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)

	March 31,2019	March 31, 2018	December 31, 2018	Notes
Current assets	393,355	324,452	388,402	The increase as of March 31, 2019 in current assets compared to December 31, 2018, is mainly due to the increase in apartment inventory.
Non-current assets	268,716	303,586	256,489	The decrease as of March 31, 2019 in non-current assets compared to December 31, 2018, is mainly due to the revaluation of the investment property following the strengthening of the RMB against the EUR.
Total balance sheet	662,071	628,038	644,891	The increase in total balance sheet compared to December 31 2018, is mainly due to the increase in apartment inventory and revaluation of the investment property following the strengthening of the RMB against the EUR.
Current maturities of debentures	295,676	278,639	282,703	In increase as of March 31, 2019 in current maturities of debentures compared to December 31, 2018 is mainly due to the strengthening of the NIS against the EUR.
Other current liabilities	339,852	245,476	322,670	The increase in the other current liabilities compared to December 31, 2018 is mainly due to the increase in short term credit lines usage in the water infrastructure activity, which is presented as Held-For-Sale.
Current liabilities	635,528	524,115	605,373	
Long term Interest-bearing loans and borrowings	90,546	105,820	87,287	The change as at March 31, 2019 compared to December 31, 2018 is mainly due to impact of the strengthening of the RMB against the EUR over the Europark Dalian project loan.
Other non-current liabilities	6,199	8,388	5,988	
Non-current liabilities	96,745	114,208	93,275	
Equity (deficit) attributable to equity holders of the parent	(76,253)	(12,739)	(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, partially off-set by positive foreign currency translation differences (other comprehensive expense).

2. Cash Flow Statement analysis (in EUR thousands)

	Q1 2019	Q1 2018	FY 2018	Notes
Net cash provided by (used in) operating activities	(17,495)	3,709	3,290	Cash flow from operating activities includes the following: In Q1 2019, €26 million were generated from changes in operating assets and liabilities mostly in the Real Estate activities, partially off-set by finance expenses and interest payments. In addition, €7.7 million is negative cash flow from operating activities used in discontinued operations. In Q1 2018, €11 million were generated from changes in operating assets and liabilities which were partially off-set by finance expenses and exchange rate expenses. 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. For details regarding the Company's plan, see Section 3 (Cash Flow Forecast) below.
Net cash provided by (used in) investing activities	18,959	(6,890)	1,347	In Q1 2019 €12.6 million were generated by the proceeds from the sale of the investment in Avis and €7.3 million were generated from changes in short term deposit. In Q1 2018 €12 million were used for the investment in short term deposit which was partially off-set by the repayment of loans to companies accounted using the equity method. In 2018, €12.5 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 in the water infrastructure activity.
Net cash provided by (used in) financing activities	3,928	13,469	11,824	In Q1 2019 €4.1 million were generated from changes in short term credits in the water infrastructure activity. In Q1 2018 €13.7 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 March 31, 2019 and amounted to €356 million and €90 million, respectively, compared to €200 million and €216 million, respectively, in Q1 2018.

The average balance of trade receivables and trade payables is €7.7 million and €3.2 million, respectively.

3. Cash Flow Forecast

The review report of the external auditors as of March 31, 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 March 31, 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 April 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 agreement with the trustees of debenture holders (series A and B) regarding the main principles of a debt settlement which include, among others: 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; 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 according to terms which will be detailed in amended deeds of trust (‘The New Debt Settlement Principles’). For additional information, refer to the announcement issued by the Company on 23.10.2018 and the notice of the Company’s annual general meeting of shareholders and agenda and accompanying notes dated 17.4.2019. It should be noted that following the partial repayment to debenture holders Series B, it was agreed that the interest on the debentures will be paid with each principal repayment (instead of annual interest payments).

On April 30, 2019 the meetings of Debenture Holders series A and B approved the balance payment principles. As a result, the Company transferred NIS 145 million to debenture holders B trustee of the purpose of balance payments to Debenture Holders series B. as stated in the Company’s announcement on 14.5.2019 as amended on 15.5.2019 and 16.5.2019. The payment will be made on June 3, 2019.

In view of the fact that the date for making the payments to debenture holders that were scheduled for February 2018 and February 2019 passed without the Company having repaid these payments, that, as the date of this report, the Company reached agreements with the trustee of debenture holders series B regarding the principles of a new debt settlement with the debenture holders, and that the Company is preparing to implement these principles, and that the June 2019 planned payment to debenture holders series B in accordance with the balance payment agreement, the cash flow forecast was prepared under the assumption that the terms of the Debentures will be adjusted according to the New Debt Settlement Principles. Accordingly, the following cash flow forecast assumes that all the payments to the debenture holders will be postponed to December 2021, and the Company will make partial early repayments from funds it will receive, according to the ‘Balance payment’ agreements, according to the New Debt Settlement Principles, which were agreed with the debenture holders trustees. 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 New Debt Settlement Principles according to which the cash-flow forecast was prepared. Such change would impact the sources detailed in the cash flow forecast, and the amounts 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)	April 1, 2019 - December 31, 2019	January 1, 2020 – December 31, 2020	January 1, 2021 – April 30, 2021
Cash and cash equivalents at the beginning of the period	**36.1**	**2.9**	**2.9**
From operating activities			
General and administrative expenses	(2.6)	(3.1)	(0.8)
From investing activities			
Sale of shares and holdings in a subsidiaries and joint ventures (3) – (4)	85.0	-	-
Receipt of dividend (5)	8.0	10.0	-
Loan repayment (6)	0.8	1.1	0.3
Total Resources	**127.3**	**10.9**	**2.4**
From financing activities (7) – (11)			
Principal and interest payment of debentures – Series A	(7.5)	(1.4)	-
Principal and interest payment of debentures – Series B	(116.9)	(6.6)	-
Total Uses	**(124.4)**	**(8.0)**	**-**
Cash and cash equivalents at the end of the period	**2.9**	**2.9**	**2.4**

Main Assumptions to the Cash Flow Forecast

1. The cash flow forecast was prepared according to the assumption that the agreements reached by the Company with the trustees of the debenture holders will be approved at the meetings of the debenture holders. Accordingly, the uses in cash flow forecast are based on the assumption that the principal and interest repayment dates will be postponed to December 2021, and that the 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 cash flows from investing activities in 2019-2020 refer to considerations from the sale of TGI, taking into account the assumptions, comments and reservations detailed below:

   a. As of the date of this report, the Company is conducting discussions with several parties regarding the possible sale or allocation of its shares in TGI to third parties and/or the debenture holders, in order to meet its obligations according to the New Debt Settlement Principles being formulated with the debenture holders (Series A and B).

