

PRESS RELEASE

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THIRD QUARTER AND NINE MONTHS 2014 RESULTS KARDAN N.V.

“Kardan’s operating segments contributed to show a positive trend in its results and all contributed a profit to the bottom line of the consolidated results of the Company in Q3 and 9M 2014. Mainly due to financing expenses which included a negative forex and CPI impact with respect to our debentures of EUR 4 mn and EUR 10 mn respectively and following an impairment of EUR 3 mn in our banking and retail lending segment, we are reporting a net loss of EUR 7.5 mn for the third quarter of 2014 and a **net loss of EUR 11.4 mn for the 9M 2014** period. This is substantially better than the result we reported in 9M last year (a loss of EUR 106.5 mn) which incorporated the effect of our former holding in GTC SA under discontinued operations, a negative forex impact of EUR 11 mn and impairments totaling EUR 12 mn.

We are pleased that our operating companies in general are progressing well, are strengthening their results and consequentially their value. As we have reported, while we are progressing with transactions that will generate the required cash to enable Kardan to repay its indebtedness, principally to our debenture holders, we are concurrently in negotiations with our debenture holders to postpone or reschedule the instalments that are payable by Kardan, with the commitment to repay the debt in full. If these negotiations are concluded, this will allow us more time to further develop and increase the value of our Group’s assets.

Kardan Land China (‘KLC’) is nearing the completion of the large shopping mall in Dalian, a main feature of the Europark Dalian project, which also includes residential apartment buildings. We already have signed pre-leases with tenants for approximately 50% of the mall (and are in advanced stages of signing more lease agreements). We look forward to opening the mall in the first half of 2015, preferably simultaneously with the municipality’s opening of the subway station adjacent to our Europark project. The 9M 2014 profit contribution of KLC reflects less handovers of residential apartments. As individual consumers have been more hesitant to buy apartments, we are putting effort into selling complete apartments buildings within the Europark project, which has already resulted in the successful sale of the A2 building in the second quarter of this year. The building (201 apartments) has recently been handed over.

Tahal Projects, specializing in water related projects worldwide, continued to improve its operating results. EBIT in the 9M reporting period more than doubled (y-o-y) on existing projects – particularly in Africa – as well as new projects with a focus on the agricultural sector, which tend to have higher gross margins, in combination with a continued tight cost control. Tahal Assets, mainly active in China through its subsidiary Kardan Water, reported higher revenues mainly due to construction activities, but consequently lower margins. Whilst operating costs were kept under control, the higher financing expenses resulted in a lower net contribution than in the same reporting period last year.

Our banking and retail lending company TBIF continues to report strong operating results in challenging market circumstances, particularly in Bulgaria and Ukraine. A substantial increase in revenues was reported on growth of (better quality) loan portfolios and lower interest payments on deposits mitigated by a write-off (in Q3) of a loan to VAB bank in Ukraine as the situation of this bank has recently deteriorated. Ultimately, TBIF contributed a substantial profit of EUR 5.4 mn.

Through continued operational improvement of our operating companies and by means of the sale of some assets we remain committed to repaying our borrowings in full, and enhancing the value of our Group” states Shouky Oren, CEO of Kardan N.V.

Highlights Q3 + 9M 2014:

Kardan N.V.
Q3 2014:

- EUR 7.5 mn loss attributable to shareholders (Q3 2013: EUR 65.6 mn loss, predominantly due to discontinued operations)
- EBIT improved to EUR 1.9 mn (Q3 2013: loss of EUR 12.5 mn)
- Negative foreign exchange and CPI impact on financing expenses of EUR 4 mn

9M 2014:

- EUR 11.4 mn loss attributable to shareholders (9M 2013: EUR 106.5 mn loss)
- EBIT up to EUR 16.9 mn (9M 2013: EUR 1.1 mn)
- Substantial decrease (44% y-o-y) in financing expenses due to repayment of debt and foreign exchange impact in the segments
- Negative foreign exchange and CPI impact on financing expenses of EUR 10 mn

Real Estate Asia

Q3 2014:

- EUR 0.4 mn profit (Q3 2013: EUR 1.1 mn profit)
- Equity earnings impacted by lower hand-overs (150) of apartments (Q3 2013: 372)
- Positive valuation of Europark Dalian shopping mall
- Financing income includes substantial positive forex effect

9M 2014:

- EUR 3.8 mn profit (9M 2013: EUR 7.5 mn profit)
- Equity earnings flat predominantly on weak third quarter result
- 987 apartments sold (9M 2013: 1,602) in challenging market

Water Infrastructure, Projects

Q3 2014:

- EUR 0.2 mn profit (Q3 2013: EUR 8.4 mn loss; includes one-off EUR 8.2 mn write off)
- Revenue growth with better gross margin (y-o-y) mainly from existing projects in Africa and new projects

9M 2014:

- EUR 3.6 mn profit (9M 2013: EUR 3.8 mn loss)
- Revenues up by 14% (y-o-y, including negative forex impact of 3%)
- Gross profit up by 33% (y-o-y)
- Backlog USD 329 mn versus USD 320 mn (December 31, 2013)

Water Infrastructure, Assets

Q3 2014:

- EUR 1.6 mn profit (Q3 2013: EUR 0.1 mn loss)
- Lower gross margin mainly due to construction activities

9M 2014:

- EUR 1.7 mn profit (9M 2013: EUR 2.7 mn profit)
- Revenue up by 6% (y-o-y) predominantly due to construction activities
- Continued cost control: SG&A down by 11% y-o-y
- Financing expenses up (9M 2013: positive impact of valuation of warrant and option)

Banking and Retail Lending

Q3 2014:

- EUR 0.1 mn loss (Q3 2013: EUR 9.5 mn loss, includes approx. EUR 8 mn impairment)
- Revenue stable due to impairment of EUR 2.9 mn for VAB bank loan (Ukraine)

9M 2014:

- EUR 5.4 mn profit (9M 2013: EUR 14 mn loss)
- Significant improvement EBIT to profit of EUR 6.3 mn (9M 2013: loss of EUR 12.3 mn)
- Net financing expenses decrease mainly due to forex impact

Condensed Interim Consolidated Income Statement Kardan N.V.

