19)
Increase in provision for bad debts in the financial services segment	3,733	1,006	1,730	541	7,797
Changes in operating assets and liabilities:					
Change in trade and other receivables	(49,045)	(3,169)	(27,160)	2,516	(32,298)
Change in inventories and in contract work in progress, net of advances from customers	8,471	19,116	3,565	26,843	13,683
Change in trade and other payables	24,525	(2,284)	27,184	(2,975)	1,566
Increase of concession finance receivables	-	(4,268)	-	(2,163)	(7,358)
Movement in pledged time deposit	(55)	(1,491)	21	(45)	(1,752)
Interest paid	(25,564)	(14,649)	(4,130)	(8,064)	(17,151)
Interest received	19,656	12,314	9,657	3,819	35,476
Income taxes paid	(2,570)	(738)	(1,232)	(363)	(3,124)
Other	-	-	-	-	220
	(11,944)	27,854	10,765	34,538	7,202

(*) For details see Note 9 below.

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

CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

	For Six months period ended June 30,		For three months period ended June 30,		For the year ended December 31,
	2015	2014	**2015**	2014	2014
	unaudited	unaudited	unaudited	unaudited	audited
	In €'000				
B. Proceeds from sale of subsidiaries					
Working capital (excluding cash and	13,040	-	-	-	-
Non-current assets (excluding fixed assets and concession assets)	14,006	-	-	-	-
Fixed assests	39,165	-	-	-	-
Concession assets	86,637	-	-	-	-
Non-controlling interests	(1,431)	-	-	-	-
Long-term liabilities	(14,773)	-	-	-	-
Release of currency translation reserves	(13,287)	-	-	-	-
Gain on disposal of investment, net of	19,136	-	-	-	-
Asset classified as held for sale	(23,445)	-	-	-	-
	119,048	-	-	-	-

	For six months period ended June 30,		For three months period ended June 30,		For the year ended December 31,
	2015	2014	**2015**	2014	2014
	unaudited	unaudited	unaudited	unaudited	audited
	In €'000				
C. Material non cash transaction					
Liability to repurchase shares from non controlling interest holders	4,022	6,535	4,022	6,535	3,380

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

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2015

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, (water) infrastructure assets (see Note 5) and banking and lending through its subsidiaries, joint ventures and associated companies.

The Company, its subsidiaries, joint ventures and associates are referred to as ‘the Group’.

These condensed interim consolidated financial statements were approved by the Board of Directors on August 26, 2015.

2. Financial Position

In January 2015, the Company reached an interim arrangement with its Debentures Holders with respect to payment of the Company’s debentures series A and B. In June 2015 the final settlement was approved by a special majority of the Debentures Holders, and the amended Deeds of Trust were signed in the beginning of July 2015. The principles of the Debt Settlement are outlined in Note 3 below.

As at June 30, 2015, the Company had, on a stand-alone basis and in the consolidated financial statements, a working capital deficit of €175.7 million and €110.1 million respectively, which is mainly due to the current maturities of the Company’s Debentures. In these condensed interim financial statements, maturities of the Debentures are presented according to the principles of the interim arrangement, which was applicable as at June 30, 2015, to repay €86.5 million and €93.4 million in August 2015 and February 2016, respectively. In accordance with the final Debt Settlement, as described in Note 3 below, the next payment is in February 2016 of accrued interest amounting to €23.9 million; and the next principal and interest repayment of €111.1 million is in February 2017.

The Company’s condensed interim consolidated financial statements as at June 30, 2015 have been prepared on the assumption the Company will continue as a going concern. This is based, among others, on the current cash balances and its available assets as well as considering cash from future operations and transactions.
In accordance with the provisions of the Debt Settlement, as described below, the Company already retained the funds required to repay the next interest in February 2016. The following repayments will be funded through existing cash balances, cash generated from the repayment of certain shareholder’s loans by some of the Company’s subsidiaries In addition, management is considering the possibility of selling certain assets. 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 pay interest on the debentures in February 2016 and pay interest and to repay debentures in February 2017 and all its other liabilities and to finance its operating activities. The realization of some the Company’s plans depends on factors that are not wholly within the Company’s control, however the Company believes that it will be able to generate enough funds to repay its liabilities as they mature in the foreseeable future.

As the amended Deeds of Trust with the Debenture Holders of the Company have been signed on July 3, 2015, management believes that there is no longer a 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, as was reflected in the Company's financial statements in previous periods.

3. Debt settlement between the Company and its Debenture Holders

The interim arrangement which was approved on January 6, 2015, included two phases, as follows: the first phase includes an immediate amendment to the deeds of trust and postponement of principal and interest payments from February 2015 to August 2015 with additional interest and linkage differences as described below. In the second phase a period of 90 days has been given to the Company, the trustees and the Debenture Holders in order to reach a final debt settlement which will include a comprehensive amendment to the deeds of trust according to the proposed principles that were presented to the Debenture Holders as detailed below. Subsequent to the balance sheet date on July 3, 2015 the conditions precedent of the final debt settlement were met.

Interim debt settlement - main principles

Postponement of principal and interest payments - Series A:

A. According to the interim arrangement, the principal payment which the Company originally had to pay on February 25, 2015 to the debenture holders (series A) was postponed to August 25, 2015. The deferred principal payment shall bear annual interest at the rate of 6.325% (an addition of 1.875% to the nominal interest rate of the original deed of trust) for the period from February 25, 2015 to the earlier of August 25, 2015 or the date of an early repayment, all including linkage differences.

B. According to the interim arrangement, the interest amount which the Company originally had to pay on February 25, 2015 to the debenture holders (series A) shall bear annual interest at the rate of 6.825% for the period from February 25, 2015 to the earlier of August 25, 2015 or the date of an early repayment, all including linkage differences.

Postponement of principal and interest payments - Series B:

A. According to the interim arrangement, the principal payment which the Company originally had to pay on February 1, 2015 to the debenture holders (series B) was postponed to August 1, 2015. The deferred principal payment shall bear annual interest at the rate of 6.775% (an addition of 1.875% to the nominal interest rate of the original deed of trust) for the period from February 1, 2015 to the earlier of August 1, 2015 or an early repayment date and all including linkage differences.

B. According to the interim arrangement, the interest which the Company originally had to pay on February 1, 2015 to the debenture holders (series B) shall bear annual interest at the rate of 7.275% for the period from February 1, 2015 to the earlier of August 1, 2015 or an early repayment date and all including linkage differences.

The postponed interest and the additional interest as described above was paid in full on March 31, 2015.

Establishment of pledges in favor of the debenture holders

According to the interim arrangement, the Company committed to establish and register a primary, exclusive pledge with no limitations of amounts, over GTC RE's shares and on the accompanying rights of these shares, including dividends, options, bonus shares etc. in favor of the trustees of the debenture holders. These pledges were registered on February 17, 2015.

Final debt settlement main principles

The final debt settlement ('the Final Settlement'), dated July 3, 2015 constitutes new deeds of trust to series A and B and which will replace the original deeds of trust, including all related amendments. The Final Settlement postpones the debt repayment dates that were determined in the original deeds of trust while repaying the debt in full to the Debenture Holders. Below are the main principles of the Final Settlement which will be detailed in the amended deeds of trust which was approved by the general meetings of the debenture holders of each series ('the Amended Deeds of Trust') in mid June 2015.