   b. When preparing this cash flow forecast, it was assumed that the transaction to be executed will be the sale of all TGI shares held by the Company, where all the proceeds will be received on completion date of the transaction (during 2019 as included in this forecast, however it is possible that such transaction will be completed in 2020) will be used by the Company to repay the debenture holders. However, as stated above, this is only an assumption, and there is no certainty that this assumption will actually materialize.

   c. The cash flow forecast was prepared under the assumption that the proceeds from the sale of TGI will be according to the considerations previously negotiated with third parties that did not materialize. It is emphasized that as of the date of this report, the Company in not conducting advanced negotiations with any party regarding the sale of TGI. Accordingly, **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**.**

d. **As of the date of this report, the negotiations regarding the sale of TGI have not yet been completed and accordingly there is no certainty that sale agreements will be signed, that the expected consideration will equal the consideration included in the cash flow forecast, and there is no certainty as to the date on which the consideration would be received by the Company.**

e. It should also be emphasized that as of this report date, the Company is examining additional alternatives in case it will not possible to complete the sale of its holdings in TGI at the time required by the trustees of the debenture holders. Due to the lack of certainty regarding the completion of the negotiations for the sale of TGI, including completion of a sale transaction in the timetables agreed upon with the trustees of the debenture holders, the option to include a provision in the debt settlement with the debenture holders to distribute TGI shares to the debenture holders as repayment of the Company's debt is being considered. Due to the fact that the terms of such distribution of TGI shares to the Debenture Holders and/or the distribution date have not yet been agreed, the cash flow forecast is prepared under the assumption that the distribution of TGI shares (if carried out) will be at a value reflecting the sale price of TGI shares to a third party, and therefore materializing TGI in such a manner will not affect the cash flow forecast. As mentioned above, as of the date of this report, the terms of the distribution of TGI shares to the Debenture Holders, the number of distributed shares, the distribution date etc. In addition, to the best of the Company's knowledge, the debenture holders B trustee is acting to appoint representatives to discuss the terms of such distribution of TGI shares to the debenture holders.
Therefore, it is reasonable to assume that the distribution terms of the shares to the debenture holders (if at all) may be different. It should be emphasized that any change in the terms of the distribution in TGI shares will affect the cash flow forecast.

f. As of the date of this report, the Company is not conducting negotiations regarding the sale of its holdings in KLC (or in any of KLC's subsidiaries). 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 dividends 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 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 € 2.2 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 that will be approved by the assemblies of the Debenture Holders will be according to the New Debt Settlement Principles (as defined above) and accordingly it is assumed that the balance payments will be paid to**

Series B in 2019, and with respect to the remaining period of the cash flow forecast, it is assumed that future payments will be made as early repayments out of funds received by the Company, and according to a decision of the Debenture Holders. 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, except for the amount transferred to Debenture Holder B trustee for the partial repayment in June 2019.

9. The 2019 payments to the Debenture Holders are payments in the amount of NIS 145 million that were transferred to debenture holders B trustee, in accordance with the resolutions of the meetings of the Debenture Holders (Series A and B) regarding the balance payments.

10. **It is also noted that due to the fact that the cash flow forecast is assuming that the deeds of trust will be amended according to the New Debt Settlement Principles, according to which the debenture (series A and B) principal and interest repayments will be delayed to December 2021, while the Company will be obligated to make early repayments from its available funds, the cash flow forecast assumes that the Company will make early repayments to the Debenture Holders out of the funds that will be made available to it from the sale of assets, dividends received and loan repayments. Accordingly, any change in the amounts that will be received in practice, will affect the amounts repaid to the Debenture Holders (series A and B). In light of the fact that the cash flow forecast assumes that the repayments to the Debenture Holders will be carried out of available funds, it does not include a split between the repayment of interest and principal to the Debenture Holders.**

11. **The cash flow forecast does not include interest in arrears 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 base assumptions on which the forecast cash flow is prepared, that the payments will be made according to agreements reached between the Company and the debenture holders trustees. It is possible that if the debenture holders' meetings will not approve the arrangement agreed upon with the trustees, the Company will also be required to pay interest in arrears. In light of the Company's request to the trustees as aforesaid, and of the fact that as of the date of this report, the Company is unable to estimate the dates of repayments to the debenture holders, the Company has no information regarding the date of actual payment to the Debenture Holders and is unable to calculate the final interest, if paid. Readers of the cash flow forecast should take these facts into consideration, with all that it might entail or imply.**

12. The interest calculations are based on the Israeli CPI, exchange rates and interest rates which are applicable as of March 31, 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 €7 million, in the amount of principal and interest payment in 2019.

13. 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 31.12.18	Intercompany loan as of 31.12.18
	(EUR million)	
GTC RE	136.9	(7.2)
KFS	7.1	-
Emerging	73.1	-

14. 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 sale of TGI, difficulties in reaching an agreement with the buyers of TGI, delays or lack of completion of the conditions precedent to the sale 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 March 31, 2019

Net debt (*)

The Company	Financial debt net	
Kardan NV/ GTC RE/ Emerging Investments XII	**Liabilities:**	
	Debentures (**)	(333.0)
	Liabilities short term	(2.2)
	Assets:	
	Cash and short-term investments	16.5
	Net debt	**(318.7)**
KFS	**Assets:**	
	Cash and short-term investments	19.8
	Loans to related parties	2.3
	Net cash	**22.1**
TGI/TG/TGA(***)	**Liabilities**	
	Liability short term	(0.4)
	Assets:	
	Cash and short-term investments	1.3
	Net cash	**0.9**

(*) 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 31.3.2019.

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 2018 financial statements and IR presentation refer to the announcements issued by the Company on March 28, 2019.

- For information regarding the updates of the service agreement between the Company and Kardan Israel LTD. as a result of the termination of the economic service component in the service agreement, see announcement issued by the Company on April 10, 2019.

- For information regarding the convening of the annual general meeting of the Company's shareholders set for May 29, 2019 see announcement issued by the Company on April 17, 2019.

- For information regarding the publication of the Company's 2018 statutory report and the statement of Corporate Governance under the Dutch law, see announcement issued by the Company on April 17, 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	April 18 2019	82,529	28.34	April 18 2019

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 March 31, 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 31.3.2019	€221.7 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

The fair value of the property as at March 31, 2019 is based on the valuation report which was attached to financial statements as of December 31, 2018 and the valuation model used in that valuation report.

