Financial position

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

	30.09.2018	30.09.2017	31.12.2017	Notes
Current assets	366,562	337,582	362,952	The increase in current assets compared to December 31, 2017, is mainly due to reclassification of the investment in joint venture Avis Ukraine as 'Assets Held for Sale', which was partly offset by the decrease in apartment inventory following the delivery of building B in the Europark Dalian project.
Non-current assets	269,689	305,703	305,624	The decrease in non-current assets compared to December 31, 2017, is mainly due to the reclassification of the investment in joint venture Avis Ukraine as 'Assets Held for Sale' in the current assets, due to the repayment of loans granted to companies accounted for using the equity method, and due to the devaluation of the investment property mainly as a result of negative exchange rate impact.
Total balance sheet	636,251	643,285	668,576	The decrease in total balance sheet compared to December 31 2017, is mainly due to the decrease in apartment inventory.
Current maturities of debentures	290,625	98,128	95,452	In February 2018 the Company did not make the scheduled payments to the Debenture Holders series A and B, and therefore the Company classified the entire outstanding debt as current liability.
Other current liabilities	300,746	348,051	271,594	The increase in the other current liabilities compared to December 31, 2017 is mainly due to the increase in short term credit lines usage in the water infrastructure activity, which is presented as Held-For-Sale, partially offset by the decrease in the advances from apartment buyers following the delivery of building B in Europark Dalian project.
Current liabilities	591,371	446,179	367,046	The increase as at September 30, 2018 compared to December 31, 2017 is a result of the classification of the debentures as current liabilities.
Debentures	-	184,836	188,708	The decrease as of September 30, 2018 compared to December 31, 2017 is due to the classification of the entire debentures balance as current maturities.
Long term Interest-bearing loans and borrowings	85,420	2,506	104,933	As at September 30, 2017 the loan for the Dalian project was classified as short term liability (current maturities). The loan was refinanced during Q4 2017, and accordingly is presented in the long-term as of September 30, 2018.
Other non-current liabilities	7,353	5,345	8,715	No material change compared to December 31, 2017.
Non-current liabilities	92,773	192,687	302,356	The decrease compared to December 31, 2017 is due to the classification of the entire debentures outstanding balance as current maturities as of September 30, 2018, as well as the refinancing of the Europark Dalian construction loan as mentioned above.
Equity attributable to equity holders of the parent	(49,825)	959	(4,368)	The decrease in equity compared to December 31, 2017, is mainly due to the result for the period, negative foreign currency translation differences (other comprehensive expense), and the impact of the adoption of new accounting standard (IFRS 9) for the first time, as described in note 3 to the financial statements.

2. Cash Flow Statement analysis (in EUR thousands)

	9M 2018	9M 2017	Q3 2018	Q3 2017	FY 2017	Notes
Net cash provided by (used in) operating activities	570	(33,580)	(5,104)	(1,115)	(50,196)	Cash flow from operating activities comprised the following: In 9M 2018, €57 million were generated from the decrease in apartment inventory following the delivery of building B in the Europark Dalian project; €42 million were used for changes in other operating assets and liabilities. Finance and exchange rate expenses were partially offset by interest and tax payments. During the first half of 2018, changes in operating assets and liabilities generated €17 million compared to €3 that were used during Q3 2018, mainly as a result of the delivery of Building B in Europark Dalian project. In 9M 2017, €42.1 million were used for changes in operating assets and liabilities, equity losses from joint ventures, and interest expenses, which were partly offset by positive exchange rate impact. In addition, the Company repaid approximately € 4 million of remaining interest on its debentures which fell due in February 2017. In 2017, most of the deficit is due to approximately €27 million that were used for payment of interest and taxes, and to changes in operating assets and liabilities.
Net cash provided by investing activities	1,756	2,212	12,820	3,486	11,594	In 9M 2018, €8.7 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. During the first half of 2018, €14 million were used for investments in short term deposits which were released during Q3. In 9M 2017, approximately €6.6 million were generated from the sale of Star Pumped Storage, which were partially offset due to investments in fixed assets in the water infrastructure activity. In 2017, approximately €20 million were generated from the sale of Star Pumped Storage, which were partially offset by investments in fixed assets in the water infrastructure activities.
Net cash provided by (used in) financing activities	10,755	15,281	(5,126)	(129)	25,098	In 9M 2018 €26.1 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 €15 in the real estate activity. In 9M 2017 €14.9 million were generated from short term credit provided to the water infrastructure activity. In 2017 €11.2 million were generated from long term loans (net) in the real estate activity, and €8.2 million were generated from short term credit provided to the water infrastructure activity.

Kardan finances its operations by the Company's debentures, the sale of assets and dividend received 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 section 4 of the "Significant Events and Developments" part below. 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 for the period is not significantly different than their book value as at September 30, 2018 and amounted to €95.2 million and €1.2 million, respectively. The average balance of trade receivables and trade payables for the period is €6.4 million and €2.9 million, respectively.

3. Cash Flow Forecast

The review report of the external auditors as of September 30, 2018, includes a mandatory emphasis of matter regarding the ability of the Company to continue as going concern (see also Note 2 to the condensed interim consolidated financial statements). In addition, the Company has an equity deficit, and a negative working capital on a consolidated and stand-alone basis and an ongoing 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 October 1, 2018.