The Q3 and 9M 2014 condensed interim consolidated income statements split into the different segments of Kardan N.V. are shown in the tables below.

For the **three months** ended September 30, 2014 (in EUR millions)

	Real Estate	Infrastructure		Banking and Retail lending	Other	Total	Total	Total
	Asia	Projects	Assets			Q3 - 2014	Q3 - 2013	12M- 2013
Total revenues	1.6	30.1	8.3	6.8	-	46.8	41.1	208.0
Total expenses	3.1	27.4	6.3	7.1	1.2	45.1	41.7	203.0
Profit (loss) from operation before fair value adjustments, disposal of assets and financial expenses	(1.5)	2.7	2.0	(0.3)	(1.2)	1.7	(0.6)	5.0
Profit (loss) from fair value adjustments, disposal of assets and investments, equity earnings (loss)	(0.3)	-	0.1	0.5	(0.1)	0.2	(11.9)	8.2
Result from operations before finance expenses	(1.8)	2.7	2.1	0.2	(1.3)	1.9	(12.5)	13.2
Financing income (expenses), net	2.6	(1.5)	-	(0.2)	(8.3)	(7.4)	(10.5)	(45.6)
Profit (Loss) before income tax	0.8	1.2	2.1	-	(9.6)	(5.5)	(23.0)	(32.4)
Income tax (expenses)/benefit	(0.4)	(0.9)	(0.6)	(0.1)	-	(2.0)	0.3	(14.4)
Profit (Loss) from continuing operations	0.4	0.3	1.5	(0.1)	(9.6)	(7.5)	(22.7)	(46.8)
Profit (Loss) from discontinued operations	-	-	-	-	-	-	(43.2)	(75.2)
Profit (Loss) for the period	0.4	0.3	1.5	(0.1)	(9.6)	(7.5)	(65.9)	(122.0)
Attributable to:								
Non-controlling interest	-	0.1	(0.1)	-	-	-	(0.3)	(20.6)
Net result for equity	0.4	0.2	1.6	(0.1)	(9.6)	(7.5)	(65.6)	(101.4)
Profit (Loss) for the period	0.4	0.3	1.5	(0.1)	(9.6)	(7.5)	(65.9)	(122.0)

For the **nine months** ended September 30, 2014 (in EUR millions):

	Real Estate	Infrastructure		Banking and Retail lending	Other	Total	Total	Total
	Asia	Projects	Assets			nine months ended September 30, 2014	nine months ended September 30, 2013	12M- 2013
Total revenues	12.5	98.1	24.1	26.2	-	160.9	132.1	208.0
Total expenses	15.1	90.8	18.2	20.8	3.9	148.8	133.0	203.0
Profit (loss) from operation before fair value adjustments, disposal of assets and financial expenses	(2.6)	7.3	5.9	5.4	(3.9)	12.1	(0.9)	5.0
Profit (loss) from fair value adjustments, disposal of assets and investments, equity earnings (loss)	4.4	(0.4)	0.1	0.9	(0.2)	4.8	2.0	8.2
Result from operations before finance expenses	1.8	6.9	6.0	6.3	(4.1)	16.9	1.1	13.2

Financing income (expenses), net	3.4	(1.1)	(3.0)	(0.5)	(21.4)	(22.6)	(40.1)	(45.6)
Profit (Loss) before income tax	5.2	5.8	3.0	5.8	(25.5)	(5.7)	(39.0)	(32.4)
Income tax (expenses)/benefit	(1.4)	(1.9)	(1.6)	(0.4)	(0.4)	(5.7)	(9.3)	(14.4)
Profit (Loss) from continuing operations	3.8	3.9	1.4	5.4	(25.9)	(11.4)	(48.3)	(46.8)
Profit (Loss) from discontinued operations	-	-	-	-	-	-	(78.7)	(75.2)
Profit (Loss) for the period	3.8	3.9	1.4	5.4	(25.9)	(11.4)	(127.0)	(122.0)
Attributable to:								
Non-controlling interest	-	0.3	(0.3)	-	-	-	(20.5)	(20.6)
Net result for equity	3.8	3.6	1.7	5.4	(25.9)	(11.4)	(106.5)	(101.4)
Profit (Loss) for the period	3.8	3.9	1.4	5.4	(25.9)	(11.4)	(127.0)	(122.0)

Overall summarized review of 9M 2014 results

If developments are specifically attributable to Q3 2014, these are mentioned separately.

Kardan recognized a **consolidated net loss of EUR 11.4 mn**, significantly better than the loss of EUR 106.5 mn in 9M 2013.

The main reasons for the improvement are: (a) last year's 9M results included impairments predominantly in the banking and retail segment and the loss reported under discontinued operations relating to the 28% stake held in GTC SA which was sold in Q4 2013, (b) strong growth in revenue (22% y-o-y) and continued cost control leading to a EUR 12.1 mn profit from operations before fair value adjustments, disposal of assets and financing expenses (9M 2013: EUR 0.9 mn loss) and (c) lower financing expenses due to repayment of debt and forex impact in the various segments. The Q3 2014 net loss of EUR 7.5 mn (Q3 2013: EUR 65.6 mn loss) comprises a much improved result from operations before finance expenses which was mitigated by an impairment (EUR 2.9 mn) of a loan to VAB Bank in Ukraine due to deterioration of the bank's situation, further off-set by financing expenses which included a negative foreign exchange and CPI effect (EUR 4.3 mn) regarding the debentures following the strengthening of the Israeli Shekel versus the Euro.

Real Estate Asia contributed a profit of EUR 3.8 mn (9M 2013: EUR 7.5 mn), predominantly as equity earnings were impacted by markedly less handovers of residential apartments from the joint venture projects by Kardan Land China compared to last year.