Principal and interest payments according to the Final Settlement

Series A:

A. The principal payments (and linkage differences in respect thereof) which the Company originally would have had to pay on February 25, 2015 and February 25, 2016 are postponed to February 25, 2017 and February 25, 2018, respectively.

B. No change will occur in the interest payment dates set in the deeds of trust, except the February 2015 interest payment, which will be paid according to the interim arrangement, as detailed above. The interest set in the deed of trust will be increased by 1.875%, so that the principal of Debentures Series A shall bear an annual interest rate of 6.325%, payable once a year, on February 25 of each year from 2016 up to and including 2018.

Series B:

A. The principal payments (and linkage differences in respect thereof) which the Company originally would have had to pay on February 1 shall be postponed by 24 months, excluding the principal payments of 2019 and 2020, which shall remain unchanged (and shall grow, due to the postponement of the principal payments of this series from 2017 and 2018 to 2019 and 2020).

B. No change will occur in the interest payment dates set in the deed of trust, except the February 2015 interest payment, which will be paid according to the interim arrangement, as detailed above. The interest set in the deed of trust will be increased by 1.875%, so that the principal of Debentures Series B shall bear an annual interest rate of 6.775%, payable once a year, on February 1 of each year from 2016 up to and including 2020.

Issuance of shares and a onetime payment to the debenture holders
The Company shall allocate to the Debenture Holders, without consideration, shares of the Company, which shall constitute approximately 10% of the Company's issued and paid in capital immediately after the issuance. In addition, the Company will make a cash payment of €750,000 to the Debenture Holders, instead of issuing additional 2% to the Debenture Holders, as was initially agreed within the framework of the Agreement in Principle. Subsequent to the balance sheet date, on July 15, 2015, the Company allocated to the Debenture Holders the shares and made the cash payment of €750 thousand. Refer also to Note 6 for further details regarding the issuance of shares.

Pledges and guarantees in favor of the Debentures holders
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. As long as the aforesaid pledges have not been exercised the Company shall be allowed to use the benefits derived from these interests and from loan repayments. Issuance or sale of shares in the Pledged Subsidiaries will be used to early repay the Debentures.

In addition, the Company will establish in favor of the trustees primary exclusive pledges with no limitations of amounts over the bank accounts of the Company ('the Pledged Accounts'). All the funds in the Company's possession, shall be deposited and kept in the Pledged Accounts, excluding the Free Amount ('Free Amount' signifies a maximum of €3 million, which will serve for the payment of the Company's general and administrative expenses), which will not be pledged in favor of the trustees and which can be deposited in a bank account which is not pledged in favor of the trustees. Insofar the said pledge has not been exercised, the Company may use the funds freely.

In addition, to secure the Company's commitments, KLC provided a guarantee in favor of the trustees limited to an amount of €100 million which will expire upon meeting the Relief Conditions as detailed below. The trustees will not be able to use the guarantee or to take any action against KLC as long as the construction loan from Chinese Banks to the Dalian project has not been fully repaid, as well as loans that will be obtained, if obtained, in relation to the Dalian project.

Financial Covenants
The Company's debt coverage ratio shall not be below 100% during the years 2015 till 2017 (including), and shall not be below 120% from 2018 onwards. The coverage ratio is the total value of the assets according to the Company's stand-alone financial statements divided by the total stand-alone liabilities of the Company, net of certain amounts as detailed in the Debt Settlement. If the Company's coverage ratio in the years 2015-2017 shall be lower than 110%, and as of 2018 – lower than 130%, KLC's coverage ratio shall not be lower than 180%.

Additional provisions
Some additional provisions have been established to guarantee the rights of the Debenture Holders including: provisions which regulate the early repayment of debt to the Debenture Holders from sources which will become available to the Company, restrictions on dividend distribution, limitations on general and administrative expenses of the Company and payments to controlling shareholders, restrictions on specific new investments, various restrictions on raising credit and the right to appoint a director on behalf of the debenture holders to the Company's board of the directors and KLC's board. In addition the approval by both general meetings of the Debenture Holders (by a regular majority or a special one as the case may be) will be required

before certain actions, including transferring of the control in the Company and transactions with controlling shareholders.
It was also agreed that the Company may retain certain amounts, prior to an early repayment, for general and administrative expenses, interest payment to the debenture holders, the Company's obligations in respect of the GTC SA transaction (see Note 5C to the 2014 annual financial statements) as well as for supporting its subsidiaries.

Purchase of Debentures
According to the Amended Deeds of Trust, the Company or any entity under its control shall be permitted to purchase the Company's Debentures (series A and B) at any price only through the Tel Aviv Stock Exchange subject to some preconditions detailed in the Amended Deeds of Trust.

Debentures purchased by the Company will expire and deleted from trade on the stock exchange. A corporation controlled by the Company that will purchase Debentures of the Company, will have to choose, in its discretion whether to transfer the Debentures to the Company for expiry or to pledge the Debentures in favor of the trustee of that series.

Restrictions on business activities
It was agreed that the Company and GTC RE shall not initiate any new business activity, shall not make any new investments and shall not be allowed to raise any new credit (unless it is subordinated to the Debentures).

KFS and any company under its control shall not be allowed to enter into new business activities except for the ones detailed in the Amended Deeds of Trust. KFS and TBIF shall not be allowed to make any new investments, however any corporation under their control shall be allowed to invest in existing and new projects in its area of operations, provided that the source of the funds is the ongoing operations of such corporation. KFS and TBIF themselves shall not be allowed to raise any credit, except for credit taken by KFS from TBIF, or short term credit that will be taken by any of them from a corporation under their control in an aggregate amount not exceeding €5 million. Any corporation under their control shall be allowed to obtain unlimited credit, for the purpose of its business activity subject to the conditions detailed in the Amended Deeds of Trust.

KLC and any corporation under its control shall not be allowed to enter into new business activities or to invest in new projects or activities even if they are within the current area of operations. In addition, KLC shall not expand the Dalian Project, and the Lucky Hope joint venture companies shall not initiate or develop any new projects beyond the existing projects which will be developed on the land plots they currently own. Proceeds from the sale of assets owned by KLC or companies under its control shall serve only for that project. Unless approved by a 66% majority by each of the meetings of the debenture holders of the two series, KLC or any entity under its control shall not be allowed to raise credit except under the certain limitations which are detailed in the Amended Deeds of Trust.

TGI and TGA or any entity under their control (except TG and entities under its control) shall not be allowed to enter into new business activities except for those detailed in the Amended Deeds of Trust. They can make investments and obtain credit insofar the source of the investments is from the operating activities of any of the entities controlled by TGI; and the securities for such credit will be provided by TGI and entities under its control and not by other Group companies.