As announced by the Company, payments to the debenture holders that were scheduled for February 2018 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 the rescheduling of the payments and was able to reach understandings with the Trustee of the Debenture Holders series 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 A and B, and other uses according to terms which will be detailed in amended deeds of trust. In addition, the Company will pay each year interest at a rate of 4% p.a. The remaining interest will be payable at each date the Company repays (part of) the principal of the Debentures. For more information refer to the announcement issued by the Company on October 23, 2018.

Nevertheless, in light of disagreements between the Trustees of debenture holders series A and B, and their representatives, inter alia regarding series B Debenture Holders' right to receive balance payments (as defined in the Deeds of Trust), and the fact that the settlement principles were not yet approved by the assembly of the debenture holders series A and B, part of the resources mentioned in the cash-flow forecast below are based on the terms of the settlement that is effective as of the date of this report.

In view of the fact that the date for making the payments to debenture holders that were scheduled for February 2018 passed without the Company having repaid these payment, and that the terms of a debt settlement have not yet been fully agreed with the debenture holders, <u>the Company cannot estimate the date on which payments to the debenture holders will be made</u>. Accordingly, the cash flow forecast below includes, inter alia, the payments to the debenture holders that were scheduled for February 2018 (which were not yet repaid and therefore are presented as payments that are scheduled for 2018), as well as the other payments to the debenture holders for the next two years in accordance with the Company's existing contractual obligations (however without interest in arrears), without consideration of a debt settlement, if and when agreed. Therefore, the Company emphasizes that the assumptions used by the Company in deriving the cash flow forecast should be read carefully.

Forecast cash flow	October 1, 2018 – December 31, 2018	January 1, 2019 - December 31, 2019	January 1, 2020 – September 30, 2020
	in € millions		
Cash and cash equivalents at the beginning of the period	**25.3**	**(87.5)**	**(77.7)**
From operating activities			
General and administrative expenses	(0.9)	(3.6)	(2.7)
From investing activities			
Sale of shares and holdings in subsidiaries and joint ventures (2) – (5)	-	110.0	-
Dividend distributions (6)	-	8.0	7.5
Release of deposit (7)	-	4.0	-
Total Resources	**24.4**	**30.9**	**(72.9)**
From financing activities (8) - (11)			
Principal and interest payment of debentures – Series A	(48.5)	-	-
Principal and interest payment of debentures – Series B	(63.4)	(108.6)	(102.1)
Total Uses	**(111.9)**	**(108.6)**	**(102.1)**
Cash and cash equivalents at the end of the period	**(87.5)**	**(77.7)**	**(175.0)**

Main Assumptions 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, 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 13 below.

   It should be brought to the attention of the readers of the cash flow forecast that during the cash flow forecast period, the cash flow from operating activities, as well as the cash balance at the end of the period are expected to be negative. Accordingly, the Company is negotiating the restructuring of its debt towards the Debenture Holders series A and B.

2. The cash flows from investing activities in 2018-2020 refer to considerations from the sale of TGI and Avis Ukraine, taking into account the assumptions, comments and reservations detailed below.

   As of the date of this report, the Company is in an advanced stage of negotiations regarding the sale of its holdings in TGI and has also commenced the preparation for the future sale of its holding in Avis Ukraine. It is noted that 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.

3. In regards to the sale of the Company's holdings in TGI and Avis Ukraine – as of the date of this report **the Company <u>does not</u> have accurate information regarding the net consideration which would be received from the sale of TGI and Avis Ukraine** and which would be used for repayment to the Debenture Holders. **As aforesaid, as of the date of this report, the negotiations regarding the sales of TGI and Avis Ukraine were not yet finalized, and accordingly, <u>there is no certainty that sale agreements will be signed, that the expected considerations will equal the considerations included in the cash flow forecast and there is no certainty as to the date on which the considerations would be received</u> by the Company.**

4. It is noted, that according to the negotiations for the sale of TGI, the Company expects to receive the lion's share of the consideration upon completion of the sale transaction, if completed, and that it could be used to make payments to the Debenture Holders (assuming there will be no other restrictions from making such payments).The remaining part of the consideration is expected to be deposited in escrow (for a period of about 2 years) to secure certain representations given by the Company. In the preparation of the cash flow forecast, it was assumed that all the consideration to be received from the sale of TGI upon completion (during 2019) could be used by the Company for the repayment to the Debenture Holders, however, as stated above, this is a mere assumption and there is no certainty that it would materialize.

As for the sale of Avis Ukraine, for the purpose of preparation of the cash-flow forecast, it is the Company's estimation that the proceeds from the sale transaction will be equal to Avis Ukraine's carrying value in the Company's books.

5. 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 some of 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.**

6. The 'Dividend distributions' line assumes the receipt of dividends from KLC, 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 for the 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 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.