The retail center in Dalian which has nearly been completed led to a positive revaluation and additionally a significant positive foreign exchange impact in the net financing income could be reported. The number of sold apartments in 9M 2014 (987) reflects the current cautious buying behavior of consumers when compared to the 1,602 apartments sold in the same period last year.

Water Infrastructure Projects recorded a profit of EUR 3.6 mn in 9M 2014 compared to EUR 3.8 mn loss in 9M 2013 which included a one-off gain on a sale of a real estate asset off-set by a substantial write off regarding a Polish subsidiary. Tahal Projects improved its gross margin on a different project mix, kept its operational costs under control and reported lower financing expenses mainly on a different mix of interest rates payable.

Water Infrastructure Assets contributed a profit of EUR 1.7 mn to the 9M 2014 consolidated result of Kardan, compared to

EUR 2.7mn profit in 9M 2013, on higher revenues with lower gross margin due to construction activities in China - which were absent in the comparable period last year – and an increase in financing expenses.

The **Banking and Retail Lending** segment again reported improved operational results which led to a profit contribution of

EUR 5.4 mn in 9M 2014 compared to a loss of EUR 14 mn last year, which included impairments totaling EUR 12 mn. The substantial increase (y-o-y) in revenues is the result of a growth in loan portfolios, a continued focus on their quality and lower interest payable on deposits, albeit mitigated by an impairment on a loan to VAB bank in Ukraine in Q3 2014 in the amount of EUR 2.9 mn.

AVIS Ukraine, reported under equity earnings, managed to record positive operational results in Q3 of 2014, despite the continued unstable situation in the country.

Included in “Other” are the expenses and finance costs of Kardan and GTC RE, contributing a loss of EUR 25.9 mn in 9M 2014 compared to a loss of EUR 98.9 mn in 9M 2013 which included the loss from discontinued operations (GTC SA). In Q3 2014, the Israeli Shekel (‘NIS’) strengthened against the Euro and the CPI increased leading to a negative foreign exchange result of EUR 4 mn, leading to a 9M 2014 total negative effect of EUR 10 mn.

Equity

Kardan N.V. (company only, in € million)	September 30, 2014	December 31, 2013
Total Assets	441.0	486.3
Total Equity	73.6	66.1
Equity/Total assets (%)	17%	14%

The shareholder’s equity of Kardan N.V. increased from EUR 66.1 mn as of December 31, 2013 to EUR 73.6 mn as of September 30, 2014 on a combination of the loss of EUR 11.4 mn for the period and a change in the non-controlling interest transaction reserve, more than off-set by a positive foreign exchange gain resulting from the strengthening of the RMB versus the Euro. For further details see Statement of changes in Equity in the 9M 2014 consolidated Financial Statements.

Covenants

As at September 30, 2014, the Company and its subsidiaries were not in breach of any covenants. We refer to note 8 of the 9M 2014 consolidated Financial Statements.

Highlights per segment:

The result from operations before finance expenses of each segment is presented in note 3 of the condensed 9M 2014 consolidated financial statements called “Segment result”. In this press release, additional segment information is provided for information purposes.

REAL ESTATE

Kardan is active in development and management of Real Estate through the segment Real Estate Asia, which comprises its 100% subsidiary Kardan Land China (‘KLC’).

Real Estate Asia

General developments China and Kardan Land China

In the third quarter of 2014 China showed the lowest economic growth, at 7.3% (y-o-y), since the first quarter of 2009. The Chinese government has set the full year 2014 target at 7.5%, which is considered by macroeconomic analysts to be a challenge given that the 9M 2014 GDP growth (y-o-y) is 7.4%. In its drive to make China less dependent on export by stimulating internal demand, the Chinese government was faced with several counter-effective developments, such as a speculative property market and increasing credit growth, and took measures accordingly to address these issues. At present, it appears that real estate prices are easing as a result of such measures. Industrial production and fixed investments have also been impacted and have stabilized and slowed down respectively in Q3 of 2014. With respect to credit growth, the Chinese government, in its aim to maintain economic growth at a level that avoids social disruption, is currently expanding credit possibilities in the short term, to support the real estate market and stimulate internal demand, whilst simultaneously attempting to restrain credit growth to a sustainable level in the longer term. Retail sales on domestic markets increased (up by 12% y-o-y in 9M 2014), partly driven by the (nominal) growth in national per capita disposable income (up 10.5% y-o-y) in the first three quarters of 2014 combined with a declining CPI at 1.6 % (y-o-y as at end September 2014).

KLC’s strategy of developing mixed-use real estate projects (retail and entertainment centres combined with residential apartments) in second and third tier cities is based on the following demand fundamentals: a massive

population that is rapidly moving from the rural areas to (new) cities (urbanization) and as a consequence a growth of the Chinese middle class. By the end of September 2014, there were 176 million rural migrant workers in China, 1% more than at the end of September last year, and their average monthly income had increased by 10% compared to the situation last year.

The cities in which KLC initiates its real estate developments are carefully selected on specific parameters, such as the development of disposable income of residents, which – for instance - grew in Chengdu and Dalian (y-o-y) by 10.2% and 9.8% respectively in 2013. This, among other things, led to an increase in retail sales in each city of 13.1% and 13.6% respectively.

The Chinese residential real estate market is facing challenges however, as buyers of residential apartments have adopted a 'wait-and-see' approach. To avoid too sharp a slowdown in the property market, at the end of September the Chinese government unveiled eased mortgage measures for home buyers. KLC follows these developments closely and – as far as possible - paces the development of its residential apartment from joint venture projects in order not to build up too large an inventory. As at September 30, 2014, the percentage of completed but unsold apartments in the inventory remained stable at 6% (compared to as at June 30, 2014). With respect to the residential apartment buildings in the Europark Dalian project, KLC also looks into possibilities of selling the apartments en-bloc (i.e. the total building), evidenced by the sale of the A2 building earlier in 2014 which involved 201 small office home office ('SOHO') apartments that have been handed over recently (in Q4). Moreover, KLC has also adjusted its offering (in terms of lay out as well as price) and increased its marketing efforts. Despite these actions, however, fewer sale contracts for apartments were signed in 9M 2014 than in the comparable period last year.