Relief Conditions

Upon meeting both of the following conditions: (1) Repayment (taking into account repurchase of Debentures which would be done after the date of completion of the Final Settlement) of 55% of the par value of the Debentures (which are not owned by the Company or its subsidiaries) as of December 31, 2014; and (2) the coverage ratio of the Company calculated according to the Company's most recent stand-alone financial statements (quarterly or annual, according to the date), will stand at more than 180% ('Relief Conditions'), all the restrictions on purchase of Debentures by the Company or any corporation under its control will be removed, the Free Amount will increase to €6 million, pledges over TGI or KFS and TBIF (or both) will be revoked, provided that the coverage ratio calculated using the remaining pledged assets after the revocation of said pledges and the Company's debt shall be at least 180%, restrictions on the business activities of subsidiaries as described above will be revoked, restriction on dividend distribution will be revoked (distribution will be allowed after the Company will repay 75% of the par value of the Debentures) and the right to appoint a board member on behalf of the debenture holders will be cancelled. In addition, after the Relief Conditions have been met the Company shall be obligated to repay only 35% of the funds received from disposal of certain assets (as detailed in the Amended Deeds of Trust).

Accounting

The Company examined the changes in the terms of Debentures series A and B in accordance with IAS 39 provisions for substantial modification of the terms of an existing financial liability. The Company concluded, based on its examination, that the modified terms are not substantially different than the terms of the existing debentures, and therefore it is not regarded an extinguishment. Accordingly, the debt settlement would be accounted for as of July 3, 2015 by an adjustment of the effective interest rate resulted from the modification of the interest rate and the future issuance of shares. Such adjustment shall not result in recognition of profit or loss from the modification of the terms. The effective interest of the series A debentures and the series B debentures post settlement amounts to 7.05% and 7.64% respectively.

4. Basis of presentation and preparation

A. Basis of preparation

The condensed interim consolidated financial statements for the six and three months ended June 30, 2015 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, 2014.

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, 2014.

In preparing these condensed interim consolidated financial statements, the significant judgments made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended December 31, 2014, with the exception of changes in estimates that are required in determining the provision for income taxes and investment property.

In interim periods, income tax expense is recognized based on management's estimate of the weighted average annual income tax rate expected for the full financial year.

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, 2015	0.89	0.24	0.15	132.1
June 30, 2014	0.73	0.21	0.12	132.6
December 31, 2014	0.82	0.21	0.13	132.8
		%		
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 2014 (6 months)	0.9	1.9	0.3	(0.3)
Change in 2014 (3 months)	1.1	2.5	0.8	0.2
Change in 2014 (12 months)	13.4	1.2	12.7	(0.15)

5. Segment information

Due to the sale of KWIG on January 15, 2015 (for additional information see Note 9 below), the Company’s Chief Operating Decision Maker (‘CODM’) re examined the Company’s operating segments. In the past, the results of KWIG represented the main activities of the ‘Infrastructure – Assets’ segment. Following the sale, the Company is substantially no longer active in the ‘Infrastructure – Assets’ segment and the results of KWIG have been presented as discontinued operations and thus no longer form a reportable operating segment. Due to the said sale, the CODM now examines both the other activities that were in the past part of ‘infrastructure-assets’ segment and the activities that were in the past part of the ‘infrastructure-projects’ segment - together as one segment – ‘water infrastructure’. The corresponding segment figures were adjusted to conform with the current operating segments.

A. Segments results:

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

	Real Estate Asia	Banking and Retail lending	Water Infrastructure	Other	Total
	In €'000				
Revenue	2,540	19,562	87,953	-	110,055
Other income (expense) (*)	20,999	818	(1,340)	(76)	20,401
Total Income	23,539	20,380	86,613	(76)	130,456
Segment result	16,283	6,529	3,958	(76)	26,694
Unallocated expenses					(2,533)
Gain from operations and share in profit of investment accounted using the equity method before finance expenses, net					24,161
Finance expenses, net					(45,328)
Loss before income tax					(21,167)
Income tax expenses					(6,998)
Loss from continuing operations					(28,165)
Profit from discontinued operations					19,026
Loss for the period					(9,139)

(2) For the six months ended June 30, 2014:

	Real Estate Asia	Banking and Retail lending	Water Infrastructure	Other	Total
	In €'000				
Revenue	10,910	19,341	70,776	-	101,027
Other income (expense) (*)	4,616	410	(212)	(85)	4,729
Total Income	15,526	19,751	70,564	(85)	105,756
Segment result	3,374	6,151	4,196	(85)	13,636
Unallocated expenses					(2,661)
Gain from operations and share in profit of investment accounted using the equity method before finance expenses, net					10,975
Finance expenses, net					(14,412)
Loss before income tax					(3,437)
Income tax expenses					2,670
Loss from continuing operations					(6,107)
Profit from discontinued operations					2,202
Loss for the period					(3,905)

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

	Real Estate Asia	Banking and Retail lending	Water Infrastructure	Other	Total
	In €'000				
Revenue	1,210	10,151	50,192	-	61,553
Other income (expense) (*)	19,689	559	(1,067)	18	19,199
Total Income	20,899	10,710	49,125	18	80,752
Segment result	16,950	4,074	3,036	18	24,078
Unallocated expenses					(1,190)
Gain from operations and share in profit of investment accounted using the equity method before finance expenses, net					22,888
Finance expenses, net					(17,668)
Gain before income tax					5,220
Income tax expenses					(5,954)
Loss from continuing operations					(734)
Loss from discontinued operations					(962)
Loss for the period					(1,696)

(4) For the three months ended June 30, 2014:

	Real Estate Asia	Banking and Retail lending	Water Infrastructure	Other	Total
	In €'000				
Revenue	4,421	10,270	35,769	-	50,460
Other income (expense) (*)	2,810	612	(268)	(31)	3,123
Total Income	7,231	10,882	35,501	(31)	53,583
Segment result	1,745	3,631	2,135	(31)	7,480
Unallocated expenses					(1,452)
Gain from operations and share in profit of investment accounted using the equity method before finance expenses, net					6,028
Finance expenses, net					(12,983)
Loss before income tax					(6,955)
Income tax expenses					1,177
Loss from continuing operations					(8,132)
Profit from discontinued operations					1,220
Loss for the period					(6,912)

(5) For the year ended December 31, 2014:

	Real Estate Asia	Banking and Retail lending	Water Infrastructure	Other	Total
		In €'000			
Revenue	51,957	35,630	142,794	-	230,381
Other income (expense) (*)	32,861	1,280	(690)	(82)	33,369
Total Income	84,818	36,910	142,104	(82)	263,750
Segment result	28,390	8,749	8,986	(82)	46,043
Unallocated expenses					(6,073)
Gain from operations and share in profit of investment accounted using the equity method before finance expenses, net					39,970
Finance expenses, net					(19,315)
Profit before income tax					20,655
Income tax expenses					(13,002)
Profit from continuing operations					7,653
Loss from discontinued operations					(2,591)
Profit for the year					5,062

(*) 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,
	2015	2014	2014
		In €'000	
Real estate - Asia	524,563	418,555	420,392
Banking and Retail lending	309,956	247,418	304,437
Water Infrastructure (*)	192,069	133,289	121,877
	1,026,588	799,262	846,706
Unallocated assets	27,327	4,246	2,650
Discontinued operation (KWIG) (*)	-	145,359	164,253
	1,053,915	948,867	1,013,609

(*) For details see Note 9B below.

