

## Financial position

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

	March 31, 2017	March 31, 2016	December 31, 2016	Notes
<b>Total balance sheet</b>	659,934	943,280	665,367	No material change compared to December 31, 2016.
<b>Current assets</b>	326,620	567,001	281,987	The increase in current assets compared to December 31, 2016, is mainly due to the presentation of TGI's assets as held for sale under current assets.
<b>Non-current assets</b>	333,314	376,279	383,380	The decrease in non-current assets compared to December 31, 2016, is mainly due to the presentation of TGI's assets as held for sale under current assets.
<b>Current liabilities</b>	443,134	538,428	320,964	The increase in current liabilities compared to December 31, 2016, is mainly due to the classification of part of the debentures payable in February 2018 to current maturities.
<b>Debentures</b>	189,984	254,576	288,978	The decrease compared to December 31, 2016, is mainly due to the classification of part of the debentures payable in February 2018 to current maturities.
<b>Long term Interest-bearing loans and borrowings</b>	-	62,965	419	As of March 31, 2016, the part of a long term loan that was related to inventory, was classified to current liabilities. As of March 31, 2017 and December 31, 2016 – the full loan balance was classified as current liability (maturities).
<b>Equity attributable to equity holders of the parent</b>	17,782	63,256	37,333	The decrease in equity compared to December 31, 2016, is mainly due to the loss for the period.

## 2. Cash Flow Statement analysis (in EUR thousands)

	Q1 2017	Q1 2016	FY 2016	Notes
<b>Net cash used in operating activities</b>	(25,262)	(36,408)	(51,944)	The Company's cash flow from operating activities is significantly influenced by interest payments and currency translation differences.
<b>Net cash provided by (used in) investing activities</b>	(2,705)	(1,871)	74,492	<p>Cash in Q1 2017 was mainly used for the acquisition of tangible fixed assets and for the investment in associated companies and grant of loans to associated companies.</p> <p>In Q1 2016 €1.8 mn were used for the acquisition of tangible fixed assets and investment properties.</p> <p>In 2016 €103.7 mn were proceeds from the sale of TBIF and the remaining 25% of KWIG shares; And €2.8 mn were proceed from the sale of assets mainly the assets of Foodyard Bulgaria. On the other hand, €7.7 mn were used for investment in fixed assets and investment properties.</p>
<b>Net cash provided by (used in) financing activities</b>	8,678	17,459	(66,346)	<p>In Q1 2017 €8.3 mn were proceeds from short term credit providers.</p> <p>In Q1 2016 €14.2 mn were proceeds from loans.</p> <p>In 2016 €86.5 mn were used for the early repayment of the debenture liabilities and €28 mn were provided from short and long term loans.</p>

### 3. Cash Flow Forecast

The review opinion of the external auditors as of March 31 2017, includes a mandatory emphasis of matter regarding the ability of the Company to continue as going concern (see also Note 1 to the financial statements). In addition, the Company has a negative working capital on a consolidated and stand-alone basis, and recorded a loss for the period. These are "warning signs" as defined in Regulation 10 (b) (14) of the Israeli Securities Authority regulations. Therefore, the Company provides a cash-flow forecast for a period of two years as of March 31, 2017:

Forecast cash flow	April 1, 2017 – December 31, 2017	January 1, 2018 - December 31, 2018	January 1, 2019 – March 31, 2019
	in €millions		
<b>Cash and cash equivalents at the beginning of the period</b>	<b>7.9</b>	<b>126.2</b>	<b>121.5</b>
<b><u>Company only resources</u></b>			
<b>From operating activities</b>			
General and administration expenses	(2.9)	(3.8)	(0.9)
<b>From investing activities</b>			
Sale of assets	120.4	120.0	-
<b><u>Resources from investee companies</u></b>			
From investing activities– collection of Loan to subsidiary	0.6	-	-
From operating activities in investments – Management fees	0.2	0.1	-
<b>Total Resources</b>	<b>126.2</b>	<b>242.5</b>	<b>120.6</b>
<b><u>Expected Uses</u></b>			
<b>From financing activities</b>			
Interest payment of debentures – Series A	-	3.1	-
Interest payment of debentures – Series B	-	17.3	13.8
Principal payment of debentures – Series A	-	49.5	-
Principal payment of debentures – Series B	-	51.1	102.2
<b>Total Uses</b>	<b>-</b>	<b>121.0</b>	<b>116.0</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>126.2</b>	<b>121.5</b>	<b>4.6</b>

#### Assumptions and Notes to the cash flow forecast

1. The cash flow forecast has been jointly prepared for Kardan NV (company-only) and its wholly owned subsidiaries GTC Real Estate Holding BV and Emerging Investments XII BV, as the treasury of these companies is centralized. With respect to limitations regarding the transfer of funds between Kardan NV and GTC RE please see under point 9 below.
2. The cash flow forecast was prepared based on the provisions of the Amended Deeds of Trust which became effective on July 3, 2015 (the 'Deeds of Trust').
3. The forecasted General and administration expenses are based on estimates of the Company according to its past experience.
4. With respect to sale of assets in 2017 and 2018 - the Company is conducting processes, directly or through its subsidiaries, to sell any of its assets in order to be able to complete February 2018 debenture repayment. These assets may include the subsidiaries Kardan Land China and/or Tahal Group International B.V. and/or part of their assets.

5. In this cash flow forecast, cash provided from the sale of assets in 2017 and 2018 will be used to repay principal and interest of the debentures which are due in February 2018 and 2019, respectively, in accordance with the Deeds of Trust. Should the Company obtain funds prior to the expected repayment dates, the Company will make early repayments, as required in the Deeds of Trust.
6. The amount of Management fees from investee companies is based on existing agreements between the Company and its subsidiaries as of the balance sheet date.
7. The interest calculations are based on Israeli CPI, exchange rates and interest rates which are applicable as of March 31, 2017. 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 € 6 million in the amount of principal and interest payment in each of the years 2018 and 2019.
8. The cash flow forecast does not include any additional investments which the Company will make once those will be approved by the appropriate bodies in the Company. As of the date of approval of these financial statements, the Company did not resolve to make any new investments. In addition, according to the Amended Deeds of Trust there are limitations on new investments.
9. Restriction on transferring funds:  
Transfer of funds between Kardan NV, GTC RE, Emerging Investments XII, TGI and KFS is mostly done through intercompany loans or distribution of dividend or capital reserves as permitted by Dutch law. Breakdown of distributable reserves according to Dutch law and intercompany loans balances is as follows:

<b>Subsidiary</b>	<b>Distributable reserves (EUR million) as of 31.3.17</b>	<b>Intercompany loan (EUR million) as of 31.3.17</b>
TGI	35.5	-
GTC RE	181.5	(12.2)
KFS	23.0	-
Emerging	52.3	-

10. This estimate is forward looking information as defined in the Israeli Securities Act, based on management assumptions and expectations. The aforesaid may not materialize completely or part thereof, or materialize in a different manner, including materially different from what is expected as a result of changes in the state of the market, difficulties in raising credit, decrease in value of investments and change in cash amounts expected to be received from affiliated companies.