7. The 'Release of deposit' line includes the release of the remaining deposit of €4 million pledged to secure various representations in respect of the sale of the subsidiary TBIF in 2016. As of the date of this report, as long as the purchaser of TBIF shares would not demand the forfeiture of the deposit due to an allegation of breach of the representations included in the TBIF sale agreement, the deposit will be released in March 2019. As of the date of this report, the Company expects to receive the full amount of the deposit.

8. As detailed in the press release issued by the Company on November 23, 2017, the Company approached the trustees of the Debenture Holders ('the Trustees') requesting them to conduct negotiations in relation to rescheduling the payments to the Debenture Holders (series A and B) ('the Debenture Holders') 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.

9. **The principal and interest payments that were scheduled for February 2018 and were not yet repaid, are included in the cash flow forecast for Q4 2018. The remaining outstanding payments are presented in the forecast based on the repayment schedule included in the Deeds of Trust, including CPI linkage and interest at the rate specified in the Deeds of Trust (without interest in arrears), in light of the fact that the as of the date of this report a new debt settlement has not been reached and the Company's inability to estimate the repayment dates. As aforesaid, as of the date of this report, the Company does not have sufficient resources for the repayments to the Debenture Holders series A and B in Q4 2018 and in February 2019.**

10. **The cash flow forecast includes accrued interest up to the original payment date, in respect of payments that were scheduled for February 2018 and <u>does not include interest for the subsequent period or interest in arrears</u> resulting from failure to meet the repayment dates set out in the Deeds of Trust and deferment of payments to the Debenture Holders, both in light of the Company's request to the Trustees as mentioned above, and of the Company's estimation that the payments to the Debenture Holders that were scheduled for February 2018 will be repaid from the consideration received from the sale of TGI (if materialized), and that as of the date of this report, the Company is unable to estimate the closing date of the sale transaction, and therefore the Company has no information regarding the date of actual payment to the Debenture Holders and is unable to calculate the subsequent interest and interest in arrears, if paid. Readers of the cash flow forecast should take these facts into consideration, with all that it might entail or imply.**

11. **In addition, as a result of the Company's request to negotiate the restructuring of the debt, the cash flow forecast does not include the balance payment to debenture holders series B as defined in article 43 to the Deed of Trust.** It should be noted that article 43 to the Deed of Trust obliges the Company to make balance payments between the two series of debentures, according to the mechanism specified in the article, in the event that the Company did not meet the payments according to the payment schedule specified in the Deed of Trust. According to this mechanism, all the funds received by the Company during the cash flow forecast period will be used to repay debenture holders (series B) so that no payment will be made to debenture holders (series A). In light of the dispute arisen between the Trustee of the Debenture Holders (series A) and the Trustee of the Debenture Holders (series B) regarding the implementation of article 43, it was decided at this stage not to include the balance payments in the cash flow forecast.

12. The interest calculations are based on the Israeli CPI, exchange rates and interest rates which are applicable as of September 30, 2018, and as aforesaid, do not include interest on 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 € 6 million, € 6 million and € 5 million in the amount of principal and interest payment in each of the years 2018, 2019 and 2020 respectively.

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

Subsidiary	Distributable reserves as of 30.9.2018	Intercompany loan to the subsidiary Emerging Investments as of 30.9.2018
	(EUR million)	
GTC RE	143.0	12.3
KFS	8.8	-
Emerging	61.7	-

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), difficulties in raising credit, decrease in value of investments, changes in the transactions terms of the sale of TGI and Avis Ukraine, difficulties in reaching an agreement with the buyers of TGI and Avis Ukraine, delays or lack of completion of the conditions precedent to the sale transactions to the extent an agreement will be signed and change in cash amounts

[1] For details regarding restrictions of transferring funds by TGI, refer to section 8.17.6 to the 2017 Israeli Annual Report.

expected to be received from affiliated companies. 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 7.18, 8.25 and 20 of part 1 of the 2017 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.

4. Financial Position of holding companies of the Kardan Group as of September 30, 2018

- **Net debt (*)**

The following table summarizes the net debt of Kardan N.V. and of its directly held subsidiaries (company only) as of September 30, 2018:

Company	Net Debt (in EUR million)	
Kardan NV / GTC RE / Emerging Investments XII	**Liabilities:** Debentures** LT Liability **Assets:** Cash and short term investments	 (322.1) (2.8) 18.7
	Net debt	**(306.2)**
KFS	**Assets:** Cash and short term investments Loans to related parties	 6.6 4.7
	Net cash	**11.3**
TGI/TG/TGA* **	**Liabilities:** LT Liability **Assets:** Cash and short term investments	 (0.4) 0.9
	Net cash	**0.5**

(*) 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 9 below.
(***) These assets and liabilities are presented as held for sale in the consolidated financial statements as of September 30, 2018.

5. Main events in the first 9 months of 2018 and subsequent events

See Section 5 of the Directors' Report attached to the annual financial statements for 2017, as well as the part on Significant Events and Developments in the period.

Corporate governance

6. Directors with accounting and financial expertise and Independent Directors

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 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, as this term is defined in the Code.