6. Share capital

Composition

	June 30, 2015		December 31, 2014	
	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	111,848,583	225,000,000	111,848,583

Subsequent to the balance sheet date, in July 2015, as part of the Final Settlement, as described in Note 3 above, the Company allocated to the Debenture Holders, without consideration, 12,341,258 shares of the Company (out of which 1,167,585 shares were treasury shares held by the Group), which constitute approximately 10% of the Company's issued and paid in capital immediately after the allocation.

7. Financial Instruments and Risk Management

The condensed interim consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the group's annual financial statements as at 31 December 2014.
There have been no changes in the risk management department or in any risk management policies since the year end.

Further to Note 38 to the 2014 annual consolidated 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

		June 30, 2015		June 30, 2014		December 31, 2014	
	Level	€ 000'					
		Carrying amount (*)	Fair value (**)	Carrying amount (*)	Fair value (**)	Carrying amount (*)	Fair value (**)
Liabilities							
Debentures issued by the Company series A	1	89,824	67,147	84,170	60,400	85,600	59,012
Debentures issued by the Company series B	1	284,231	193,549	259,109	160,379	264,236	161,240
Total		374,055	260,696	343,279	220,779	349,836	220,252

(*) 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:

	Fair value as of January 1, 2015	Fair Value gain (loss) recorded in P&L	Fair value gain in OCI	Settlements	Fair value as of June 30, 2015
	In €'000				
Warrants and call options	(428)	(43)	-	-	(471)
Put option	(1,014)	(133)	-	1,147	-
Other liabilities	(3,150)	(1,260)	-	-	(4,410)
Total liabilities	(4,592)	(1,436)	-	1,147	(4,881)

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 2014 annual financial statements.

C. Further to Note 7 to the annual financial statements, below are the significant assumptions used in the valuations of the investment property under construction:

The movements in investment properties for the years ended June 30, 2015 and December 31, 2014 are as follows:

	June 30, 2015	December 31, 2014
	€ in thousands	
Opening balance	181,072	118,068
Additions capitalized subsequent expenditure	46,314	34,954
Fair value adjustment	21,856	8,859
Foreign currency translation differences	14,517	19,191
Closing balance	263,759	181,072

	June 30, 2015
Dalian Shopping Mall (level 3 category)	
DCF method	
Adopted Average Unit Rent (AAUR) per sqm per month (in €)	25
Discount rate	10.5%
Rental growth	5%-15%
Exit rate	5.5%

The table above includes the following descriptions and definitions relating to valuations techniques and key unobservable inputs made in determining the fain value:

Discounted Cash Flow (‘DCF’) method

Under the DCF method, a property fair value is estimated using explicit assumptions about the benefits and liabilities of ownership over the asset’s life including an exit or terminal value. This involves the projection of series of cash flows and to this, an appropriate, market-derived discount rate is applied to establish the present value of the income stream.

Direct Comparison approach

The Direct Comparison approach involves the analysis of recent market sales evidence of similar properties to compare with the premises under valuation. Each comparable is analysed on the basis of its unit rate (or accommodation value for land comparables); each attribute of the comparable is then compare with the subject and where there is a difference, the unit rate is adjusted in order to arrive at the appropriate unit rate for the subject. This is done by making percentage adjustments to the unit rate for various factors, such as location size, layout and so on.

D. Foreign currency impact

During the six months period ended June 30, 2015, an appreciation (circa 12%) has occurred in the NIS/EUR exchange rate. Since the Company’s debentures, whose carrying value including accrued interest amounted to €374 million as at June 30, 2015, are denominated in NIS, the Company recognized a financial expenses during H1-2015. Also, during the same period an appreciation (circa 8%) has occurred in the RMB/EUR exchange rate. Since a large part of Company’s assets are denominated in RMB, the Company has recorded positive other comprehensive income during the six months period ended June 30, 2015. In H1-2015, KLC recorded a financial income in the amount of €7 million and a positive movement in the foreign currency translation reserve amounting to €17.5 million resulting from the appreciation of RMB versus the EURO.

E. Contingent liability

From time to time, Kardan Land China is involved in discussions with customers relating to the fulfillment of certain contractual obligations. To the extent there are gaps between the current performance of KLC and the relevant terms in the underlying agreements, these gaps may expose KLC to risks which may result in future cash out flows. As of the date of issuance of these financial statements, none such discussions resulted in legal claims being lodged or asserted and management of KLC concluded that the exposure to such risks is, in most cases, remote, and when the exposure is assessed to be between remote and probable, it is not practicable to estimate the related amount. Consequently, no provision is included in the accounts in respect of any such risks.

8. Joint Ventures

The requirements of the Israeli Securities regulation stipulate that if the net results of a joint venture or an associated are material to the net results of the Company for the period, a summary of financial information will be disclosed in the interim financial statements. The above criterion was met by the joint venture company, Shanxi GTC Lucky Hope Real Estate Development Ltd. and Green Power Development Ltd., whose summary of financial information is presented below:

Shanxi GTC Lucky Hope Real Estate Development Ltd.

Summary of financial data from the statement of financial position:

	June 30, 2015	June 30, 2014	December 31, 2014
	In €'000		
Current assets (not including cash and cash equivalent)	153,390	125,512	155,182
Cash and cash equivalent	12,930	14,584	11,640
Non-current assets	15,792	13,384	15,154
Current liabilities	134,390	120,373	140,044
Current financial liabilities	5,968	9,792	9,470
Non-current liabilities	244	368	414
Total equity attributed to the owners	41,510	22,947	32,048
% held in the joint venture	50	50	50
	20,755	11,473	16,024
Deemed cost on projects	-	121	121
Total investment in joint ventures	20,755	11,594	16,145

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,
	2015	2014	2015	2014	2014
Revenues from operations	38,270	10,124	3,818	3,804	28,488
Cost of operations	25,826	6,840	2,658	2,504	15,316
Selling and marketing, other income (expenses), and administrative expenses	3,438	2,452	1,240	1,148	4,802
Interest Income	18	26	10	16	82
Profit before tax	9,024	858	(70)	168	8,452
Income tax expenses (income)	2,278	243	(6)	52	2,114
Profit for the year attributed to equity holders	6,746	615	(64)	116	6,338
% held of the joint venture	50	50	50	50	50

Group's share of profit for the year	3,373	307	(32)	58	3,169
Realizing of deemed cost on projects	121	-	-	-	(195)
Group's share of profit for the year	3,252	307	(32)	58	2,974
Total other comprehensive income (expenses) attributed to equity holders	2,716	68	(1,280)	196	3,446
% held of the joint venture	50	50	50	50	50
Group share of the total other comprehensive income (expenses)	1,358	34	(640)	98	1,723

Green Power Development Ltd.