As of March 31, 2019 there were no material changes to the significant assumptions that were used in the valuation of investment property as at December 31, 2018.

In addition, the value of the investment property as at March 31, 2019 increased by approximately €8.1 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 March 31, 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 31.3.19	Shareholders Loans (*)	Total Investment in books 31.3.19	Total Investment in books 31.12.18
Kardan NV	GTC RE	100%	200.6	200.6	8.1	208.7	(7.2)	201.5	193.7
	KFS	100%	22.2	22.2	-	22.2	-	22.2	22.0
	TGI	98.43%	40.6	38.7	1.2	39.9	-	39.9	40.9
	Emerging Investments XII	100%	73.1	73.1	-	73.1	-	73.1	65.2

Holding Company	Name of subsidiary	Share in subsidiary	Consolidated equity	Shareholders consoledated equity	Adjustments of GTC RE	Book value in TGI 31. 3.19	Shareholders Loans	Total Investment in books 31.3.19	Total Investment in books 31.12.18
GTC RE Holding	Kardan Land China	100%	221.2	221.2	0.9	222.1	(28.2)	193.9	186.5

Holding Company	Name of subsidiary	Share in subsidiary	Consolidated equity	Shareholders consoledated equity	Adjustments of TGI	Book value in TGI books 31.3.19	Loans granted by TGI	Total Investment in books 31.3.19	Total Investment in books 31.12.18
TGI	Tahal Group Assets B.V.	100%	7.1	7.1	-	7.1	(2.7)	4.4	5.1
	Tahal Group B.V.	100%	39.9	39.6	-	39.6	(0.7)	38.9	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 €8.3 million.
(****) Emerging Investment XII held the following Kardan N.V Debentures as of March 31, 2019:

	Nominal Value In NIS	Liability Value including accrued interest In EUR millions
Series A	109,839,448	34.2
Series B	120,381,450	40.9

9. Information to the Debenture Holders

The following are details regarding the marketable debentures of Kardan NV as of March 31, 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 291.8 million (NIS 1,190,000,000)	EUR 327.1 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 72.9 million (NIS 297,500,000 par value)	EUR 233.6 million (NIS 952,834,318 par value)
Debentures held by subsidiaries	NIS 136,506,115 par value	NIS 120,381,450 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 56.4 million	EUR 288.7 million
Market capitalization as of March 31, 2019(*)	EUR 7.6 million	EUR 98.0 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 March 31, 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.

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):

- For details regarding the convening of a meeting of debenture holders (series A and series B) on whose agenda a report on the Company's condition and the state of its assets and a report on the progress of the negotiations (Series B), see the report of the convening of a meeting held by the trustees for debentures Series A and Series B on April 11, 2019.

- For details regarding the convening of a voting meeting of debenture holders series B, on whose agenda the postponement of the final payment date of the principal and interest to the debenture holders series B as of May 1, 2019 to June 3, 2019 or any other date that will be determined in coordination with the Tel Aviv Stock Exchange. Refer to the announcement issued by the Trustee of Debenture Holders Series B on April 15, 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 April 19, 2019.

- For information regarding the announcement issued by the Trustee of Debenture Holders Series A regarding the postponement of the payment dates of the Debentures Series A, refer to the announcement issued on April 23, 2019.

- For more information regarding the summoning of a voting assembly of Debenture Holders Series A and Series B (without actual convening) on which agenda the approval of the agreements between the Company, debenture holders series A, series B in connection with the implementation of the balance payments set to April 30, 2019, see the summons of a meeting held by the trustees for debenture holders Series A and Series B on April 25 and 28, 2019

- For details regarding the results of the voting meetings (without actual convening) of the debentures holders of the Series A and Series B, which convened on April 30, 2019, in which it was decided, among other things, to approve in a binding manner And without contingent on the agreements between the Company and the debenture holders Series B and debenture holders Series A, see the results of a meeting held by the trustees for debenture holders Series A and Series B on May 1, 2019.

- For details regarding the convening of a voting meeting of debenture holders Series A on whose agenda the postponement of the final repayment date (principal and interest) to the debenture series A, fixed as of May 20, 2019, to September 22, 2019, or any other date that will be determined in coordination with the Tel Aviv Stock Exchange, see the report summoning a meeting published by the trustee of debenture holders Series A May 7, 2019.

- For details regarding the convening of a voting meeting of debenture holders Series B whose agenda is the appointment of a representative and its authority, see the summons of a meeting published by debenture series B Trustee on May 13, 2019.

- For details regarding the voting meeting of debenture holders series A results which approved the postponement of the final repayment (principal and interest) set to May 20, 2019 to September 22, 2019 or any other date that will be determined in coordination with the Tel Aviv Stock Exchange, see the report summoning a meeting published by the trustee of debenture holders Series A May 14, 2019.

- For details regarding the partial repayment of debentures series B following the decision of series A and Series B, in an amount of NIS 145 million, see immediate report published on May 14, 15 and 16, 2019.

- For information regarding the announcement issued by the Trustee of Debenture Holders Series A regarding the postponement of the payment dates of the Debentures Series A, refer to the announcement issued on May 14, 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 May 15, 2019.

- For details regarding the clarification regarding the entitlement date to payments in respect of tradable bonds and debentures, see the Immediate Report published by the Company on May 20, 2019.

- For details regarding the convening of a voting meeting of debenture holders Series B whose agenda is the appointment of a representative and its authority, see the summons of a meeting published by debenture series B Trustee on May 22, 2019.

- On May 22, 2019 the Trustee of the Debenture Holders (series B) published an announcement regarding the candidacy to serve as the representative of the Debenture Holders (series B). For more information refer to the announcement issued by the Company on May 22, 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: 28 May 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 March 31, 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 first 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.