The directors with financial and accounting knowledge currently serving on the Board are: Peter Sheldon, Cor van den Bos, Ferry Houterman, Ariel Hasson and Eytan Rechter. For further information regarding education and experience, reference is made to the corporate site and to regulation 26 in part 4 of the 2017 Israeli Annual Report. For further details regarding Mr. Ferry Houterman, see article 11 to the notice and notes to the agenda of the annual general meeting of the Company's shareholders on whose agenda, inter alia, the appointment of Mr. Ferry Houterman to serve as a director of the Company, as published on April 17, 2018.

Independent Directors[2]
As stated above, the Israeli Companies Law does not apply to Kardan NV. Accordingly, amongst others, Kardan NV does not appoint external directors. Yet, according to the Corporate Governance Code, the majority of the Board members must be independent, as defined by Dutch law.
In addition, 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 others, the consent of the independent directors, as defined in Company's Articles of Association and Corporate Governance Code, who attend the relevant Board meetings. As of September 30, 2018 and the date of this report, four out of the seven Board members are independent (Peter Sheldon, the chairman of the Board, Cor van den Bos, Cecile Tall, and Ferry Houterman). For further information regarding these directors, see Regulation 26 in Chapter D of the Periodic Report for 2017 as well as article 11 to the notes to the agenda of the annual general meeting of the Company's shareholders on whose agenda, inter alia, the appointment of Mr. Ferry Houterman to serve as a director of the Company as published on April 17, 2018.

For further information regarding the Corporate Governance Code refer to section 15 of part 1 of 2017 Israeli Annual Report.

[2] The Company was incorporated in The Netherlands and accordingly, the Israeli Companies Law does not apply to it. The definition of 'Independent Director' is in accordance to the Dutch Corporate Governance Code which is different than its definition in the Israeli Companies Law.

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	31.12.2017
External valuator	Savills
Value of the property as at the valuation date (31.12.2017)	€ 221.1 million
Value of the property in the financial statements (30.9.2018)	€ 213.3 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.
Key parameters used in the valuation	• Discount rate – 10.5% • Terminal capitalization rate – 5.5% • Rent per sqm/month – 162.4 RMB • Price per sqm for comparison approach – 16,587 RMB
Valuation Method	The average of Direct Comparison Approach and DCF method

The fair value of the property as at September 30, 2018 is based on the valuation report which was attached to financial statements as of December 31, 2017 and the valuation model used in that valuation report.

As of September 30, 2018 there were no material changes to the significant assumptions that were used in the valuation of investment property as at December 31, 2017. As of June 30, 2018 adjustments to certain parameters were made in order to reflect changes as of that date. These adjustments resulted in a decrease in the value of the investment property of € 2.1 million in the second quarter of 2018.

For details regarding the valuation, including the main assumptions used by the valuator, and details regarding the valuator, see section 7.6.8.8 in Part A to the 2017 Israeli Annual Report.

In addition, the value of the investment property as at September 30, 2018 decreased by approximately €5.7 million compared to December 31, 2017, due to the change in exchange rate of the EUR vs. RMB since its value is denominated and valued 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 September 30, 2018 and December 31, 2017 (amounts in EUR millions):

Holding Com-pany	Name of subsi-diary	Share in subsi-diary	Consoli-dated equity	Share holders consoli-dated equity	Adjust-ments of Kardan NV	Book Value in Kardan NV	Share holders Loans (*)	Total Invest-ment in books 30.09.18	Total Invest-ment in books 31.12.17
Kardan NV	GTC RE	100%	203.3	203.3	6.3	209.6	(12.3)	197.3	228.9
	KFS	100%	25.2	25.2	-	25.2	-	25.2	23.9
	TGI	98.43%	40.1	42.1	(0.7)	41.4	-	41.4	49.5
	Emerg-ing Invest ments XII	100%	61.7	61.7	-	61.7	-	61.7	65.2

Holding Com-pany	Name of subsi-diary	Share in subsi-diary	Consoli-dated equity	Share holders console-dated equity	Adjust-ments of GTC RE	KLC Book Value	Share-holders Loans	Total Invest-ment in books 30.09.18	Total Invest-ment in books 31.12.17
GTC RE Holding	Kardan Land China	100%	245.4	254.4	1.0	255.4	(65.2)(**)	190.2	221.6

Holding Com-pany	Name of subsi-diary	Share in subsi-diary	Consoli-dated equity	Share holders console-dated equity	Adjust-ments of TGI	Book Value	Loans granted by TGI	Total Invest-ment in books 30.09.18	Total Invest-ment in books 31.12.17
TGI	Tahal Group Assets B.V.	100%	6.2	9.5	-	9.5	(2.7)	6.8	6.2
	Tahal Group B.V.	100%	41.0	39.8	-	39.8	(0.5)	39.3	47.4

(*) 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 € 8.0 million as of September 30, 2018.

