KARDAN N.V.

PRESS RELEASE
Amsterdam/Tel Aviv, August 29, 2019
Number of pages: 10

SECOND QUARTER AND FIRST HALF 2019 RESULTS KARDAN N.V.

Highlights H1 and Q2 2019:

Following is a summary of net profit (loss) by activity. Management evaluates performance of main segments by their operational result. Further information that includes detailed segment analysis can be found further in this report.

Net profit (loss) (In €thousands)	**H1 2019**	H1 2018	**Q2 2019**	Q2 2018
Real Estate (development and investment property)	1,459	(7,101)	265	(3,878)
Water Infrastructure (discontinued operations)	(11,858)	873	(8,936)	1,210
Other – Avis (discontinued operations)	1,472	925	-	452
Total Operations	**(8,927)**	**(5,303)**	**(8,671)**	**(2,216)**
Holding (Corporate Finance and G&A)	(37,648)	(5,771)	(14,399)	(13,127)
Total	**(46,575)**	**(11,074)**	**(23,070)**	**(15,343)**

Kardan N.V.

- H1 2019: €46.6 million net loss to equity holders (H1 2018: net loss of €11.1 million), including negative impact of foreign exchange differences and change in the Israeli CPI of €22.6 million (H1 2018 €4.8 million positive) and a loss at the Water Infrastructure activities (discontinued operations).

- Q2 2019: €23.1 million net loss to equity holders (Q2 2018: net loss of €15.3 million), including €6.6 million negative impact as a result of foreign exchange translation differences of the EUR versus the NIS and change in Israeli CPI on the Company's debentures (Q2 2018 €7.9 million negative impact).

Real Estate

- H1 2019: net profit to equity holders of €1.5 million (H1 2018: net loss of €7.1 million), mainly as a result of improved operations at Galleria Dalian and higher delivery of residential units in the joint venture projects, partly offset by high interest expenses on the Dalian project construction loan.

Water Infrastructure

- H1 2019: €11.9 million net loss to equity holders compared to a profit of €0.9 million in H1 2018 mainly due to provisions for impairments and for losses on projects.

Other

- The completion of the sale transaction of Avis Ukraine on March 14, 2019, resulted in a gain of €1.5 million in H1 2019 (included as part of results from discontinued operations).

- The Company did not repay the February 2018 and February 2019 scheduled payments of principal and interest to the Company's Debenture Holders (series A and B). As a result, starting February 2018 the Company is in default.

- In April 2019, each of the assemblies of Debenture Holders (series A and B) approved of the understandings reached in relation to the balance payments; following which, in June 2019, the Company carried out a partial repayment of the balance payments to Debenture Holders B in the amount of approximately €36.5 million (NIS 145 million).

- In August 2019 the Company announced it has signed a non-binding letter of intent with a third party in relation to a possible investment transaction in Tahal by the investor in exchange for issued shares that will grant the investor a controlling stake in Tahal.

Ariel Hasson, CEO of Kardan NV:

"The results of the first half of 2019 reflect the challenges Kardan is facing. On our infrastructure activities, we faced delays in the start-up of our new projects in Africa. This, together with the pressure on liquidity and new provisions on exposures to a number of projects, emphasized the importance of strengthening the financial position of Tahal through a capital increase. Since Kardan at its current state is unable to support such capital increase, we have taken steps to secure funding through the on-boarding of a new investor. We are confident that with such capital increase Tahal will be able to overcome these setbacks and move forward with further development of its business.

On the positive side, we are pleased with the continuous positive developments of our Real Estate activities. We increased our operational result thanks to improved operations of Galleria Dalian and a higher delivery of residential units in the joint venture projects.

In addition, the foreign exchange rate movements continued to burden our high interest expenses. The weakening of the Yuan and strengthening of the Israeli Shekel both impacted Kardan negatively. All in all we booked a net loss to equity holders of €46.6 million.

In the last quarter there have not been advancement in the discussions with the representatives of the debenture holders regarding the debt settlement. We still anticipate that an agreement will be reached in 2019."

Condensed Interim Consolidated Income Statement Kardan N.V.

By quarter (in €thousands)

	H1 2019	H1 2018	Q2 2019	Q2 2018	12M - 2018
Total revenues	9,266	68,608	5,859	5,532	79,458
Total expenses	(11,432)	(72,257)	(6,684)	(7,356)	(85,173)
Loss from operations before fair value adjustments, disposal of assets and financial expenses	(2,166)	(3,649)	(825)	(1,824)	(5,715)
Loss from fair value adjustments and disposal of assets and investments, net	(112)	(2,105)	(112)	(2,105)	(7,103)
Result from operations before finance expenses	**(2,278)**	**(5,754)**	**(937)**	**(3,929)**	**(12,818)**
Financing income (expenses), net	(39,429)	(7,775)	(15,910)	(14,121)	(23,703)
Share of profit of investments accounted for using the equity method	5,631	1,926	2,759	688	1,491
Profit (loss) before income tax	(36,076)	(11,603)	(14,088)	(17,362)	(35,030)
Income tax (expenses) / benefit	(113)	(1,252)	(46)	375	605
Profit (loss) from continuing operations	**(36,189)**	**(12,855)**	**(14,134)**	**(16,987)**	**(34,425)**
Profit (loss) from discontinued operations	(12,526)	3,513	(11,310)	2,877	(311)
Profit (Loss) for the period	**(48,715)**	**(9,342)**	**(25,444)**	**(14,110)**	**(34,736)**
Attributable to:					
Non-controlling interests	(2,140)	1,732	(2,374)	1,233	2,039
Net result for equity holders	**(46,575)**	**(11,074)**	**(23,070)**	**(15,343)**	**(36,775)**
Other Comprehensive income (expense)	(655)	(3,798)	(7,404)	2,292	(12,837)
Total Comprehensive expense attributable to Kardan equity holders	**(47,230)**	**(14,872)**	**(30,474)**	**(13,051)**	**(49,612)**

Overall summarized review of Q2 and H1 2019 results

Q2 2019 resulted in a consolidated net loss attributable to equity holders of €23.1 million (Q2 2018: €15.3 million), bringing the result for the first half of 2019 to a consolidated net loss attributable to equity holders of €46.6 million (H1 2018: €11.1 million net loss).

The loss is mainly due to high financing expenses resulting from the devaluation of the EUR versus the NIS, and the impact of the Israeli CPI on the Company's debentures (€22.6 in H1 2019, versus a positive impact of €4.8 million in H1 2018), and impairment losses in Q2 2019 at the water infrastructure activities (discontinued operations) mainly of a project loan in the amount of €8 million.

Revenues of the Real Estate activities came in at €9.3 million in H1 2019 (H1 2018 €68.6 million which included the revenues from the delivery of Building B in the Europark Dalian project). In Q2 2019, revenues slightly increased to €5.9 million compared to €5.5 million in Q2 2018. Revenues from rental operations of Galleria Dalian increased from €2.7 million in H1 2018 to € 4.3 million in H1 2019, reflecting the continuing positive operational development.
Share of profit of the joint venture residential projects increased due to a higher delivery of residential units and amounted to €5.6 million in H1 2019 (€1.9 million in H1 2018). This resulted in a total operational profit of €6.6 million for the Real Estate segment in H1 2019 (H1 2018: operational loss of €0.9 million). Due to continued high financing costs, the net result came in at €1.5 million compared to a loss of €7.1 million in H1 2018.

Revenues of the water infrastructure activities – included in 'discontinued operations' - increased in H1 2019 to €78.8 million compared to €73.7 million in H1 2018. The gross profit decreased compared to H1 2018 due to a mix of projects with relatively lower profitability, and a provision for loss on a project. The lower gross profit was mitigated by savings in SG&A expenses compared to H1 2018. This, together with high finance expenses and provisions – mainly for impairments - resulted in a total loss of €11.9 million attributable to equity holders in H1 2019 compared to a profit of €0.9 million in H1 2018.

Taking into account the direct equity impact of foreign currency translation differences combined with the net result, the total comprehensive expense to Kardan NV's shareholders amounted to €47.2 million in H1 2019 compared to a comprehensive expense of €14.9 million in H1 2018. The total comprehensive expense was mainly a result of the loss for the period.

Equity

Kardan N.V. (company only, in €thousands)	**June 30, 2019**	**December 31, 2018**
Total Assets	321,139	351,188
Total Equity	(106,727)	(59,497)
Equity/Total assets (%)	(33.2%)	(16.9%)

The deficit in shareholders' equity of Kardan N.V. increased from a deficit of €59.5 million as of December 31, 2018 to a deficit equity of €106.7 million as of June 30, 2019, due to the loss in the period.

Negotiations with debenture holders

Since the Company did not repay the principal and interest payments which were due in February 2018 (as announced on January 11, 2018) and February 2019, the Company is in default according to the Deed of Trust as of February 2018. Accordingly, as of March 31, 2018 and until the repayments to the debenture holders are rescheduled, the debentures are presented as current liabilities.
In April 2019, each of the assemblies of Debenture Holders (series A and B) approved of the understandings reached in relation to the balance payments; following which, in June 2019 the Company carried out a partial repayment of the balance payments to Debenture Holders B in the amount of approximately €36.5 million (NIS 145 million).To date, the Company is in advanced negotiations with the Debenture Holders for a final debt settlement, although there was no advancement in the last quarter. Nevertheless, management still anticipates a final agreement to be reached later in 2019.

Covenants

The Company did not meet the debt coverage ratio financial covenant as defined in the Deeds of Trust for the seventh consecutive quarter. In addition, at June 30, 2019 certain Group companies did not meet their financial covenants for which waivers (as at June 30, 2019) were obtained subsequent to the balance sheet date.

Financial position and going concern

In their review report as of June 30, 2019, the auditors draw the attention to the existence of a material uncertainty which may cast significant doubts about the Company's ability to continue as a going concern, due to - among others - the Company's inability to meet the February 2018 and 2019 payment to the debenture holders. As mentioned, as at the date of this report, the Company is in advanced negotiation with the debenture holders (series A and B) regarding a debt settlement which includes, among others, rescheduling the payments to the debenture holders. However, there is no certainty as to the results of these discussions. For additional information see section 3 of the Report of the Board of Directors regarding the cash flow forecast and note 2 to the Condensed Interim Consolidated Financial Statements. In addition, please refer to notes 2 and 8 to the Condensed Interim Consolidated Financial Statements of the Company in relation to the financial position of the subsidiary TGI, and the emphasis of matter paragraph in this respect in the auditors review report in TGI's financial statements.

KARDAN N.V.

Highlights per activity:

REAL ESTATE

Kardan is active in development and management of Real Estate in China through its 100% indirect subsidiary Kardan Land China Ltd. ('KLC'). In order to better reflect the underlying activities, the Company presents the results of the Real Estate activity as two operational segments: Real Estate - Development and Real Estate - Investment Property. The Real Estate - Investment Property segment only includes the results of operation of the Galleria Dalian shopping mall; the Real Estate - Development segment includes the results of the residential development of the Europark Dalian project as well as the results of residential real estate projects under joint control.

Results

In €thousands	For the 6 months ended June 30,		For the 3 months ended June 30,		For the year ended December 31,
	2019	**2018**	**2019**	**2018**	**2018**
Real Estate - Development					
Sale of apartments	4,962	65,865	3,646	4,058	73,634
Cost of sales	(4,187)	(64,293)	(3,164)	(3,823)	(69,226)
Gross Profit	**775**	**1,572**	**482**	**235**	**4,408**
SG&A expenses	(1,109)	(1,375)	(662)	(802)	(2,687)
Gain from disposal of fixed assets and investments, net	-	-	-	-	2,278
Equity earnings (losses)	5,631	1,927	2,759	688	1,491
Operational profit - Real Estate Development segment	**5,297**	**2,124**	**2,579**	**121**	**5,490**
Real Estate - investment Property					
Rental revenues	4,304	2,742	2,213	1,473	5,824
Cost of rental revenues	(1,889)	(1,787)	(895)	(862)	(3,738)
Gross Profit	**2,415**	**955**	**1,318**	**611**	**2,086**
SG&A expenses	(981)	(1,841)	(487)	(865)	(4,366)
Adjustment to fair value (impairment) of investment property	(112)	(2,105)	(112)	(2,105)	(8,610)
Operational profit (loss) - Real Estate Investment Property segment	**1,322**	**(2,991)**	**719**	**(2,359)**	**(10,890)**
Total operational profit (loss) - Real Estate	**6,619**	**(867)**	**3,298**	**(2,238)**	**(5,400)**
Other unallocated expense	(1,102)	(1,228)	(543)	(591)	(2,311)
Profit (loss) before finance expenses and income tax	**5,517**	**(2,095)**	**2,755**	**(2,829)**	**(7,711)**
Finance expenses, net	(4,014)	(3,855)	(2,473)	(1,485)	(10,517)
Tax benefits (expenses)	(44)	(1,149)	(17)	438	835
Profit (Loss) for the period – attributed to Company's shareholders	**1,459**	**(7,099)**	**265**	**(3,876)**	**(17,393)**

Additional information - Kardan Land China

	For the six months ended June 30		**For the three months ended June 30**		**For the year ended December 31**
	2019	**2018**	**2019**	**2018**	**2018**
Operational Information					
Revenue Residential - JV (in €thousands)	24,584	15,695	10,947	10,569	24,505
Gross profit residential - JV (in €thousands)	10,301	5,189	4,989	3,109	8,464
Apartments sold in period (a)	316	554	239	307	842
Apartments delivered in period (b)	540	561	227	248	649
Total apartments sold, not yet delivered at balance sheet date (c)	1,647	1,680	1,647	1,680	1,896

(a) All residential apartments, incl. Dalian (100%).
(b) In H1 2019 no apartments were delivered in the Dalian project compared to 285 apartments in H1 2018 (7 apartments in Q2 2018).
(c) KLC share in the gross profit from apartments sold is €38.5 million as of June 30 2019.

Units sold in the period	For the six months ended, June 30		For the three months ended, June 30		For the year ended, December 31
	2019	2018	2019	2018	2018
100% owned					
Europark Dalian	22	74	11	52	105
Joint Venture projects*					
Olympic Garden	84	220	52	93	295
Suzy	92	194	64	103	230
Palm Garden	-	13	-	6	13
City Dream	118	53	112	53	199
	294	480	228	255	737
Total	**316**	**554**	**239**	**307**	**842**

Real Estate – Development

The Real Estate Development segment relates to the residential projects of Europark Dalian and the joint venture residential projects.

Revenue of the segment relates to the apartments in the Europark Dalian project. In H1 2019 no apartments were delivered in this project as they are all under construction, compared to 285 deliveries in H1 2018 (including the delivery of apartments in building B in the Europark Dalian project, which was sold as one bloc, and 16 units in building A). The revenues recognized in H1 2019 are related to progress in construction of certain apartments.

SG&A expenses amounted to €1.1 million in H1 2019, a decrease compared to H1 2018 (€1.4 million), mainly due to cost efficiencies.

'Equity earnings', comprises the result of the residential activities from joint venture projects, which contributed a profit of €5.6 million in H1 2019, compared to a profit of €1.9 million in H1 2018, due to higher deliveries of apartments.

This higher contribution of the joint venture projects resulted in a strong increase in profit from operations to €5.3 million in H1 2019 compared to a profit of €2.1 million in H1 2018.

The total number of units in inventory decreased from 3,265 as at December 31, 2018 to 2,922 as at June 30, 2019. The number of unsold units in inventory (including the inventory of joint venture projects) decreased to 1,275 as at June 30, 2019 (vs 1,391 as at December 31, 2018). The rate of unsold units for which construction was completed slightly increased from 9% in December 31, 2018 to 10% in June 30, 2019.

Real Estate – Investment Property

The Real Estate Investment Property segment relates to the results of operation of the Galleria Dalian shopping mall. The result of operations of this segment in H1 2019 came in at a profit of €1.3 million (H1 2018 €3.0 million loss).

Revenues of the Investment Property segment increased to €4.3 million in H1 2019, compared to €2.7 million in H1 2018 mainly as the result of the continued positive operational trends at Galleria Dalian. The occupancy level improved from 87.0% at June 30 2018 to 89.1% as at June 30 2019 and the opening rate increased from 71.1% at June 30 2018 to 80.8% as at June 30 2019.

The improved trends in 2019 are also reflected in an increased gross margin of the Investment Property segment of 56% compared to 34.8% in H1 2018.