May 28, 2019

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A. Hasson – CEO and Director

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

I, E.Oz-Gabber, certify that:

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

May 28, 2019

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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 the first quarter 2019 up to March 28, 2019, reference is made to the Annual 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%		Q1 - 2019	2018
Invested costs	Cumulative costs for land at the end of the period	77.04	74.23
	Cumulative costs for development, taxes, and fees	3.31	3.19
	Cumulative costs for construction	124.23	118.5
	Cumulative costs in respect of financing (capitalized)	12.58	11.38
	Total cumulative cost	217.17	207.29
	Total cumulative carrying costs	217.17	207.29
Costs yet to be invested and completion rate	Costs in respect of land not yet invested (estimate)	1.42	1.37
	Development costs, taxes and fees not yet invested (estimated)	-	-
	Costs for construction not yet invested (estimated)	27.89	28.07
	Cumulative costs in respect of financing expected to be capitalized in the future (estimate)	0.98	1.69
	Total costs remaining for completion	30.29	31.13
	Completion rate (excluding land) (%)	83%	82%
	Expected construction completion date	2020	2020

		Q1 - 2019	2018
Agreements signed during the current period (not including apartment purchase orders)	Housing units (#)	11	109
	Housing units (sqm)	1,186	12,258
Average price per m^2 in agreements signed during the current period	Housing units	2,562	2,600
Cumulative agreements up to the end of the period:	Housing units (#)	874	863
	Housing units (sqm)	85,416	84,230
Cumulative average price per m^2 in agreements signed up to the end of the period (in euro)	Housing units	2,461	2,370
Marketing percentage of the project	Total expected income from the entire project (in millions of euros)	294	283
	Total cumulative expected income from signed agreements (EUR millions)	210	200
	Marketing rate as of the last day of the period (%)	72%	70%
Areas for which no agreement has been signed:	Housing units (#)	217	228
	Housing units (sqm)	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)		46	45
Exchange rate for this table		7.5607	7.8473
*** ***			
Number of agreements signed from the end of the period to the report date (#) / m2	Residential	2	
Average price per m2 in agreements signed between the end of the period and the date of the report (EURO)	Residential	2,717	

Suzy

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

		Q1 - 2019	**2018**
Agreements signed during the current period	Housing units (#)	18	**231**
	Housing units (sqm)	1,675	**17,578**
	Commercial areas (sqm)	-	-
Average price per m² in agreements signed during the current period	Housing units	879	743
	Commercial areas	-	-
Cumulative agreements up to the end of the period:	Housing units (#)	567	549
	Housing units (sqm)	42,905	41,230
	Commercial areas (sqm)	-	-
Cumulative average price per m² in agreements signed up to the end of the period (in euro)	Housing units	724	691
	Commercial areas	-	-
Marketing percentage of the period	Total expected income from the entire project (in commercial currency)	287	276
	Total cumulative expected income from signed agreements (EUR millions)	31	28
	Marketing rate as of the last day of the period (%)	11%	10%
Areas for which no agreement has been signed:	Housing units (#)	2,354	2,372
	Housing units (sqm)	220,105	221,779
	Commercial areas (sqm)	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)		16.4	15.1
*** ***			
Number of agreements signed from the end of the period to the report date (#) / m²	Residential	28	
	Commercial	-	
Average price per m² in agreements signed between the end of the period and the date of the report (EURO)	Residential	884	
	Commercial	-	

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

Project Name			Q1 - 2019	2018
Olympic Garden	Agreements signed during the current period	Housing units (#)	15	286
		Housing units (sqm)	1,267	25,783
		Commercial areas (sqm)	616	474
	Average price per m^2 in agreements signed during the current period	Housing units	1,674	1,467
		Commercial areas	4,051	3,508
City Dream	Agreements signed during the current period	Housing units (#)	8	181
		Housing units (sqm)	1,151	20,391
		Commercial areas (sqm)	-	1,826
	Average price per m^2 in agreements signed during the current period	Housing units	1,654	1,452
		Commercial areas	-	1,610
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%)	**Q1 2019**	**Year 2018**
Fair value at the end of the period (€ in millions) (*)	221.67	213.6
NOI (€ in millions)	0.49	(0.95)
Valuation losses for the period (€ in millions)	-	(8.6)
Average occupancy rate in the period	88.9%	87.4%
Average rental rate per sqm. (in €) (**)	13.15	9.91
Part of the area for which rental agreements or letters of intent were signed during the period, net (%) (1)	7.1%	27.4%
Part of the area for which rental agreements or letters of intent were signed accumulated (%)	90.6%	84.5%
Average monthly rent per sqm in contracts signed during the Period, gross (per month) (€) (***) (1)	7.47	11.08

(1) 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

(*) 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.
(***) 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:

<table>
<tr><th>Name of the Loan and the section in the Annual Report which refers to the loan</th><th>Update information</th><th>Calculation of financial covenants</th></tr>
<tr><td>Debentures series A section 12.1.2 (1) to the Annual Report</td><td rowspan="2">-</td><td rowspan="2">See section 12.1.2 to the Annual Report. The coverage ratio of Kardan NV according to the financial statements as of 31.3.2019 is 77.1%; the coverage ratio of Kardan Land China according to the financial statements as of 31.3.2019 is 260%.</td></tr>
<tr><td>Debentures series B section 12.1.2 (2) to the Annual Report</td></tr>
<tr><td>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).</td><td>-</td><td>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</td></tr>
</table>

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 31.03.2019, the amount is USD 34 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 31.03.2019 - 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 31.03.2019 - the EBITDA total is USD 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 31.03.2019 - the ratio is 36.7%); (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 31.03.2019, the ratio is 5.2; 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 31.03.2019, the ratio is 51.6%). (6) 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 31.03.2019, the amount is USD 64.5 million). (7) 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 31.03.2019, the ratio is 25.7%; the bank has granted a waiver); (8) 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 31.03.2019 - the EBITDA total is USD 6 million);

(b) (1) The total equity of Tahal International (including shareholder loans) according to the consolidated statements thereof, will not be less than EUR 35 million (as of 31.03.2019 - a total of EUR 28 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 31.03.2019 - the ratio is 12.2% - 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 31.03.2019 - the ratio is 5.4 - 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 31.03.2019 - the amount is EUR 39.6 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 31.03.2019 - the amount is EUR 11.2 million);(6) The ratio between Tahal Group's total debt and its EBITDA will not exceed 3.25 (as of 31.03.2019 – the ratio is 4.39; the bank has granted a waiver).