(****) Emerging Investment XII held the following Kardan N.V Debentures as of September 30, 2018:

	Nominal Value In NIS	Liability Value including accrued interest In EUR millions
Series A	109,839,448	33.1
Series B	120,381,450	39.6

9. Information to the Debenture Holders

The following are details regarding the marketable debentures of Kardan NV as of September 30, 2018:

	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 282.3 million (NIS 1,190,000,000)	EUR 316.4 million (NIS 1,333,967,977)
Par value of debentures as of September 30, 2018	EUR 70.6 million (NIS 297,500,000 par value)	EUR 226.0 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%
Linkage basis	Principal and interest linked to Israeli CPI (CPI of January 2007)	Principal and interest linked to Israeli CPI (CPI of December 2006)
Principal repayment	Two installments one in February 2017 and the second in February 2018 (as detailed above, the principal repayment scheduled for February 2018 was not executed).	Four installments from February 2017 to February 2020 (as detailed above, the principal repayment scheduled for February 2018 was not executed) .
Interest payment dates	3 annual installments on 25 February in the years 2016 – 2018 (as detailed above, the principal repayment scheduled for February 2018 was not executed)	5 annual installments on 1 February in the years 2016-2020 (as detailed above, the principal repayment scheduled for February 2018 was not executed)
Total debt up to the date of the balance sheet (including interest and Israeli CPI linkage) (*)	EUR 51.0 million	EUR 270.9 million
Market capitalization as of September 30, 2018(*)	EUR 12.7 million	EUR 205.3 million
The trustee	Almagor - Brightman Ltd.	Hermetic Trust (1975) Ltd.
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. As of September 30 2018 the balance amounts to € (12.3) million. 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. Commitment for certain negative pledges. The book value of the debentures held by the Group as of September 30 2018 is €82.4 million Commitments to additional negative pledges are in place.	
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 of September 30, 2018, the Company does not meet the financial covenants it has undertaken to comply with. In addition, in February 2018, the Company did not make the scheduled repayments to the debenture holders. 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 2017 Israeli Annual Report.
For details regarding the meetings of debenture holders convened during the reporting period, see the chapter "Significant Events and Developments" below.
For details regarding the discussions with the debenture holders for reaching a debt settlement, see the cash flow forecast.

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 September 30, 2018 (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.

KARDAN N.V.

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 third quarter of 2018 ("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.

November 28, 2018

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A. Hasson – CEO and Director

KARDAN N.V.

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 third quarter of 2018 ("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.

November 28, 2018

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E.Oz-Gabber, CFO

Kardan N.V.
(the ”Company”)
Significant events and developments
Filings pursuant to Israeli Law
November 28, 2018

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 2017 annual financial statements published by the Company on March 28, 2018 (‘the Annual Report’)

For details regarding the material events that occurred in the first quarter 2018 up to March 28, 2018 reference is made to the Annual Report.

For details regarding material events that occurred in the first and second quarter of 2018 up to May 30, 2018, reference is made to the significant event and developments chapter of Q1 2018 financial statements published by the Company on May 30, 2018.

For details regarding material events that occurred in the second and third quarter of 2018 up to August 22, 2018 reference is made to the significant event and developments chapter of Q2 2018 financial statements published by the Company on August 22, 2018.

Real Estate

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

Europark Dalian[1]

Data per 100%, Kardan Land China share – 100%		Q3 - 2018	Q2 - 2018	Q1 - 2018	2017
Invested costs	Cumulative costs for land at the end of the period	72.71	76.13	75.28	74.65
	Cumulative costs for development ,taxes ,and fees	3.12	3.27	3.23	2.76
	Cumulative costs for construction	110.93	114.34	109.44	103.08
	Cumulative costs in respect of financing (capitalized)	10.51	10.46	9.90	9.28
	Total cumulative cost	197.27	204.2	197.85	189.77
	Total cumulative carrying costs	197.27	204.2	197.85	189.77
Costs yet to be invested and completion rate	Costs in respect of land not yet invested (estimated)	1.34	1.41	1.39	1.38
	Development costs, taxes and fees not yet invested (estimated)	-	-	-	-
	Costs for construction not yet invested (estimated)	32.65	35.98	39.20	44.22
	Cumulative costs in respect of financing expected to be capitalized in the future (estimated)	2.28	2.94	3.35	3.85
	Total costs remaining for completion	36.27	40.33	43.94	50.01
	Completion rate (excluding land) (%)	78%	76%	74%	70%
	Expected construction completion date	2020	2020	2020	2020
	Exchange rate for this table	8.0111	7.6515	7.738	7.802

[1] The data in the table relating to expected costs is a forward-looking information ,as defined in the Securities Law , based on management's experience in the construction of projects ,the costs of construction inputs at the time of estimation ,including the price of subcontractors ,the state of the local and global market ,project .These estimates may not materialize ,in whole or in part ,or may materialize differently ,including materially ,than expected ,as a result of a change in the factors on which the estimates are based ,including as a result of the direct and / or indirect implications of the global economic crisis ,changes in the market situation and changes in demand for residential areas The changes in the exchange rate of the yuan / euro and / or materialization of all or part of the risk factors specified in Section 7.19 of the Description of the Corporation's Business chapter in the Company's Periodic Report for ,2017 the information of which is presented in this report by way of reference.