#### 4. Financial Position of holding companies of the Kardan Group as of March 31, 2017

- **Net debt (\*)**

The following table summarizes the net debt of Kardan N.V. and, if applicable and of its directly held subsidiaries (company only) as of March 31, 2017:

Company	Net Debt (in EUR million)	
<b>Kardan NV / GTC RE / Emerging Investments XII</b>	<b>Liabilities:</b> Debentures** LT Liability	(308.0) (2.2)
	<b>Assets:</b> Cash and short term investments	7.8
	<b>Net debt</b>	<b>(302.4)</b>
<b>KFS</b>	<b>Assets:</b> Cash and short term investments	6.5
	Loans to related parties	6.6
	<b>Net cash</b>	<b>13.1</b>
<b>TGI/TG/TGA***</b>	<b>Liabilities:</b> LT Liability	(0.5)
	<b>Assets:</b> Cash and short term investments	0.9
	<b>Net cash</b>	<b>0.4</b>

(\*) Net debt includes interest bearing loans and borrowings, debentures, less cash and cash equivalents and interest bearing receivables.

(\*\*) The balance is presented net of debentures held by subsidiaries, see section 1.2 above.

(\*\*\*) These assets and liabilities are presented as held for sale in the consolidated financial statements as of March 31, 2017.

#### 5. Main events in the first quarter of 2017 and subsequent events

None

### Market risk exposure and management

#### 6. Risk Management

During the first 3 month of 2017 no significant change in risk exposure or risk management was identified.

Reference is made to the 2016 consolidated financial statements as well as to section 1.4 to the 2016 Israeli Annual Report, which can also be found on the corporate site. In addition, It should be noted that there may be other significant risks Kardan has not yet identified or that have not been assessed as having a significant potential impact on the business but which could materialize as such at a later stage.

## **Corporate governance**

### **7. Directors with accounting and financial expertise**

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

However, in accordance with Kardan's articles of association, there are decisions that the Board has to take according to a special approval procedure which requires, among other things, the consent of the independent directors who attend the Board meetings, as defined in Company's Articles of Association and Corporate Governance Code.

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

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

All members of the Executive Management have accounting and finance experience.

For further information regarding education and experience, reference is made to the corporate site and to the part 4 of the 2016 Israeli Annual Report.

#### **Independent Directors**

According to the Corporate Governance Code, the majority of the board members must be independent. As of March 31, 2017 and the date of this report, five of the nine board members are independent.

For further information regarding the Corporate Governance Code refer to section 15 of part 1 of 2016 Israeli Annual Report.

## **Additional information**

### **8. 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	31.12.2016
External valuer	DTZ /C&W
Value of the property in the financial statements prior to the valuation	€ 238.3 million
Key parameters used in the valuation	<ul style="list-style-type: none"> <li>• Discount rate – 10.5%</li> <li>• Terminal capitalization rate – 5.5%</li> <li>• Rent per sqm – 167 RMB</li> <li>• Price per sqm for comparison approach – 17,200 RMB</li> </ul>
Valuation Method	The average of Direct Comparison Approach and DCF methods

For additional information please refer to the valuation report which was attached to financial statements as of December 31, 2016.

## 9. 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, 2017 and December 31, 2016 (amounts in EUR millions):

Holding Company	Name of subsidiary	Share in subsidiary	Consolidated equity	Share holders consolidated equity	Adjustments of Kardan NV	Book Value in Kardan NV	Share holders Loans (*)	Total Investment in books 31.03.17	Total Investment in books 31.12.16
Kardan NV	GTC RE	100%	268.0	268.0	2.4	270.4	(12.2)	258.2	261.9
	KFS	100%	25.6	25.6	-	25.6	-	25.6	36.6
	TGI	98.43%	45.7	45.5	(3.5)	42.0	-	42.0	40.2
	Emerging Investments XII	100%	58.5	58.5	-	58.5	-	58.5	53.5

Holding Company	Name of subsidiary	Share in subsidiary	Consolidated equity	Share holders consolidated equity	Adjustments of GTC RE	KLC Book Value	Share holders Loans	Total Investment in books 31.03.17	Total Investment in books 31.12.16
GTC RE Holding	Kardan Land China	100%	298.6	298.6	1.8	300.4	(**)(50.2)	250.2	254.2

Holding Company	Name of subsidiary	Share in subsidiary	Consolidated equity	Share holders consolidated equity	Adjustments of TGI	Book Value	Loans granted by TGI	Total Investment in books 31.03.17	Total Investment in books 31.12.16
TGI	Tahal Group Assets B.V.	100%	5.3	8.8	-	8.8	(3.3)	5.5	5.4
	Tahal Group B.V.	100%	45.8	42.1	-	42.1	0.1	42.2	40.5

(\*) 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.

(\*\*) The loan is considered a capital loan and is expected to be written off from KLC's equity.

(\*\*\*) GTC RE held NIS 26,666,667 par value debentures (Series A) of the Company having a liability value of EUR 8.2 million as of March 31, 2017.

(\*\*\*\*) Emerging Investment XII held the following Kardan N.V. Debentures as of March 31, 2017:

	Nominal Value In NIS	Liability Value including accrued interest In EUR millions
Series A	109,839,448	34.0
Series B	120,381,450	37.3

## 10. Issuance of debentures

The following are details regarding the marketable debentures of Kardan NV as of March 31, 2017:

	Debenture series A	Debenture series B
<b>Issuance date</b>	20.2.2007, 13.8.2007, 16.2.2008	16.2.2008
<b>Par value of issued debentures</b>	EUR 294.3 million (NIS 1,190,000,000)	EUR 329.9 million (NIS 1,333,967,977)
<b>Linkage basis</b>	Principal and interest linked to Israeli CPI (CPI of January 2007)	Principal and interest linked to Israeli CPI (CPI of December 2006)
<b>Par value of debentures as of March 31, 2017</b>	EUR 76.6 million (NIS 297,500,000 par value)	EUR 245.4 million (NIS 952,834,318 par value)
<b>Debentures held by subsidiaries</b>	NIS 136,506,115 par value	NIS 120,381,386 par value
<b>Interest rate (per annum)</b>	6.325%	6.775%
<b>Principal repayment</b>	Two installments one in February 2017 and the second in February 2018.	Four installments from February 2017 to February 2020.
<b>Interest payment dates</b>	3 annual installments on 25 February in the years 2016 - 2018	5 annual installments on 1 February in the years 2016-2020
<b>Total debt up to the date of the balance sheet (including interest and Israeli CPI linkage) (*)</b>	EUR 49.5 million	EUR 254.4 million
<b>Market capitalization as of March 31, 2017(*)</b>	EUR 34.8 million	EUR 154.5 million
<b>The trustee</b>	Aurora Fidelity Trust Co. Ltd (CPA Iris Shlevin)	Hermetic Trust (1975) (Adv. Dan Avnon )
<b>Rated by</b>	S&P Maalot	S&P Maalot
<b>Rating at the time of issuance</b>	AA - (February 2007)	AA - (February 2007)
<b>Updated rating</b>	B (August 2016)	B (August 2016)
<b>Right of early repayment</b>	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.	
<b>Pledged Assets</b>	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 (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. The Company has to establish such pledge on its rights in KLC. 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. Additional negative pledges.	
<b>Guarantee to secure the obligations of Kardan NV</b>	A limited guarantee in the amount of EUR 100 million by Kardan Land China.	

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

Debentures (Series A and B) are material to the Company. During and at the end of 3M 2017 the Company met the terms of the Amended Deeds of Trust. The detailed presented above are in accordance with the Dead of Trust of July 3, 2015. For additional information regarding the terms of the debentures and the related restrictions apply to the Company, see section 12.1.3 of the corporate description chapter in the 2016 periodical report.



## 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 or 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, 2017 (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 2017 ("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 23, 2017

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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 2017 ("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 23, 2017

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E.Oz-Gabber, CFO

**Kardan N.V.**  
**(the "Company")**  
**Substantial events and developments**  
**Filings pursuant to Israeli Law**  
**May 23, 2017**

In accordance with Regulation 39 (a) of the Israeli Securities Regulations (Periodic and Immediate Reports) - 1970, all the Events and Developments as described in the 2016 annual financial statement published by the Company on March 23, 2017 are deemed included by reference.

For details regarding the material events that occurred in the first quarter 2017 up to March 23, 2017, reference is made to the annual report.

**Real Estate segment**

1. In addition to the disclosure of the very material projects in the 2016 annual report, below is a disclosure table with respect to the Company's very material investment property as of March 31, 2017:

**Shopping center – Galleria Dalian  
(Dalian, China)**

<b>(Data according to 100%; Kardan N.V. indirect share in the Property: 100%)</b>	<b>First quarter 2017</b>	<b>2016</b>
Fair value at the end of the period (€ in millions) (*)	238.33	240.46
NOI (€ in millions)	(0.8)	(3)
Valuation gains (losses) for the period (€ in millions)	-	(2.59)
Average occupancy rate in the period	77.49%	71.57%
Average rental rate per sqm. (in €) (**)	11.45	12.30
Part of the constructed area for which rental agreements were signed during the period, net (%)	5.9%	1.0%
Part of the constructed area for which rental agreements were signed accumulated (%)	77.41%	71.51%
Average rent per sqm in contracts signed during the Period, gross (per month) (RMB) (**)	140	99

(\*) The asset functional currency is the RMB. The change in March 2017 compared to December 2016 is related to exchange rate differences.

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

(\*\*\*) Average rental rate relates to rented areas (mainly anchor tenants with turnover based contracts), in respect of which rental income was not yet recognized.

**Financing**

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

<i>Name of the Loan and the article in the annual report which refers to the loan</i>	<i>Update information</i>	<i>Calculation of financial covenants</i>
Debentures series A section 12.1.2(1) of the annual report	-	The coverage ratio of Kardan NV according to financial statements as of 31.3.2017 was 105.9%.
Debentures series B section 12.1.2(2) of the annual report		
Credit facility amounting up to RMB 1 billion (approximately EUR136 million) taken by Kardan Land Dalian Ltd from the investment fund Shenzhen Ping An Da Hua Huitong Wealth Management Co., ('the Fund') in China, article 7.19.1.5 of the annual report	-	Total debt to total assets ratio shall be no more than 50%. As of 31.3.2017 the ratio was 30.7%.

**General**

3. On April 12, 2017 the Company issued a notice of an annual general meeting of shareholders, the agenda of which includes the approval of amendment to the services agreement with Kardan Israel Ltd (a company owned by holders of controlling interest in Kardan N.V.) , the re-appointment of Mr. C. van den Bos, Mr. Y. Grunfeld and Mr. E. Rechter as non-executive members of the Board and their remuneration as non-executive members of the Board.

4. On April 12, 2017 Mr. Asaf Shani was appointed as controller of the Company and Mr. Yossi Ginosar ceased to serve as internal auditor of the Company.

5. On April 4, 2017 50,365 stock options of an employee had expired upon termination of employment.

KARDAN N.V.  
AMSTERDAM, THE NETHERLANDS

Condensed Interim Consolidated Financial Statements  
As of March 31, 2017

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

	Note	March 31, 2017	March 31, 2016	December 31, 2016
		Unaudited		Audited
		In €000		
<b>Non-current assets</b>				
Tangible fixed assets, net		2,428	13,092	13,689
Investment property	5	238,331	242,252	240,461
Investments in associates accounted using the equity method		-	9,474	12,888
Investments in joint ventures accounted using the equity method	6	82,911	95,699	96,039
Long-term loans and receivables		8,993	6,702	11,695
Intangible assets and goodwill, net		115	6,071	6,156
Deferred tax assets		536	2,989	2,452
		<u>333,314</u>	<u>376,279</u>	<u>383,380</u>
<b>Current assets</b>				
Inventories, contract work, buildings and apartments inventory, and land bank		104,122	107,824	119,421
Current maturities of long-term loans and receivables		-	2,693	-
Trade receivables		5,657	66,508	66,447
Current tax assets		1,335	990	1,345
Other receivables and prepayments		20,337	23,986	26,773
Short-term investments		6,451	3,721	10,218
Cash and cash equivalents		25,377	65,926	57,783
		<u>163,279</u>	<u>271,648</u>	<u>281,987</u>
Assets held for sale	7	<u>163,341</u>	<u>295,353</u>	<u>-</u>
Total current assets		<u>326,620</u>	<u>567,001</u>	<u>281,987</u>
<b>Total assets</b>		<u>659,934</u>	<u>943,280</u>	<u>665,367</u>