Summary of financial data from the statement of financial position:

	June 30, 2015	June 30, 2014	December 31, 2014
	In €'000		
Current assets (not including cash and cash equivalent)	177,222	144,240	155,926
Cash and cash equivalent	4,292	1,634	2,328
Non-current assets	10,607	8,571	7,460
Current liabilities	180,444	140,922	149,728
Non controlling interest holders	3,141	2,679	3,274
Total equity attributed to the owners	8,536	10,844	12,712
% held in the joint venture	50	50	50
	4,268	5,422	6,356
Deemed cost on projects	782	932	790
Total investment in joint ventures	5,050	6,354	7,146

	For the six months period ended June 30,		For the three months period ended June 30,		For the year ended December 31,
	2015	2014	2015	2014	2014
Revenues from operations	4,543	11,429	1,952	10,470	41,449
Cost of operations	2,952	9,001	1,316	8,223	32,636
Selling and marketing, other income (expenses), and administrative expenses	8,499	1,766	7,608	976	6,299
Interest Income	12	16	2	11	31
Other financial income (expenses), net	(2,499)	(252)	1,274	(246)	(3,514)
Profit before tax	(9,395)	426	(5,696)	1,036	(969)
Income tax expenses (income)	(1,170)	409	(1,698)	530	1,593
Profit for the year attributed to equity holders	(8,225)	17	(3,998)	506	(2,562)
Profit (loss) for the year attributed to non controlling interest	436	131	404	(60)	(74)
	(7,789)	148	(3,594)	446	(2,636)

% held of the joint venture	50	50	50	50	50
Group's share of profit for the year	(3,895)	74	(1,797)	223	(1,318)
Realizing of deemed cost on projects	(8)	(7)	(4)	-	(148)
Group's share of profit for the year	(3,903)	67	(1,801)	223	(1,466)
Total other comprehensive income (expenses) attributed to equity holders	3,921	116	(1,457)	291	4,758
Total other comprehensive income (expenses) attributed to the non controlling interest	303	(10)	112	23	(368)
	4,224	106	(1,345)	314	4,390
% held of the joint venture	50	50	50	50	50
Group share of the total other comprehensive income (expenses)	2,112	53	(673)	157	2,195

9. Significant transactions

A. Kardan NV

(1) Early repayment of debentures

On March 31, 2015 the Company paid the interest deferred to August 2015 (see Note 3 above) in the amount of approximately €4.4 million to Debenture Holders series A and approximately €14.3 million to Debenture Holders series B. Additionally, the Company early repaid principal amounting to approximately €3.3 million to Debenture Holders series A (3.83% of the outstanding series A principal) and approximately €3.4 million of principal to Debenture Holders series B (1.24% of the outstanding series B principal). The total repayment amounted to approximately €25.4 million.

(2) Amendment to the service agreement with Kardan Israel

In May 2015 the services agreement between the Company and Kardan Israel Ltd. (a related party) has been amended. According to the amended agreement, effective March 1, 2015, the scope of services will be reduced and accordingly, the corresponding service fees would be reduced to a total of approximately €212 thousands per year (compared to €474 under the original terms of the agreement), linked to Israeli CPI. This agreement is effective for three years.

B. TGI

(1) Sale of KWIG

On January 15, 2015, TGA, an indirectly held subsidiary (98.43%) of the Company signed a share purchase agreement ('the Agreement') with China Gezhouba Group Investments Holding Co Ltd. ('the Purchaser'), to sell all of its holdings (100%) in KWIG. KWIG operates 11 wastewater treatment facilities and water supply projects in China.

The total consideration for the shares amounts to RMB 630 million (paid in USD at a predetermined exchange rate of 6.24 RMB/USD; approximately €90.3 million as at March 4, 2015) (the 'Consideration'). Additionally, as part of the transaction, all outstanding loans provided to KWIG by Group companies, totaling approximately to €44 million, has been repaid.

The sale of KWIG would take 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. The second phase of the transaction was expected to take place before June 30, 2015 however it was agreed between the parties to that the completion of the second phase would be postponed up to September 30, 2015. The remaining consideration bears an interest of Libor + 5% p.a.

As a result of the transaction, the Group recorded a gain of approximately €19 million mainly due to the release of equity reserves transferred to the statement of income following the sale.

Following the first phase of the transaction, the remaining 25% of KWIG are classified in the consolidated statements of financial position as of June 30, 2015 as 'Asset held for sale'. Also, since KWIG was considered by management as major 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.

<u>Discontinued operations related to loss of control and sale of KWIG:</u>

	For the six months ended June 30,		For the three months ended June 30,		For the year ended December 31,
	2015	2014	2015	2014	2014
	€ '000				
Income	-	13,045	-	7,267	27,463
Expenses	-	(9,870)	-	(5,462)	(19,597)
operating before tax and revaluation of investment	-	3,175	-	1,805	7,866
Loss from revaluation of investment	-	-	-	-	(6,974)
Profit before tax	-	3,175	-	1,805	892
Income tax expenses, net	-	(973)	-	(585)	(3,483)
Profit (loss) from discontinued operations before revaluation and release of capital reserves	-	2,202	-	1,220	(2,591)
Discontinued operation items related to the sale of KWIG:					
Capital gain	5,739	-	(962)	-	-
Release of capital reserves due to sale, net of tax *)	13,287	-	-	-	-
Net profit (loss) from discontinued operations	19,026	2,202	(962)	1,220	(2,591)

*) Net of tax expenses amounting to € 1,479 thousand.

Composition of the cash flow statements related to discontinued operations:

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2015	2014	2015	2014	2014
Net cash provided by (used in) operating activities	-	332	-	1,977	3,594
Net cash provided by (used in) investing activities	110,148	(258)	-	(121)	(493)
Net cash used in financing activities	-	(1,722)	-	(864)	(6,839)

(2) FIMI loan repayment

In March 2015 TGI fully repaid the outstanding balance of a loan amounting to USD 25 million (approximately €22.6 million) and the accrued interest as of that date to FIMI. The carrying value of the loan upon early repayment was lower than the repayment amount. As a result, in the first quarter of 2015, following the repayment of the loan, TGI recognized a financial expense of approximately €3 million.

(3) Grant of options to executive employees in TGI

In March 2015, the supervisory board of TGI decided to grant options to purchase 2.0% of TGI's share capital (fully diluted) to a management member of TGI. The option have a 4 years graded vesting period. The total benefit of the grant is valued at approximately USD 1 million (approximately €0.9 million) and was calculated using the Black & Scholes model, based on the following assumptions:

Expected volatility (%)	36%
Risk-free interest rate (%)	0%
Expected term of options (years)	4
Weighted average share exercise price ($)	5,978
Weighted average share value ($)	6,131

C. GTC RE

(1) Claw back liability

On November 22, 2013, GTC RE completed the sale of its investment in GTC SA for a total consideration of €160 million.

The share purchase agreement contained a 'claw-back' clause which is conditional upon GTC SA achieving two specific business targets, one by March 31, 2015 and one by December 31, 2015. If a target is not met in time, the buyer has the right to receive an amount of €3.15 million per target. In April 2015, GTC RE and the Company received a demand from the buyer to pay an amount of € 3.15 million, as it claims that GTC SA did not meet one of the said targets. The Company is in discussions with the buyer regarding the said demand (see also Note 7 and Note 5C to the 2014 consolidated annual financial statements).

(2) Senior Executive plan – Kardan Land China

Further to Note 19B(2)A to the annual financial statements, subsequent to the balance sheet date, in August 2015, KLC and the senior executive agreed on the consideration to repurchase the last tranche of the options to be approximately €6,877 thousand and the exercise price of the last tranche of options reflecting the pro-rata cost of GTC RE's investment in Kardan Land China (approximately €2,855 thousand).