SG&A decreased from €1.8 million in H1 2018 to €1.0 million in H1 2019, mostly due to lower marketing costs.

Investment property solely represents Galleria Dalian shopping mall, the value of which increased by approximately €0.8 million compared to December 31, 2018, which is mostly due to the appreciation of the RMB versus the EUR.

Real Estate - Total

The above resulted in an operational profit of the Real Estate activities of €6.6 million in H1 2019 compared to €0.9 million operational loss in H1 2018.

'Financing expenses, net were in line with last year (€4.0 million compared to €3.9 million in H1 2018) and mainly included interest expenses related to the Europark Dalian project loan (which was partially early repaid in Q4 2018). Financing expenses also included a small positive foreign exchange impact of €0.1 million, compared with a positive foreign exchange impact of €1.6 million in H1 2018.

Tax expenses / benefit in H1 2019 income tax expenses amounted to €44 thousand (H1 2018 expenses of €1.1 million included land appreciation tax).

Net profit / loss in H1 2019 amounted to a profit of €1.5 million (H1 2018: €7.1 million loss).

Additional balance sheet information - Kardan Land China

	2019 (30.6)	**2018 (31.12)**
(in € thousands)		
Real Estate – Development		
Share of investment in JVs	43,266	37,568
Inventory	67,755	63,980
Real Estate – Investment Property		
Investment Property	214,405	213,577
Cash & short term investments	29,897	44,517
Total Assets	406,482	403,361
Loans and Borrowings	98,722	100,800
Advance payments from buyers (**Real Estate – Development)**	36,319	32,486
Total Equity	215,788	213,784

WATER INFRASTRUCTURE (TGI) - Discontinued operations

The results of Tahal Group International B.V. ('TGI' or 'Tahal), Kardan's water infrastructure company, are presented under `Profit (loss) from discontinued operations - TGI`.

TGI focuses on executing water related projects worldwide in Africa, Central and Eastern Europe, Asia (mainly in Israel and India) and in other regions.

In € thousands	For the six months ended June 30,		For the three months ended June 30,		For the year ended December 31,
	2019	**2018**	**2019**	**2018**	**2018**
Contract revenues	78,814	73,677	43,399	42,060	175,397
Contract cost	(70,384)	(60,636)	(39,468)	(34,402)	(148,338)
Gross profit	8,430	13,041	3,931	7,658	27,059
SG&A expenses	(5,550)	(8,687)	(2,641)	(3,934)	(16,269)
Other operational income (expenses)	(12,153)	(484)	(11,302)	(497)	378
Share of profit (loss) of investments accounted for using the equity method	(2,385)	(292)	(1,577)	(219)	(2,900)
Result from operations before financing expenses	**(11,658)**	**3,578**	**(11,589)**	**3,008**	**8,268**
Financing income (expenses), net	(3,283)	(670)	(56)	(122)	(4,209)
Income tax benefit (expenses)	943	(303)	335	(443)	(1,955)
Net profit (loss)	**(13,998)**	**2,605**	**(11,310)**	**2,443**	**2,104**
Attributable to:					
Non-controlling interest holders	(2,140)	1,732	(2,374)	1,233	2,039
Equity holders (Kardan N.V.)	**(11,858)**	**873**	**(8,936)**	**1,210**	**65**
	(13,998)	2,605	(11,310)	2,443	2,104

Additional Information Water Infrastructure	**2019 (30.6)**	**2018 (31.12)**
Balance sheet (in € thousands)		
Cash & short term investments	8,348	13,974
Total Assets	219,241	227,894
Net debt	(49,644)	(37,526)
Equity	28,741	40,936
Equity / Assets	13.2%	17.9%
Other (in USD million)		
Backlog	720.3	687.4

During H1 2019 the Water Infrastructure activities reported a loss of €11.9 million, compared to a profit of €0.9 million in H1 2018.

Revenues in H1 2019 increased to €78.8 million compared to €73.7 million in H1 2018.

The gross margin decreased to 10.7% in H1 2019 compared to 17.7% in H1 2018 following delays in projects in Africa with a relatively higher profitability and a provision for loss on a project.

Other operational expenses significantly increased in the first half and second quarter of 2019, and include primarily provisions for impairments, mainly on an outstanding debt (€8 million). As a result of that, and the said decrease in gross profit, operational results decreased to €11.7 million loss in H1 2019 compared to €3.6 million profit in H1 2018.

Share of loss of investments accounted for using the equity method increased to €2.4 million in H1 2019 (€0.3 million in H1 2018), mainly due to losses on a project in Angola.

Financing expenses increased significantly from €0.7 million in H1 2018 to €3.3 million in H1 2019, mostly due to interest expenses on utilization of credit lines and foreign exchange differences.

Equity of TGI decreased mainly due to the loss for the period.

Order backlog:
In H1 2019, Tahal Group commenced activities in the Kazakhstan market, and in April 2019 won its first project in this country. A second project was awarded recently, subsequent to the date of this report. In July 2019, Tahal was awarded an irrigation and drainage system upgrade and expansion project near the Kyzylkum Desert in the state of Kazakhstan together with a local partner (30%). The project consideration amounts to US$47.6 million (€42.7 million), of which Tahal's share is approximately US$33.3 million. In addition, Tahal was awarded its 15th project in India.
In total, new orders amounting to US$119.6 million were booked in the first half of 2019.
As at June 30, 2019 the order backlog amounted to US$720.3 million (December 31, 2018 US$687.4 million).

It should be noted that in addition to the order backlog, companies in the TGI group have received notices regarding the winning of additional projects. Upon fulfillment of conditions precedent related mainly to financial closing, signed contracts amounting to US$363 million will be added to the existing backlog.

CORPORATE HOLDING AND OTHER

In € thousands	For the six months ended June 30,		For the three months ended June 30,		For the year ended December 31,
	2019	**2018**	**2019**	**2018**	**2018**
Corporate expenses:					
General and administration expenses	(2,164)	(1,649)	(933)	(329)	(3,616)
Financing income (expense), net	(35,415)	(3,993)	(13,437)	(12,709)	(13,186)
Income tax expenses	(69)	(129)	(29)	(89)	(230)
	(37,648)	**(5,771)**	**(14,399)**	**(13,127)**	**(17,032)**
Other activities:					
Equity earnings (Avis Ukraine - discontinued operations)	1,472	925	-	452	(2,415)

Corporate expenses:

G&A expenses in H1 2019 amounted to €2.2 million compared to €1.6 million in H1 2018 which included a reversal of a provision.

Financing expenses increased to €35.4 million in H1 2019, compared to €4.0 million in H1 2018, mainly due to the negative impact of foreign currency exchange differences and Israeli CPI in H1 2019 compared to H1 2018. The negative impact of foreign exchange differences and the Israeli CPI on the Company's debentures, which are denominated in NIS, was €22.6 million in H1 2019 (Q2 2019: €6.6 million) compared to a positive impact of €4.8 million in H1 2018 (Q2 2018: €7.9 million negative).

The \`Income tax expenses\` relates to tax on hedge instruments.

Other activities

Other activities consisted of equity earnings from the Company's holding in Avis Ukraine joint venture. Following the completion of the sale transaction of the Company's holding in Avis Ukraine in Q1 2019, a gain of €1.5 million was recorded. The gain comprises a gain of €1.3 million release of capital translation reserve and a reversal of impairment loss recorded in Q4 2018 of €0.2 million.

DISCLAIMER

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

About Kardan

Kardan identifies and develops assets in promising emerging markets, mainly in Asia (predominantly China), Africa and selected CEE and CIS countries. Its activities are mainly focused on two sectors that benefit from the rising middle class: Real Estate and Water Infrastructure. Company headquarters are in the Netherlands. Kardan aims at holding controlling interests in its investments and is actively involved in the definition and implementation of their strategy through its local business platforms. Total assets as of June 30, 2019 amounted to €601,810 thousands. Kardan is listed on Euronext Amsterdam and the Tel Aviv Stock Exchange.

The Directors' Report including the condensed interim consolidated financial statements, drawn up in line with the Dutch and Israeli regulations, are presented in a separate document and form an integral part of this release.

For further information please contact:

Floor van Maaren / Eva Lindner

+31 (0)6 2959 7746 / +31 (0) 6 3422 2831

Investor@kardan.nl

www.kardan.nl

"This press release contains regulated information (gereglementeerde informatie) as defined in the Dutch Act on Financial Supervision (Wet op het financieel toezicht)"

KARDAN N.V.

Part B – Report of the Board of Directors

Financial position

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

	June 30, 2019	June 30, 2018	December 31, 2018	Notes
Current assets	339,504	342,666	388,402	The decrease as of June 30, 2019 in current assets compared to December 31, 2018, is mainly due to the decrease in assets Held-For-Sale in light of the sale of Avis Ukraine and to the decrease in cash and short term investments used for the partial repayment to the debenture holders series B in total amount of approx. €36 million
Non-current assets	262,306	303,903	256,489	The decrease as of June 30, 2019 in non-current assets compared to December 31, 2018, is mainly due to the revaluation of the joint ventures and the investment property following the strengthening of the RMB against the EUR.
Total balance sheet	601,810	646,659	644,891	The decrease in total balance sheet compared to December 31 2018, is mainly due to the decrease in assets Held-For-Sale in light of the sale of Avis Ukraine and to the decrease in cash and short term investments used for the partial repayment to the debenture holders.
Current maturities of debentures	288,859	286,433	282,703	The increase as of June 31, 2019 in current maturities of debentures compared to December 31, 2018 is mainly due to the strengthening of the NIS against the EUR, partially off-set by the repayment to the debenture holders.
Other current liabilities	323,202	270,956	322,670	-
Current liabilities	612,061	557,389	605,373	The increase in the other current liabilities compared to December 31, 2018 is mainly due to the increase in current maturities of debentures and in short term credit lines usage in the water infrastructure activity, which is presented as Held-For-Sale.
Long term Interest-bearing loans and borrowings	87,598	104,496	87,287	Long term Interest-bearing loans and borrowings represent the Europark Dalian project loan. The loan balance remained in-line with the balance as of December 31, 2018.
Other non-current liabilities	5,960	7,685	5,988	
Non-current liabilities	93,558	112,181	93,275	
Equity (deficit) attributable to equity holders of the parent	(106,727)	(25,789)	(59,497)	The increase in the deficit compared to December 31, 2018, is due to the result for the period, which is mostly due to changes in NIS/EUR exchange rates and the result of the water infrastructure activity presented as discontinued operations.

2. Cash Flow Statement analysis (in EUR thousands)

	H1 2019	H1 2018	Q2 2019	Q2 2018	FY 2018	
Net cash provided by (used in) operating activities	(48,883)	5,674	(31,338)	1,965	3,290	Cash flow from operating activities includes the following: In H1 2019, €44 million were generated from changes in operating assets and liabilities, partially off-set by financial expenses and exchange differences and the Company's share of profit of joint ventures in China. In addition, €30 million were used for interest payments and €7 million is negative cash flow from operating activities used in the discontinued operations. In H1 2018, €20 million were generated from changes in operating assets and liabilities which were partially off-set by finance and exchange rate expenses and €7 million is negative cash flow from operating activities used in the discontinued operations. In 2018 €52 Million were generated from the decrease in apartment inventory following the delivery of building B in the Europark Dalian project; €44 million were used for changes in operating assets and liabilities. Finance and exchange rate expenses were partially offset by interest and tax payments and €22 million is negative cash flow from operating activities used in the discontinued operations. For details regarding the Company's plan, see Section 3 (Cash Flow Forecast) below.
Net cash provided by (used in) investing activities	25,482	(11,064)	6,523	(4,174)	1,347	In H1 2019 €12.6 million were generated by the proceeds from the sale of the investment in Avis and €10 million were generated from changes in short term deposit. In H1 2018 €13 million were used for the investment in short term deposit which were partially off-set by the repayment of loans to companies accounted using the equity method. In 2018, €14 million were generated from collection of loans granted to companies accounted for using the equity method, which were partially offset by investment in fixed assets and in short term deposits in the real estate activity. €7 million is negative cash flow from investing activity used in the discontinued operations.
Net cash provided by (used in) financing activities	(6,139)	15,881	(10,067)	2,413	11,824	In H1 2019 €6 million were generated from changes in short term credits in the water infrastructure activity and €12 million were used for the partial repayment to the Debenture Holders. In H1 2018 €16 million were generated from changes in short term credits in the water infrastructure activity. In 2018, €27 million were generated from short term credit provided to the water infrastructure activity, and were partially offset by repayment of long term loans in the amount of €16 in the real estate activity.

Kardan finances its operations by the Company's debentures, the sale of assets and dividend receipts from subsidiaries (for details, see also section 3 below regarding cash flow forecast). The subsidiaries' activities are being financed by equity, credit provided by banks and other financial institutions, loans from the parent company, proceeds from the sale of apartments in the Real Estate activities and from cash surplus in projects in the Water Infrastructure activities. For details regarding material credit in the Group see Part A to the Israeli Annual Report 2018. For details regarding credit balances as of the balance sheet date refer to Section 1 above.

The average balance of long-term and short-term loans is not significantly different than their book value as at June 30, 2019 and amounted to €346 million and €88 million, respectively, compared to €321 million and €104 million, respectively, as at June 30, 2018.

The average balance of trade receivables and trade payables is €7.4 million and €3.7 million, respectively.

3. Cash Flow Forecast

The review report of the external auditors as of June 30, 2019, includes a mandatory emphasis of matter regarding the ability of the Company to continue as a going concern (see also Note 2 to the condensed interim consolidated IFRS financial statements). In addition, the Company presents in its financial statements as at June 30, 2019 an equity deficit, and a negative working capital on a consolidated and stand-alone basis and a continuing negative cash flow from operating activity. These are considered "warning signs" as defined in Regulation 10 (b) (14) of the Israeli Securities Authority regulations. Therefore, the Company provides a cash-flow forecast (stand-alone) for a period of two years as starting July 1, 2019.

As announced by the Company, payments to the debenture holders that were scheduled for February 2018 and February 2019 were not paid on time and were not paid by the date of this report. As at the date of this report, the Company is negotiating with the debenture holders rescheduling of the repayments, and reached principle agreement with the trustees of debenture holders (series A and B).
On April 30, 2019 the meetings of Debenture Holders series A and B approved balance payment principles according to which, Debenture Holders (series B) will be entitled to the full amounts paid by the Company until the repayment of the balance payments is completed. Accordingly, the Company transferred NIS 145 million to debenture holders B trustee for the purpose of making partial balance payments to Debenture Holders series B. The payment was made on June 3, 2019.
In the last months, there have not been advancement in the discussions between the Company and the trustees of the Debenture Holders regarding a new debt settlement, and other alternatives to the settlement outlines are being considered. Until reaching a final settlement, the Company and the trustees are acting in accordance with the resolutions made by the Debenture Holders in May 2019 regarding the balance payments to Debenture Holders (series B). Accordingly, the following cash flow forecast assumes that the Company will make repayments solely from funds it will receive. It should be noted that the Company's management is also considering alternatives that will include (partial) debt repayment against the allocation of the Company's shares or the shares of its subsidiaries, all in accordance and subject to agreements with the Debenture Holders.
It should be emphasized that in light of the fact that the an agreement with the debenture holders has not yet been approved, it is possible that the final agreement to be approved by the assemblies of the Debenture Holders will be different than the resolution of the assemblies of the Debenture Holders from May 2019, according to which this cash-flow forecast was prepared. Such change would impact the sources detailed in the cash flow forecast, and the amounts to be paid to the debenture holders.

Therefore, the Company emphasizes that the assumptions used by the Company in deriving the cash flow forecast should be read carefully.