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

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

	Note	March 31, 2017	March 31, 2016	December 31, 2016
		Unaudited		Audited
		In €000		
<b>Equity attributable to equity holders of the parent company</b>				
Issued and paid-in capital	4	25,276	25,276	25,276
Share premium		206,482	206,482	206,482
Foreign currency translation reserve		21,985	15,007	23,590
Property revaluation reserve		34,772	36,713	34,772
Revaluation reserve, other		6,490	7,731	6,633
Accumulated deficit		(277,223)	(227,953)	(259,420)
		17,782	63,256	37,333
<b>Non-controlling interests</b>		3,711	3,718	3,850
<b>Total equity</b>		21,493	66,974	41,183
<b>Non-current liabilities</b>				
Interest-bearing loans and borrowings		-	62,965	419
Other long-term liabilities		819	3,895	4,004
Derivative financial instruments		999	2,473	3,966
Debentures		189,984	254,576	288,978
Deferred tax liabilities		3,505	12,659	4,763
Accrued severance pay, net		-	1,310	1,090
		195,307	337,878	303,220
<b>Current liabilities</b>				
Liability due to work in progress		-	41,689	38,889
Trade payables		3,748	20,587	20,440
Current maturities of debentures		108,517	98,191	-
Interest-bearing loans and borrowings		110,849	50,113	126,816
Current tax liabilities		2,410	4,394	6,734
Advances from apartment buyers		49,604	33,189	50,011
Advance from customers		-	11,871	15,814
Other payables and accrued expenses		47,485	66,207	62,260
		322,613	326,241	320,964
Liabilities associated with assets held for sale	7	120,521	212,187	-
<b>Total current liabilities</b>		443,134	538,428	320,964
<b>Total liabilities</b>		638,441	876,306	624,184
<b>Total equity and liabilities</b>		659,934	943,280	665,367

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

## CONDENSED INTERIM CONSOLIDATED INCOME STATEMENT

		For the three months ended March 31,	For the year ended December 31,
		2017	2016
		Unaudited	Audited
Note		In €000	
Rental revenues		992	867
Revenues from sale of apartments		-	133
Management fees and other revenues		650	1,052
<i>Total revenues</i>		<u>1,642</u>	<u>2,052</u>
Costs of rental revenues		415	366
Cost of sale of apartments		-	119
Other expenses, net		644	1,643
<i>Total expenses</i>		<u>1,059</u>	<u>2,128</u>
<b>Gross profit (loss)</b>		583	(76)
Selling and marketing expenses		1,029	747
General and administration expenses		2,485	2,538
<b>Loss from operations before fair value adjustments, disposal of assets and investment and other income</b>		(2,931)	(3,361)
Adjustment to fair value of investment properties		-	-
Gain (loss) on disposal of assets and other income, net		-	33
<i>Profit (loss) from fair value adjustments, disposal of assets and investments and other income</i>		<u>-</u>	<u>33</u>
<b>Loss from operations</b>		(2,931)	(3,328)
Financial income		122	92
Financial expenses		(20,029)	(3,441)
<i>Total financial expenses, net</i>		<u>(19,907)</u>	<u>(3,349)</u>
<b>Loss before share of profit (loss) from investments accounted for using the equity method</b>		(22,838)	(6,677)
Share of profit of investments accounted for using the equity method, net	6	5,362	3,433
<b>Loss before income taxes</b>		<u>(17,476)</u>	<u>(3,244)</u>
Income tax expenses (benefit)		1,221	(1,492)
<b>Loss for the period from continuing operations</b>		(18,697)	(1,752)
Net profit from discontinued operations	7	574	3,369
<b>Net profit (loss) for the period</b>		<u>(18,123)</u>	<u>1,617</u>
Attributable to:			
Equity holders		(17,803)	1,912
Non-controlling interest holders		(320)	(295)
		<u>(18,123)</u>	<u>1,617</u>
Earnings (loss) per share attributable to shareholders			
Basic and diluted from continuing operations		(0.15)	(0.01)
Basic and diluted from discontinued operations		-	0.02
		<u>(0.15)</u>	<u>0.01</u>

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,
	<b>2017</b>	2016	2016
	Unaudited		Audited
	In €000		
<b>Net profit (loss) for the period</b>	(18,123)	1,617	(31,326)
Foreign currency translation differences	(1,451)	(10,140)	(941)
Change in hedge reserve, net of tax (1)	(133)	(217)	(1,362)
Other comprehensive expense for the period to be reclassified to profit or loss in subsequent periods (2)	(1,584)	(10,357)	(2,303)
<b>Total comprehensive expenses</b>	<u>(19,707)</u>	<u>(8,740)</u>	<u>(33,629)</u>
Attributable to:			
Equity holders	(19,552)	(8,009)	(33,816)
Non-controlling interests holders	(155)	(731)	187
	<u>(19,707)</u>	<u>(8,740)</u>	<u>(33,629)</u>

(1) Including reclassification of unwinding of hedges reserve of €(256) thousand for the three months ended March 31, 2017, €(378) thousand for the three months period ended March 31, 2016 and €(1,565) thousand for the year ended December 31, 2016.

The amounts presented are net of tax amounting to €85 thousand for the three months ended March 31, 2017, €126 thousand for the three months ended March 31, 2016 and €22 thousand for the year ended December 31, 2016.

(2) Including impact resulted from associates and joint ventures of €(144) thousand and €(2,650) thousand for the three months ended March 31, 2017 and March 31, 2016, respectively, and €(579) thousand for the year ended December 31, 2016.

*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	Total equity
	Issued and paid-in capital	Share premium	Foreign currency translation reserve (*)	Property revaluation reserve (*)	Revaluation reserve, other (*)	Accumulated deficit		
	In €000							
<b>Balance as of January 1, 2017</b>	25,276	206,482	23,590	34,772	6,633	(259,420)	37,333	41,183
Other comprehensive loss	-	-	(1,605)	-	(144)	-	(1,749)	(1,584)
Loss for the period	-	-	-	-	-	(17,803)	(17,803)	(18,123)
Total comprehensive loss	-	-	(1,605)	-	(144)	(17,803)	(19,552)	(19,707)
Share-based payment	-	-	-	-	1	-	1	17
<b>Balance as of March 31, 2017</b>	<u>25,276</u>	<u>206,482</u>	<u>21,985</u>	<u>34,772</u>	<u>6,490</u>	<u>(277,223)</u>	<u>17,782</u>	<u>21,493</u>