D. KFS

Sale of TBI Credit EAD

In October 2014, TBIF signed an agreement to sell its investment in TBI Credit EAD for a total consideration of approximately €8.9 million, subject to adjustments. In accordance with the requirements of IFRS 5, as of December 31, 2014, the Company presented the assets of TBI Credit as 'Assets held for sale' and the liabilities as 'Liabilities associated with assets held for sale'.

On February 11, 2015 TBIF finalized the sale of TBI Credit EAD, a fully-owned Bulgarian subsidiary. The final consideration amounted to €9.9 million was received by TBIF which recognized a small gain upon the completion of the sale.

10. Financial Commitments and Covenants

During the six month period ended June 30, 2015 all Group companies met their financial covenants.

11. Subsequent Events

A. Final Debt Settlement

Subsequent to the balance sheet date, following the fulfillment of all conditions precedent, the amended deeds of trust, as described in Note 3 above, was signed and on July 3, 2015 the final debt settlement entered into force.

B. CEO stock options modification

Subsequent to the balance sheet date, in August 2015, the General Meeting of Shareholders of the Company approved a modification to the option plan of the Company's CEO, which would replace the current option plan (for additional information see annual financial statements Note 19B(1)A).

According to the new plan, the CEO would be entitled to 2,282,624 options exercisable to 2,282,624 shares of the Company, approximately 2% of the outstanding share capital of the Company (prior to the shares issued to the debenture holders as part of the Final Settlement agreement (see also Note 3 above). According to the modified plan, the exercise price would be €0.2807 or NIS 1.191. The options will vest in two equal tranches, 50% of the options would be exercisable from December 31, 2016 and 50% of the options will be exercisable from June 30, 2018. The modification would be accounted for under the requirements of IFRS 2.

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 2015, 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 consolidated interim financial information as at 30 June 2015 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' to 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, 26 August 2015
PricewaterhouseCoopers Accountants N.V.

Original has been signed by 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, 2015

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

June 30, 2015

	June 30,		December
	2015	2014	31, 2014
	€ in thousand		
A s s e t s			
Non-current assets			
Property and equipment	114	134	127
Financial fixed assets			
Investments in consolidated subsidiaries	453,317	414,658	456,880
Loans to consolidated subsidiaries	22	20	20
	453,339	414,678	456,900
Current assets			
Cash and cash equivalents	26,374	173	605
Short-term investments	298	303	796
Other receivables and derivatives	796	529	536
	27,468	1,005	1,937
Total assets	480,091	415,817	458,964
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	23,041	23,041	23,041
Share premium	208,002	208,002	208,002
Foreign currency translation reserve	32,793	(3,342)	23,943
Property revaluation reserve	37,425	36,763	21,033
Other reserves	8,860	11,658	10,765
Non-controlling interest holders transactions reserve	15,446	15,968	15,178
Treasury shares	(2,625)	(2,625)	(2,625)
Accumulated deficit	(232,513)	(231,690)	(206,939)
	90,429	57,775	92,398
Long-term liabilities			
Debentures	187,347	259,365	258,226
Current liabilities			
Current maturities of long term loans and debentures	201,589	91,134	90,630
Other payables	1,556	7,543	17,710
	203,145	98,677	108,340
Total equity and liabilities	480,921	415,817	458,964

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,
	2015	2014	**2015**	2014	2014
	€ in thousand				
Net result from investments for the period	43,493	12,890	13,227	8,825	31,079
General and administrative expenses, net	2,350	2,353	1,113	1,289	5,508
Income (loss) from operations before financing expenses	41,143	10,537	12,114	7,536	25,571
Financing expenses, net	(50,102)	(14,241)	(13,534)	(14,387)	(20,146)
Income (loss) before tax expenses (benefit)	(8,959)	(3,704)	(1,420)	(6,851)	5,425
Income tax expense (benefit)	223	226	112	111	(334)
Net Income (loss) for the period	(9,182)	(3,930)	(1,532)	(6,962)	5,091

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,
	2015	2014	**2015**	2014	2014
	€ in thousand				
Net result for the period	(9,182)	(3,930)	(1,532)	(6,962)	5,091
Foreign currency translation differences*	8,850	1,338	(8,800)	3,311	30,701
Change in hedge reserve, net	(1,959)	(698)	155	(335)	(3,754)
Other comprehensive income (loss) for the period	6,891	640	(8,645)	2,976	26,947
Total comprehensive loss	(2,291)	(3,290)	(10,177)	(3,986)	32,038

***** In H1 2015 including 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,
	2015	2014	2015	2014	2014
	€ in thousand				
Cash flow from operating activities of the Company					
Profit (loss) for the period	(9,182)	(3,930)	(1,532)	(6,962)	5,091
Adjustments to reconcile net profit to net cash of the Company					
Charges to net loss not affecting operating cash flows:					
Financial expenses	50,903	17,436	13,935	14,382	23,561
Share-based payment	54	106	29	43	191
Equity earnings	(43,493)	(12,890)	(13,227)	(8,825)	(31,079)
Dividend received from consolidated companies	53,742	74,572	3,650	300	78,557
Changes in working capital of the Company					
Change in receivables	(252)	199	(134)	18	(730)
Change in payables	(982)	(259)	(965)	(109)	1,474
Cash amounts paid and received during the period					
Interest received	13	10	3	1	10
Interest paid	(18,676)	(2,997)	-	-	(2,997)
Net cash provided by (used in) operating activities of the Company	**32,127**	**72,247**	**1,759**	**(1,152)**	**74,078**
Cash flow from investing activities of the Company					
Short term investments, net	498	550	(8)	(44)	57
Investments in subsidiaries	(131)	(21,059)	-	-	(21,966)
Net cash provided by (used in) investing activities of the Company	**367**	**(20,509)**	**(8)**	**(44)**	**(21,909)**
Cash flow from financing activities					
Repayment of long-term debt	(6,725)	(67,789)	-	-	(67,788)
Net cash used in financing activities of the Company	**(6,725)**	**(67,789)**	**-**	**-**	**(67,788)**
Increase (decrease) in cash and cash equivalents of the Company	25,769	(16,051)	1,751	(1,196)	(15,619)
Cash and cash equivalents at beginning of the period of the Company	605	16,224	24,623	1,369	16,224
Cash and cash equivalents at end of the period of the Company	**26,374**	**173**	**26,374**	**173**	**605**

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, 2014 and the accompanying notes, and in conjunction to the condensed interim consolidated financial statements for the six months ended June 30, 2015.

2. Going concern

In January 2015, the Company reached an interim arrangement with its Debentures Holders with respect to payment of the Company's debentures series A and B. In June 2015 the final settlement was approved by a special majority of the Debentures Holders, and the amended Deeds of Trust were signed in the beginning of July 2015. The principles of the Debt Settlement are outlined in Note 3 below.

As at June 30, 2015, the Company had, on a stand-alone basis and in the consolidated financial statements, a working capital deficit of €175.7 million and €110.1 million respectively, which is mainly due to the current maturities of the Company's Debentures. In these condensed interim financial statements, maturities of the Debentures are presented according to the principles of the interim arrangement, which was applicable as at June 30, 2015, to repay €86.5 million and €93.4 million in August 2015 and February 2016, respectively. In accordance with the final Debt Settlement, as described in Note 3 below, the next payment is in February 2016 of accrued interest amounting to €23.9 million; and the next principal and interest repayment of €111.1 million is in February 2017.