Forecast cash flow (EUR million)	July 1, 2019 - December 31, 2019	January 1, 2020 – December 31, 2020	January 1, 2021 – June 30, 2021
Cash and cash equivalents at the beginning of the period	**5.9**	**4.8**	**4.2**
From operating activities			
General and administrative expenses	(1.7)	(2.2)	(1.0)
From investing activities			
Sale of shares and holdings in subsidiaries (3) – (4)	-	-	-
Receipt of dividend (5)	2.0	10.0	-
Loan repayment (6)	0.6	1.6	-
Total Resources	**6.8**	**14.2**	**3.2**
From financing activities (7) – (11)			
Principal and interest payment of debentures – Series A	-	-	-
Principal and interest payment of debentures – Series B	(2.0)	(10.0)	-
Total Uses	**(2.0)**	**(10.0)**	**-**
Cash and cash equivalents at the end of the period	**4.8**	**4.2**	**3.2**

Main Assumptions to the Cash Flow Forecast

1. The cash flow forecast was prepared according to the assumption that the debt settlement to be approved by the assemblies of the Debenture Holders will be in line with the resolutions of the Debenture Holders from May 2019 regarding the balance payments to Debenture Holders (series B). Accordingly, the uses in cash flow forecast are based on the assumption that all payments made to the debenture holders will be made as early repayments from funds which will be received by the Company.

2. The cash flow forecast has been jointly prepared for Kardan NV (company-only) and its wholly owned subsidiaries GTC Real Estate Holding BV, Kardan Financial Services BV, and Emerging Investments XII BV, as the treasury of these companies is centralized. With respect to limitations regarding the transfer of funds between the companies, see note 12 below.

3. The following are assumptions, comments and reservations in relation to future sale of subsidiaries :

   a. As detailed in various reportings of the Company, the Company is making efforts to sell its holdings in TGI, with a view to using the funds received from the sale to repay part of the debentures. In light of TGI's performance in the last period, including the negative cash flow and delays in new projects in Africa, the Board of Directors of the Company concluded that, at present, strengthening the financial position of TGI is required. Therefore, as of the date of this report, the Company is conducting discussions with several parties regarding the possible transaction that will include, in the first stage, an investment in TGI against the allocation of TGI's shares to a third party and in the second stage, the sale of the Company's (remaining) holdings in TGI or the distribution of TGI's shares to the Debenture Holders

   b. Accordingly, the Company estimates that it will receive funds from the sale of its holdings in TGI (or will distribute its holdings to the Debenture Holders) in 2021.

   c. The Company reflected these estimations in in the above cash flow forecast.

   d. It is emphasized that as of the date of this report, **the Company does not have accurate information regarding the net consideration which would be received from exercising its holdings in TGI** and which would be used for repayments to the Debenture Holders and/or the date of its receipt. **The Company is also unable to estimate the chances of negotiations being realized and/or the date of their completion.**

   e. As of the date of this report, the Company is not conducting negotiations regarding the sale of its holdings in KLC (however the Company is conducting discussions from time to time regarding the sale of KLC's assets apart from its ongoing business of selling apartments). The cash flow forecast therefore does not assume the receipt of proceeds from such transaction.

4. Generally, **uncertainty is inherent in a forecast of sales of assets, mainly due to dependence on third parties, inter alia, due to: the need to find potential buyers and to reach agreements with them regarding the terms of the transaction, the need to receive relevant approvals, the Company's need to obtain the approval of the Debenture Holders to the transactions, and the need of potential buyers to reach agreements with financing parties in order to obtain funding for such acquisitions. The forecast readers must take these facts into account when assessing the Company's probability of meeting the cash flow forecast.**

5. The 'Receipt of dividend' line assumes dividends, which will be received in KLC from Lucky Hope companies over several years. It is noted that as of the date of this report, no decision regarding distribution of material dividends beyond profit distributions that are made from time to time has been made in Lucky Hope companies and accordingly, such decision has not been made by KLC. Nevertheless, the assumption of the receipt of such dividends is in line with the assumptions regarding the results of the projects carried out by Lucky Hope companies' policy and as of the date of this report, the Company is not aware of any restrictions that may raise reasonable doubt regarding the distribution of such dividends. In addition, the Company is not aware of any restrictions on distributing the dividends detailed in the cash flow forecast by KLC.

6. Within the framework of the sale agreement of AVIS Ukraine, it was determined that loans provided by KFS to AVIS Ukraine will continue to stand in force and be repaid according to the loan agreement, and that AVIS Ukraine will provide collateral to secure repayment of these loans. As of the date of this report, the balance of the loans amounts to € 2.1 million and the loans are repaid in quarterly installments until December 2020.

7. As detailed in the press release issued by the Company on November 23, 2017, the Company approached the trustees of the Debenture Holders requesting them to conduct negotiations in relation to rescheduling the payments to the Debenture Holders (series A and B), due to reasonable possibility of delays in the sale process of TGI which may prevent the Company from meeting the coming payment due in February 2018. On January 11, 2018, the Company announced it was unable to complete the sale transaction of its holdings in TGI in a manner that will allow it to meet the payments to the Debenture Holders set for February 2018. On January 31, 2018, the Company issued an announcement clarifying and emphasizing that the Company will not be able to execute the payments to the Debenture Holders scheduled for February 2018 on time. In addition, according to the Company's announcements, as at the date of this report the Company has not yet repaid the payments to the Debenture Holders scheduled for February 2018 and February 2019.

8. **As noted above, the cash flow forecast was prepared assuming that the settlement approved by the assemblies of the Debenture Holders will include payments to the Debenture Holders solely from funds received by the Company. Accordingly it is assumed that future payments to the Debenture Holders will be made as early repayments out of funds received by the Company, according to the resolution of the Debenture Holders.**

9. **It should be emphasized that, as at the date of this report, the Company does not have the sources to make repayments to the debenture holders in 2019 and 2020 which are, as aforesaid, expected to be received from the future realization of assets. In addition, there is no certainty that the debt settlement approved by the assemblies of the Debenture Holders will be in-line with the principles laid in the basis of this cash flow forecast.**

10. **The cash flow forecast <u>does not include interest in arrears</u> resulting from failure to meet the repayment dates set out in the Deeds of Trust and deferment of payments to the Debenture Holders, in light of the assumption that the payments to the Debenture Holders will be made according to agreements between the Company and the Debenture Holders trustees and will not include interest in arrears and also in light of the fact that as of the date of this report the Company is unable to estimate the date of the repayments to the Debenture Holders and therefore, is unable to calculate the amount of interest in arrears that it will be required to pay. It is possible that the Debenture Holders' assemblies will not approve an arrangement based on these principles and in that case the Company will also be required to pay interest in arrears.**

11. The interest calculations are based on the Israeli CPI, exchange rates and interest rates which are applicable as of June 30, 2019, and as aforesaid, do not include interest in arrears. The principal and interest payments for the debentures are presented on the net outstanding balance, excluding the debentures held by GTC RE and Emerging Investment XII BV. A change of 5% in the Euro/NIS rate will lead to a change of approximately €16 million to the outstanding balance of the debentures (principal and interest) as of June 30, 2019.

12. Restrictions on transferring funds:
    Transfer of funds between Kardan NV, GTC RE, Emerging Investments XII, and KFS is mostly done through intercompany loans or distribution of dividend or capital reserves as permitted by Dutch law[1]. For details regarding the limitations that apply on KLC, refer to section 7.6.8.7 to part A of the Israeli Annual Report. For details regarding the limitations that apply on TGI regarding the transfer of funds to the Company, refer to section 18.8 to part A of the Israeli Annual Report.

    Breakdown of distributable reserves according to Dutch law and intercompany loans balances is as follows:

Subsidiary	Distributable reserves as of June 30, 2019	Intercompany loan as of June 30, 2019
	(EUR million)	
GTC RE	134.5	(10.5)
KFS	0.2	-
Emerging	67.8	-

13. This estimate regarding the sources of cash in this forecast 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 market changes (including changes in foreign currencies and CPI), failure to reach an agreement with the Debenture Holders regarding the terms of the debt settlement, the disapproval of the debt settlement with the Debenture Holders, changes in the principles of the debt settlement and the principles of the debt settlement which were used in the basis of the preparation of the cash flow forecast, difficulties in raising credit, decrease in value of investments, changes in the transactions terms of the investment in TGI, difficulties in reaching an agreement with the investor in TGI, delays or lack of completion of the conditions precedent to the transaction to the extent an agreement will be signed and change in cash amounts expected to be received from affiliated companies, failure to reach agreements with the Debenture Holders regarding the distribution of TGI shares, a deterioration in the results of Lucky Hope etc. The Company, being a holding company, is generating cash flows from its investee companies mainly through dividend distributions and repayments of shareholder loans or through the realization (in part or in full) of its stakes in the investee companies. The generation of such cash flows may at times be subject to factors which are out of the control of the Company (such as the need to obtain third parties consent, foreign currency exchange, market prices of assets, risk factors of the company and more). It may also be the case – as it is with the distribution of dividends – that such cash flows sources are dependent on resolutions to be taken by the relevant organs in those companies. For details regarding the risk factors which are relevant to the cash flow forecast, refer to sections 7.24, 8.18, 9.25 and 21 of part A of the 2018 Israeli Annual Report. Due attention should be given to the risk factors, which should be read together with the cash flow forecast. It should be noted that in case one or more of the underlying assumptions upon which the cash flow forecast was based fail to materialize, it might result in the inability of the Company to fulfill its obligations in accordance with the Debt Settlement.

4. Financial situation Kardan Group as of June 30, 2019

Net debt (*)

The Company	Financial debt net	
Kardan NV/ GTC RE/ Emerging Investments XII	**Liabilities:**	
	Debentures (**)	(327.5)
	Liabilities short term	(2.2)
	Assets:	
	Cash and short-term investments	5.6
	Net debt	**(324.1)**
KFS	**Assets:**	
	Cash and short-term investments	0.3
	Loans to a third party	2.1
	Net cash	**2.4**
TGI/TG/TGA(***)	**Liabilities**	
	Liability short term	(1.5)
	Assets:	
	Cash and short-term investments	0.4
	Net debt	**(1.1)**

(*) net financial debt includes liabilities for interest bearing loans and debentures net of cash and cash equivalents and interest bearing loan receivables.
(**) Net balance after compensating debenture balances held by subsidiaries, see section 11 below (Debentures liability are presented in their nominal value).
(***) Assets and liabilities shown as held for sale in the consolidated financial statements of Kardan NV as of June 30 2019.

Material loans and credits

For details regarding material loans and credits in the Group, see section 12.1, 7.6.8.6, 8.18 to part A of the Israeli Annual Report 2018.

5. Main events in the period and subsequent events

Kardan NV

- For information regarding Q1 2019 financial statements and IR presentation refer to the announcements issued by the Company on May 29, 2019.

- For information regarding the results of the annual meeting of the Company's shareholders, held on May 29, 2019, refer to the announcements issued by the Company on May 29, 2019.

- During the period, stakeholders of the Company sold part of their holdings in the Company's shares in the stock exchange:

Stakeholder	Transaction date	Number of shares sold	Average price per share (NIS)	Date of announcement issued by the company
Mr. Y. Grunfeld	June 25, 2019	77,932	0.2372	June 26, 2019
Mr. Y. Grunfeld	July 23, 2019	89,539	0.1997	July 23, 2019

- During the period, stakeholders of the Company sold part of their holdings in the Company's debentures (series B) in the stock exchange:

Stakeholder	Transaction date	Debentures sold	Price (NIS)	Date of announcement issued by the company
Mr. E. Rechter	February 10, 2019	62,758.3	0.4809	June 6, 2019

- During the period, following the partial repayment to the Debenture Holders (series B), the following changes in the Company's stakeholders holdings of the Company's Debentures (series B) occurred:

Stakeholder	Transaction date	Repayment amount (NIS)	Date of announcement issued by the company
Mr. E. Rechter	June 3, 2019	759	June 6, 2019
Emerging Investments XII B.V	June 3, 2019	5,825,672	June 6, 2019

- Subsequent to the balance sheet date, on august 20, 2019, the Company signed a non-binding letter of intent with a third party ('the Investor') regarding a possible investment transaction in TGI, according to which the Investor will investment will be made in exchange for newly issued shares of TGI that will, upon completion, grant the investor a controlling stake in TGI.

Water infrastructure (discontinued operation)

- Following the balance sheet date, on July 30, 2019, the (indirect) subsidiary Tahal Consulting Engineers Ltd. ('Tahal') together with its 30% local partner, won a $47.6 million contract regarding an irrigation and drainage system upgrade and expansion project near the Kyzylkum Desert in the state of Kazakhstan. The project consideration amounts to $47.6 million (€42.7 million), of which Tahal's share is approximately $33.3 million

Corporate Governance Aspects

6. Directors with financial knowledge

Kardan N.V. is incorporated pursuant to the laws of the Netherlands and is not subject to the Israeli Companies Law. Therefore, it does not appoint external directors and is not committed to appoint directors who possess accounting and finance expertise. However in accordance with Kardan NV articles of association, there are decisions that the Board of Directors need to take in a special procedure that requires, among others, the agreement of the independent directors present, as defined in the articles of association of the Company and the Dutch corporate governance code. In addition, according to the said corporate governance code, the Company adopted the duty that at least one member of the Board of Directors would have financial management and accounting knowledge.

The directors having accounting and finance expertise (as acceptable in the Netherlands) currently serving in the Board of Directors are messers. Peter Sheldon, Cor van Den Bos, Ariel Hasson, Eytan Rechter and Ferry Houterman.

All members of Executive Management have accounting and finance expertise. For additional information about their education and experience see part 4 of the 2018 Israeli annual report.

Independent Directors

As mentioned above, the Israeli Companies Law does not apply to Kardan. Accordingly, amongst others, Kardan does not appoint external directors'. Nevertheless, the Corporate Governance code recommends that the majority of the non-executive board members would be independent. In addition, according to the articles of association of Kardan, certain decisions are to be taken according to a special approval procedure which requires, amongst others, the approval of the independent directors (as defined in the articles of association and the corporate governance code) present at the meeting.

As of June 30, 2019 and to date, four out of seven non-executive board members are independent (Mr. Peter Sheldon, Mr. Cor van der Bos, Mrs. Cecile Tall, and Mr. Ferry Houterman).

For further information regarding the Corporate Governance Code refer to Section 14 of part A of this 2018 Israeli Annual Report.

Additional information

7. Fair Value Disclosure

Galleria Dalian shopping mall – China, Dalian

Identification of the property subject of the valuation	Shopping mall in Dalian, China, having net leasable area of 64,834 sqm.
Date of the valuation	31.12.2018
External valuer	Savills
Value of the property in the financial statements as of the date of the valuation and as of 31.12.2018	€ 213.6 million
Value of the property in the financial statements as of 31.6.2019	€214.4 million
Details regarding the valuator	Savills Real Estate Valuation (Beijing) Limited. ("Savills") The valuation was performed by Mr. James Woo who serves as a director in Savills. According to the valuator's declaration, Mr. James Woo is a member of the Royal Institution of Chartered Surveyors, has 25 years of experience in the valuation field and holds the knowledge, skills and understanding of valuations of similar assets. In addition, according to the appraiser's declaration, there is no dependency between him and KLD, KLC or the Company.
Key parameters used in the valuation	• Capitalization rate – 6.5% • Growth rate: 1-6 (y) 10%-15% 7-8 (y) 8% 9-10 (y) 5% • Terminal value – 63% (€134.3 million) • Discount rate: 10.5% • Terminal capitalization rate: 5.25% • Rent per sqm/month – 95-270 RMB • Price per sqm for comparison approach – 16,000 RMB • Number of comparable assets: 3
Valuation Method	The average of Direct Comparison Approach and DCF methods

Further to Note 7 to the 2018 financial statements, as of June 30, 2019 no full external valuation was prepared for the Company's investment property. According to a desktop review received from the external appraiser, there were no material changes to the market conditions and in the significant assumptions used in the valuation as of December 31, 2018 and therefore no material change to the investment property value as of December 31, 2018, apart from adjustments of €0.1 million to certain parameters in order to reflect changes as at June 30, 2019.

In addition, the value of the investment property as at June 30, 2019 slightly increased by approximately €0.8 million compared to December 31, 2018, due to the change in exchange rate of the EUR vs. RMB since its value is denominated and valuated in the local currency (RMB). For additional information also refer to section 2 of the chapter "Significant Events and Developments".