(\*) In accordance with the Netherlands 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						Non-controlling interest	Total equity
	Issued and paid-in capital	Share premium	Foreign currency translation reserve (*)	Property revaluation reserve (*)	Revaluation reserve, other (*)	Accumulated deficit		
	In €000							
<b>Balance as of January 1, 2016</b>	25,276	206,482	24,711	36,713	8,144	(229,865)	71,461	4,477
Other comprehensive loss	-	-	(9,704)	-	(217)	-	(9,921)	(436)
Profit (loss) for the period	-	-	-	-	-	1,912	1,912	(295)
Total comprehensive income (loss)	-	-	(9,704)	-	(217)	1,912	(8,009)	(731)
Share-based payment	-	-	-	-	(196)	-	(196)	(28)
<b>Balance as of March 31, 2016</b>	<u>25,276</u>	<u>206,482</u>	<u>15,007</u>	<u>36,713</u>	<u>7,731</u>	<u>(227,953)</u>	<u>63,256</u>	<u>3,718</u>
								<u>66,974</u>

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

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

**CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)**

**KARDAN N.V., AMSTERDAM**

	Attributable to equity holders of the parent						Non-controlling interest	Total equity
	Issued and paid-in capital	Share premium	Foreign currency translation reserve (*)	Property revaluation reserve (*)	Revaluation reserve, other (*)	Accumulated deficit		
	In €000							
<b>Balance as of January 1, 2016</b>	25,276	206,482	24,711	36,713	8,144	(229,865)	71,461	4,477
Other comprehensive income (expense)	-	-	(1,121)	-	(1,365)	-	(2,486)	183
Profit (loss) for the period	-	-	-	-	-	(31,330)	(31,330)	4
Total comprehensive income (expense)	-	-	(1,121)	-	(1,365)	(31,330)	(33,816)	187
Share-based payment	-	-	-	-	(146)	-	(146)	(527)
Dividend distributed to minority shareholders	-	-	-	-	-	-	-	(379)
Disposal of a subsidiary	-	-	-	-	-	-	-	92
Transaction with non-controlling interest	-	-	-	-	-	(166)	(166)	-
Reclassification according to the Netherlands civil code requirements (*)	-	-	-	(1,941)	-	1,941	-	-
<b>Balance as of December 31, 2016</b>	<u>25,276</u>	<u>206,482</u>	<u>23,590</u>	<u>34,772</u>	<u>6,633</u>	<u>(259,420)</u>	<u>37,333</u>	<u>3,850</u>

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

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

## CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT

	For the three months period ended March 31,		For the year ended December 31,
	<b>2017</b>	2016	2016
	Unaudited		Audited
	In €000		
<b>Cash flow from operating activities</b>			
Loss from continuing operations before taxes on income	(17,476)	(3,244)	(58,383)
Profit from discontinued operations before taxes on income	254	4,949	27,618
Adjustments to reconcile net loss to net cash (see A below)	(8,040)	(38,113)	(21,179)
<b>Net cash used in operating activities</b>	<u>(25,262)</u>	<u>(36,408)</u>	<u>(51,944)</u>
<b>Cash flow from investing activities</b>			
Acquisition of tangible fixed assets and investment properties	(2,576)	(1,775)	(7,764)
Investments and collection (granting) loans from (to) companies accounted for using the equity method, net	(1,160)	-	(2,381)
Proceeds from sale of assets and investments	-	298	2,813
Change in loans to bank customers, net	-	199	(6,404)
Change in long-term loans and receivables	-	(693)	(6,517)
Change in short-term investments	1,031	100	(8,925)
Sale of subsidiaries, net of tax (see B below)	(386)	-	103,670
Proceeds from deposit release	386	-	-
<b>Net cash provided by (used in) investing activities</b>	<u>(2,705)</u>	<u>(1,871)</u>	<u>74,492</u>

*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,
	<b>2017</b>	2016	2016
	Unaudited		Audited
	In €000		
<b>Cash flows from financing activities</b>			
Repayment of debentures	-	-	(86,458)
Change in loans from bank customers	-	3,817	(6,117)
Proceeds from long-term loans	-	14,208	14,481
Repayment of long-term loans	(1,776)	(620)	(1,391)
Change in short-term loans and borrowings	8,268	(7)	13,582
Change in other long term liabilities	24	61	(64)
Dividend to non-controlling interest holders of a subsidiary	-	-	(379)
Decrease in pledge deposit	2,162	-	-
<b>Net cash provided by (used in) financing activities</b>	<b>8,678</b>	<b>17,459</b>	<b>(66,346)</b>
<b>Decrease in cash and cash equivalents</b>	<b>(19,289)</b>	<b>(20,820)</b>	<b>(43,798)</b>
<b>Cash relating to assets held for sale</b>	<b>(12,542)</b>	<b>(53,917)</b>	<b>(40,542)</b>
<b>Foreign exchange differences relating to cash and cash equivalents</b>	<b>(575)</b>	<b>(3,257)</b>	<b>(1,797)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>57,783</b>	<b>143,920</b>	<b>143,920</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>25,377</b>	<b>65,926</b>	<b>57,783</b>

*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,
	<b>2017</b>	2016	2016
	Unaudited		Audited
	In €000		
<b>A. Adjustments to reconcile net profit (loss) to net cash charges / (credits) to profit (loss) not affecting operating cash flows:</b>			
Loss (gain) from disposal of investments in subsidiary, net	-	747	(15,861)
Share of profit of companies accounted for using the equity method	(5,044)	(3,337)	(2,869)
Share-based payment	49	(11)	594
Depreciation and amortization	604	1,248	3,538
Fair value adjustments of investment property	-	-	2,588
Financial expense and exchange differences, net	20,265	3,384	54,637
(Gain)/loss from sale of property plant and equipment	-	(31)	(451)
Increase in provision for bad debts in the financial services segment	-	1,921	1,914
<b>Changes in operating assets and liabilities:</b>			
Change in trade and other receivables	(8,195)	(16,490)	(17,892)
Change in inventories and in contract work in progress, net of advances from customers	(5,478)	(9,917)	(8,305)
Change in trade and other payables	(1,276)	2,729	(2,422)
Movement in pledged time deposit	-	715	-
Interest paid	(7,837)	(30,049)	(56,565)
Interest received	96	11,303	22,464
Income taxes paid	(1,224)	(325)	(2,549)
	<b>(8,040)</b>	<b>(38,113)</b>	<b>(21,179)</b>

*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,
	2017	2016	2016
	Unaudited		Audited
	In €000		
<b>B. Proceeds from sale of subsidiaries</b>			
Working capital (excluding cash and cash equivalents)	-	-	(68,489)
Non-current assets (excluding fixed assets and concession assets)	-	-	121,864
Fixed assets	-	-	11,231
Long-term liabilities	-	-	(2,108)
Release of currency translation reserves	-	-	4,137
Gain on disposal of investment, net of tax	-	-	15,179
Asset classified as held for sale (*)	(386)	-	21,856
	(386)	-	103,670

(\*) During the first quarter of 2017 the Company transferred a tax amount of €0.4 million to the PRC tax authorities for the remaining 25% of KWIG shares sold.