Residential projects Kardan Land China					
Units sold in the period					
	9M/14	9M/13	Q3/14	Q3/13	2013
Joint Venture projects*					
Olympic Garden	417	588	103	164	818
Suzy	141	478	34	134	540
Palm Garden	37	110	6	29	134
City Dream	183	387	63	156	562
	778	1,563	206	483	2,054
100% owned					
Dalian	209	39	1	23	64
Total	987	1,602	207	506	2,118

* presented 100% number, KLC holds approx. 50%

With respect to the retail market, Galleria Chengdu, the shopping mall which KLC developed and of which it currently owns 50% (but manages 100%), is seeing the result of a proactive marketing strategy. As of the beginning of 2014 footfall is showing a positive trend, which is also impacting rental income from the mall positively.

The construction of the Europark shopping mall in Dalian is nearly completed. A number of tenants are now initiating their fit-out activities, which includes submitting design- and fire safety plans etc. The opening of the mall is planned to take place in the first half of 2015, at the same time as the opening of the subway station adjacent to the Europark Dalian project. Currently, approximately 50% of the Europark Dalian shopping mall is pre-leased and there are negotiations in advanced stages with various tenants for another approximately 20% of the total area. The mix of tenants reflects Europark Dalian's target to lead the way in providing malls in which family entertainment is a key element.

Results Real Estate Asia

	Real Estate Asia				
	For the nine months ended September 30		For the three months ended September 30		Full Year
	In € millions				
	2014	2013	2014	2013	2013
Delivery of units	9.2	-	0.4	-	24.0
Management fee and other revenues	3.3	3.6	1.2	1.2	5.0
Total revenues	12.5	3.6	1.6	1.2	29.0
Cost of Sales	9.3	1.6	1.0	0.6	21.9
Gross profit	3.2	2.0	0.6	0.6	7.1
SG&A expenses	5.8	5.7	2.1	1.8	8.3
Adjustment to fair value (impairment) of investment property	4.4	5.2	1.1	1.6	8.9
Equity earnings (losses)	-	6.8	(1.4)	2.4	14.5
Result from operations before finance expenses	1.8	8.3	(1.8)	2.8	22.2
Financing income (expenses), net	3.4	(0.2)	2.6	(1.5)	(0.1)
Income tax (expenses) / benefit	(1.4)	(0.6)	(0.4)	(0.2)	(3.8)
Net profit (loss)	3.8	7.5	0.4	1.1	18.3
Attributable to:					
Equity holders (Kardan N.V.)	3.8	7.5	0.4	1.1	18.3

Additional information Kardan Land China	2014 (30.09)	2013 (31.12)
Balance sheet (in € millions)		
Share of investment in JVs	117.1	105.8
Investment Property Under Construction	163.7	118.1
Inventory	120.0	94.4
Cash & short term investments	30.5	24.4
Total Assets	464.1	364.7
Loans and Borrowings	115.3	60.9
Advance payments from buyers	28.7	5.7
Total Equity	283.7	269.5

Operational Information Residential	9M/14	9M/13	Q3/14	Q3/13	FY 2013
Revenue Residential - JV (in € million)	21.9	41.2	7.4	12.3	79.2
Gross profit residential - JV (in € million)	6.5	13.4	2.4	4.2	23.1
Apartments sold in period (a)	987	1,602	207	506	2,118
Apartments delivered in period	577(b)	1,346	153	372	2,847(c)
Total apartments sold, not yet delivered	3,721(d)	4,293	3,721	4,293	3,308

Operational Information Retail (in € million)

Revenue Retail					
(50% rental Chengdu, 100% service fees)	5.7	5.4	1.9	1.8	7.4
Gross profit Retail	3.5	3.4	1.2	1.1	4.8

(a) All residential apartments, incl. Dalian (100%).

(b) This number includes 46 Dalian apartments (100%); the remainder reflects 100% of the joint venture apartments of which KLC holds 50%

(c) Reflects number of apartments 100%; Kardan Land China holds 50%

(d) Includes approximately EUR 26 mn gross profit (Kardan Land China share)

Result analysis 9M 2014

Real Estate Asia contributed EUR 3.8 mn profit to the net result of Kardan in 9M 2014, less than in the comparable period last year, when the result from the residential projects in joint venture ('equity earnings') was markedly better. It is also noted that there was a significant positive foreign exchange impact (of EUR 2.6 mn) in the financing income in 9M 2014, which was not the case in the 9M period last year when the financing expenses were negatively impacted (by EUR 0.4 mn).

The results of KLC's joint venture residential activities and the results of the 50% stake in its retail centre Chengdu are reported as "Equity in net earnings of joint ventures". "Management fee and other revenues" consequently relate to the 100% asset management activities of Chengdu, and "delivery of units" relates to the revenue resulting from the handover of apartments of the Europark Dalian project (100%).

KLC recognized significantly higher (y-o-y) total revenues in 9M 2014 on the back of the delivery of 46 Europark Dalian SOHO apartments (absent in 9M 2013), which resulted in a higher total gross profit than in the corresponding period last year.

Total sales & marketing, and general & administrative expenses (SG&A) grew slightly by 2% in 9M 2014 (y-o-y), mainly as additional marketing efforts were made for the Europark retail center. The construction of the Europark Dalian retail centre is nearly completed; a positive adjustment to fair value was again recorded in Q3 2014, leading to a total valuation gain for the 9M 2014 period of EUR 4.4 mn (9M 2013: EUR 5.2 mn).