8. 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, 2019 and December 31, 2018 (amounts in EUR millions):

Holding Company	Name of subsidiary	Share in subsidiary	Consolidated equity	Shareholders consolidated equity	Adjustments of Kardan NV	Book Value in Kardan NV 30.6.19	Shareholders Loans (*)	Total Investment in books 30.6.19	Total Investment in books 31.12.18
Kardan NV	GTC RE	100%	192.5	192.5	8.5	201.0	(10.5)	190.5	193.7
	KFS	100%	15.3	15.3	-	15.3	(12.7)	2.6	22.0
	TGI	98.43%	27.6	28.7	0.5	29.2	-	29.2	40.9
	Emerging Investments XII	100%	67.8	67.8	-	67.8	-	67.8	65.2

Holding Company	Name of subsidiary	Share in subsidiary	Consolidated equity	Shareholders consoledated equity	Adjustments of GTC RE	Book value in TGI 30.6.19	Shareholders Loans	Total Investment in books 30.6.19	Total Investment in books 31.12.18
GTC RE Holding	Kardan Land China	100%	215.8	215.8	0.9	216.7	(34.2)	182.5	186.5

Holding Company	Name of subsidiary	Share in subsidiary	Consolidated equity	Shareholders consoledated equity	Adjustments of TGI	Book value in TGI books 30.6.19	Loans granted by TGI	Total Investment in books 30.6.19	Total Investment in books 31.12.18
TGI	Tahal Group Assets B.V.	100%	6.3	6.4	-	6.4	(2.8)	3.6	5.1
	Tahal Group B.V.	100%	28.4	30.3	-	30.3	(0.8)	29.5	39.8

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

(**) GTC RE held NIS 26,666,667 par value debentures (Series A) of the Company having a liability value of €9.3 million.

(***) Emerging Investment XII held the following Kardan N.V Debentures as of June 30, 2019:

	Nominal Value In NIS	Liability Value including accrued interest In EUR millions
Series A	109,839,448	38.3
Series B	120,381,450	39.2

9. Information to the Debenture Holders

The following are details regarding the marketable debentures of Kardan NV as of June 30, 2019:

	Debenture series A	Debenture series B
Issuance date	20.2.2007, 13.8.2007, 16.2.2008	16.2.2008
Par value of issued debentures	EUR 293.0 million (NIS 1,190,000,000)	EUR 328.4 million (NIS 1,333,967,977)
Linkage basis	Principal and interest linked to Israeli CPI (CPI of January 2007)	Principal and interest linked to Israeli CPI (CPI of December 2006)
Par value of debentures as of December 31, 2018	EUR 73.2 million (NIS 297,500,000 par value)	EUR 223.2 million (NIS 906,723,369 par value)
Debentures held by subsidiaries	NIS 136,506,115 par value	NIS 114,555,769 par value
Interest rate (per annum)	6.325%	6.775%
Principal repayment	Two installments one in February 2017 and the second in February 2018.	Four installments from February 2017 to February 2020.
Interest payment dates	3 annual installments on 25 February in the years 2016 - 2018	5 annual installments on 1 February in the years 2016-2020
Total debt up to the date of the balance sheet (including interest and Israeli CPI linkage) (*)	EUR 56.1 million	EUR 271.4 million
Market capitalization as of June 30, 2019(*)	EUR 7.8 million	EUR 50.8 million
The trustee	Almagor Brightman Trusts Ltd. Mrs. Iris Shlevin Tel.: 03-6085492 1 Azrieli Center, Tel-Aviv	Hermetic Trust (1975) Ltd. Mr. Dan Avnon, Adv. Tel.: 03-5544553 30 Sheshet Hayamim St, Bnei-Braq
Rated by	S&P Maalot	S&P Maalot
Rating at the time of issuance	AA - (February 2007)	AA - (February 2007)
Updated rating	D (July 2018)	D (July 2018)
Right of early repayment	In accordance with the amended deeds of trust, the Company is eligible to announce on a partial or full early repayment throughout the entire term of the debentures. Such early repayment will be carried out without any compensation and in accordance to the full liability value of the debentures.	
Pledged Assets	• According to the Deeds of Trust, the Company established and registered primary, exclusive pledges with no limitations of amounts over all of the Group's interests in GTC RE, KFS, TGI, EMERGING and KLC (the 'Pledged Subsidiaries'), including all benefits which will emanate from these interests and all the rights of the Group in loans granted to the Pledged Subsidiaries. • A primary exclusive pledge with no limitation of amounts over all the rights of EMERGING for the repayments of loans it has granted to any of the corporations in Kardan Group. • A primary exclusive pledges with no limitations of amounts over the bank accounts of the Company. • Pledge on all the Company's debentures held by the Group. In addition, there is commitment for certain negative pledges.	
Guarantee to secure the obligations of Kardan NV	A limited guarantee in the amount of EUR 100 million by Kardan Land China.	

(*) Net of debentures which are held by subsidiaries;

The Debentures (Series A and B) are material to the Company. As June 30, 2019 the Company does not meet the financial covenants it has committed towards. In addition, in February 2018 and February 2019 the Company did not make the scheduled repayments. Accordingly, as of the date of this report, the debenture holders have the right to call the debentures for immediate repayment. For additional information regarding the terms of the debentures and the related restrictions apply to the Company, see Section 12.2.3 in the 2018 Israeli Annual Report.

<u>Below are details of the meetings of the debenture holders convened during the reporting period and additional notices published by the Company on behalf of the trustee for the Debentures (Series A and B):</u>

- For details regarding the convening of a voting meeting of the Debenture Holders (series B), on which agenda is choosing the number of delegates to serve on the Board of Directors. Refer to the summon of a meeting issued by the Trustee of Debenture Holders (series B) on May 29, June 3 and June 6, 2019.

- For details regarding the results of a voting meeting of the Debenture Holders (series B), on which agenda is choosing the number of delegates to serve on the Board of Directors and their identity. Refer to the meeting results issued by the Trustee of Debenture Holders (series B) on June 12, 2019.

- For information regarding the announcement issued by the Trustee of Debenture Holders series B regarding the postponement of the payment dates of the Debentures Series B, refer to the announcement issued on June 18, 2019.

- For details regarding the convening of a voting meeting of Debenture Holders (series B) on which agenda the postponement of the final repayment date (principal and interest) to the debenture series B, refer to meeting summon published by the trustee of Debenture Holders Series B on June 18, 2019.

- For details regarding the results of a voting meeting of Debenture Holders (series B) on which agenda the postponement of the final repayment date (principal and interest) to the debenture series B, refer to meeting results published by the trustee of Debenture Holders Series B on June 24, 2019.

- For details regarding the annual report of the trustee of Debenture Holders (series B), refer to report published by the trustee of Debenture Holders Series B on June 27, 2019.

- For details regarding the annual report of the trustee of Debenture Holders (series A), refer to report published by the trustee of Debenture Holders Series A on June 30, 2019.

- For details regarding the announcement issued by the Trustee of Debenture Holders (series A and series B) regarding the rating obligations of the debentures, refer to the announcement issued on June 30, 2019.

- For details regarding the announcement of the credit rating company Standard & Poor’s - Ma’alot regarding the cessation of rating of the Company’s Debentures (series A and series B) at the Company’s request, until a debt settlement is reached, refer to the announcement issued on July 10, 2019.

- For details regarding the convening of a voting meeting of the Debenture Holders (series B), on which agenda is the appointment of an advisor to the Company’s management regarding the sale of the Company’s holdings in TGI, refer to the announcement issued by the Trustee of Debenture Holders (series B) on July 15,17,18 and 21, 2019.

- For details regarding the convening of a voting meeting of the Debenture Holders (series A), on which agenda is the appointment of an advisor to the Company’s management regarding the sale of the Company’s holdings in TGI, refer to the announcement issued by the Trustee of Debenture Holders (series A) on July 16,18 and 21, 2019.

- For details regarding the announcement of the trustee of Debenture Holders (series B) regarding the postponement of the final repayment date (principal and interest) to the debenture series B, refer to announcement issued by the trustee of Debenture Holders Series B on July 24, 2019.

- For details regarding the results of a voting meeting of the Debenture Holders (series B), on which agenda is the appointment of an advisor to the Company’s management regarding the sale of the Company’s holdings in TGI, refer to the announcement issued by the Trustee of Debenture Holders (series B) on July 25, 2019.

- For details regarding the results of a voting meeting of the Debenture Holders (series A), on which agenda is the appointment of an advisor to the Company’s management regarding the sale of the Company’s holdings in TGI, refer to the announcement issued by the Trustee of Debenture Holders (series A) on July 25, 2019.

- For details regarding the convening of a meeting of Debenture Holders (series A and series B) of the Company, on which agenda is an update on the financial position of the Company, an update regarding the negotiations between the Company and the debenture holders, and an update on the request of the trustee to debenture holders A to terminate its role and transfer the trustee responsibilities to the trustee to debenture holders B, refer to the announcements issued by the trustees on August 21, 2019 and August 25, 2019.

Below are details regarding the rating of the debentures:

Rating date	Rate
8.2.2018	D
18.1.2018	ilCC
3.10.2017	ilCCC
3.7.2017	ilB
4.8.2017	ilB
13.7.2015	ilB

Date of signature: August 28, 2019

Peter Sheldon	Chairman of the Board
Ariel Hasson	CEO and Director

DISCLAIMER

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

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

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

For this matter, the Management consists of:

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

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

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

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

In the quarterly report on the effectiveness of the internal control over financial reporting and disclosure, which is attached to the Israeli periodic report for the period ended June 30, 2019 (hereinafter – the "latest interim report on internal control"), the internal control is effective.

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

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

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

I, A. Hasson, certify that:

1. I have reviewed the periodic report of Kardan NV ("the corporation") for the second quarter of 2019 ("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 28, 2019

____

A. Hasson – CEO and Director

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

I, E.Oz-Gabber, certify that:

1. I have reviewed the financial statements and other financial information which is included in the report of Kardan NV ("the corporation") for the second quarter of 2019 ("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 28, 2019

____

E.Oz-Gabber, CFO

Kardan N.V.
(the "Company")
Significant events and developments
Filings pursuant to Israeli Law

In accordance with Regulation 39 (a) of the Israeli Securities Regulations (Periodic and Immediate Reports) - 1970, below is a description of all events and significant updates in respect to the matters described in the 2018 annual financial statements published by the Company on March 28, 2019 ('the Annual Report').

For details regarding the material events that occurred in Q2 2019 up to May 28, 2019, reference is made to Q1 report.

Real Estate

1. Detailed below is information regarding the most significant projects in the real estate development segment:

Europark Dalian

Data per 100%, Kardan Land China share – 100%		**Q2 - 2019**	**Q1 - 2019**	**2018**
Invested costs	Cumulative costs for land at the end of the period	74.51	77.04	74.23
	Cumulative costs for development, taxes, and fees	3.2	3.31	3.19
	Cumulative costs for construction	124.84	124.23	118.5
	Cumulative costs in respect of financing (capitalized)	13.01	12.58	11.38
	Total cumulative cost	215.56	217.17	207.29
	Total cumulative carrying costs	215.56	217.17	207.29
Costs yet to be invested and completion rate	Costs in respect of land not yet invested (estimate)	1.38	1.42	1.37
	Development costs, taxes and fees not yet invested (estimated)	-	-	-
	Costs for construction not yet invested (estimated)	22.30	27.89	28.07
	Cumulative costs in respect of financing expected to be capitalized in the future (estimate)	0.10	0.98	1.69
	Total costs remaining for completion	23.78	30.29	31.13
	Completion rate (excluding land) (%)	86%	83%	82%
	Expected construction completion date	2020	2020	2020

		Q2 - 2019	**Q1 - 2019**	**2018**
Agreements signed during the current period (not including apartment purchase orders)	Housing units (#)	11	11	109
	Housing units (sqm)	2,000	1,186	12,258
Average price per m^2 in agreements signed during the current period	Housing units	2,430	2,562	2,600
Cumulative agreements up to the end of the period:	Housing units (#)	885	874	863
	Housing units (sqm)	87,417	85,416	84,230
Cumulative average price per m^2 in agreements signed up to the end of the period (in euro)	Housing units	2,381	2,461	2,370
Marketing percentage of the project	Total expected income from the entire project (in millions of euros)	284	294	283
	Total cumulative expected income from signed agreements (EUR millions)	206	210	200
	Marketing rate as of the last day of the period (%)	73%	72%	70%
Areas for which no agreement has been signed:	Housing units (#)	206	217	228
	Housing units (sqm)	22,025	24,025	25,211
Total cumulative cost (remaining inventory) attributed to areas no binding agreements were signed for in the report of the financial situation (in millions of euros)		45	46	45
Exchange rate for this table		7.8170	7.5607	7.8473
*** ***				
Number of agreements signed from the end of the period to the report date (#) / m2	Residential	18	2	
Average price per m2 in agreements signed between the end of the period and the date of the report (EURO)	Residential	2,922	2,717	

Suzy

Data per 100%, Kardan Land China share – 50%		Q2 - 2019	Q1 - 2019	2018
Invested costs	Cumulative costs for land at the end of the period	29	29	26
	Cumulative costs for development, taxes, and fees	7	7	6
	Cumulative costs for construction	15	14	14
	Cumulative costs in respect of financing (capitalized)	-	-	-
	Total cumulative cost	51	50	46
	Total cumulative carrying costs	51	50	46
Costs yet to be invested and completion rate	Costs in respect of land not yet invested (estimate)	3	3	4
	Development costs, taxes and fees not yet invested (estimated)	29	29	29
	Costs for construction not yet invested(estimated)	82	83	80
	Cumulative costs in respect of financing expected to be capitalized in the future (estimate)	-	-	-
	Total costs remaining for completion	114	115	113
	Completion rate (excluding land) (%)	16.5%	16%	15%
	Expected construction completion date	Q4, 2023	Q4, 2023	Q4, 2023

		Q2 - 2019	Q1 - 2019	2018
Agreements signed during the current period	Housing units (#)	85	18	**231**
	Housing units (sqm)	7,791	1,675	**17,578**
	Commercial areas (sqm)	-	-	-
Average price per m^2 in agreements signed during the current period	Housing units	842	879	743
	Commercial areas	-	-	-
Cumulative agreements up to the end of the period:	Housing units (#)	652	567	549
	Housing units (sqm)	50,696	42,905	41,230
	Commercial areas (sqm)	-	-	-
Cumulative average price per m^2 in agreements signed up to the end of the period (in euro)	Housing units	722	724	691
	Commercial areas	-	-	-
Marketing percentage of the period	Total expected income from the entire project (in commercial currency)	278	287	276
	Total cumulative expected income from signed agreements (EUR millions)	37	31	28
	Marketing rate as of the last day of the period (%)	13%	11%	10%
Areas for which no agreement has been signed:	Housing units (#)	2,269	2,354	2,372
	Housing units (sqm)	212,314	220,105	221,779
	Commercial areas (sqm)	35,783	35,783	35,783
Total cumulative cost (remaining inventory) attributed to areas no binding agreements were signed for in the report of the financial situation (in millions of euros)		14.25	16.4	15.1
	*** ***			
Number of agreements signed from the end of the period to the report date (#) / m^2	Residential	24	28	
	Commercial	-	-	
Average price per m^2 in agreements signed between the end of the period and the date of the report (EURO)	Residential	820	884	
	Commercial	-	-	

Olympic Garden

Data per 100%, Kardan Land China share – 50%		Q2 - 2019	Q1 - 2019	2018
Invested costs	Cumulative costs for land at the end of the period	50	50	48
	Cumulative costs for development, taxes, and fees	84	83	80
	Cumulative costs for construction	263	261	250
	Cumulative costs in respect of financing (capitalized)	5	5	5
	Total cumulative cost	403	400	383
	Total cumulative carrying costs	403	400	383
Costs yet to be invested and completion rate	Costs in respect of land not yet invested (estimate)	-	-	-
	Development costs, taxes and fees not yet invested (estimated)	19	21	20
	Costs for construction not yet invested(estimated)	7	12	13
	Cumulative costs in respect of financing expected to be capitalized in the future (estimate)	5	5	5
	Total costs remaining for completion	31	38	39
	Completion rate (excluding land) (%)	92%	90%	90%
	Expected construction completion date	2020	2020	2019