KARDAN N.V.
AMSTERDAM, THE NETHERLANDS

Condensed Interim Consolidated Financial Statements (unaudited)
As of March 31, 2019

CONTENTS

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

A s s e t s

	Note	**March 31, 2019**	March 31, 2018	December 31, 2018
		Unaudited		Audited
		In €'000		
Non-current assets				
Deferred tax assets		325	468	313
Tangible fixed assets, net		723	642	748
Investment property		221,673	222,932	213,577
Investments in joint ventures	7	42,396	51,955	23,114
Loans to joint ventures	7	-	19,641	14,859
Long-term loans and receivables		3,599	7,948	3,878
		268,716	303,586	256,489
Current assets				
Apartments inventory		68,228	61,193	64,734
Trade receivables		7,952	10,710	7,416
Current tax assets		2,633	342	2,452
Other receivables and prepayments		4,923	3,200	3,515
Short-term investments		10,617	24,044	17,427
Cash and cash equivalents		66,785	36,327	51,949
		161,138	135,816	147,493
Assets held for sale	8	232,217	188,636	240,909
Total current assets		393,355	324,452	388,402
Total assets		662,071	628,038	644,891

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

Equity and liabilities

	Note	March 31, 2019	March 31, 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		(5,186)	(5,845)	(12,049)
Property revaluation reserve		25,179	31,637	25,179
Revaluation reserve, other		4,723	5,379	4,837
Accumulated deficit		(332,727)	(275,668)	(309,222)
		(76,253)	(12,739)	(59,497)
Non-controlling interests		6,051	2,454	5,740
Total equity (deficit)		(70,202)	(10,285)	(53,757)
Non-current liabilities				
Interest-bearing loans and borrowings		90,546	105,820	87,287
Other long-term liabilities		1,056	1,053	1,033
Financial instruments		-	927	-
Deferred tax liabilities		5,143	6,408	4,955
		96,745	114,208	93,275
Current liabilities				
Trade payables		3,185	1,730	3,159
Current maturities of debentures	2	295,676	278,639	282,703
Interest-bearing loans and borrowings		14,056	-	13,510
Current tax liabilities		1,475	1,245	1,185
Financial instruments		691	-	678
Advances from apartment buyers		35,930	18,155	32,509
Other payables and accrued expenses		95,797	78,389	87,301
		446,810	378,158	421,045
Liabilities associated with assets held for sale	8	188,718	145,957	184,328
Total current liabilities		635,528	524,115	605,373
Total liabilities		732,273	638,323	698,648
Total equity and liabilities		662,071	628,038	644,891

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

CONDENSED INTERIM CONSOLIDATED INCOME STATEMENT

	Note	For the three months ended March 31, 2019	For the three months ended March 31, 2018	For the year ended December 31, 2018
		Unaudited	Unaudited	Audited
		In €'000		
Revenues from sale of apartments		1,115	61,627	72,711
Revenues from rental operations		2,091	1,269	5,824
Management fees and other revenues		201	180	923
Total revenues		3,407	63,076	79,458
Cost of apartment sold		1,011	60,384	69,002
Cost of rental operations		996	924	3,738
Management fees and other expenses, net		10	86	224
Total expenses		2,017	61,394	72,964
Gross profit		1,390	1,682	6,494
Selling and marketing expenses		484	1,027	4,083
General and administration expenses		2,247	2,480	8,126
Loss from operations before fair value adjustments, disposal of assets and investment and other income		(1,341)	(1,825)	(5,715)
Adjustment to fair value of investment properties		-	-	(8,610)
Gain on disposal of assets and other income, net		-	-	1,507
Loss from fair value adjustments, disposal of assets and investments and other income		-	-	(7,103)
Loss from operations		(1,341)	(1,825)	(12,818)
Financial income		1,333	13,314	11,813
Financial expenses		(24,852)	(6,968)	(35,516)
Total financial income (expenses), net		(23,519)	6,346	(23,703)
Profit (loss) before share of profit from investments accounted for using the equity method		(24,860)	4,521	(36,521)
Share of profit of investments accounted for using the equity method, net	7	2,872	1,238	1,491
Profit (loss) before income taxes		(21,988)	5,759	(35,030)
Income tax expenses (benefit)		67	1,627	(605)
Profit (loss) for the period from continuing operations		(22,055)	4,132	(34,425)
Net profit (loss) from discontinued operations	8	(1,216)	636	(311)
Net profit (loss) for the period		(23,271)	4,768	(34,736)
Attributable to:				
Equity holders		(23,505)	4,269	(36,775)
Non-controlling interest holders		234	499	2,039
		(23,271)	4,768	(34,736)
Earnings (loss) per share attributable to shareholders:				
Basic and diluted from continuing operations		(0.18)	0.04	(0.27)
Basic and diluted from discontinued operations		(0.01)	-	-
		(0.19)	0.04	(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 three months ended March 31,		For the year ended December 31,
	2019	2018	2018
	Unaudited		Audited
	In €'000		
Net profit (loss) for the period	(23,271)	4,768	(34,736)
Foreign currency translation differences	5,606	(7,875)	(15,014)
Change in hedge reserve, net of tax (1)	(114)	(208)	(751)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	1,334	(72)	(1,279)
Other comprehensive expense for the period to be reclassified to profit or loss in subsequent periods	6,826	(8,155)	(17,044)
Total comprehensive expense	(16,445)	(3,387)	(51,780)
Attributable to:			
Equity holders	(16,756)	(1,821)	(49,612)
Non-controlling interests holders	311	(1,566)	(2,168)
	(16,445)	(3,387)	(51,780)

(1) Mainly relates to unwinding of hedge transactions in prior periods. The amounts are presented net of tax amounting to €38 thousand and €69 thousand for the three months ended March 31, 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							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 January 1, 2019 (Audited)	25,276	206,482	(12,049)	25,179	4,837	(309,222)	(59,497)	5,740	(53,757)
Other comprehensive income (loss)	-	-	6,863	-	(114)	-	6,749	77	6,826
Profit (loss) for the period	-	-	-	-	-	(23,505)	(23,505)	234	(23,271)
Total comprehensive loss	-	-	6,863	-	(114)	(23,505)	(16,756)	311	(16,445)
Balance as of March 31, 2019 (Unaudited)	25,276	206,482	(5,186)	25,179	4,723	(332,727)	(76,253)	6,051	(70,202)

(*) 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 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 loss	-	-	(5,882)	-	(208)	-	(6,090)	(2,065)	(8,155)
Profit for the period	-	-	-	-	-	4,269	4,269	499	4,768
Total comprehensive loss	-	-	(5,882)	-	(208)	4,269	(1,821)	(1,566)	(3,387)
Transactions with non-controlling interest	-	-	-	-	-	7	7	-	7
Share-based payment	-	-	-	-	1	-	1	478	479
Balance as of March 31, 2018 (Unaudited)	25,276	206,482	(5,845)	31,637	5,379	(275,668)	(12,739)	2,454	(10,285)