		Q3 - 2018	Q2 - 2018	Q1 -2018	2017
Agreements signed during the current period (not including apartment purchase orders)	Housing units (#)	33	36	26	111
	Housing units (sqm)	3,899	4,006	2,981	11,836
Average price per m [2]in agreements signed during the current period	Housing units	2,827	2,594	2,300	2,251
Cumulative agreements up to the end of the period:	Housing units (#)	849	816	780	754
	Housing units (sqm)	82,859	78,959	74,953	71,972
Cumulative average price per m [2]in agreements signed up to the end of the period (in euro)	Housing units	2,316	2,399	2,361	2,344
Marketing percentage of the project	Total expected income from the entire project (EUR millions)	275	288	285	283
	Total cumulative expected income from signed agreements (EUR millions)	192	189	177	169
	Marketing rate as of the last day of the period (%)	70%	66%	62%	60%
Areas for which no agreement has been signed:	Housing units (#)	234	267	287	313
	Housing units (sqm)	25,670	29,569	35,031	38,012
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)		43	67	55	57
Exchange rate for this table		8.0111	7.6515	7.738	7.802
*** ***					
Number of agreements signed from the end of the period to the report date (#) / m2	Residential	4 agreements m2 441			
Average price per m2 in agreements signed between the end of the period and the date of the report (EUR)	Residential	2,932			

Suzy[2]

Data per 100%, Kardan Land China share – 50%		Q3 - 2018	Q2 - 2018	Q1 - 2018	2017
costs Invested	period the of end the at land for costs Cumulative	25	26	24	23
	fees and ,taxes ,development for costs Cumulative	6	6	5	5
	construction for costs Cumulative	5	4	4	3
	(capitalized) financing of respect in costs Cumulative	-	-	-	--
	cost cumulative Total	36	36	33	31
	costs carrying cumulative Total	36	36	33	31
invested be to yet Costs rate completion and	(estimate) invested yet not land of respect in Costs	6	8	8	7
	invested yet not fees and taxes ,costs Development (estimated)	34	38	38	38
	(estimated) invested yet not construction for Costs	91	93	93	93
	be to expected financing of respect in costs Cumulative (estimate) future the in capitalized	-	-	-	--
	completion for remaining costs Total	130	139	139	139
	(%) (land excluding) rate Completion	8%	7%	6%	6%
	(*) date completion construction Expected	2021 4Q	2021 Q4	2020 Q4	2020 Q4
	table this for rate Exchange	8.0111	7.6515	7.738	7.802

(*)Following section 7.5.5.4 of Part A of the Company's Periodic Report the year 2017, in view of delays in clearing part of the project area, there are uncertainties relating to the expected completion date, the project total costs and possible changes in the project plans.

[2] The data in the table relating to expected costs is a forward-looking information ,as defined in the Securities Law ,based on management's experience in the construction of projects ,the costs of construction inputs at the time of estimation ,including the price of subcontractors ,the state of the local and global market ,project .These estimates may not materialize ,in whole or in part ,or may materialize differently ,including materially ,than expected ,as a result of a change in the factors on which the estimates are based ,including as a result of the direct and / or indirect implications of the global economic crisis ,changes in the market situation and changes in demand for residential areas The changes in the exchange rate of the yuan / euro and / or materialization of all or part of the risk factors specified in Section 7.19 of the Description of the Corporation's Business chapter in the Company's Periodic Report for ,2017 the information of which is presented in this report by way of reference.

KARDAN N.V.

		2018 - Q3	- Q2 2018	- Q1 2018	2017
current the during signed Agreements period	Housing units (#)	49	106	77	318
	Housing units (sqm)	4,554	6,140	5,363	23,652
	Commercial areas (sqm)	-	-	-	-
Average price per sqm in agreements signed during the current period	Housing units	824	720	683	656
	Commercial areas	-	-	-	-
Cumulative agreements up to the end of the period:	Housing units (#)	550	501	395	318
	Housing units (sqm)	39,709	35,155	29,015	23,652
	Commercial areas (sqm)	-	-	-	-
Cumulative average price per m ^{2}in agreements signed up to the end of the period (in euro)	Housing units	671	681	666	656
	Commercial areas	-	-	-	-
Marketing percentage of the period	Total expected income from the entire project (in commercial currency)	247	258	255	253
	Total cumulative expected income from signed agreements (EUR millions)	27	24	19	16
	Marketing rate as of the last day of the period (%)	11%	9%	8%	6%
Areas for which no agreement has been signed:	Housing units (#)	2,480	2,530	2,636	2,713
	Housing units (sqm)	233,518	238,210	244,350	249,713
	Commercial areas (sqm)	33,092	33,092	33,092	33,092
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)		12	12	12	14
*** ***					
Number of agreements signed from the end of the period to the report date (#) / m2	Residential	4 agreements 373m ^{2}			
	Commercial	-			
Average price per m2 in agreements signed between the end of the period and the date of the report (EURO)	Residential	836			
	Commercial	-			