'Equity earnings' (9M 2014) was substantially lower with a break even result compared to the result in the same period last year (EUR 6.8 mn) predominantly on fewer handovers of apartments from the joint venture projects (9M 2014: 531 versus 9M 2013: 1,346). The results from the delivery of 150 apartments from joint venture projects which were delivered in Q3 2014 (Q3 2013: 372 apartments) were off-set by financial expenses. Although in Q3 2014 the gross margin on residential apartments increased to 32% from 26% in Q2 of this year, it arrived at a comparative lower 30% in the 9M period (9M 2013: 33%) on a different mix of apartments. The rental income from the 50% stake in the retail centre Chengdu (combined with 100% service management fees) increased y-o-y- by 6% in 9M 2014 predominantly on the back of increases in base rents following newly and re-signed leases and as the result of steadily increasing footfall. The retail gross profit margin remained fairly stable around the 63%.

The substantial net financing income in 9M 2014 was impacted predominantly by a foreign exchange gain (in 9M 2013 the financing results were impacted by an exchange loss).

The current tax charge increased also as a result of the delivery of the Dalian apartments (the effect of the delivery of the joint venture apartments is included in equity earnings) which did not take place in the 9M 2013 period.

Additional Information

Investment property under construction, which relates fully to the Europark Dalian retail centre, increased by 39% (from December 31, 2013) as the result of the construction progress and the consequential positive valuation and a positive forex effect due to the strengthening of the RMB versus the Euro. "Loans and borrowings", which predominantly relates to the use of a construction loan for Europark Dalian was significantly higher at September 30, 2014 than at year-end 2013 following the signing of an additional construction loan of RMB 400 mn (approximately EUR 48 mn) in February 2014, which was fully drawn down during H1 2014. Following the sale of the A2 building (201 apartments) in June last, and including the effect of the handover of 46 Dalian apartments in the reporting period, "Advance Payments from Buyers" (which only relates to Europark Dalian apartments) at the end of September 2014 was substantially higher than at year end 2013. The increase of equity by EUR 14.1 mn is attributable to a combination of the profit in the period and a large positive impact due to the strengthening of the RMB versus the Euro, off-set by the impact of pay-out of a vested employee stock option plan.

WATER INFRASTRUCTURE

Tahal Group International B.V. ('TGI'), Kardan's water infrastructure company, focuses on executing water related projects worldwide through Tahal Projects and on developing water assets (e.g. wastewater, water treatment and water supply plants) through Tahal Assets. Tahal Projects is mostly active in Africa, Central and Eastern Europe, Latin America and in other regions and countries, such as Israel, whilst Tahal Assets is mainly active in China and also in Turkey.

General developments water infrastructure markets and Tahal

During the 20th century, water demand worldwide rose sevenfold and projections through to 2025 are consistent with that trend. Although the water quantity on Earth has been stable for millions of years, the quality of water has deteriorated considerably. Population growth and urbanization are key drivers for both the increase in water demand as well as for the water pollution. With a growing middle class, particularly in emerging markets, more and better food and improved infrastructure is called for, creating an unprecedented pressure on the world's water supply. Currently, of all the worldwide available water some 70% is used for agricultural purposes, approximately 19% for industrial, and consequently around 11% for domestic use. Water is a local resource and therefore the solutions to water scarcity are generally likely to be (searched for) local(ly). It is therefore not surprising that, although the barriers to entry remain high, smaller, mainly private, operators are attempting to enter the water infrastructure market next to the established major players, such as Veolia and Suez. It is widely recognized throughout emerging markets that access to natural or treated water and fighting water pollution is one of the preconditions for social and economic development. Creating or improving the water infrastructure of a country poses additional challenges for the governments of developing countries, such as governance, funding of the necessary water infrastructure investments as well as the payment for the water operations (i.e. ultimately the use of water). Policy makers, generally in term for short to mid-term periods, may not always be inclined or able to take the necessary decisions for long term investments in water related solutions. Tahal Projects therefore focuses on countries that recognize the importance of improving their water infrastructure and have made steps in organizing the relating regulation and governance. Finding relevant funding for a project is included in the tender offers of Tahal, as this is recognized as being a key component of a project.

Tahal Projects is conducting a number of larger projects in Africa – which focus mainly on irrigation of farm land – as well as other projects that involve water infrastructure within an agricultural setting. In the 9M 2014 period, the majority of the existing projects is progressing as planned. Management is also dedicating a lot of effort to attracting new projects in Tahal's focal market sectors. Estimating exactly when possible tenders may be won is difficult as so many parties are involved. The backlog of Tahal Projects amounted to USD 329 mn as at September 30, 2014 (as the majority of the projects is US dollar denominated the backlog is reported in USD) compared to USD 320 mn as at year end 2013 as the result of newly signed agreements and the effect of the progress of execution (and thus revenues) of projects. Furthermore, it is noted that only when the first down payment of a new project has been received does Tahal Projects recognize the full value of the project into its backlog.

Kardan Water (China) reported a stable utilization of the majority of its facilities in the 9M 2014 period. In one project however, utilization decreased which is reflected in the reported lower revenue from services than in the comparable period last year. Expansion activities of one facility were initiated in the first quarter of this year; it is expected that the expanded capacity (by 25 k t/day to 50 k t/day) will be ready for use in mid-2015.