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

**KARDAN N.V., AMSTERDAM**

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL  
STATEMENTS  
March 31, 2017**

## **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 3B), 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 23, 2017.

## **2. Financial Position and Going Concern**

As at March 31, 2017 the Company had, on a stand-alone basis and on a consolidated basis, a working capital deficit of €107 million and €117 million, respectively (excluding debentures held by subsidiaries).

In 2016 the Company completed the sale of TBIF and the sale of the remaining 25% in KWIG. The Company early repaid in full the principal amount of the debentures that was payable in February 2017 using the proceeds from these transactions. The remaining interest of approximately €4 million was paid in February 2017. The next debenture repayment is in February 2018 and amounts to €21 million as at March 31, 2017.

Management prepared a two year liquidity analysis as part of its normal course of business which addresses the required liquidity to be able to repay interest and principal of the Company's debentures and all other liabilities in the year 2017 and onwards 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 Company is currently conducting processes, directly or through its subsidiaries, and negotiating transactions to sell assets and refinancing of loans with a number of prominent parties which, it is confident will generate adequate resources to meet future liabilities in the next 12 months, as well as strengthening its financial position. These assets may include the subsidiaries KLC and/or TGI and/or part of their assets. In that respect, refer to Note 3B regarding the classification of TGI as held for sale.

The directors are confident that, taking into account their plans to realize the transactions and the progress which has been made in that respect, the Company has the ability to obtain the required resources for repaying its obligations and continue its business operations in the future. Accordingly, the directors are satisfied that it is appropriate to prepare these condensed interim consolidated financial statements on a going concern basis.

However, the directors are aware that the realization of the Company's plans depends on factors that are not wholly within the Company's control, and therefore there is uncertainty that such transactions will be completed or will generate sufficient resources to meet its liabilities according to their contractual maturities. According to established guidelines, these conditions indicate the existence of a material uncertainty which casts significant doubt regarding the Company's ability to repay its liabilities when they become due and its ability to continue as a going concern.

The 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, 2017 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, 2016.

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, 2016.

#### B. Segment information

Further to Note 2 above, due to the various processes conducted by the Company, as of March 31, 2017 the terms of classifying the investment in TGI (Tahal Group International B.V., - Kardan's water infrastructure company) as Held-For-Sale and its results as discontinued operations, in accordance with IFRS 5, were met.

Accordingly, as of March 31, 2017 the Company's sole operating segment is real estate Asia. Therefore, these financial statements do not include further disclosure regarding operating segments, as the Company's operating results solely consist of its real estate activities. For the financial results of TGI, refer to Note 7.

### 4. Share capital

#### Composition

	March 31, 2017		December 31, 2016	
	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

## 5. Financial Instruments and Risk Management

Further to Note 35 to the 2016 annual consolidated 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

		<b>March 31, 2017</b>		March 31, 2016		December 31, 2016	
		Unaudited				Audited	
Level		€000'					
		Carrying amount(*)	Fair value(**)	Carrying amount(*)	Fair value(**)	Carrying amount(*)	Fair value(**)
<b>Liabilities</b>							
Debentures issued by the Company	1	303,875	189,309	356,215	241,999	291,509	213,056

(\*) Including accrued interest.

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

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

### B. Level 3 financial assets and liabilities reconciliation

Level 3 reconciliation:

	As of January 1, 2017 (*)	Translations recorded in P&L	Investment in a subsidiary	Disposal	As of March 31, 2017
	Unaudited				
	In €000				
Put and phantom options	1,220	(16)	34	(239)	999

(\*) Not including a balance of €2,746 thousand which is presented as a liability associated with assets held for sale as of March 31, 2017 (refer to Note 7).

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 35 in the 2016 annual financial statements.

- C. Further to Note 7 to the 2016 annual financial statements, as of March 31, 2017 there was no external valuation obtained for the Company's investment property, and therefore there are no changes to the significant assumptions used in the valuation.

## 6. Joint Ventures

A. The composition of the investment in joint ventures is as follows:

	<b>March 31, 2017</b>	March 31, 2016	December 31, 2016
	Unaudited		Audited
	In €000		
Investments	41,794	52,533	56,286
Loans and other long-term receivables	41,117	43,166	39,753
Total investment in joint ventures	<u>82,911</u>	<u>95,699</u>	<u>96,039</u>

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

### **Green Power Development Ltd.** (a joint venture of KLC)

	<b>March 31, 2017</b>	March 31, 2016	December 31, 2016
	Unaudited		Audited
	In €000		
Current assets (not including cash and cash equivalent)	71,524	166,128	110,717
Cash and cash equivalent	31,405	8,527	30,647
Non-current assets	5,521	2,048	3,585
Current liabilities	(44,845)	(128,669)	(90,463)
Current financial liabilities	(37,994)	(34,255)	(38,468)
Non controlling interest holders	<u>(4,336)</u>	<u>(3,260)</u>	<u>(3,626)</u>
Total equity attributed to the owners	21,275	10,519	12,392
% held in the joint venture	50%	50%	50
Total investment in joint ventures	<u>10,637</u>	<u>5,260</u>	<u>6,196</u>
Deemed cost on projects	229	596	384
Total investment in joint ventures	<u>10,867</u>	<u>5,856</u>	<u>6,580</u>

	For the three months period ended March 31,		For the year ended December 31,
	2017	2016	2016
	Unaudited		Audited
	In €000		
Revenues from operations	51,410	3,936	71,002
Cost of operations	(35,929)	(3,158)	(52,138)
Selling and marketing, other (income) expenses, and administrative expenses	(2,145)	363	4,160
Other financial income (expenses)	531	1,436	(947)
Profit (loss) before tax	13,867	1,851	13,757
Income tax expenses	3,796	166	4,780
Profit for the year attributed to equity holders	10,071	1,685	8,977
% held of the joint venture	50	50	50
Group's share of profit (loss) for the year	5,036	843	4,489
Realizing of deemed cost on projects	(155)	(10)	(222)
Group's share of profit (loss) for the year	4,881	833	4,267
Total other comprehensive income (expenses) attributed to equity holders	(444)	(1,498)	(1,262)
% held of the joint venture	50	50	50
Group share of the total other comprehensive income (expenses)	(222)	(749)	(631)



## 7. Discontinued operations and assets held for sale

- A. Following the sales of TBIF in 2016 and KWIG in 2015, which were the main activities included in 'Banking and Retail lending' and 'Infrastructure - Assets' segments, respectively, the Group is substantially no longer active in these segments. The results of TBIF and KWIG are presented as discontinued operations (for more information regarding these transactions refer to Note 5b to the Company's 2016 annual financial statements).