(*) 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 loss	-	-	(12,086)	-	(751)	-	(12,837)	(4,207)	(17,044)
Profit (loss) for the period	-	-	-	-	-	(36,775)	(36,775)	2,039	(34,736)
Total comprehensive loss	-	-	(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 three months period ended March 31,		For the year ended December 31,
		2019	2018	2018
		Unaudited		Audited
		In €'000		
Cash flow from operating activities				
Profit (loss) from continuing operations before taxes on income		(21,988)	5,759	(35,030)
Profit (loss) from discontinued operations before taxe on income		(1,825)	495	1,683
Adjustments to reconcile net loss to net cash (see A below)		15,503	(648)	58,807
Adjustment on operating activities from discontinued operations		(9,185)	(1,897)	(22,170)
Net cash provided by (used in) operating activities		**(17,495)**	**3,709**	**3,290**
Cash flow from investing activities				
Acquisition of tangible fixed assets and investment properties		(791)	(572)	(2,572)
Investments and collection (granting) loans from (to) companies accounted for using the equity method, net		-	5,797	14,050
Proceeds from sale of assets and investments in associates	8	12,600	-	-
Change in short-term investments		7,307	(12,075)	(2,911)
Net cash provided by (used in) investing activities from discontinued operation		(157)	(40)	(7,220)
Net cash provided by (used in) investing activities		**18,959**	**(6,890)**	**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 three months period ended March 31,		For the year ended December 31,
	2019	2018	2018
	Unaudited		Audited
		In €'000	
Cash flows from financing activities			
Repayment of long-term loans	282	-	(16,540)
Decrease in pledge deposit	-	-	16
Net cash provided in financing activities from discontinued operations	3,646	13,469	28,348
Net cash provided by financing activities	3,928	13,469	11,824
Increase in cash and cash equivalents	**5,392**	**10,288**	**16,461**
Cash relating to assets held for sale	6,667	(11,556)	(4,631)
Foreign exchange differences relating to cash and cash equivalents	2,777	455	2,979
Cash and cash equivalents at the beginning of the period	51,949	37,140	37,140
Cash and cash equivalents at the end of the period	**66,785**	**36,327**	**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 three months period ended March 31,		For the year ended December 31,
	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	(2,872)	(1,238)	(1,491)
Share-based payment	-	1	446
Depreciation and amortization	60	50	262
Fair value adjustments of investment property	-	-	8,610
Financial expense (income) and exchange differences, net	(4,452)	(6,381)	23,692
Fair value adjustments of derivative financial instruments	-	78	(184)
Changes in operating assets and liabilities:			
Change in trade and other receivables	(2,445)	(1,963)	(1,486)
Change in inventories, net of advances from customers	(50)	13,692	24,489
Change in trade and other payables	28,586	(722)	4,699
Dividend received	-	-	12,160
Interest paid	(3,084)	(2,869)	(11,083)
Interest received	55	119	889
Income taxes paid	(295)	(1,415)	(5,519)
	15,503	**(648)**	**58,807**

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

CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

	For three months period ended March 31,		For the year ended December 31,
	2019	2018	2018
	Unaudited		Audited
	In €'000		
B. Proceeds from sale/aquisition of subsidiaries			
Working capital (excluding cash and cash equivalents and bank borrowings)	-	1,061	2,120
Property, plant and equipment	-	(46)	(51)
Goodwill	-	(855)	(1,656)
Intangible assets	-	-	(745)
	-	160	(332)

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

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
March 31, 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 May 28, 2019.

2. Financial Position and Going Concern

a. As at March 31, 2019 the Company had, on a stand-alone basis and on a consolidated basis, a working capital deficit of €293 million and €242 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 three months ended March 31, 2019, the Company recorded a (consolidated and on a stand-alone basis) net loss of €23 million, and generated negative cash flow from operating activities of €1.2 million on a stand-alone basis, and negative cash flow from operating activities of €17.5 million on a consolidated basis. In addition, as at March 31, 2019 the Company had a deficit of €76 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 is currently conducting 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 c 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 will take place on June 3, 2019, includes NIS 95.9 million which will be used to repay interest and NIS 49.1 million will be used to repay the principal. The sources of payment are 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. Accordingly, management estimates that a debt settlement with the debenture holders will be signed in 2019.

e. 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. The main source of cash for the Company, in order to repay its debt, will be generated from the sale of assets. The Company continues to conduct 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). 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. The Company estimates, in the abovementioned liquidity analysis, that the consideration will be received in 2019.

As mentioned above, the Company is working to advance negotiations with respect to the intended sale of TGI with a number of parties, and preparing alternatives for the realization of its holdings. In view of the lack of certainty of completing these negotiations, including completing a sale transaction in the timetables agreed upon with the representatives of the debenture holders in particular, the option to include a provision in the arrangement with debenture holders to distribute TGI shares to the debenture holders as repayment of the Company's debt is being considered.
For details regarding the financial position of TGI, see note 8.

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, 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 at March 31, 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 three months ended March 31, 2019:

Unaudited	Real Estate		
	Development	Investment property	Total
Revenue	1,316	2,091	3,407
Share in profit of investments accounted using the equity method	2,872	-	2,872
Segment result	2,718	603	3,321
Unallocated expenses			(1,790)
Profit before finance expenses, net			1,531
Finance expenses, net			(23,519)
Loss before income tax			(21,988)
Income tax expense			(67)
Loss from continuing operations			(22,055)
Loss from discontinued operations			(1,216)
Loss for the period			(23,271)

(2) For the three months ended March 31, 2018:

Unaudited	Real Estate		
	Development	Investment property	Total
	In €'000		
Revenue	61,807	1,269	63,076
Share in profit of investments accounted using the equity method	1,238	-	1,238
Segment result	2,003	(632)	1,371
Unallocated expenses			(1,958)
Loss before finance expenses, net			(587)
Finance expenses, net			6,346
Profit before income tax			5,759
Income tax expense			(1,627)
Profit from continuing operations			4,132
Profit from discontinued operations			636
Profit for the period			4,768

(3) 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 expense			(605)
Loss from continuing operations			(34,425)
Loss from discontinued operations			(311)
Loss for the year			(34,736)

B. **Segments assets**

	March 31,		December 31
	2019	2018	2018
	Unaudited		Audited
	In €'000		
Real Estate – Residential	116,302	122,160	107,506
Real Estate – Commercial	227,801	234,142	219,186
	344,103	356,302	326,692
Assets held for sale	232,217	188,636	240,909
Unallocated assets (*)	85,751	83,100	77,290
	662,071	628,038	644,891

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

C. **Segments liabilities**

	March 31,		December 31
	2019	2018	2018
	Unaudited		Audited
	€ in thousands		
Real Estate – Residential	66,972	49,849	68,193
Real Estate – Commercial	13,937	3,189	10,127
	80,909	53,038	78,320
Liabilities associated with assets held for sale	188,718	145,957	184,328
Unallocated liabilities (*)	462,646	439,328	436,000
	732,273	638,323	698,648

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

5. Share capital

Composition

	March 31, 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

		March 31, 2019		March 31, 2018		December 31, 2018	
		Unaudited				Audited	
	Level	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	271,355	86,071	237,670	120,713	253,916	69,195
Debentures issued by the Company that ceased to be traded (Series B)	2	73,755	19,608	62,640	52,376	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.