Results Water Infrastructure Projects*

	Projects				
	For the nine months ended September 30		For the three months ended September 30		Full Year
	In € millions				
	2014	2013	2014	2013	2013
Contract revenues	98.1	86.4	30.1	23.9	122.0
Contract cost	82.0	74.3	24.4	20.4	105.2
Gross profit	16.1	12.1	5.7	3.5	16.8
SG&A expenses	8.8	8.9	3.0	2.7	11.9
Equity earnings / (losses)	(0.7)	(0.1)	(0.4)	-	(0.1)
Gain on disposal of assets and other income	0.3	(0.5)	0.4	(8.5)	(0.9)
Result from operations before financing expenses	6.9	2.6	2.7	(7.7)	3.9
Financing income (expenses), net	(1.1)	(2.4)	(1.5)	(1.1)	(2.4)
Income tax (expenses) / benefits	(1.9)	(3.8)	(0.9)	0.5	(4.1)
Profit (loss) from continuing operations	3.9	(3.6)	0.3	(8.3)	(2.6)

Net profit (loss)	3.9	(3.6)	0.3	(8.3)	(2.6)
Attributable to:					
Non-controlling interest holders	0.3	0.2	0.1	0.1	0.3
Equity holders (Kardan N.V.)	3.6	(3.8)	0.2	(8.4)	(2.9)

(*) General and Administrative expenses of Tahal Group International have been allocated to Water Infrastructure Projects

Additional Information Projects	2014 (30.09)	2013 (31.12)
<i>Balance sheet (in EUR million)</i>		
Cash & short term investments	21.5	7.0
Total Assets	137.2	140.9
Net debt (excl. shareholder loans)**	(21.2)	(5.5)
Equity*	37.4	40.8
Equity* / Assets	27.3%	28.9%
<i>Other (in USD million)</i>		
Backlog	329	320

* Group equity including shareholder loan

** Bank loans net of cash and cash equivalents

Result analysis 9M 2014

Tahal Projects contributed EUR 3.6 mn profit in 9M 2014 compared to a loss of EUR 3.8 in 9M 2013 which included a substantial write-off on a Polish subsidiary of Tahal and a one-off disposal gain on the sale of Tahal's rights in a lease real estate asset in Tel Aviv in Q1 of 2013.

Revenues grew by 14% y-o-y in 9M 2014 on the back of accelerated progress in existing projects, particularly in Africa and Central and Eastern Europe and mitigated by a negative 3% translation effect due to the depreciation of the USD versus the Euro (the projects are generally US dollar denominated). Revenue of new projects starts to be recognized according to the relevant agreed upon milestones, which is generally after the first invoice has been sent or the first agreed upon phase of the project has been completed. As new projects of 2014 started to also add to the revenue line in Q3 2014 total revenues was boosted y-o-y by 26%.

Some of the existing projects progressed better than schedule leading to higher gross margins in Q3 2014 when a gross margin of 19% was recorded versus 15% in Q3 2013. In the 9M 2014 period, as a result of Tahal's project mix which currently includes more projects in the agricultural sector which generally involve lower contract costs, the gross margin increased to 16% from 14% in 9M 2013. Continued focus on cost control has resulted in SG&A expenses being stable in 9M 2014 compared to last year.

The one-off gain that was realized on the sale of Tahal's rights in a leased real estate asset in Tel Aviv, Israel, in Q1 2013 was the reason for high tax expenses in that period. Tahal Projects reported lower net financing expenses in 9M 2014 than in the same period last year mainly due to a different mix of interest payable than in the same period last year.

Results Water Infrastructure Assets*

	Assets				
	For the nine months ended September 30		For the three months ended September 30		Full year
			In € millions		
	2014	2013	2014	2013	2013
Contract revenues	24.1	22.7	8.3	9.1	31.0
Contract cost	14.1	11.8	4.9	5.1	16.1
<i>Gross profit</i>	10.0	10.9	3.4	4.0	14.9
SG&A expenses	4.1	4.6	1.4	1.5	6.4
Equity earnings / (losses)	0.1	(0.2)	-	(0.3)	(0.2)
Gain on disposal of assets and other income	-	-	0.1	-	0.2
Result from operations before financing expenses	6.0	6.1	2.1	2.2	8.5

Financing income (expenses) net	(3.0)	(2.3)	-	(1.9)	(3.5)
Income tax (expenses) / benefit	(1.6)	(1.8)	(0.6)	(0.7)	(2.8)
Net profit (loss)	1.4	2.0	1.5	(0.4)	2.2
Attributable to:					
Non-controlling interest holders	(0.3)	(0.7)	(0.1)	(0.3)	(0.9)
Equity holders (Kardan N.V.)	1.7	2.7	1.6	(0.1)	3.1

(*) Finance expenses of Tahal Group International have been allocated to Tahal Assets

Additional Information Assets	2014 (30.09)	2013 (31.12)
<i>Balance sheet (in EUR million)</i>		
Cash & short term investments	4.3	7.3
Total Assets	180.3	166.6
Net Debt (excl shareholder loans)**	59.3	62.4
Equity*	90.7	84.5
Equity*/ Assets	50.3%	50.7%

* Group equity including shareholder loan

** Bank loans net of cash and cash equivalents

Result analysis 9M 2014

The 9M 2014 net result of Tahal Assets contributable to Kardan was EUR 1.7 mn, compared to a EUR 2.7 mn contribution in 9M 2013.

The results of Tahal Assets are predominantly impacted by Kardan Water in China.

Reported total revenue comprises the operational revenue from rendering of water services and the effect of construction activities. Kardan Water reported a decrease in revenue from rendering of services of 5% (y-o-y) in the 9M 2014 period compared to the same period last year, mainly resulting from lower output from one plant, a delay in output from another plant and including a 2% impact of the weakening – on average – of the RMB versus the EUR. Mainly as the construction activities to one Kardan Water project continued – whereas hardly any construction activities took place during 2013 - the correlating revenue boosted Tahal Asset's 9M 2014 total revenue, which increased by 6% in the reported period.

The effect of the construction activities in China (9M 2014), which predominantly took place in the second quarter of this year, is the main reason for the decrease in the overall gross margin of Tahal Assets to 42% from 48% in 9M 2013, as construction activities generally have lower margins.

Sales & marketing, general and administration expenses (SG&A) were 11% lower y-o-y in 9M 2014 following continued cost control. In 9M last year, financing expenses were positively impacted following the contribution of the revaluation of a warrant and call option regarding a loan of 2010.