Regarding the presentation of TGI as discontinued operations and asset held for sale, please refer to Note 3B.

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

	March 31, 2017	March 31, 2016		
	TGI	KWIG	TBIF	Total
	Unaudited			
	€'000			
<b>Assets</b>				
Assets held for sale	-	24,012	7,880	31,892
Other non-current assets	46,596	-	18,252	18,252
Loans to bank customers	-	-	137,189	137,189
Other current assets	104,203	-	54,103	54,103
Cash and cash equivalents	12,542	-	53,917	53,917
<b>Total assets</b>	<b>163,341</b>	<b>24,012</b>	<b>271,341</b>	<b>295,353</b>
<b>Liabilities</b>				
Banking customers accounts	-	-	195,764	195,764
Interest bearing loans and	23,707	-	-	-
Advances from customers	38,745	-	-	-
Other liabilities	58,069	-	16,423	16,423
<b>Total liabilities</b>	<b>120,521</b>	<b>-</b>	<b>212,187</b>	<b>212,187</b>
<b>Net asset value</b>	<b>42,820</b>	<b>24,012</b>	<b>59,154</b>	<b>83,166</b>

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

As of December 31, 2016, the Company did not present assets held for sale or liabilities associated with assets held.

**C. Net profit from discontinued operations:**

	For the three months ended March 31,				For the year ended December 31,		
	2017	2016			2016		
	TGI	TGI	TBIF	Total	TGI	TBIF	Total
		Unaudited				Audited	
	€'000						
Income	31,159	*31,519	10,237	41,756	*138,455	20,545	159,000
Expenses	30,905	*29,837	6,223	36,060	*133,945	13,297	147,242
Profit before tax	254	1,682	4,014	5,696	4,510	7,248	11,758
Income tax expenses (benefit), net	(320)	696	162	858	3,444	796	4,240
Profit (loss) from discontinued operations	574	986	3,852	4,838	1,066	6,452	7,518
<i>Discontinued operation items related to the sales transactions:</i>							
Net loss from devaluation of investment - KWIG	-	(1,469)	-	(1,469)	(144)	-	(144)
Capital gain	-	-	-	-	-	19,316	19,316
Release of capital reserves due to sale	-	-	-	-	-	(4,137)	(4,137)
Net profit (loss) from discontinued operations	574	(483)	3,852	3,369	922	21,631	22,553
Attributable to:							
Equity holders	894	(188)	3,852	3,664	918	21,631	22,549
Non-controlling interest holders	(320)	(295)	-	(295)	4	-	4
	574	(483)	3,852	3,369	922	21,631	22,553

\* TGI reclassified its 2016 contract revenue and cost in relation to accounting treatment of landfill levies according to IAS 18. The reclassification did not impact the net results.

**D. Composition of the cash flow statements related to discontinued operations:**

	Three months ended				For the year ended		
	March 31,				December 31,		
	2017	2016			2016		
	TGI	TGI	TBIF	Total	TGI	TBIF	Total
		Unaudited			Audited		
		€'000					
Net cash used in operating activities	(11,055)	(8,037)	(6,613)	(14,650)	(9,204)	(3,672)	(12,876)
Net cash provided by (used in) investing activities	(3,171)	(388)	(864)	(1,252)	16,919	38,714	55,633
Net cash provided by (used in) financing activities	8,252	15	(123)	(108)	12,876	(138)	12,738

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

	Three months ended				For the year ended December 31,		
	March 31,						
2017	2016				2016		
TGI	TGI	TBIF	Total		TGI	TBIF	Total
	Unaudited				Audited		
	€'000						
Adjustments arising from translating financial statements of foreign operations	909	(1,405)	76	(1,329)	1,903	4,135	6,038
Change in hedge reserve, net	114	164	-	164	203	-	203
Total other comprehensive income	1,023	(1,241)	76	(1,165)	2,106	4,135	6,241
Attributable to:							
Equity holders	858	(829)	76	(753)	1,897	4,135	6,032
Non-controlling interest holders	165	(412)	-	(412)	209	-	209
	1,023	(1,241)	76	(1,165)	2,106	4,135	6,241

**8. Financial Covenants**

During the first quarter of 2017 and as of March 31, 2017 all Group companies met their financial covenants.

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## **Review report**

To: the shareholders of Kardan N.V.

### ***Introduction***

We have reviewed the accompanying condensed interim consolidated financial information of Kardan N.V., Amsterdam, which comprises the condensed interim consolidated statement of financial position as at 31 March 2017, the condensed interim consolidated income statement, the condensed interim consolidated statement of comprehensive income, the condensed interim consolidated statement of changes in equity, the condensed interim consolidated statement of cash flows and the selected explanatory notes for the three months period then ended. Management is responsible for the preparation and presentation of this (condensed) interim financial information in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union. Our responsibility is to express a conclusion on this interim financial information based on our review.

### ***Scope***

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

### ***Conclusion***

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated interim financial information as at 31 March 2017 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union.

### ***Material uncertainty related to going concern***

We draw attention to the financial position and going concern paragraph in note 2 of the condensed interim consolidated financial information, which indicates that the Company is currently negotiating transactions (sale of assets and refinancing of loans) with a number of prominent parties which it is confident will generate adequate resources to meet future liabilities in the next 12 months. The realization of the Company's plans depends on factors that are not wholly within the Company's control. These conditions indicate the existence of a material uncertainty which casts significant doubt about the Company's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Amsterdam, 23 May 2017

PricewaterhouseCoopers Accountants N.V.

Original has been signed by drs. E. Hartkamp RA

## **ADDITIONAL INFORMATION**

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

KARDAN N.V.

Presentation of separate financial data annexed to the  
Consolidated financial statements related to the Company

As of March 31, 2017

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

	March 31,		December
	<u>2017</u>	<u>2016</u>	<u>31, 2016</u>
	€in thousand		
<b>A s s e t s</b>			
<b>Non-current assets</b>			
Property and equipment	89	107	95
<b>Financial fixed assets</b>			
Investments in consolidated subsidiaries	396,419	526,382	406,692
Loans to consolidated subsidiaries	24	22	23
	<u>396,443</u>	<u>526,404</u>	<u>406,715</u>
<b>Current assets</b>			
Cash and cash equivalents	7,668	6,970	1,754
Short-term investments	131	130	131
Other receivables and derivatives	1,266	1,886	1,005
	<u>9,065</u>	<u>8,986</u>	<u>2,890</u>
<b>Total assets</b>	<u>405,597</u>	<u>535,497</u>	<u>409,700</u>
<b>E q u i t y   a n d   l i a b i l i t i e s</b>			
<b>Equity attributable to equity shareholders</b>			
Issued and paid-in capital	25,276	25,276	25,276
Share premium	206,482	206,482	206,482
Foreign currency translation reserve	21,985	15,007	23,590
Property revaluation reserve	34,772	36,713	34,772
Other reserves	6,490	7,731	6,633
Accumulated deficit	(277,223)	(227,953)	(259,420)
	<u>17,782</u>	<u>63,256</u>	<u>37,333</u>
<b>Long-term liabilities</b>			
Debentures	217,607	320,969	364,159
Option liability	3,232	2,033	3,246
	<u>220,839</u>	<u>323,002</u>	<u>367,405</u>
<b>Current liabilities</b>			
Current maturities of debentures	161,457	142,966	-
Other payables	5,519	6,273	4,962
	<u>166,976</u>	<u>149,239</u>	<u>4,962</u>
<b>Total equity and liabilities</b>	<u>405,597</u>	<u>535,497</u>	<u>409,700</u>