		Q2 - 2019	Q1 - 2019	2018
Agreements signed during the current period	Housing units (#)	44	15	286
	Housing units (sqm)	4,167	1,267	25,783
	Commercial areas (sqm)	-	616	474
Average price per m^2 in agreements signed during the current period	Housing units	1,608	1,674	1,467
	Commercial areas	-	4,051	3,508
Cumulative agreements up to the end of the period:	Housing units (#)	9,449	9,405	9,390
	Housing units (sqm)	857,983	853,816	852549
	Commercial areas (sqm)	14,283	14,283	13,667
Cumulative average price per m^2 in agreements signed up to the end of the period (in euro)	Housing units	640	663	637
	Commercial areas	2,155	2,306	2,146
Marketing percentage of the period	Total expected income from the entire project (in commercial currency)	648.83	670.82	646.32
	Total cumulative expected income from signed agreements (EUR millions)	607.24	620.00	592.43
	Marketing rate as of the last day of the period (%)	94%	92%	92%
Areas for which no agreement has been signed:	Housing units (#)	321	365	380
	Housing units (sqm)	29,521	33,688	34,955
	Commercial areas (sqm)	4,023	4,023	4,639
*** ***				
Number of agreements signed from the end of the period to the report date (#) / m^2	Residential (#)	21	-	
	Commercial (sqm)	196	-	
Average price per m^2 in agreements signed between the end of the period and the date of the report (EURO)	Residential	1,666	-	
	Commercial	2,810	-	

City Dream

Data per 100%, Kardan Land China share – 50%		Q2 - 2019	Q1 - 2019	2018
Invested costs	Cumulative costs for land at the end of the period	60	60	60
	Cumulative costs for development, taxes, and fees	53	52	51
	Cumulative costs for construction	166	163	159
	Cumulative costs in respect of financing (capitalized)	5	5	5
	Total cumulative cost	285	281	275
	Total cumulative carrying costs	285	281	275
Costs yet to be invested and completion rate	Costs in respect of land not yet invested (estimate)	7	7	7
	Development costs, taxes and fees not yet invested (estimated)	14	16	17
	Costs for construction not yet invested(estimated)	3	6	9
	Cumulative costs in respect of financing expected to be capitalized in the future (estimate)	5	5	5
	Total costs remaining for completion	29	33	38
	Completion rate (excluding land) (%)	91%	89%	88%
	Expected construction completion date	2020	2020	2020

		Q2 - 2019	Q1 - 2019	2018
Agreements signed during the current period	Housing units (#)	106	8	181
	Housing units (sqm)	11,924	1,151	20,391
	Commercial areas (sqm)	340	-	1,826
Average price per m^2 in agreements signed during the current period	Housing units	1,618	1,654	1,452
	Commercial areas	1,182	-	1,610
Cumulative agreements up to the end of the period:	Housing units (#)	4,234	4,128	4,120
	Housing units (sqm)	460,280	448,356	447,205
	Commercial areas (sqm)	31,066	30,726	30,726
Cumulative average price per m^2 in agreements signed up to the end of the period (in euro)	Housing units	780	783	752
	Commercial areas	1,329	1,376	1,326
Marketing percentage of the period	Total expected income from the entire project (in commercial currency)	451	466	449
	Total cumulative expected income from signed agreements (EUR millions)	391	384	368
	Marketing rate as of the last day of the period (%)	87%	82%	82%
Areas for which no agreement has been signed:	Housing units (#)	243	349	357
	Housing units (sqm)	21,405	33,329	34,480
	Commercial areas (sqm)	15,905	16,245	16,245
*** ***				
Number of agreements signed from the end of the period to the report date (#) / m^2	Residential (#)	3	-	
	Commercial (sqm)	97	-	
Average price per m^2 in agreements signed between the end of the period and the date of the report (EURO)	Residential	1,574	-	
	Commercial	1,653	-	

2. Detailed below is information regarding the projects which are not the most significant in the real estate development segment:

Project Name			Q2 - 2019	Q1 - 2019	2018
Palm Garden	Agreements signed during the current period	Housing units (#)	-	-	-
		Housing units (sqm)	-	-	-
		Commercial areas (sqm)	-	-	-
	Average price per m^2 in agreements signed during the current period	Housing units	-	-	-
		Commercial areas	-	-	-

Shopping mall – Galleria Dalian (Dalian, China)

(Data according to 100%; Kardan N.V. indirect share in the property: 100%)	**Q2 2019**	**Q1 2019**	**Year 2018**
Fair value at the end of the period (€ in millions) (*)	214.41	221.67	213.6
NOI (€ in millions)	0.73	0.49	(0.95)
Valuation losses for the period (€ in millions)	(0.11)	-	(8.6)
Average occupancy rate in the period	89.3%	88.9%	87.4%
Average rental rate per sqm. (in €) (**)	13.27	13.15	9.91
Part of the area for which rental agreements or letters of intent were signed during the period, net (%) (***)	3.3%	7.1%	27.4%
Part of the area for which rental agreements or letters of intent were signed accumulated (%)	89.1%	90.6%	84.5%
Average monthly rent per sqm in contracts signed during the Period, gross (per month) (€) (***) (****)	16.09	7.47	11.08

(*) The asset functional currency is the RMB. The changes compared to the year 2018 are mainly due to the increase in the exchange rate of the RMB versus the Euro.
(**) Average rental rate per sqm includes leased areas (mainly anchor tenants with turnover based contracts), in respect of which rental income was not yet recognized.
(***) During Q1 2019, an agreement for the lease of an area, which constitutes approximately 5% of the total net area of the shopping mall was signed with a supermarket chain.
(****) Represents basic rent only, however, the rental agreements also include a turnover element.

Financing

3. The following are updates concerning the material credit agreements of the Company and its subsidiaries:

Name of the Loan and the section in the Annual Report which refers to the loan	***Update information***	***Calculation of financial covenants***
Debentures series A section 12.1.2 (1) to the Annual Report	-	See section 12.1.2 to the Annual Report. The coverage ratio of Kardan NV according to the financial statements as of 30.6.2019 is 68.1%; the coverage ratio of Kardan Land China according to the financial statements as of 30.6.2019 is 264%.
Debentures series B section 12.1.2 (2) to the Annual Report		
Credit facility amounting up to RMB 900 million (approximately €115 million at the date of the singing) taken by Kardan Land Dalian Ltd, section 7.6.8.6 to the Annual Report During the third quarter of 2018, the Company repaid an early repayment of RMB 129 million of the balance of the loan. As at the date of the report, the balance of the loan (after repayment) is approximately RMB 771 million (approximately €102 million).	-	See section 7.6.8.6 to the Annual Report. (1) The ratio between the balance of the loan, net of the cash balances and the value of the pledged properties is 32% (i.e. lower than 50%) (2) As of the report date, KLC signed guarantees at a total sum of 102 million euros, constituting 46% of its equity (i.e. lower than its shareholders equity. (3) There was no material adverse change in the value of the shares of the Project Company, which affected the ability to repay the loan (4) As of the report date, KLD met the milestone set forth in the loan agreement in connection with construction progress

Calculation of financial covenants in relation to material credit agreements as described in section 8.18.7.1 and 8.18.7.2 to the Annual Report:

(a) (1) TCE's total tangible equity (as defined in one of the banks' letter of undertaking) shall not be less than USD 25 million (as of 30.6.2019, the amount is USD 32 million); (2) TCE's total tangible equity (as defined in one of the banks' letter of undertaking) of the total tangible consolidated balance sheet will be no less than 14% (as of 30.6.2019 - 15%); (3) The EBITDA total (as defined in one of the banks' letter of undertaking) will be no less than USD 8 million for a period of 12 months (as of 30.6.2019 - the EBITDA total is USD 6.6 million - the bank has granted a waiver); (4) the ratio between the total amount of loans taken by Tahal Group from banks, financial institutions and Debenture holders (not including loans affiliated to the Quiminha Project the principle of which does not exceed EUR 30 million), with the addition of bank guarantees provided to TCE and Tahal Group, will not exceed 50% of the Tahal Group assets, where for tax calculation purposes, the total of bank guarantees that are not financial collateral (as such is defined in the letters of undertaking), will be calculated as 25% from the fixed total of these bank guarantees (as of 30.6.2019 - the ratio is 40%); (5) the ratio between: the total amount of loans with the addition of bank guarantees, less cash and cash equity and less the short term investments by TCE and the total amount of TCE's tangible equity (as defined in one of the banks' letter of undertaking), will not exceed 3 (as of 30.6.2019, the ratio is 5.85; the bank has granted a waiver); (6) the ratio between customer receivables and total revenue for a period of 12 months will not exceed 60% (as of 30.6.2019, the ratio is 52.3%). (7) TCE's total tangible equity (as defined in one of the banks' letter of undertaking) shall not be less than USD 45 million (as of 30.6.2019, the amount is USD 61.8 million). (8) TCE's total tangible equity (as defined in one of the banks' letter of undertaking) of the total tangible consolidated balance sheet will be no less than 28%, with an option of a 5% deviation in the terms of the letter of undertaking, i.e. - up to 26.6%, without the need for a waiver (as of 30.6.2019, the ratio is 24.5%; the bank has granted a waiver); (9) The EBITDA total in TCE (as defined in one of the banks' letter of undertaking) will be no less than USD 5 million for a period of 12 months (as of 30.6.2019 - the EBITDA total is USD 7.6 million);

(b) (1) The total equity of Tahal International (as defined in one of the banks' letter of undertaking: not including balances with related parties and intangible assets, including goodwill) according to the consolidated statements thereof, will not be less than EUR 35 million (as of 30.6.2019 - a total of EUR 16.6 million; the bank has granted a waiver); (2) the total equity of Tahal International out of total assets shall be no less than 18% (as of 30.6.2019 - the ratio is 8% - the bank has granted a waiver); (3) the ratio between Tahal International's debt to banks, financial institutions and holders of debentures plus the maximum amount of Tahal International's bank guarantees and its tangible assets will not exceed 4 (as of 30.06.2019 - the ratio is 10.3 - the bank has granted a waiver); (4) Total amount of Tahal Group's shareholders' equity (including shareholders' loans) as per its consolidated financial statements will not be less than EUR 25 million (as of 30.6.2019 - the amount is EUR 30.3 million); (5) Tahal Group's EBITDA (as defined in the letter of undertaking) for the 12-month period as per its consolidated financial statements will not be less than EUR 7 million (as of 30.6.2019 - the amount is EUR 0.6 million);(6) The ratio between Tahal Group's total debt and its EBITDA will not exceed 3.25 (as of 30.6.2019 – the ratio is 4.62; the bank has granted a waiver); (7) The total equity of Tahal International (including shareholder loans) according to the consolidated statements thereof, will not be less than EUR 40 million (as of 30.6.2019 - a total of EUR 28.8 million; the bank has granted a waiver);

KARDAN N.V.
AMSTERDAM, THE NETHERLANDS

Condensed Interim Consolidated Financial Statements (unaudited)
June 30, 2019

CONTENTS

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

A s s e t s

	Note	June 30, 2019	June 30, 2018	December 31, 2018
		Unaudited		Audited
		In €'000		
Non-current assets				
Deferred tax assets		314	473	313
Tangible fixed assets, net		694	617	748
Investment property		214,405	223,355	213,577
Investments in joint ventures	7	43,653	51,425	23,114
Loans to joint ventures	7	-	23,153	14,859
Long-term loans and receivables		3,240	4,880	3,878
		262,306	303,903	256,489
Current assets				
Apartments inventory		68,509	62,528	64,734
Trade receivables		7,289	11,162	7,416
Current tax assets		2,574	483	2,452
Other receivables and prepayments		5,208	3,995	3,515
Short-term investments		5,158	27,524	17,427
Cash and cash equivalents		30,663	39,736	51,949
		119,401	145,428	147,493
Assets held for sale	8	220,103	197,238	240,909
Total current assets		339,504	342,666	388,402
Total assets		601,810	646,569	644,891

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

Equity and liabilities

	Note	June 30, 2019	June 30, 2018	December 31, 2018
		Unaudited		Audited
		In €'000		
Equity (deficit) attributable to equity holders of the parent company				
Issued and paid-in capital	5	25,276	25,276	25,276
Share premium		206,482	206,482	206,482
Foreign currency translation reserve		(12,512)	(3,373)	(12,049)
Property revaluation reserve		25,095	30,058	25,179
Revaluation reserve, other		4,645	5,200	4,837
Accumulated deficit		(355,713)	(289,432)	(309,222)
		(106,727)	(25,789)	(59,497)
Non-controlling interests		2,918	2,788	5,740
Total equity (deficit)		(103,809)	(23,001)	(53,757)
Non-current liabilities				
Interest-bearing loans and borrowings		87,598	104,496	87,287
Other long-term liabilities		1,013	1,055	1,033
Financial instruments		-	672	-
Deferred tax liabilities		4,947	5,958	4,955
		93,558	112,181	93,275
Current liabilities				
Trade payables		4,311	691	3,159
Current maturities of debentures	2	288,859	286,433	282,703
Interest-bearing loans and borrowings		11,124	2,535	13,510
Current tax liabilities		1,461	1,395	1,185
Financial instruments		730	-	678
Advances from apartment buyers		36,320	27,272	32,509
Other payables and accrued expenses		78,927	87,944	87,301
		421,732	406,270	421,045
Liabilities associated with assets held for sale	8	190,329	151,119	184,328
Total current liabilities		612,061	557,389	605,373
Total liabilities		705,619	669,570	698,648
Total equity and liabilities		601,810	646,569	644,891

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,
		2019	2018	**2019**	2018	2018
		Unaudited				Audited
		In €'000				
Revenues from sale of apartments		4,563	65,391	3,448	3,764	72,711
Revenues from rental operations		4,304	2,742	2,213	1,473	5,824
Management fees and other revenues		399	475	198	295	923
Total revenues		9,266	68,608	5,859	5,532	79,458
Cost of apartment sold		4,195	63,776	3,184	3,392	69,002
Cost of rental operations		1,881	1,787	885	863	3,738
Management fees and other expenses, net		-	519	(10)	433	224
Total expenses		6,076	66,082	4,059	4,688	72,964
Gross profit		3,190	2,526	1,800	844	6,494
Selling and marketing expenses		1,184	2,176	700	1,149	4,083
General and administration expenses		4,172	3,999	1,925	1,519	8,126
Loss from operations before fair value adjustments, disposal of assets and investment and other income		(2,166)	(3,649)	(825)	(1,824)	(5,715)
Adjustment to fair value of investment properties		(112)	(2,105)	(112)	(2,105)	(8,610)
Gain on disposal of assets and other income, net		-	-	-	-	1,507
Loss from fair value adjustments, disposal of assets		(112)	(2,105)	(112)	(2,105)	(7,103)
Loss from operations		(2,278)	(5,754)	(937)	(3,929)	(12,818)
Financial income		984	9,986	858	1,897	11,813
Financial expenses		(40,413)	(17,761)	(16,768)	(16,018)	(35,516)
Total financial income (expenses), net		(39,429)	(7,775)	(15,910)	(14,121)	(23,703)
Profit (loss) before share of profit from investments accounted for using the equity method		(41,707)	(13,529)	(16,847)	(18,050)	(36,521)
Share of profit of investments accounted for using the equity method, net	7	5,631	1,926	2,759	688	1,491
Loss before income taxes		(36,076)	(11,603)	(14,088)	(17,362)	(35,030)
Income tax expenses (benefit)		113	1,252	46	(375)	(605)
Loss for the period from continuing operations		(36,189)	(12,855)	(14,134)	(16,987)	(34,425)
Net profit (loss) from discontinued operations	8	(12,526)	3,513	(11,310)	2,877	(311)
Net loss for the period		(48,715)	(9,342)	(25,444)	(14,110)	(34,736)
Attributable to:						
Equity holders		(46,575)	(11,074)	(23,070)	(15,343)	(36,775)
Non-controlling interest holders		(2,140)	1,732	(2,374)	1,233	2,039
		(48,715)	(9,342)	(25,444)	(14,110)	(34,736)
Earnings (loss) per share attributable to						
Basic and diluted from continuing operations		(0.29)	(0.10)	(0.11)	(0.13)	(0.27)
Basic and diluted from discontinued operations		(0.10)	0.02	(0.09)	0.02	-
		(0.39)	(0.08)	(0.20)	(0.11)	(0.27)

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,
	2019	2018	**2019**	2018	2018
	Unaudited				Audited
	In €'000				
Net loss for the period	(48,715)	(9,342)	(25,444)	(14,110)	(34,736)
Foreign currency translation differences	(1,288)	(7,772)	(6,894)	103	(15,014)
Change in hedge reserve, net of tax (1)	(192)	(388)	(78)	(180)	(751)
Share of other comprehensive income (expense) of associates and joint ventures accounted for using the equity method	143	1,397	(1,191)	1,469	(1,279)
Other comprehensive expense for the period to be reclassified to profit or loss in subsequent periods	(1,337)	(6,763)	(8,163)	1,392	(17,044)
Total comprehensive expense	(50,052)	(16,105)	(33,607)	(12,718)	(51,780)
Attributable to:					
Equity holders	(47,230)	(14,872)	(30,474)	(13,051)	(49,612)
Non-controlling interests holders	(2,822)	(1,233)	(3,133)	333	(2,168)
	(50,052)	(16,105)	(33,607)	(12,718)	(51,780)

(1) Mainly relates to unwinding of hedge transactions in prior periods. The amounts are presented net of tax amounting to €64 thousand and €129 thousand for the six months ended June 30 , 2019 and June 30, 2018, respectively, €26 thousands and €60 thousands for the three months ended June 30, 2019 and 2018, respectively, and €250 thousand for the year ended December 31, 2018.