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 March 31, 2019
	Audited	Unaudited	
		In €'000	
Put options	677	14	691

(*) Not including a balance of €2,173 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 March 31, 2019 there was no external valuation obtained for the Company's investment property. 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.

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)

	March 31, 2019	March 31, 2018	December 31, 2018
	Unaudited		Audited
	In €'000		
Current assets (not including cash and cash equivalent)	85,833	82,210	93,374
Cash and cash equivalent	31,744	31,918	33,858
Non-current assets	12,718	13,638	15,020
Current liabilities	(82,131)	(89,764)	(104,505)
Current financial liabilities	(8,782)	(6,672)	(5,903)
Total equity attributed to the owners	39,382	31,330	31,844
% held in the joint venture	50%	50%	50%
Total investment in joint ventures	19,691	15,665	15,922

	For the three months period ended March 31, **2019**	2018	For the year ended December 31, 2018
	Unaudited		Audited
	In €'000		
Revenues from operations	25,495	3,594	31,376
Cost of operations	(15,378)	(920)	(18,193)
Selling and marketing, other (income) expenses, and administrative expenses	(1,429)	(874)	(4,237)
Other financial income	332	52	963
Profit before tax	9,020	1,852	9,909
Income tax expenses	(2,743)	(456)	(2,378)
Profit attributed to equity holders	6,277	1,396	7,531
% held of the joint venture	50%	50%	50%
Group's share of profit for the period	3,139	698	3,765
Total comprehensive income attributed to equity holders	7,536	1,650	7,326
% held of the joint venture	50%	50%	50%
Group share of the total comprehensive income	3,768	825	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. Regarding the presentation of TGI and AVIS Ukraine as discontinued operations and asset held for sale, please refer to Note 2.

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

	March 31,		December 31,		
	2019	**2018**	2018		
	TGI	TGI	TGI	Avis Ukraine	Total
	In € '000				
Assets					
Trade receivable	58,042	45,559	66,393	-	66,393
Accrued income	60,020	45,978	56,321	-	56,321
Other current assets	52,990	38,734	48,668	-	48,668
Tangible fixed assets,	29,349	14,825	17,689	-	17,689
Other non-current	24,805	22,934	25,731	-	25,731
Cash and cash equivalents	7,011	20,606	13,680	-	13,680
Investment in Joint venture Avis Ukraine	-	-	-	12,427	12,427
Total assets	232,217	188,636	228,482	12,427	240,909
Liabilities					
Interest bearing loans and borrowings	56,778	35,636	50,195	-	50,195
Advances from customers	32,427	45,653	35,987	-	35,987
Other liabilities	99,513	64,668	98,146	-	98,146
Total liabilities	188,718	145,957	184,328	-	184,328
Net asset value	43,499	42,679	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 three months period ended March 31, **2019**			For the three months period ended March 31, 2018			For the year ended December 31, 2018		
	Avis Ukraine	TGI	Total	Avis Ukraine	TGI	Total	Avis Ukraine	TGI	Total
	In €'000								
Income	-	35,415	35,415	-	31,617	31,617	-	175,397	175,397
Operating and finance expenses and Share of profit of investments accounted for using the equity method, net	-	(38,712)	(38,712)	474	(31,596)	(31,122)	908	(171,677)	(170,769)
Other income, net	-	-	-	-	-	-	-	378	378
Profit before tax	-	(3,297)	(3,297)	474	21	495	908	4,098	5,006
Income tax expenses (benefit), net	-	(608)	(608)	-	(141)	(141)	-	1,994	1,994
Profit from discontinued operations	-	(2,689)	(2,689)	474	162	636	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	(2,689)	(1,216)	474	162	636	(2,415)	2,104	(311)
Attributable to:									
Equity holders	1,473	(2,923)	(1,450)	474	159	633	(2,415)	65	(2,350)
Non-controlling interest holders	-	234	234	-	3	3	-	2,039	2,039
	1,473	(2,689)	(1,216)	474	162	636	(2,415)	2,104	(311)

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

	For the three months period ended March 31,				For the year ended December 31,		
	2019	2018			2018		
	TGI	Avis Ukraine	TGI	Total	Avis Ukraine	TGI	Total
	In €'000						
Adjustments arising from translating financial statements of foreign operations	2,017	(482)	(8,204)	(8,686)	409	(13,338)	(12,929)
Change in hedge reserve, net	-	-	-	-	-	-	-
Total other comprehensive income (expense)	2,017	(482)	(8,204)	(8,686)	409	(13,338)	(12,929)
Attributable to:							
Equity holders	1,972	(482)	(6,243)	(6,725)	409	(9,280)	(8,871)
Non-controlling interest holders	45	-	(1,961)	(1,961)	-	(4,058)	(4,058)
	2,017	(482)	(8,204)	(8,686)	409	(13,338)	(12,929)

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

a) In the first quarter of 2019 TGI had € 11million negative cash flows from operating activities (for the year 2018: € 17 million).
b) 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.
c) As of March 31, 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.
d) Management of TGI expects a positive outcome regarding all uncertain events described above, i.e. waivers from banks will be extended, 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 efficiency 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 March 31, 2020.
e) 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 March 31, 2019 the Company did not meet its financial covenant, as agreed with the Company's debenture holders. As of March 31, 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 March 31, 2019.

Review report

To: the shareholders of Kardan N.V.

Introduction

We have reviewed the accompanying condensed interim consolidated financial statements for the three-month period ended 31 March 2019 of Kardan N.V., Amsterdam, which comprises the condensed interim consolidated statement of financial position as at 31 March 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 period then ended 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 this condensed interim consolidated financial information based on our review.

Scope

We conducted our review in accordance with Dutch law including standard 2410, Review of Interim Financial Information Performed by the Independent Auditor of the 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-month period ended 31 March 2019 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union.