Additional information

The equity of Tahal Assets as at September 30, 2014 (compared to December 31, 2013) increased due to the results for the period and a positive impact due to foreign exchange translation, mitigated by a change in the non-controlling interest transaction reserve.

BANKING AND RETAIL LENDING

Kardan is active in the financial services sector through its 100% holding in Kardan Financial Services (KFS) which operates through its wholly owned subsidiary TBIF (banking and retail lending) in Bulgaria and Romania. In addition, KFS is active in Ukraine with leasing activities through its 66% holding in Avis Ukraine. In line with IFRS 11 Joint Arrangements, the results of Avis Ukraine and two other small entities are presented according to the equity method.

General developments Bulgaria and Romania and TBIF

Whereas in the first half of 2014 the European Union ('EU') showed a promising economic recovery, the European Commission recently weakened its outlook for the EU regarding the full year 2014 (EU 2014 GDP growth outlook of 1.3%, down from 1.6% last April) on the basis of lower confidence as geopolitical risks particularly in Ukraine and the Middle East have increased and the world economic prospects are seen to be less favorable. In addition, due to the lackluster economic development, job creation has been moderate and unemployment rates have only fallen slightly, which finds its impact in again subdued consumer confidence and therefore slow internal demand.

Downside risks have materialized in the economic development of Bulgaria as of the middle of the year 2014. In June last, following a bank run and a consequential closing of the fourth largest bank in the country, confidence in the national economic and political landscape in general and in the domestic banking sector in particular dropped. Macro economists expect a deceleration of activity for the rest of 2014, leading to a GDP growth rate of approximately 1.2% for the full year 2014, some 50 bp less than was expected earlier in 2014.

Private consumption was supported in the first half of this year by the sharp increase in real disposable income on the back of higher public sector wages and pensions in combination with slightly lower unemployment and deflation. It is noted, however, that Bulgaria faces an unfavorable demographic trend resulting from aging and emigration, negatively impacting private consumption momentum. The result of the recent elections last October has not created more political stability in the country. As there is little confidence in the banking system, households have been cautious both in depositing funds with banks as in taking loans. Notwithstanding the decline in confidence, the stability of the financial system has not materially been impacted by the recent events. TBI bank in Bulgaria managed to grow its gross loan portfolio in Q3 2014, against the market average decline. In particular, the SME / leasing portfolio showed good growth in Q3 2014 (q-o-q). Management of the bank had taken measures to control the strong growth in deposit taking earlier in 2014, which, exacerbated by the bank runs in June last, lead to a decrease in total deposits by 14% as at September 30, 2014 compared to December 31, 2013. It is noted though that corporate deposit taking showed a significant hike in Q3 2014 (q-o-q by 62%) following promotional activities.

Romania's economic development during 2014 is characterized by a gradual strengthening of private consumption and a continuing solid export, while investments still contribute negatively. As last year's GDP was positively impacted by a bumper agricultural harvest, it is expected that 2014's GDP growth will come in comparatively lower. Unemployment remains stable at a level of approximately 7%. Real disposable income is growing on account of an increase in wages, low inflation and declining interest rates. Contrary to the past two years, it is expected that a marginal growth in credit will be achieved as credit conditions have been eased and deleveraging is slowing down.

After intense efforts and marketing campaigns by the Romanian branch of TBI bank, corporate and retail deposits showed a significant year-on-year increase as at September 2014. In addition, the quality of the existing portfolios and the growth of the loan portfolio in general combined have resulted in a growth in revenue in 9M 2014 of over 20% y-o-y.

Avis Ukraine focuses on operational leasing services mainly to international corporations. The political situation of Ukraine continues to be unstable and TBIF is monitoring the situation closely both with respect to its Avis Ukraine operations as with respect to its intention to sell its stake in this company.

Results Banking & Retail Lending

	Banking and Retail Lending				
	For the nine months ended September 30		For the three months ended September 30		Full Year
	2014	2013	2014	2013	2013
	in € millions				
Banking and retail lending activities	24.5	18.0	6.1	6.5	24.4
Other revenues	1.7	1.4	0.7	0.4	1.6
Total revenues	26.2	19.4	6.8	6.9	26.0
Costs of banking and lending activities	18.6	20.7	6.3	7.9	25.2
Other expenses, net	2.0	0.2	0.7	-	1.1
Gross profit	5.6	(1.5)	(0.2)	(1.0)	(0.3)

SG&A expenses	0.2	1.0	0.1	0.2	1.1
Equity earnings (losses)	0.3	(3.1)	0.4	0.3	(2.7)
Gain on disposal of assets and other income	0.6	(3.3)	0.1	(4.8)	(8.4)
Impairment losses on goodwill	-	(3.4)	-	(3.4)	(3.9)
Result from operations before financing expenses	6.3	(12.3)	0.2	(9.1)	(16.4)
Financing income (expenses), net	(0.5)	(1.9)	(0.2)	(0.8)	(1.9)
Income tax (expenses) / benefits	(0.4)	0.2	(0.1)	0.4	(0.5)
Net Profit (loss)	5.4	(14.0)	(0.1)	(9.5)	(18.8)
Attributable to:					
Equity holders (Kardan N.V.)	5.4	(14.0)	(0.1)	(9.5)	(18.8)

Additional Information KFS Banking & Retail Lending	2014 (30.09)	2013 (31.12)
Balance sheet (in € millions)		
Net loan portfolio	146.6	137.2
Cash & short term investments	45.4	67.3
Total Assets	281.1	268.8
Deposits	157.6	149.7
Total Equity	35.4	29.2
Portfolio quality		
Provisions / non-performing loans	71%	77%

Result analysis 9M 2014

Despite the unstable political and banking sector situation in Bulgaria, TBIF contributed a profit of EUR 5.4 mn to the 9M 2014 consolidated result of Kardan, whereas this was still a loss of EUR 14 mn last year (including impairments totaling EUR 12 mn).