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

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent								
	Issued and paid-in capital	Share premium	Foreign currency translation reserve (*)	Property revaluation reserve (*)	Revaluation reserve, other (*)	Accumulated deficit	Total	Non-controlling interest holders	Total Equity
	In €'000								
Balance as of January 1, 2019 (Audited)	25,276	206,482	(12,049)	25,179	4,837	(309,222)	(59,497)	5,740	(53,757)
Other comprehensive expense	-	-	(463)	-	(192)	-	(655)	(682)	(1,337)
Profit (loss) for the period	-	-	-	-	-	(46,575)	(46,575)	(2,140)	(48,715)
Total comprehensive expense	-	-	(463)	-	(192)	(46,575)	(47,230)	(2,822)	(50,052)
Reclassification according to the Netherlands civil code requirements (*)	-	-	-	(84)	-	84	-	-	-
Balance as of June 30, 2019 (Unaudited)	25,276	206,482	(12,512)	25,095	4,645	(355,713)	(106,727)	2,918	(103,809)

(*) In accordance with the Dutch civil code, 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 (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 (*)	Accumulated deficit	Total	Non-controlling interest	Total equity
	In €'000								
Balance as of January 1, 2018 (Audited)	25,276	206,482	37	31,637	5,586	(273,386)	(4,368)	3,542	(826)
Adjustments on adoption of IFRS 15	-	-	-	-	-	688	688	-	688
Adjustments on adoption of IFRS 9	-	-	-	-	-	(7,246)	(7,246)	-	(7,246)
Balance as of January 1, 2018 (after adjustments on the adoption of IFRS 15 and IFRS 9)	25,276	206,482	37	31,637	5,586	(279,944)	(10,926)	3,542	(7,384)
Other comprehensive expense	-	-	(3,410)	-	(388)	-	(3,798)	(2,965)	(6,763)
Profit (loss) for the period	-	-	-	-	-	(11,074)	(11,074)	1,732	(9,342)
Total comprehensive expense	-	-	(3,410)	-	(388)	(11,074)	(14,872)	(1,233)	(16,105)
Transaction with non controlling interest holders	-	-	-	-	-	7	7	-	7
Share-based payment	-	-	-	-	2	-	2	479	481
Reclassification according to the Netherlands civil code requirements (*)	-	-	-	(1,579)	-	1,579	-	-	-
Balance as of June 30, 2018 (Unaudited)	25,276	206,482	(3,373)	30,058	5,200	(289,432)	(25,789)	2,788	(23,001)

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

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

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Attributable to equity holders of the parent							Non-controlling interest holders	Total Equity
	Issued and paid-in capital	Share premium	Foreign currency translation reserve (*)	Property revaluation reserve (*)	Revaluation reserve, other (*)	Accumulated deficit	Total		
	In €'000								
Balance as of April 1, 2019 (Unaudited)	25,276	206,482	(5,186)	25,179	4,723	(332,727)	(76,253)	6,051	(70,202)
Other comprehensive expense	-	-	(7,326)	-	(78)	-	(7,404)	(759)	(8,163)
Profit (loss) for the period	-	-	-	-	-	(23,070)	(23,070)	(2,374)	(25,444)
Total comprehensive expense	-	-	(7,326)	-	(78)	(23,070)	(30,474)	(3,133)	(33,607)
Reclassification according to the Netherlands civil code requirements (*)	-	-	-	(84)	-	84	-	-	-
Balance as of June 30, 2019 (Unaudited)	25,276	206,482	(12,512)	25,095	4,645	(355,713)	(106,727)	2,918	(103,809)

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

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

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Attributable to equity holders of the parent								
	Issued and paid-in capital	Share premium	Foreign currency translation reserve (*)	Property revaluation reserve (*)	Revaluation reserve, other (*)	Accumulated deficit	Total	Non-controlling interest	Total equity
	In €'000								
Balance as of April 1, 2018 (unaudited)	25,276	206,482	(5,845)	31,637	5,379	(275,668)	(12,739)	2,454	(10,285)
Other comprehensive income (expense)	-	-	2,472	-	(180)	-	2,292	(900)	1,392
Profit (loss) for the period	-	-	-	-	-	(15,343)	(15,343)	1,233	(14,110)
Total comprehensive income (expense)	-	-	2,472	-	(180)	(15,343)	(13,051)	333	(12,718)
Share-based payment	-	-	-	-	1	-	1	1	2
Reclassification according to the Netherlands civil code requirements (*)	-	-	-	(1,579)	-	1,579	-	-	-
Balance as of June 30, 2018 (unaudited)	25,276	206,482	(3,373)	30,058	5,200	(289,432)	(25,789)	2,788	(23,001)

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

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

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Attributable to equity holders of the parent								
	Issued and paid-in capital	Share premium	Foreign currency translation reserve (*)	Property revaluation reserve (*)	Revaluation reserve, other (*)	Accumulated deficit	Total	Non-controlling interest holders	Total Equity
	In €'000								
Balance as of January 1, 2018 (Audited)	25,276	206,482	37	31,637	5,586	(273,386)	(4,368)	3,542	(826)
Adjustment on adoption of IFRS 15	-	-	-	-	-	688	688	-	688
Adjustment on adoption of IFRS 9	-	-	-	-	-	(7,246)	(7,246)	-	(7,246)
Balance as of January 1, 2018 (after adjustments on the adoption of IFRS 15 and IFRS 9)	25,276	206,482	37	31,637	5,586	(279,944)	(10,926)	3,542	(7,384)
Other comprehensive expense	-	-	(12,086)	-	(751)	-	(12,837)	(4,207)	(17,044)
Profit (loss) for the period	-	-	-	-	-	(36,775)	(36,775)	2,039	(34,736)
Total comprehensive expense	-	-	(12,086)	-	(751)	(36,775)	(49,612)	(2,168)	(51,780)
Transactions with non-controlling interest	-	-	-	-	-	1,039	1,039	4,077	5,116
Share-based payment	-	-	-	-	2	-	2	289	291
Reclassification according to the Netherlands civil code requirements, net of tax (*)	-	-	-	(6,458)	-	6,458	-	-	-
Balance as of December 31, 2018 (Audited)	25,276	206,482	(12,049)	25,179	4,837	(309,222)	(59,497)	5,740	(53,757)

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

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

CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT

	Note	For the six months period ended June 30, 2019	For the six months period ended June 30, 2018	For the three months period ended June 30, 2019	For the three months period ended June 30, 2018	For the year ended December 31, 2018
		Unaudited				Audited
		In €'000				
Cash flow from operating						
Profit (loss) from continuing operations before taxes on income		(36,076)	(11,603)	(14,088)	(17,362)	(35,030)
Profit (loss) from discontinued operations before taxes on income		(13,469)	3,816	(11,644)	3,321	1,683
Adjustments to reconcile net loss to net cash (see A below)		2,296	20,423	(13,207)	21,071	58,807
Adjustment on operating activities from discontinued operations		(1,634)	(6,962)	7,551	(5,065)	(22,170)
Net cash provided by (used in) operating activities		**(48,883)**	**5,674**	**(31,388)**	**1,965**	**3,290**
Cash flow from investing activities						
Acquisition of tangible fixed assets and investment properties		(892)	(663)	(101)	(91)	(2,572)
Investments and collection (granting) of loans from (to) companies accounted for using the equity method, net		-	5,797	-	-	14,050
Proceeds from sale of assets and investments in associates and joint ventures	8	12,600	-	-	-	-
Change in short-term investments		10,035	(12,942)	2,728	(867)	(2,911)
Net cash provided by (used in) investing activities from discontinued operation		3,739	(3,256)	3,896	(3,216)	(7,220)
Net cash provided by (used in) investing activities		**25,482**	**(11,064)**	**6,523**	**(4,174)**	**1,347**

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,
	2019	2018	**2019**	2018	2018
	Unaudited				Audited
	In €'000				
Cash flows from financing activities					
Repayment of debentures	(12,221)	-	(12,221)	-	-
Repayment of long-term loans	(2,515)	(13)	(2,797)	(13)	(16,540)
Decrease in pledge deposit	2,549	-	2,549	-	16
Net cash provided in financing activities from discontinued operations	6,048	15,894	2,402	2,426	28,348
Net cash provided by (used in) financing activities	**(6,139)**	**15,881**	**(10,067)**	**2,413**	**11,824**
Increase (decrease) in cash and cash equivalents	**(29,540)**	**10,491**	**(34,932)**	**204**	**16,461**
Cash relating to assets held for sale	5,461	(12,168)	(1,206)	(612)	(4,631)
Foreign exchange differences relating to cash and cash equivalents	2,793	4,273	16	3,818	2,979
Cash and cash equivalents at the beginning of the period	51,949	37,140	66,785	36,327	37,140
Cash and cash equivalents at the end of the period	**30,663**	**39,736**	**30,663**	**39,736**	**51,949**

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,
	2019	2018	**2019**	2018	2018
	Unaudited				Audited
	In €'000				
A. Adjustments to reconcile net profit (loss) to net cash					
Charges / (credits) to profit (loss) not affecting operating cash flows:					
Impairment of joint venture held for sale	-	-	-	-	3,323
Share of profit of companies accounted for using the equity method	(5,631)	(1,926)	(2,759)	(688)	(1,491)
Share-based payment	-	2	-	1	446
Depreciation and amortization	105	106	45	56	262
Fair value adjustments of investment property	112	2,105	112	2,105	8,610
Financial expense (income) and exchange differences, net	(5,827)	7,722	(1,375)	14,103	23,692
Fair value adjustments of derivative financial instruments	-	(196)	-	(274)	(184)
Changes in operating assets and liabilities:					
Change in trade and other receivables	(2,118)	(3,275)	327	(1,312)	(1,486)
Change in inventories, net of advances from customers	58	21,319	108	7,627	24,489
Change in trade and other payables	46,398	2,199	17,812	2,921	4,699
Dividend received	-	-	-	-	12,160
Interest paid	(30,034)	(5,969)	(26,950)	(3,100)	(11,083)
Interest received	225	382	170	263	889
Income taxes paid	(992)	(2,046)	(697)	(631)	(5,519)
	2,296	**20,423**	**(13,207)**	**21,071**	**58,807**

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

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2019

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 and (water) infrastructure projects (discontinued operations, see Note 8), through its subsidiaries, joint ventures and associated companies.

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

These condensed interim consolidated financial statements were approved by the Board of Directors on August 28, 2019.

2. Financial Position and Going Concern

a. As at June 30, 2019 the Company had, on a stand-alone basis and on a consolidated basis, a working capital deficit of €303 million and €273 million, respectively (excluding debentures held by subsidiaries), as a result of the classification of the debentures as short-term liabilities, see detailed below. For the six and three months ended June 30, 2019, the Company recorded a (consolidated and on a stand-alone basis) net loss of €46.6 million and €23.1 million, respectively, and generated negative cash flow from operating activities of €0.1 million and €1.4 million, respectively, on a stand-alone basis, and negative cash flow from operating activities of €48.9 million and €31.3 million, respectively, on a consolidated basis. In addition, as at June 30, 2019 the Company had a deficit of €106.7 million in its equity attributable to equity holders. The Company has not repaid the February 2018 and the February 2019 principal and interest payments to the debenture holders and is in default according to the Deeds of Trust – see b below.

b. On January 11, 2018 the Company announced that it would not be able to complete a transaction for the sale of its holdings in TGI in a manner that would enable the Company to meet the scheduled payments to the debenture holders in February 2018. Further to this announcement, the Company has not repaid the principal and interest payments which were due in February 2018. Consequently, the Company is in default according to the Deed of Trust as of February 2018. Accordingly, from March 31, 2018 and until the repayments are rescheduled, the debentures are presented as current liabilities. Management continues the advanced discussions with the representatives of the Debenture Holders in order to reach an agreement on postponing the payments as part of a new debt settlement, see also d below.
In February 2018, following the announcement that the Company will not make the February 2018 repayments, Maalot, the Israeli subsidiary of Standard & Poor's, has adjusted the rating of the Company and its Debentures Series A and Series B to "D".

c. In January 2019 the Company signed an agreement to sell its investment in its joint venture AVIS Ukraine for a consideration of approximately USD 14.2 million. On March 14, 2019 the transaction was completed and the consideration received.

d. In October 2018, the Company has published the main principles of a debt settlement as negotiated and agreed with debenture holders series B, which include among others, the following: The principal amount of the Debentures and the interest rate will remain unchanged; the final repayment date of the Debentures will be postponed to December 2021, and in parallel the Company will commit to sell assets – and in relation to one asset, according to an agreed upon timetable – and to use the funds received from such disposals for early repayment of Debentures A and B, and other uses according to terms agreed with the representatives of the Debentures. In addition, the Company shall issue to Debenture Holders A and B shares of the Company; the funds to be used for repayment will be used first to make the balance payments (as defined in the existing deeds of trust) to Debenture Holders B, and each subsequent amount will be repaid pro-rata to the two debenture series; each material transaction of the Company and its subsidiaries will be subject to approval of a joint meeting of the debenture holders A and B; a mutual exemption from claims shall be determined at a form to be agreed between the parties.

In April 2019, each of the meetings of debentures A and of debentures B approved the understandings reached by the representatives of both debentures series in relation to the balance payments. Accordingly, it was agreed that up to the date on which debenture holders B will be paid the full amount of the balance payments (approximately NIS 373 million), no payment will be made to debenture holders A. After the balance payments to debentures B are completed a balance payment of NIS 10 million will be paid to debenture holders A; and thereafter, each repayment will be made pro-rata between series A and B. Pursuant to the aforementioned approval, in May 2019, the Company transferred NIS 145 million NIS (approximately €36.5 million) to debenture holders B trustee for the purpose of partial repayment of the balance payment. This partial repayment, which took place on June 3, 2019, includes NIS 95.9 million which were used to pay interest and NIS 49.1 million were used to repay the principal. The sources of payment were the net proceeds received by the Company from the completion of the sale of Avis Ukraine, see c above, together with the cash in the Company's accounts and additional amounts received from subsidiaries.

It is noted that to reach a binding agreement the approval of both debenture holders is needed. Management anticipates that a debt settlement with the debenture holders will be signed in 2019.

e. The Company has been conducting processes with a number of parties for the sale or allocation of its holdings in TGI, in order to meet its liabilities, according to the principles of the debt settlement being formulated with debenture holders (series A and B). Given the current financial standing of TGI, the Board has noted the outmost importance of strengthening the equity of TGI in order to support its operations. With that respect and given the fact that the Company is not able to support such capital increase into TGI, management has been searching for such investment into TGI through partnerships. The Company anticipates that after improvement in the financial performance of TGI subsequent such capital increase and further advancement in various business initiatives, including commencement of large new projects that were reported, it would be feasible to divest the holding in TGI either through direct transaction or through the capital markets. In light of this, on August 20, 2019, subsequent to the balance sheet date, the Company signed a non-binding letter of intent with a third party investor regarding a possible investment transaction in TGI. The envisaged investment will be made in exchange for newly issued shares of TGI that will, upon completion, grant the investor a controlling stake in TGI. The Investor will receive a period of 45 days to complete its due diligence and for signing binding agreements. This period might be shortened to 30 days unless the Investor has informed Kardan that he's moving forward to signing the binding agreements based on the terms of the LOI. It is noted that any such investment is subject to the approval of the debenture holders (series A and B). For details regarding the financial position of TGI, see note 8. In addition, the Company is acting to improve its assets in China; assuming the Company will have sufficient time to continue improving these assets, the Company estimates it will be able to maximize their value

in future sales transactions while making an orderly sale. The Company expects that these actions will strengthen its financial and equity position.
In order to assess the liquidity position of the Company, management prepared a two-year liquidity analysis which indicates the required liquidity to be able to repay interest and principal of the Company's debentures and to finance its operating activities. Included in this analysis are, among others, the current cash balances and the projected cash from future operations and transactions. Management updated the cash flow forecast to reflect the abovementioned investment transaction in TGI.

f. The directors expect that, taking into account the current status of the discussions with the Debenture Holders and the expected terms of the debt settlement, and taking into account the process of realizing the holdings in TGI, and potential future value of the Company's assets in China, the Company has the ability to obtain the required resources for repaying its obligations and continue its business operations in the future. Management believes that a controlled sale of assets is in the best interest of all stakeholders. Accordingly, the directors are of the opinion that it is appropriate to prepare these condensed interim consolidated financial statements on a going concern basis.