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 31 March 2019 of € 242 million. For the three month period-ended March 31, 2019, the Company recorded a net loss of € 23 million and generated negative cash flows from operating activities of € 17.5 million. In addition, as at 31 March 2019, the Company had a deficit of € 76 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, the transaction 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 reschedule 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 May 2019

PricewaterhouseCoopers Accountants N.V.

Originally signed by 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.

Financial Data included in the

Consolidated Financial Statements related to the Company

For the year ended March 31, 2019

	March 31, 2019	March 31, 2018	December 31, 2018
	€ in thousand		
A s s e t s			
Non-current assets			
Property and equipment	106	137	114
Financial fixed assets			
Investments in consolidated subsidiaries	303,989	319,751	290,610
Loans to consolidated subsidiaries	24	24	24
	304,013	319,775	290,748
Current assets			
Cash and cash equivalents	16,316	4,960	17,595
Short-term investments	169	169	169
Other receivables and derivatives	2,277	1,517	1,798
	18,762	6,646	19,562
Assets classified as held for sale	39,871	42,539	40,878
Total current assets	58,633	49,185	60,440
Total assets	362,752	369,097	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	(5,186)	(5,845)	(12,049)
Property revaluation reserve	25,179	31,637	25,179
Other reserves	4,723	5,379	4,837
Accumulated deficit	(332,727)	(275,668)	(309,222)
	(76,253)	(12,739)	(59,497)
Long-term liabilities			
Debentures	-	350,365	-
Option liability	-	2,890	-
	-	353,255	-
Current liabilities			
Current maturities of debentures	372,041	-	355,656
Option liability	2,864	-	2,791
Other payables	64,100	28,581	52,238
	439,005	28,581	410,685
Total equity and liabilities	362,752	369,097	351,188

The accompanying Notes are an integral part of these consolidated financial statements related to the company

THE COMPANY'S INCOME STATEMENT

	For the period ended March 31,		For the year ended December 31,
	2019	2018	2018
	In €'000		
Net result from investments for the period	6,933	(5,612)	(16,125)
General and administrative expenses, net	944	1,103	2,602
Profit (loss) from operations before financing expenses	5,989	(6,715)	(18,727)
Finance income (expenses), net	(27,980)	10,942	(17,722)
Income tax expense	38	69	250
Loss for the period from continuing operations	(22,029)	4,158	(36,699)
Net loss from discontinued operations	(1,476)	111	(76)
Net profit (loss) for the year	(23,505)	4,269	(36,775)

The accompanying Notes are an integral part of these consolidated financial statements related to the company

ADDITIONAL INFORMATION FROM THE COMPANY-ONLY STATEMENT OF COMPREHENSIVE INCOME

	For the three months period ended March 31,		For the year ended December 31,
	2019	2018	2018
	In €'000		
Net profit (loss) for the period	(23,505)	4,269	(36,775)
Foreign currency translation differences	6,863	(5,882)	(12,086)
Change in hedge reserve, net	(114)	(208)	(751)
Other comprehensive expense for the period to be reclassified to profit or loss in subsequent periods	6,749	(6,090)	(12,837)
Total comprehensive expense	(16,756)	(1,821)	(49,612)

The accompanying Notes are an integral part of these consolidated financial statements related to the company

ADDITIONAL INFORMATION FROM THE COMPANY-ONLY CASH FLOW STATEMENT

	For the three months period ended March 31,		For the year ended December 31
	2019	2018	2018
		In €'000	
Cash flow from operating activities of the Company			
Profit (loss) for the period	(23,505)	4,269	(36,775)
Adjustments to reconcile profit (loss) to net cash of the Company			
Financial expense	(94)	(10,986)	17,610
Dividend received	-	-	17,500
Share-based payment	-	1	2
Equity losses (earnings)	(5,457)	5,501	16,201
Fair value adjustments of derivative financial instrument	-	78	(184)
Changes in working capital of the Company			
Change in receivables	(433)	(120)	(128)
Change in payables	28,260	238	(50)
Net cash provided by operating activities of the Company	**(1,229)**	**(1,019)**	**14,176**
Cash flow from investing activities of the Company			
Investments in subsidiary	(50)	-	(2,560)
Net cash provided by (used in) investing activities of the Company	**(50)**	**-**	**(2,560)**
Cash flow from financing activities			
Net cash used in financing activities of the Company	**-**	**-**	**-**
Increase / (decrease) in cash and cash equivalents of the Company	**(1,279)**	**(1,019)**	**11,616**
Cash and cash equivalents at beginning of the period	17,595	5,979	5,979
Cash and cash equivalents of the Company at end of the period	**16,316**	**4,960**	**17,595**

The accompanying Notes are an integral part of these consolidated financial statements related to the company

NOTES TO THE ADDITIONAL INFORMATION

1. FINANCIAL POSITION AND GOING CONCERN

a. As at March 31, 2019 the Company had, on a stand-alone basis and on a consolidated basis, a working capital deficit of €293 million and €242 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 three months ended March 31, 2019, the Company recorded a (consolidated and on a stand-alone basis) net loss of €23 million, and generated negative cash flow from operating activities of €1.2 million on a stand-alone basis, and negative cash flow from operating activities of €17.5 million on a consolidated basis. In addition, as at March 31, 2019 the Company had a deficit of €76 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 is currently conducting 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 c 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 will take place on June 3, 2019, includes NIS 95.9 million which will be used to repay interest and NIS 49.1 million will be used to repay the principal. The sources of payment are 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. Accordingly, management estimates that a debt settlement with the debenture holders will be signed in 2019.

e. 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. The main source of cash for the Company, in order to repay its debt, will be generated from the sale of assets. The Company continues to conduct 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). 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. The Company estimates, in the abovementioned liquidity analysis, that the consideration will be received in 2019.

As mentioned above, the Company is working to advance negotiations with respect to the intended sale of TGI with a number of parties, and preparing alternatives for the realization of its holdings. In view of the lack of certainty of completing these negotiations, including completing a sale transaction in the timetables agreed upon with the representatives of the debenture holders in particular, the option to include a provision in the arrangement with debenture holders to distribute TGI shares to the debenture holders as repayment of the Company's debt is being considered.
For details regarding the financial position of TGI, see note 8 to the interim consolidated financial statements.

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, 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.

Board of Directors

P. Sheldon

A. Hasson

C. van den Bos

J. Grunfeld

F. Houterman

E. Rechter

C. Tall