Revenues increased by 35% y-o-y in 9M 2014 as loan portfolios grew and their quality – in general - continued to improve (and therefore lower provisions were deducted from revenues). In Q3 2014, however, following the deterioration of the situation of VAB bank in Ukraine, the loan to VAB bank was impaired (EUR 2.9 mn), mitigating the revenue growth. As TBIF took measures to manage its over-liquid situation particularly in Bulgaria by decreasing its deposit interest rates and as a result of the banking crisis which also resulted in a decline in deposits, substantially lower interest expenses were included in the reported revenue in 9M 2014 than in the comparable period last year. TBIF succeeded to further prune the costs of its banking and lending activities in 9M 2014 which, with the higher revenue, led to a gross profit margin of 21% compared to a negative gross margin in the same period last year.

Financing income decreased (y-o-y) mainly as a result of foreign exchange differences.

“Other” (Expenses)

	For the nine months ended September 30		For the three months ended September 30		Full Year
	2014	2013	2014	2013	2013
	in € millions				
General and administration expenses	3.9	4.2	1.2	1.5	5.8
Equity earnings (losses)	(0.2)	0.6	(0.1)	0.8	0.8
<i>Financing income (expenses), net</i>	(21.4)	(33.3)	(8.3)	(5.2)	(37.7)
Income tax expenses (benefit)	(0.4)	(3.3)	-	0.3	(3.2)

Profit (loss) from continuing operations	(25.9)	(40.2)	(9.6)	(5.6)	(45.9)
Net Profit (loss) from discontinued operations	-	(78.7)	-	(43.2)	(75.2)
Net profit (loss)	(25.9)	(118.9)	(9.6)	(48.8)	(121.1)

Attributable to:

Non-controlling interest holders	-	(20.0)	-	(0.1)	(20.0)
Equity holders (Kardan NV)	(25.9)	(98.9)	(9.6)	(48.7)	(101.1)

General

The results under “Profit (loss) from continuing operations” relate to the holding and finance expenses of Kardan N.V. and its direct subsidiary GTC Real Estate Holding BV (GTC RE).

In 9M 2014, the financing expenses were negatively impacted by CPI and foreign exchange differences relating to the debentures (as the Israeli Shekel (NIS) strengthened versus the Euro) in the amount of a EUR 10 mn loss (Q3 2014: loss of EUR 4 mn) compared to a loss of EUR 11 million in 9M 2013 (Q3 2013: loss of EUR 0.5 mn). Currently, the company’s equity is mostly exposed to the Chinese RMB on its assets side and to NIS on its liabilities side. Changes in the NIS exchange rate mostly impact the income statement while changes in RMB mostly impact the equity directly. The income tax expense relates to deferred and current tax on hedge instruments.

OUTLOOK 2014

Kardan N.V.

Management of Kardan continues to focus on three main areas. In the interest of all its stakeholders it continues to work with its business segments to improve their results and consequently their value. In addition, management focuses on generating cash through its continuing operations as well as through the sale of assets to meet the Group’s obligations to its debt holders and banks. Moreover, management continues its negotiations with the debenture holders regarding possible postponement or rescheduling of the upcoming repayments, with the commitment to repay the debt in full.

Management is committed to succeed both in strengthening its financial position and in organically growing Kardan’s existing businesses. A cash flow forecast for the coming two years can be found in the Directors’ Report on page 12, as well as the Assumptions and Notes to the Cash Flow forecast.

In addition, we refer to note 1 of the 9M 2014 financial statements.

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

Macro-economic reports

National Bureau of Statistics, China

International Monetary Fund, *World Economic Outlook: Legacies, Clouds, Uncertainties* (October 2014)

European Commission; *Economic Forecast Spring 2014: Growth becoming broader-based* (May 2014)

Worldbank; *Global Economic Prospects* (June 2014)

KBC; *Economic Outlook*

Real Estate:

CBRE; *China Retail: A changing landscape*

Jones Lang LaSalle: *An overview of 30 retail locations in China* (2014)

Jones Lang LaSalle: *Retail Cities in Asia Pacific* (2014)

National Bureau of Statistics, China

McKinsey; *All you need to know about business in China* (April 2014)

Water Infrastructure

PWC: *10 minutes on managing water scarcity, 2012*

PWC: *Water: challenges, drivers and solutions, 2012*

KPMG: *Future State 2030, 2013*

Pacific Institute: *The CEO Water mandate, corporate water disclosure guidelines, 2014*

China Water Risk; *China Water Risk’s 5 trends for 2014* (February 2014)

Financial Services

Bulgarian National Bank, *Economic Review Summaries*

Ministry of Finance Bulgaria, *Bulgarian Economy, monthly report* (June 2014)

KBC; *Economic Outlook Central Europe* (July 2014)

Oesterreichische National bank; *Focus on European Economic Integration Q2 2014, Outlook for selected CESEE Countries*

Kardan N.V. is not responsible for the nature or correctness of data presented in this section regarding market developments or macro-economic projections.

Analyst & Investor Call

An analyst and investor call will be held **on Monday December 1, 2014, at 11.00 CET.**

To take part in the call, please use the following dial-in number:

Dial in number NL: +31(0)20 716 8256

Conference ID: **5176866**

Dial in number UK: +44(0)20 3427 1916

Conference ID: **5176866**

The Investor Relations presentation will be published on the corporate site, www.kardan.nl, approximately one hour after publication of this release.

Please confirm your attendance to eventmanagement@citigateff.nl.

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.

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 three sectors that benefit from the rising middle class: Real Estate, Water Infrastructure and Banking & Retail Lending. 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 September 30, 2014 amounted to EUR 1,013 mn; revenues totalled EUR 161 mn in the first nine months of 2014. Kardan is listed on NYSE Euronext Amsterdam and the Tel Aviv Stock Exchange.

The Director's Report including the financial reports, drawn up in accordance with the Dutch and Israeli regulations, are presented in a separate document and form an integral part of this release.

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