However, the directors emphasize that the realization of the Company's plans depends on factors that are not within the Company's control, including the approval of debenture holders to a debt settlement and the investment in TGI, transaction value of the Company's assets, and macroeconomic developments, and therefore there is uncertainty that transactions for the sale of assets as aforesaid, will be completed according to the forecasted consideration and timing or that the discussions with the Debenture Holders will result in rescheduling of payments. These conditions indicate the existence of a material uncertainty which casts significant doubt regarding the Company's ability to continue as a going concern and therefore it may be unable to realize its assets in order to repay its liabilities in the normal course of business.

The financial statements do not include any adjustments to the carrying amounts and classifications of assets and liabilities that would result if the Company is unable to continue as a going concern.

3. Basis of presentation and preparation

A. General

The condensed interim consolidated financial statements as of June 30, 2019 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, 2018 ('the 2018 annual financial statements').

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, 2018.

New standards and amendments to standards have been effective in 2019 and adopted by the Group:

IFRS 16, "Leases"

International Financial Reporting Standard 16 Leases (IFRS 16) replaces IAS 17 Leases, and sets out the principles for the recognition, measurement, presentation and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the entity. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets and short-term leases (leases with a lease term of 12 months or less).

The group has adopted IFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

The impact of the IFRS 16 is included under assets held for sale and liabilities associated to assets held for sale.

IFRIC 23 – "Uncertainty over Income Tax Treatments"

IFRIC 23 clarifies how the recognition and measurement requirements of IAS 12 "Income Tax" are applied where there is uncertainty over income tax treatment.

IFRIC 23 is effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted. The application of IFRIC 23 has no impact on the Company's financial statements.

IAS 28 – "Investment in associates and joint ventures"

The IASB has issued a narrow scope amendment to IAS 28. The amendment clarifies that long-term interests in an associate or joint venture to which the equity method is not applied, should be accounted for using IFRS 9. The application of this amendment is effective from 1 January 2019.

Following the application of the amendment, as of January 1 2019, the Company presents the loans to joint ventures as part of the investment.

4. Segment information

A. Segments results:

(1) For the six months ended June 30, 2019:

Unaudited	Real Estate		
	Development	Investment property	Total
	In €'000		
Revenue	4,962	4,304	9,266
Adjustment to fair value of investment property	-	(112)	(112)
Total Income	4,962	4,192	9,154
Share in profit of investments accounted using the equity method	5,631	-	5,631
Segment result	5,297	1,322	6,619
Unallocated expenses			3,266
Profit before finance expenses, net			3,353
Finance expenses, net			(39,429)
Loss before income tax			(36,076)
Income tax expense			(113)
Loss from continuing operations			(36,189)
Loss from discontinued operations			(12,526)
Loss for the period			(48,715)

(2) For the six months ended June 30, 2018:

Unaudited	Real Estate		
	Development	Investment property	Total
	In €'000		
Revenues	65,866	2,742	68,608
Adjustment to fair value of investment property	-	(2,105)	(2,105)
Total Income	65,866	637	66,503
Share in profit of investment accounted using the equity method	1,926	-	1,926
Segment result	2,124	(2,992)	(868)
Unallocated expenses			(2,960)
Loss from operations and share in profit of investment accounted using the equity method before finance expenses, net			(3,828)
Finance expenses, net			(7,775)
Loss before income tax			(11,603)
Income tax expense			(1,252)
Loss from continuing operations			(12,855)
Profit from discontinued operations			3,513
Loss for the period			(9,342)

(3) For the three months ended June 30, 2019:

Unaudited	Real Estate		
	Development	Investment property	Total
		In €'000	
Revenue	3,646	2,213	5,859
Adjustment to fair value of investment property	-	(112)	(112)
Total Income	3,646	2,101	5,747
Share in profit of investments accounted using the equity method	2,759	-	2,759
Segment result	2,579	719	3,298
Unallocated expenses			(1,476)
Profit before finance expenses, net			1,822
Finance expenses, net			(15,910)
Loss before income tax			(14,088)
Income tax expense			(46)
Loss from continuing operations			(14,134)
Loss from discontinued operations			(11,310)
Loss for the period			(25,444)

(4) For the three months ended June 30, 2018:

Unaudited	Real Estate		
	Development	Investment property	Total
		In €'000	
Revenues	4,059	1,473	5,532
Adjustment to fair value of investment property	-	(2,105)	(2,105)
Total Income	4,059	(632)	3,427
Share in profit of investment accounted using the equity method	687	-	687
Segment result	121	(2,360)	(2,239)
Unallocated expenses			(1,003)
Loss from operations and share in profit of investment accounted using the equity method before finance expenses, net			(3,242)
Finance expenses, net			(14,121)
Loss before income tax			(17,363)
Income tax benefit			375
Loss from continuing operations			(16,988)
Profit from discontinued operations			2,878
Loss for the period			(14,110)

(5) For the year ended December 31, 2018:

Audited	Real Estate		
	Development	Investment property	Total
	In €'000		
Revenue	73,634	5,824	79,458
Fair value adjustment of investment property	-	(8,610)	(8,610)
Total Income	73,634	(2,786)	70,848
Share in profit of investment accounted using the equity method	1,491	-	1,491
Segment result	5,490	(10,890)	(5,400)
Unallocated expenses			(5,927)
Loss before finance expenses, net			(11,327)
Finance expenses, net			(23,703)
Loss before income tax			(35,030)
Income tax benefit			605
Loss from continuing operations			(34,425)
Loss from discontinued operations			(311)
Loss for the year			(34,736)

B. Segments assets

	June 30,		December 31
	2019	2018	2018
	Unaudited		Audited
	In €'000		
Real Estate – Residential	117,626	125,327	107,506
Real Estate – Commercial	220,173	234,164	219,186
	337,799	359,491	326,692
Assets held for sale	220,103	197,238	240,909
Unallocated assets (*)	43,908	89,840	77,290
	601,810	646,569	644,891

(*) Most unallocated assets relate to cash balances at the level of the holding companies.

C. **Segments liabilities**

	June 30, 2019	June 30, 2018	December 31 2018
	Unaudited		Audited
	€ in thousands		
Real Estate – Residential	67,046	62,256	68,193
Real Estate – Commercial	13,939	2,698	10,127
	80,985	64,954	78,320
Liabilities associated with assets held for sale	190,329	151,119	184,328
Unallocated liabilities (*)	434,305	453,497	436,000
	705,619	669,570	698,648

(*) Most unallocated liabilities relate to the financing on the level of the holding companies.

5. Share capital

Composition

	June 30, 2019		December 31, 2018	
	Unaudited		Audited	
	Authorized	Issued and Paid-in	Authorized	Issued and Paid-in
	Number of shares		Number of shares	
Ordinary shares with nominal value of €0.20 each	225,000,000	123,022,256	225,000,000	123,022,256

6. Financial Instruments and Risk Management

Further to Note 34 to the 2018 financial statements, set out below is additional information regarding financial instruments and risk management:

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

Fair value schedule

	Level	**June 30, 2019**		June 30, 2018		December 31, 2018	
		Unaudited				Audited	
		In €'000					
		Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Liabilities							
Traded Debentures issued by the Company (series A and B)	1	254,864	48,478	247,141	105,233	253,916	69,195
Debentures issued by the Company that ceased to be traded (Series B)	2	67,887	10,169	65,916	22,616	68,929	15,599

Notes:

(1) The carrying amounts include accrued interest.
(2) The fair values reflect the price on the Tel-Aviv Stock Exchange.
(3) Level 2 liabilities relate to a portion of Debentures (Series B) that was not repaid in February 2018, and therefore ceased to be traded on the Tel Aviv Stock Exchange. The repayment dates of Debentures (Series A) that were due in February 2018, and the portion of Debentures (Series B) that was due in February 2019, were postponed and accordingly these debentures continue to be traded. Market prices of Debentures Series A and Series B of the company have been used to determine the fair value of the listed Debentures which were issued by the Group.
(4) On June 3, 2019 the Company partialy repaid principal amounting to approximately €12.2 million to Debentures holders series B and accumulated interest of approximately €23.8 to Debenture holders series B (net of the relative portion of debentures held by the Company's subsidiaries). The total repayment amounted to approximately €36 million (approximately NIS 145 million).

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

B. Level 3 financial assets and liabilities reconciliation

Level 3 reconciliation:

	As of January 1, 2019	Transactions recorded in P&L	As of June 30, 2019 (*)
	Audited	Unaudited	
		In €'000	
Put option	678	3	681

(*) Not including a balance of €2,168 thousand which is presented as a liability associated with assets held for sale (see Note 8).

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 34 to the 2018 annual financial statements.

C. Further to Note 7 to the 2018 financial statements, as of June 30, 2019 no full external valuation was prepared for the Company's investment property. According to a desktop review received from the external appraiser, there were no material changes to the market conditions and in the significant assumptions used in the valuation as of December 31, 2018 and therefore no material change to the investment property value as of December 31, 2018, apart from adjustments of € 0.1 million to certain parameters in order to reflect changes as at June 30, 2019.

7. Joint Ventures

A. Summary of financial information of a material joint venture accounted for using the equity method

1. <u>Shaanxi GTC Lucky Hope Real Estate Development Ltd.</u> (a joint venture of KLC)

	June 30, 2019	June 30, 2018	December 31, 2018
	Unaudited		Audited
		In €'000	
Current assets (not including cash and cash equivalents)	74,072	79,444	93,374
Cash and cash equivalents	33,524	56,648	33,858
Non-current assets	9,189	12,790	15,020
Current liabilities	(65,837)	(96,910)	(104,505)
Current financial liabilities	(7,536)	(17,512)	(5,903)
Total equity attributed to the owners	43,412	34,460	31,844
% held in the joint venture	50%	50%	50%
Total investment in joint ventures	21,706	17,230	15,922

	For the six months period ended June 30,		For the three months period ended June 30,		For the year ended December 31,
	2019	2018	**2019**	2018	2018
	Unaudited				Audited
			In €'000		
Revenues from operations	44,468	20,964	18,973	17,370	31,376
Cost of operations	(25,707)	(13,160)	(10,329)	(12,240)	(18,193)
Selling and marketing, other expenses, and administrative expenses	(2,809)	(2,284)	(1,380)	(1,410)	(4,237)
Other financial income (expenses)	686	72	354	20	963
Profit before tax	16,638	5,592	7,618	3,740	9,909
Income tax expenses	(4,938)	(1,402)	(2,195)	(946)	(2,378)
Profit for the year attributed to equity holders	11,700	4,190	5,423	2,794	7,531
% held of the joint venture	50%	50%	50%	50%	50%
Group's share of profit for the year	5,850	2,095	2,711	1,397	3,765
Total other comprehensive income attributed to equity holders	12,824	4,778	5,288	3,128	7,326
% held of the joint venture	50%	50%	50%	50%	50%
Group share of the total other comprehensive income	6,412	2,389	2,644	1,564	3,663

As of January 1, 2019 loans granted to joint ventures are presented as part of the investment in joint ventures.

8. Discontinued operations and assets held for sale

A. TGI and AVIS Ukraine are presented as discontinued operations and assets held for sale in relation to the sale processes of these companies. For additional information please refer to Note 2.

B. Assets held for sale and liabilities associated with assets held for sale

	June 30,		December 31,		
	2019	2018	2018		
	TGI	TGI	TGI	Avis Ukraine	Total
	Unaudited		Audited		
	In € '000				
Assets					
Trade receivable	40,928	44,231	66,393	-	66,393
Accrued income	61,149	56,193	56,321	-	56,321
Other current assets	49,602	35,535	48,668	-	48,668
Tangible fixed assets, net	19,708	16,197	17,689	-	17,689
Other non-current assets	40,496	23,864	25,731	-	25,731
Cash and cash equivalents	8,220	21,218	13,680	-	13,680
Investment in Joint venture Avis Ukraine	-	-	-	12,427	12,427
Total assets	220,103	197,238	228,482	12,427	240,909
Liabilities					
Interest bearing loans and borrowings	57,992	41,082	50,195	-	50,195
Advances from customers	31,534	34,123	35,987	-	35,987
Other liabilities	100,803	75,914	98,146	-	98,146
Total liabilities	190,329	151,119	184,328	-	184,328
Net asset value	29,774	46,119	44,154	12,427	56,581

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

C. Net (loss) profit from discontinued operations:

	For the six months period ended June 30,						For the three months period ended June 30,				For the year ended December 31,		
	2019			2018			**2019**	2018			2018		
	Avis Ukraine	TGI	Total	Avis Ukraine	TGI	Total	TGI	Avis Ukraine	TGI	Total	Avis Ukraine	TGI	Total
	Unaudited										Audited		
	In €'000												
Income	-	78,814	78,814	-	73,677	73,677	43,399	-	42,060	42,060	-	175,397	175,397
Operating and finance expenses and Share of profit (loss) of investments accounted for using the equity method, net	-	(93,756)	(93,756)	908	(70,769)	(69,861)	(55,044)	434	(39,173)	(38,739)	908	(171,299)	(170,391)
Profit (loss) before tax	-	(14,942)	(14,942)	908	2,908	3,816	(11,645)	434	2,887	3,321	908	4,098	5,006
Income tax expenses (benefit), net	-	(943)	(943)	-	303	303	(335)	-	444	444	-	1,994	1,994
Profit (loss) from discontinued operations	-	(13,999)	(13,999)	908	2,605	3,513	(11,310)	434	2,443	2,877	908	2,104	3,012
Discontinued operation items related to the sales transactions:													
Net profit (loss) from revaluation (devaluation) of investment - Avis	174	-	174	-	-	-	-	-	-	-	(3,323)	-	(3,323)
Release of capital reserves due to sale	1,299	-	1,299	-	-	-	-	-	-	-	-	-	-
Net (loss) profit from discontinued operations	1,473	(13,999)	(12,526)	908	2,605	3,513	(11,310)	434	2,443	2,877	(2,415)	2,104	(311)
Attributable to:													
Equity holders	1,473	(12,054)	(10,581)	908	873	1,781	(9,131)	434	1,210	1,644	(2,415)	65	(2,350)
Non-controlling interest holders	-	(1,945)	(1,945)	-	1,732	1,732	(2,179)	-	1,233	1,233	-	2,039	2,039
	1,473	(13,999)	(12,526)	908	2,605	3,513	(11,310)	434	2,443	2,877	(2,415)	2,104	(311)

D. Composition of other comprehensive income items related to discontinued operations:

	For the six months period ended June 30,				For the three months period ended June 30,				For the year ended December 31,		
	2019	2018			**2019**	2018			2018		
	TGI	Avis Ukraine	TGI	Total	TGI	Avis Ukraine	TGI	Total	Avis Ukraine	TGI	Total
	Unaudited								audited		
	In €'000										
Adjustments arising from translating financial statements of foreign operations	(461)	409	(9,527)	(9,118)	(2,478)	891	(1,323)	(432)	409	(13,338)	(12,929)
Total other comprehensive income (expense)	(461)	409	(9,527)	(9,118)	(2,478)	891	(1,323)	(432)	409	(13,338)	(12,929)
Attributable to:											
Equity holders	230	409	(6,673)	(6,264)	(1,742)	891	(430)	461	409	(9,280)	(8,871)
Non-controlling interest holders	(691)	-	(2,854)	(2,854)	(736)	-	(893)	(893)	-	(4,058)	(4,058)
	(461)	409	(9,527)	(9,118)	(2,478)	891	(1,323)	(432)	409	(13,338)	(12,929)

E. Financial position of a subsidiary**:**

1) In the six months period ended on June 30, 2019 TGI had a loss of €14.4 million (mainly due to provisions and impairment losses), € 15.1 million negative cash flows from operating activities (for the year 2018: € 17 million negative), and has negative working capital of €7.7 million as of June 30, 2019.
2) TGI uses short term credit lines from banks and financial institutions to finance its operations. As a result of delays in receiving advance payments from certain projects, TGI had to extend some of those credit lines. TGI management estimates that these credit lines can be further extended, if required.
3) As of June 30, 2019 TGI's group companies did not meet certain covenants in relation to short-term credit lines from banks, for which waivers were received subsequent to the balance sheet date.
4) Management of TGI has prepared a conservative cash flow forecast for a 12 months period, assuming advance payments of €47 million will not be received. Management of TGI expects a positive outcome regarding all uncertain events described above, i.e. waivers from banks will be granted, if needed, and the advance payments will be received. In order to address any adverse outcome that may result from some or all of these uncertain events, TGI's Board of Directors has approved in March 2019 an efficiency and contingency plan that was developed by the Management. This contingency plan will allow taking actions to sell some assets within a few months and generate positive cash flow. Management expects that the contingency plan, if needed, should generate sufficient positive cash flows for the TGI Group for the 12 months ending on June 30, 2020. As of the date of signing these financial statements, TGI is in a process of selling shares in subsidiaries, and expects a transaction to be finalized in the coming months.
5) As mentioned in Note 2 above, the Company has signed a non-binding letter of intent with a third party in relation to an investment in TGI. Such investment, if completed, is expected to strengthen TGI's financial positionand contribute to its future development.
6) The external auditor of TGI included in its review report an emphasis of matter paragraph referring to the matters described above.