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

Name Project			- Q3 2018	- Q2 2018	- Q1 2018	2017
Olympic Garden Presented according to 100% (Company's share – 50%)	Agreements signed during the current period	Housing units(#)	77	142	45	709
		Housing units (sqm)	7,073	13,136	3,743	70,474
		Commercial areas (sqm)	35	314	21	1,963
	Average price per m2 in agreements signed during the current period (RMB)	Housing units	1,703	1,418	1,223	770
		Commercial areas	2,372	3,739	2,755	2,408
City Dream	Agreements signed during the current period	Housing units(#)	5	51	-	56
		Housing units (sqm)	589	5,944	-	16,387
		Commercial areas (sqm)	128	782	-	9,203
	Average price per m2 in agreements signed during the current period (RMB)	Housing units	1,398	1,418	-	774
		Commercial areas	1,994	1,779	-	1,255
Presented according to 100%	Agreements signed during the current period	Housing units(#)	-	15	2	-
		Housing units (sqm)	-	1,549	146	-
		Commercial areas (sqm)	-	3,382	-	-
	Average price per m2 in agreements signed during the current period (RMB)	Housing units	-	209	516	-
		Commercial areas	-	255	-	-

Shopping mall – Galleria Dalian (Dalian, China)

(Data according to 100%; Kardan N.V. indirect share in the property: 100%)	Q3 2018	Q2 2018	Q1 2018	Year 2017
Fair value at the end of the period (€ in millions) (*)	213.3	223.6	222.9	221.1
NOI (€ in millions)	(0.2)	(0.1)	(0.5)	2.57
Valuation losses for the period (€ in millions)	-	(1.8)	-	(4.2)
Average occupancy rate in the period	90%	86%	82.2%	77.7%
Average rental rate per sqm. (in €) (**)	10.2	10	8.9	10.25
Part of the area for which rental agreements or letters of intent were signed during the period, net (%)	4%	3.3%	4.3%	7.8%
Part of the area for which rental agreements or letters of intent were signed accumulated (%) ****	91%	87%	83.6%	79.3%
Average monthly rent per sqm in contracts signed during the Period, gross (per month) (RMB) (***)	10.2	11.4	10.0	12.86

(*)The asset functional currency is the RMB. The changes in the fair value are mainly due to the fluctuation 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.
(****)The Company estimates that there is uncertainty as to the ability of a customer leasing an area constituting 6.3% of the mall area to meet its obligations under the lease agreement .

Financing

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

Name of the Loan and the section in the Annual Report which refers to the loan	***Update information***	***Calculation of financial covenants***
Debentures series A section 12.1.2 (1) to the Annual Report Debentures series B section 12.1.2 (2) to the Annual Report	-	See section 12.1.2 to the Annual Report. The coverage ratio of Kardan NV according to the financial statements as of 30.9.2018 is 83.8%; the coverage ratio of Kardan Land China according to the financial statements as of 30.9.2018 is 365% accordingly, the company is in breach of i's financial covenants.
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 €96 million).	-	See section 7.6.8.6 to the Annual Report. (1) The ratio between the balance of the loan, net of the cash balances and the value of the pledged properties is 33% (i.e. lower than 50%) (2) As of the report date, KLC signed guarantees at a total sum of 98 million euros, constituting 45% 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) KLD met the milestone set forth in the loan agreement in connection with construction progress

General

4. For details regarding the senior management and officers of the Company as of August 23, 2018 see the Immediate Report dated of August 23, 2018.

5. Following the merger between Brightman Trusts and Aurora Fidelity Trust Company Ltd. (hereinafter: "Aurora"), both companies controlled by Brightman Almagor Zohar & Co., in which Aurora was liquidated ,the new trustee for the Series A bondholders of the Company is Almagor-Brightman Trusts Ltd. For further details ,refer to the Immediate Report dated August 28, 2018

6. For details regarding the results of Debentures Holders ’B voting meeting regarding the appointment of an observer on behalf of the Debenture Holders and the trustee, refer to the announcement issued on September 3, 2018.

7. For details regarding the results of Debenture Holders A voting assembly regarding the appointment of an observer on behalf of the debenture holders and the trustee, refer to the announcement issued on September 6, 2018.

8. For details regarding the identity of the observer, refer to announcement issued on October 4, 2018.

9. For details regarding the results of a special general meeting of the Company's shareholders held on Monday, October 22, 2018 ,on which agenda was the approval of an annual bonus to the CEO of the Company in respect of 2018 ,see announcement issued on September 5, 2018 and amendment to the announcement issued on September 13, 2018.

10. For details regarding the meeting of the Debenture Holders on which agenda was a report regarding the progress of the negotiations between the Company and the debenture holders) Series B) and a technical postponement of debenture A repayment ,refer to the announcement issued October 21, 2018.

11. For details regarding the debt settlement principles agreed between the Company and the trustee of Debenture Holders series B, refer to the announcement issued on October 23, 2018.

12. On October 23, 2018, the Company published an announcement on behalf of the trustee regarding the legal postponement of the final repayment of debentures Series A. For details, refer to announcement issued by the Company on October 23, 2018.

13. On October 25, 2018 a meeting of the debentures holders (series A) approved the postponement of the final repayment of debentures series A (interest and principle), for details see summon announcement from October 23, 2018 and an immediate report on the results issued on October 28, 2018 .

14. On October 31, 2018, the Company issued an announcement on behalf of the trustee regarding the lawful postponement of the final repayment date of the debentures series A. For more information, see the Immediate Report issued by the Company on October 31, 2018.