The Company's condensed interim consolidated financial statements as at June 30, 2015 have been prepared on the assumption the Company will continue as a going concern. This is based, among others, on the current cash balances and its available assets as well as considering cash from future operations and transactions.
In accordance with the provisions of the Debt Settlement, as described below, the Company already retained the funds required to repay the next interest in February 2016. The following repayments will be funded through existing cash balances, cash generated from the repayment of certain shareholder's loans by some of the Company's subsidiaries In addition, management is considering the possibility of selling certain assets. 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 pay interest on the debentures in February 2016 and pay interest and to repay debentures in February 2017 and all its other liabilities and to finance its operating activities. The realization of some the Company's plans depends on factors that are not wholly within the Company's control, however the Company believes that it will be able to generate enough funds to repay its liabilities as they mature in the foreseeable future.

As the amended Deeds of Trust with the Debenture Holders of the Company have been signed on July 3, 2015, management believes that there is no longer a 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, as was reflected in the Company's financial statements in previous periods.

3. Debt settlement between the Company and its Debenture Holders

The interim arrangement which was approved on January 6, 2015, included two phases, as follows: the first phase includes an immediate amendment to the deeds of trust and postponement of principal and interest payments from February 2015 to August 2015 with additional interest and linkage differences as described below. In the second phase a period of 90 days has been given to the Company, the trustees and the Debenture Holders in order to reach a final debt settlement which will include a comprehensive amendment to the deeds of trust according to the proposed principles that were presented to the Debenture Holders as detailed below. Subsequent to the balance sheet date on July 3, 2015 the conditions precedent of the final debt settlement were met.

Interim debt settlement - main principles

Postponement of principal and interest payments - Series A:

A. According to the interim arrangement, the principal payment which the Company originally had to pay on February 25, 2015 to the debenture holders (series A) was postponed to August 25, 2015. The deferred principal payment shall bear annual interest at the rate of 6.325% (an addition of 1.875% to the nominal interest rate of the original deed of trust) for the period from February 25, 2015 to the earlier of August 25, 2015 or the date of an early repayment, all including linkage differences.

B. According to the interim arrangement, the interest amount which the Company originally had to pay on February 25, 2015 to the debenture holders (series A) shall bear annual interest at the rate of 6.825% for the period from February 25, 2015 to the earlier of August 25, 2015 or the date of an early repayment, all including linkage differences.

Postponement of principal and interest payments - Series B:

A. According to the interim arrangement, the principal payment which the Company originally had to pay on February 1, 2015 to the debenture holders (series B) was postponed to August 1, 2015. The deferred principal payment shall bear annual interest at the rate of 6.775% (an addition of 1.875% to the nominal interest rate of the original deed of trust) for the period from February 1, 2015 to the earlier of August 1, 2015 or an early repayment date and all including linkage differences.

B. According to the interim arrangement, the interest which the Company originally had to pay on February 1, 2015 to the debenture holders (series B) shall bear annual interest at the rate of 7.275% for the period from February 1, 2015 to the earlier of August 1, 2015 or an early repayment date and all including linkage differences.

The postponed interest and the additional interest as described above was paid in full on March 31, 2015.

Establishment of pledges in favor of the debenture holders

According to the interim arrangement, the Company committed to establish and register a primary, exclusive pledge with no limitations of amounts, over GTC RE's shares and on the accompanying rights of these shares, including dividends, options, bonus shares etc. in favor of the trustees of the debenture holders. These pledges were registered on February 17, 2015.

Final debt settlement main principles

The final debt settlement ('the Final Settlement'), dated July 3, 2015 constitutes new deeds of trust to series A and B and which will replace the original deeds of trust, including all related amendments. The Final Settlement postpones the debt repayment dates that were determined in the original deeds of trust while repaying the debt in full to the Debenture Holders. Below are the main principles of the Final Settlement which will be detailed in the amended deeds of trust which was approved by the general meetings of the debenture holders of each series ('the Amended Deeds of Trust') in mid June 2015.

Principal and interest payments according to the Final Settlement

Series A:

A. The principal payments (and linkage differences in respect thereof) which the Company originally would have had to pay on February 25, 2015 and February 25, 2016 are postponed to February 25, 2017 and February 25, 2018, respectively.

B. No change will occur in the interest payment dates set in the deeds of trust, except the February 2015 interest payment, which will be paid according to the interim arrangement, as detailed above. The interest set in the deed of trust will be increased by 1.875%, so that the principal of Debentures Series A shall bear an annual interest rate of 6.325%, payable once a year, on February 25 of each year from 2016 up to and including 2018.

Series B:

A. The principal payments (and linkage differences in respect thereof) which the Company originally would have had to pay on February 1 shall be postponed by 24 months, excluding the principal payments of 2019 and 2020, which shall remain unchanged (and shall grow, due to the postponement of the principal payments of this series from 2017 and 2018 to 2019 and 2020).

B. No change will occur in the interest payment dates set in the deed of trust, except the February 2015 interest payment, which will be paid according to the interim arrangement, as detailed above. The interest set in the deed of trust will be increased by 1.875%, so that the principal of Debentures Series B shall bear an annual interest rate of 6.775%, payable once a year, on February 1 of each year from 2016 up to and including 2020.

Issuance of shares and a onetime payment to the debenture holders

The Company shall allocate to the Debenture Holders, without consideration, shares of the Company, which shall constitute approximately 10% of the Company's issued and paid in capital immediately after the issuance. In addition, the Company will make a cash payment of €750,000 to the Debenture Holders, instead of issuing additional 2% to the Debenture Holders, as was initially agreed within the framework of the Agreement in Principle. Subsequent to the balance sheet date, on July 15, 2015, the Company allocated to the Debenture Holders the shares and made the cash payment of €750 thousand. Refer also to Note 6 for further details regarding the issuance of shares.

Pledges and guarantees in favor of the Debentures holders

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. As long as the aforesaid pledges have not been exercised the Company shall be allowed to use the benefits derived from these interests and from loan repayments. Issuance or sale of shares in the Pledged Subsidiaries will be used to early repay the Debentures.

In addition, the Company will establish in favor of the trustees primary exclusive pledges with no limitations of amounts over the bank accounts of the Company (‘the Pledged Accounts’). All the funds in the Company’s possession, shall be deposited and kept in the Pledged Accounts, excluding the Free Amount (‘Free Amount‘ signifies a maximum of €3 million, which will serve for the payment of the Company's general and administrative expenses), which will not be pledged in favor of the trustees and which can be deposited in a bank account which is not pledged in favor of the trustees. Insofar the said pledge has not been exercised, the Company may use the funds freely.

In addition, to secure the Company’s commitments, KLC provided a guarantee in favor of the trustees limited to an amount of €100 million which will expire upon meeting the Relief Conditions as detailed below. The trustees will not be able to use the guarantee or to take any action against KLC as long as the construction loan from Chinese Banks to the Dalian project has not been fully repaid, as well as loans that will be obtained, if obtained, in relation to the Dalian project.