9. Financial Covenants

As of June 30, 2019 the Company did not meet its financial covenant, as agreed with the Company's debenture holders. As of June 30, 2019 some group companies did not meet certain financial covenants for which waivers were obtained from banks subsequent to the balance sheet date. All other Group companies met their financial covenants as of June 30, 2019.

10. Subsequent Events

See Note 2 regarding letter of intent signed subsequent to the balance sheet date.

Review report

To: the board of directors of Kardan N.V.

Introduction

We have reviewed the accompanying condensed interim consolidated financial statements for the three and six month-period ended 30 June 2019 of Kardan N.V., Amsterdam, which comprises the condensed interim consolidated statement of financial position as at 30 June 2019, 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 consolidated statement of cash flows for the three and six month-period ended 30 June 2019 and the selected explanatory notes. The board of directors is responsible for the preparation and presentation of the condensed interim consolidated financial statements in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union. Our responsibility is to express a conclusion on these condensed interim consolidated financial statements 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 entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial statements for the three and six month-period ended 30 June 2019 are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union.

PricewaterhouseCoopers Accountants N.V., Fascinatio Boulevard 350, 3065 WB Rotterdam, P.O. Box 8800, 3009 AV Rotterdam, the Netherlands
T: +31 (0) 88 792 00 10, F: +31 (0) 88 792 95 33, www.pwc.nl

Emphasis of uncertainty with respect to the going concern assumption

We draw attention to disclosure note 2 of the condensed interim consolidated financial statements regarding the financial position and going concern, which indicates that the Company had a working capital deficit as at 30 June 2019 of € 273 million. For the six month-period ended June 30, 2019, the Company recorded a net loss attributable to equity holders of € 46.6 million and generated negative cash flows from operating activities of € 48.9 million. In addition, as at 30 June 2019, the Company had a deficit of € 106.7 million in its equity attributable to equity holders. The disclosure note also indicates that in February 2018 the Company did not repay the principal and interest payments which were due in February 2018. Hence, the Company is in default according to the Deeds of Trust as of February 2018. The Company is negotiating a new debt settlement with its debenture holders.

The realization of the Company's plans depends on factors that are not within the Company's control, including the approval of the debenture holders to a debt settlement and the investment in TGI, the transaction value of the Company's assets, and macroeconomic developments and therefore there is uncertainty that transactions for the sale of assets, will be completed according to the forecasted consideration and timing or that the discussions with the debenture holders will result in rescheduling of payments. These conditions indicate the existence of a material uncertainty which casts significant doubt regarding the Company's ability to continue as a going concern and therefore it may be unable to realize its assets in order to repay the principal and interest payments which were due in February 2018 and its other liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

Rotterdam, 28 August 2019
PricewaterhouseCoopers Accountants N.V.

M.P.A. Corver 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, 2019

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

June 30, 2018

	June 30,		December
	2019	2018	31, 2018
	€ in thousand		
A s s e t s			
Non-current assets			
Property and equipment	98	131	114
Financial fixed assets			
Investments in consolidated subsidiaries	284,115	324,788	290,610
Loans to consolidated subsidiaries	24	24	24
	284,139	324,943	290,748
Current assets			
Cash and cash equivalents	5,340	1,605	17,595
Short-term investments	169	169	169
Other receivables and derivatives	2,197	1,591	1,798
	7,706	3,365	19,562
Assets classified as held for sale	29,196	43,298	40,878
Total current assets	36,902	46,663	60,440
Total assets	321,139	371,606	351,188
E q u i t y a n d l i a b i l i t i e s			
Equity attributable to equity shareholders			
Issued and paid-in capital	25,276	25,276	25,276
Share premium	206,482	206,482	206,482
Foreign currency translation reserve	(12,512)	(3,373)	(12,049)
Property revaluation reserve	25,095	30,058	25,179
Other reserves	4,645	5,200	4,837
Accumulated deficit	(355,713)	(289,432)	(309,222)
	(106,727)	(25,789)	(59,497)
Long-term liabilities			
Option liability	-	2,758	-
	-	2,758	-
Current liabilities			
Current maturities of debentures	364,874	360,102	355,656
Option liability	2,849	-	2,791
Other payables	60,143	34,535	52,238
	427,866	394,637	410,685
Total equity and liabilities	321,139	371,606	351,188

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,
	2019	2018	**2019**	2018	2018
	€ in thousand				
Net result from investments for the period	12,245	(5,497)	5,312	115	(16,125)
General and administrative expenses, net	1,594	1,276	650	173	2,602
Income from operations before financing expenses	10,651	(6,773)	4,662	(58)	(18,727)
Financing expenses, net	(45,254)	(4,981)	(17,274)	(15,923)	(17,722)
Loss before tax expenses (benefit)	(34,603)	(11,754)	(12,612)	(15,981)	(36,449)
Income tax expense (benefit)	(64)	(129)	(26)	(60)	250
Loss for the period from continuing operations	(34,667)	(11,883)	(12,638)	(16,041)	(36,699)
Net profit (loss) from discontinued	(11,908)	809	(10,432)	698	(76)
Loss for the period	(46,575)	(11,074)	(23,070)	(15,343)	(36,775)

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,
	2019	2018	**2018**	2018	2018
	€ in thousand				
Net result for the period	(46,575)	(11,074)	(23,070)	(15,343)	(36,775)
Foreign currency translation differences	(463)	(3,410)	(7,326)	2,472	(12,086)
Change in hedge reserve, net	(192)	(388)	(78)	(180)	(751)
Other comprehensive income (loss) for the period	(655)	(3,798)	(7,404)	2,292	(12,837)
Total comprehensive loss	(47,230)	(14,872)	(30,474)	(13,051)	(49,612)

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,
	2019	2018	2019	2018	2018
	€ in thousand				
Cash flow from operating activities of the Company					
Loss for the period from continuing operation	(34,667)	(11,883)	(12,638)	(16,041)	(36,699)
Profit (loss) for the period from discontinued operation	(11,908)	809	(10,432)	698	(76)
Adjustments to reconcile net profit to net cash of the Company					
Charges to net loss not affecting operating cash flows:					
Financial expenses	(203)	4,879	(109)	15,865	17,610
Fair value loss on derivative financial instruments	-	(196)	-	(274)	(184)
Share-based payment	-	2	-	1	2
Equity earnings (losses)	(12,245)	5,497	(5,312)	(115)	16,125
Changes in working capital of the Company					
Change in receivables	(385)	(66)	48	54	(128)
Change in payables	58,537	(107)	30,277	(345)	(50)
Net cash provided by (used in) investing activities from discontinued operation	11,908	(809)	10,432	(698)	76
Cash amounts paid and received during the period					
Dividend received from consolidated companies	13,000	-	13,000	-	17,500
Interest received	-	-	-	-	-
Interest paid	(23,901)	-	(23,091)	-	-
Net cash provided by (used in) operating activities of the Company	**136**	**(1,874)**	**1,365**	**(855)**	**14,176**
Cash flow from investing activities of the Company					
Investments in subsidiaries	(170)	(2,500)	(120)	(2,500)	(2,560)
Net cash provided by (used in) investing activities of the Company	**(170)**	**(2,500)**	**(120)**	**(2,500)**	**(2,560)**
Cash flow from financing activities of the Company					
Repayment of debentures	(12,221)	-	(12,221)	-	-
Net cash used in financing activities of the Company	**(12,221)**	**-**	**(12,221)**	**-**	**-**
Increase (decrease) in cash and cash equivalents of the Company	(12,255)	(4,373)	(10,976)	(3,355)	11,616
Cash and cash equivalents at beginning of the period of the Company	17,595	5,979	16,316	4,960	5,979
Cash and cash equivalents at end of the period of the Company	**5,340**	**1,605**	**5,340**	**1,605**	**17,595**

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, 2018 and the accompanying notes, and in conjunction to the condensed interim consolidated financial statements for the six and three months ended June 30, 2019.

2. Financial position and going concern

a. As at June 30, 2019 the Company had, on a stand-alone basis and on a consolidated basis, a working capital deficit of €303 million and €273 million, respectively (excluding debentures held by subsidiaries), as a result of the classification of the debentures as short-term liabilities, see detailed below. For the six and three months ended June 30, 2019, the Company recorded a (consolidated and on a stand-alone basis) net loss of €46.6 million and €23.1 million, respectively, and generated negative cash flow from operating activities of €0.1 million and €1.4 million, respectively, on a stand-alone basis, and negative cash flow from operating activities of €48.9 million and €31.3 million, respectively, on a consolidated basis. In addition, as at June 30, 2019 the Company had a deficit of €106.7 million in its equity attributable to equity holders. The Company has not repaid the February 2018 and the February 2019 principal and interest payments to the debenture holders and is in default according to the Deeds of Trust – see b below.

b. On January 11, 2018 the Company announced that it would not be able to complete a transaction for the sale of its holdings in TGI in a manner that would enable the Company to meet the scheduled payments to the debenture holders in February 2018. Further to this announcement, the Company has not repaid the principal and interest payments which were due in February 2018. Consequently, the Company is in default according to the Deed of Trust as of February 2018. Accordingly, from March 31, 2018 and until the repayments are rescheduled, the debentures are presented as current liabilities. Management continues the advanced discussions with the representatives of the Debenture Holders in order to reach an agreement on postponing the payments as part of a new debt settlement, see also d below.
In February 2018, following the announcement that the Company will not make the February 2018 repayments, Maalot, the Israeli subsidiary of Standard & Poor's, has adjusted the rating of the Company and its Debentures Series A and Series B to "D".

c. In January 2019 the Company signed an agreement to sell its investment in its joint venture AVIS Ukraine for a consideration of approximately USD 14.2 million. On March 14, 2019 the transaction was completed and the consideration received.

d. In October 2018, the Company has published the main principles of a debt settlement as negotiated and agreed with debenture holders series B, which include among others, the following: The principal amount of the Debentures and the interest rate will remain unchanged; the final repayment date of the Debentures will be postponed to December 2021, and in parallel the Company will commit to sell assets – and in relation to one asset, according to an agreed upon timetable – and to use the funds received from such disposals for early repayment of Debentures A and B, and other uses according to terms agreed with the representatives of the Debentures. In addition, the Company shall issue to Debenture Holders A and B shares of the Company; the funds to be used for repayment will be used first to make the balance payments (as defined in the existing deeds of trust) to Debenture Holders B, and each subsequent amount will be repaid pro-rata to the two debenture series; each material transaction of the Company and its subsidiaries will be subject to approval of a joint meeting of the debenture holders A and B; a mutual exemption from claims shall be determined at a form to be agreed between the parties.

In April 2019, each of the meetings of debentures A and of debentures B approved the understandings reached by the representatives of both debentures series in relation to the balance payments. Accordingly, it was agreed that up to the date on which debenture holders B will be paid the full amount of the balance payments (approximately NIS 373 million), no payment will be made to debenture holders A. After the balance payments to debentures B are completed a balance payment of NIS 10 million will be paid to debenture holders A; and thereafter, each repayment will be made pro-rata between series A and B. Pursuant to the aforementioned approval, in May 2019, the Company transferred NIS 145 million NIS (approximately €36.5 million) to debenture holders B trustee for the purpose of partial repayment of the balance payment. This partial repayment, which took place on June 3, 2019, includes NIS 95.9 million which were used to pay interest and NIS 49.1 million were used to repay the principal. The sources of payment were the net proceeds received by the Company from the completion of the sale of Avis Ukraine, see c above, together with the cash in the Company's accounts and additional amounts received from subsidiaries.

It is noted that to reach a binding agreement the approval of both debenture holders is needed. Management anticipates that a debt settlement with the debenture holders will be signed in 2019.

e. The Company has been conducting processes with a number of parties for the sale or allocation of its holdings in TGI, in order to meet its liabilities, according to the principles of the debt settlement being formulated with debenture holders (series A and B). Given the current financial standing of TGI, the Board has noted the outmost importance of strengthening the equity of TGI in order to support its operations. With that respect and given the fact that the Company is not able to support such capital increase into TGI, management has been searching for such investment into TGI through partnerships. The Company anticipates that after improvement in the financial performance of TGI subsequent such capital increase and further advancement in various business initiatives, including commencement of large new projects that were reported, it would be feasible to divest the holding in TGI either through direct transaction or through the capital markets. In light of this, on August 20, 2019, subsequent to the balance sheet date, the Company signed a non-binding letter of intent with a third party investor regarding a possible investment transaction in TGI. The envisaged investment will be made in exchange for newly issued shares of TGI that will, upon completion, grant the investor a controlling stake in TGI. The Investor will receive a period of 45 days to complete its due diligence and for signing binding agreements. This period might be shortened to 30 days unless the Investor has informed Kardan that he's moving forward to

signing the binding agreements based on the terms of the LOI. It is noted that any such investment is subject to the approval of the debenture holders (series A and B). For details regarding the financial position of TGI, see note 8 to the condensed interim consolidated financial statements. In addition, the Company is acting to improve its assets in China; assuming the Company will have sufficient time to continue improving these assets, the Company estimates it will be able to maximize their value in future sales transactions while making an orderly sale. The Company expects that these actions will strengthen its financial and equity position.
In order to assess the liquidity position of the Company, management prepared a two-year liquidity analysis which indicates the required liquidity to be able to repay interest and principal of the Company's debentures and to finance its operating activities. Included in this analysis are, among others, the current cash balances and the projected cash from future operations and transactions. Management updated the cash flow forecast to reflect the abovementioned investment transaction in TGI.

f. The directors expect that, taking into account the current status of the discussions with the Debenture Holders and the expected terms of the debt settlement, and taking into account the process of realizing the holdings in TGI, and potential future value of the Company's assets in China, the Company has the ability to obtain the required resources for repaying its obligations and continue its business operations in the future. Management believes that a controlled sale of assets is in the best interest of all stakeholders. Accordingly, the directors are of the opinion that it is appropriate to prepare these condensed interim consolidated financial statements on a going concern basis.

However, the directors emphasize that the realization of the Company's plans depends on factors that are not within the Company's control, including the approval of debenture holders to a debt settlement and the investment in TGI, transaction value of the Company's assets, and macroeconomic developments, and therefore there is uncertainty that transactions for the sale of assets as aforesaid, will be completed according to the forecasted consideration and timing or that the discussions with the Debenture Holders will result in rescheduling of payments. These conditions indicate the existence of a material uncertainty which casts significant doubt regarding the Company's ability to continue as a going concern and therefore it may be unable to realize its assets in order to repay its liabilities in the normal course of business.

The financial statements do not include any adjustments to the carrying amounts and classifications of assets and liabilities that would result if the Company is unable to continue as a going concern.