## ADDITIONAL INFORMATION FROM THE COMPANY'S INCOME STATEMENT

	For the three months ended March 31,		For the year ended December 31,
	<b>2017</b>	2016	2016
	€in thousand		
Net result from investments for the period	3,883	1,658	20,049
General and administrative expenses, net	880	808	3,379
<b>Income from operations before financing expenses</b>	3,003	850	16,670
Financing income (expenses), net	(20,721)	1,445	(47,426)
<b>Profit (loss) before tax expenses (benefit)</b>	(17,718)	2,295	(30,756)
Income tax expenses	(85)	(383)	(574)
<b>Profit (loss) for the period</b>	(17,803)	1,912	(31,330)



## ADDITIONAL INFORMATION FROM THE COMPANY'S STATEMENT OF COMPREHENSIVE INCOME

	For the three months ended March 31,		For the year ended December 31,
	<u>2017</u>	<u>2016</u>	<u>2016</u>
	€in thousand		
Net result for the period	<u>(17,803)</u>	<u>1,912</u>	<u>(31,330)</u>
Foreign currency translation differences*	(1,605)	(9,704)	(1,121)
Change in hedge reserve, net	<u>(144)</u>	<u>(217)</u>	<u>(1,365)</u>
Other comprehensive loss for the period	<u>(1,749)</u>	<u>(9,921)</u>	<u>(2,486)</u>
<b>Total comprehensive loss</b>	<u><u>(19,552)</u></u>	<u><u>(8,009)</u></u>	<u><u>(33,816)</u></u>

\* In 2016 including an amount of €4,137 thousand related to reclassification of translation funds due to the sale of TBIF.

## ADDITIONAL INFORMATION FROM THE COMPANY'S CASH FLOW STATEMENT

	For the three months ended March 31,		For the year ended December 31,
	2017	2016	2016
	€in thousand		
<b>Cash flow from operating activities of the Company</b>			
Profit (loss) for the period	(17,803)	1,912	(31,330)
<b>Adjustments to reconcile net profit to net cash of the Company</b>			
Charges to net loss not affecting operating cash flows:			
Financial expenses	20,836	(782)	49,020
Share-based payment	(1)	(196)	(146)
Equity earnings	(3,883)	(1,658)	(20,049)
Dividend received from consolidated companies	11,500	13,210	113,284
<b>Changes in working capital of the Company</b>			
Change in receivables	(255)	(1,222)	(873)
Change in payables	40	158	548
<b>Cash amounts paid and received during the period</b>			
Interest received	-	3	8
Interest paid	(4,457)	(23,326)	(41,120)
<b>Net cash provided by (used in) operating activities of the Company</b>	<b>5,977</b>	<b>(13,813)</b>	<b>100,672</b>
<b>Cash flow from investing activities of the Company</b>			
Short term investments, net	-	7	6
Investment in a subsidiary	(63)	-	-
<b>Net cash provided by (used in) investing activities of the Company</b>	<b>(63)</b>	<b>7</b>	<b>6</b>
<b>Cash flow from financing activities</b>			
Investment in shares of a subsidiary	-	(4,003)	(4,003)
Debentures settlement payment	-	-	-
Repayment of long term debt	-	-	(86,458)
<b>Net cash used in financing activities of the Company</b>	<b>-</b>	<b>(4,003)</b>	<b>(90,461)</b>
<b>Increase (decrease) in cash and cash equivalents of the Company</b>	<b>5,914</b>	<b>(15,897)</b>	<b>(21,113)</b>
Cash and cash equivalents at beginning of the period of the Company	1,754	22,867	22,867
<b>Cash and cash equivalents at end of the period of the Company</b>	<b>7,668</b>	<b>6,970</b>	<b>1,754</b>

## **ADDITIONAL INFORMATION**

### **1. General**

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

This condensed interim separate financial information should be read in conjunction with the additional separate financial information for the year ended December 31, 2016 and the accompanying notes, and in conjunction to the condensed interim consolidated financial statements for the three months ended March 31, 2017.

### **2. Financial position and going concern**

As at March 31, 2017 the Company had, on a stand-alone basis and on a consolidated basis, a working capital deficit of €107 million and €117 million, respectively (excluding debentures held by subsidiaries).

In 2016 the Company completed the sale of TBIF and the sale of the remaining 25% in KWIG. The Company early repaid in full the principal amount of the debentures that was payable in February 2017 using the proceeds from these transactions. The remaining interest of approximately €4 million was paid in February 2017. The next debenture repayment is in February 2018 and currently amounts to €121 million.

Management prepared a two year liquidity analysis as part of its normal course of business which addresses the required liquidity to be able to repay interest and principal of the Company's debentures and all other liabilities in the year 2017 and onwards 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 Company is currently conducting processes, directly or through its subsidiaries, and negotiating transactions to sale assets and refinancing of loans with a number of prominent parties which, it is confident will generate adequate resources to meet future liabilities in the next 12 months, as well as strengthening its financial position. These as assets may include the subsidiaries KLC and/or TGI and/or part of their assets. In that respect, refer to Note 3B regarding the classification of TGI as held for sale.

The directors are confident that, taking into account their plans to realize the transactions and the progress which has been made in that respect, the Company has the ability to obtain the required resources for repaying its obligations and continue its business operations in the future. Accordingly, the directors are satisfied that it is appropriate to prepare these condensed interim consolidated financial statements on a going concern basis.

However, the directors are aware that the realization of the Company's plans depends on factors that are not wholly within the Company's control, and therefore there is uncertainty that such transactions will be completed or will generate sufficient resources to meet its liabilities according to their contractual maturities. According to established guidelines, these conditions indicate the existence of a material uncertainty which casts significant doubt regarding the Company's ability to repay its liabilities when they become due and its ability to continue as a going concern.

The 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.