Financial Covenants

The Company’s debt coverage ratio shall not be below 100% during the years 2015 till 2017 (including), and shall not be below 120% from 2018 onwards. The coverage ratio is the total value of the assets according to the Company’s stand-alone financial statements divided by the total stand-alone liabilities of the Company, net of certain amounts as detailed in the Debt Settlement. If the Company's coverage ratio in the years 2015-2017 shall be lower than 110%, and as of 2018 – lower than 130%, KLC's coverage ratio shall not be lower than 180%.

Additional provisions

Some additional provisions have been established to guarantee the rights of the Debenture Holders including: provisions which regulate the early repayment of debt to the Debenture Holders from sources which will become available to the Company, restrictions on dividend distribution, limitations on general and administrative expenses of the Company and payments to controlling shareholders, restrictions on specific new investments, various restrictions on raising credit and the right to appoint a director on behalf of the debenture holders to the Company’s board of the directors and KLC’s board. In addition the approval by both general meetings of the Debenture Holders (by a regular majority or a special one as the case may be) will be required before certain actions, including transferring of the control in the Company and transactions with controlling shareholders.

It was also agreed that the Company may retain certain amounts, prior to an early repayment, for general and administrative expenses, interest payment to the debenture holders, the

Company's obligations in respect of the GTC SA transaction (see Note 5C to the 2014 annual financial statements) as well as for supporting its subsidiaries.

Purchase of Debentures

According to the Amended Deeds of Trust, the Company or any entity under its control shall be permitted to purchase the Company's Debentures (series A and B) at any price only through the Tel Aviv Stock Exchange subject to some preconditions detailed in the Amended Deeds of Trust.

Debentures purchased by the Company will expire and deleted from trade on the stock exchange. A corporation controlled by the Company that will purchase Debentures of the Company, will have to choose, in its discretion whether to transfer the Debentures to the Company for expiry or to pledge the Debentures in favor of the trustee of that series.

Restrictions on business activities

It was agreed that the Company and GTC RE shall not initiate any new business activity, shall not make any new investments and shall not be allowed to raise any new credit (unless it is subordinated to the Debentures).

KFS and any company under its control shall not be allowed to enter into new business activities except for the ones detailed in the Amended Deeds of Trust. KFS and TBIF shall not be allowed to make any new investments, however any corporation under their control shall be allowed to invest in existing and new projects in its area of operations, provided that the source of the funds is the ongoing operations of such corporation. KFS and TBIF themselves shall not be allowed to raise any credit, except for credit taken by KFS from TBIF, or short term credit that will be taken by any of them from a corporation under their control in an aggregate amount not exceeding €5 million. Any corporation under their control shall be allowed to obtain unlimited credit, for the purpose of its business activity subject to the conditions detailed in the Amended Deeds of Trust.

KLC and any corporation under its control shall not be allowed to enter into new business activities or to invest in new projects or activities even if they are within the current area of operations. In addition, KLC shall not expand the Dalian Project, and the Lucky Hope joint venture companies shall not initiate or develop any new projects beyond the existing projects which will be developed on the land plots they currently own. Proceeds from the sale of assets owned by KLC or companies under its control shall serve only for that project. Unless approved by a 66% majority by each of the meetings of the debenture holders of the two series, KLC or any entity under its control shall not be allowed to raise credit except under the certain limitations which are detailed in the Amended Deeds of Trust.

TGI and TGA or any entity under their control (except TG and entities under its control) shall not be allowed to enter into new business activities except for those detailed in the Amended Deeds of Trust. They can make investments and obtain credit insofar the source of the investments is from the operating activities of any of the entities controlled by TGI; and the securities for such credit will be provided by TGI and entities under its control and not by other Group companies.

Relief Conditions

Upon meeting both of the following conditions: (1) Repayment (taking into account repurchase of Debentures which would be done after the date of completion of the Final Settlement) of 55% of the par value of the Debentures (which are not owned by the Company or its subsidiaries) as of December 31, 2014; and (2) the coverage ratio of the Company calculated according to the Company's most recent stand-alone financial statements (quarterly or annual, according to the date), will stand at more than 180% ('Relief Conditions'), all the restrictions on purchase of Debentures by the Company or any corporation under its control will be removed, the Free Amount will increase to €6 million, pledges over TGI or KFS and TBIF (or both) will be revoked, provided that the coverage ratio calculated using the remaining pledged assets after the revocation of said pledges and the Company's debt shall be at least 180%, restrictions on the business activities of subsidiaries as described above will be revoked, restriction on dividend distribution will be revoked (distribution will be allowed after the Company will repay 75% of the par value of the Debentures) and the right to appoint a board member on behalf of the debenture holders will be cancelled. In addition, after the Relief Conditions have been met the Company shall be obligated to repay only 35% of the funds received from disposal of certain assets (as detailed in the Amended Deeds of Trust).

Accounting

The Company examined the changes in the terms of Debentures series A and B in accordance with IAS 39 provisions for substantial modification of the terms of an existing financial liability. The Company concluded, based on its examination, that the modified terms are not substantially different than the terms of the existing debentures, and therefore it is not regarded an extinguishment. Accordingly, the debt settlement would be accounted for as of July 3, 2015 by an adjustment of the effective interest rate resulted from the modification of the interest rate and the future issuance of shares. Such adjustment shall not result in recognition of profit or loss from the modification of the terms. The effective interest of the series A debentures and the series B debentures post settlement amounts to 7.04% and 7.64% respectively.

4. Early repayment of debentures

On March 31, 2015 the Company paid the interest deferred to August 2015 (see Note 3 above) in the amount of approximately €4.4 million to Debenture Holders series A and approximately €14.3 million to Debenture Holders series B. Additionally, the Company early repaid principal amounting to approximately €3.3 million to Debenture Holders series A (3.83% of the outstanding series A principal) and approximately €3.4 million of principal to Debenture Holders series B (1.24% of the outstanding series B principal). The total repayment amounted to approximately €25.4 million.

5. Amendment to the service agreement with Kardan Israel

In May 2015 the services agreement between the Company and Kardan Israel Ltd. (a related party and former subsidiary) has been amended. According to the amended agreement, effective March 1, 2015, the scope of services will be reduced and accordingly, the corresponding service fees would be reduced to a total of approximately €212 thousands per year (compared to €474 under the original terms of the agreement), linked to Israeli CPI. This agreement is effective for three years.

6. Subsequent events

CEO stock options modification

Subsequent to the balance sheet date, in August 2015, the General Meeting of Shareholders of the Company approved a modification to the option plan of the Company's CEO, which would replace the current option plan (for additional information see annual financial statements Note 19B(1)A).

According to the new plan, the CEO would be entitled to 2,282,624 options exercisable to 2,282,624 shares of the Company, approximately 2% of the outstanding share capital of the Company (prior to the shares issued to the debenture holders as part of the Final Settlement agreement (see also Note 3 above). According to the modified plan, the exercise price would be €0.2807 or NIS 1.191. The options will vest in two equal tranches, 50% of the options would be exercisable from December 31, 2016 and 50% of the options will be exercisable from June 30, 2018. The modification would be accounted for under the requirements of IFRS 2.