15. On November 20, 2018 the Company issued a response to press reports regarding the debt settlement of Mr. Grunfeld, one of the Company’s controlling shareholders. For more information see the announcement issued by the Company on November 20, 2018.

KARDAN N.V.
AMSTERDAM, THE NETHERLANDS

Condensed Interim Consolidated Financial Statements (unaudited)
As at September 30, 2018

CONTENTS

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

page

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION................................1

CONDENSED INTERIM CONSOLIDATED INCOME STATEMENT 3

CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME 4

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY................................5

CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT...8

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS.......................12

REVIEW REPORT...31

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

	Note	**September 30, 2018**	September 30, 2017	December 31, 2017
		Unaudited		Audited
		In €'000		
Non-current assets				
Deferred tax assets		452	505	464
Tangible fixed assets, net		577	698	627
Investment property		213,329	223,820	221,089
Investments in joint ventures	7	32,462	36,554	49,889
Loans to joint ventures		18,369	38,805	25,432
Long-term loans and receivables		4,500	5,321	8,123
		269,689	305,703	305,624
Current assets				
Apartments inventory		60,685	109,947	117,900
Trade receivables		7,304	5,722	5,401
Current tax assets		688	1,305	1,502
Other receivables and prepayments		3,608	5,212	5,686
Short-term investments		14,036	9,906	11,969
Cash and cash equivalents		44,689	23,361	37,140
		131,010	155,453	179,598
Assets held for sale	8	235,552	182,129	183,354
Total current assets		366,562	337,582	362,952
Total assets		636,251	643,285	668,576

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	**September 30, 2018**	September 30, 2017	December 31, 2017
		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		(14,313)	3,769	37
Property revaluation reserve		30,058	34,183	31,637
Revaluation reserve, other		5,018	5,846	5,586
Accumulated deficit		(302,346)	(274,597)	(273,386)
		(49,825)	959	(4,368)
Non-controlling interests		1,932	3,460	3,542
Total equity (deficit)		(47,893)	4,419	(826)
Non-current liabilities				
Interest-bearing loans and borrowings		85,420	2,506	104,933
Other long-term liabilities		997	928	1,054
Financial instruments		666	1,306	1,306
Debentures	2	-	184,836	188,708
Deferred tax liabilities		5,690	3,111	6,355
		92,773	192,687	302,356
Current liabilities				
Trade payables		3,454	2,624	2,294
Current maturities of debentures	2	290,625	98,128	95,452
Interest-bearing loans and borrowings		2,421	102,259	-
Current tax liabilities		1,288	1,347	1,342
Advances from apartment buyers		31,796	51,296	61,208
Other payables and accrued expenses		85,700	53,769	73,952
		415,284	309,423	234,248
Liabilities associated with assets held for sale	8	176,087	136,756	132,798
Total current liabilities		591,371	446,179	367,046
Total liabilities		684,144	638,866	669,402
Total equity and liabilities		636,251	643,285	668,576

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

CONDENSED INTERIM CONSOLIDATED INCOME STATEMENT

	Note	For the nine months ended September 30, 2018	For the nine months ended September 30, 2017	For the three months ended September 30, 2018	For the three months ended September 30, 2017	For the year ended December 31, 2017
		Unaudited				Audited
		In €'000				
Revenues from sale of apartments		69,171	2,288	3,780	1,200	8,556
Rental revenues		2,858	2,910	956	977	3,883
Management fees and other revenues		2,047	1,924	732	623	2,584
Total revenues		74,076	7,122	5,468	2,800	15,023
Cost of apartment sold		66,547	1,887	2,771	893	7,993
Rental cost		790	1,069	157	290	1,346
Other expenses, net		1,966	1,843	293	619	2,847
Total expenses		69,303	4,799	3,221	1,802	12,186
Gross profit		4,773	2,323	2,247	998	2,837
Selling and marketing expenses		3,233	4,261	1,057	1,666	5,668
General and administration expenses		6,637	7,627	2,638	2,545	10,180
Loss from operations before fair value adjustments, disposal of assets and investment and other income		(5,097)	(9,565)	(1,448)	(3,213)	(13,011)
Adjustment to fair value of investment properties		(2,105)	(785)	-	-	(4,181)
Gain on disposal of assets and other income, net		-	793	-	-	836
Gain (loss) from fair value adjustments, disposal of assets and investments and other income		(2,105)	8	-	-	(3,345)
Loss from operations		(7,202)	(9,557)	(1,448)	(3,213)	(16,356)
Financial income		6,406	6,311	135	6,080	6,845
Financial expenses		(26,086)	(25,587)	(12,040)	(759)	(34,321)
Total financial expenses, net		(19,680)	(19,276)	(11,905)	5,321	(27,476)
Profit (Loss) before share of profit from investments accounted for using the equity method		(26,882)	(28,833)	(13,353)	2,108	(43,832)
Share of profit (loss) of investments accounted for using	7	1,860	10,224	(66)	1,855	16,424
Profit (Loss) before income taxes		(25,022)	(18,609)	(13,419)	3,963	(27,408)
Income tax expense (benefit)		1,658	1,660	406	474	5,180
Profit (Loss) for the period from continuing operations		(26,680)	(20,269)	(13,825)	3,489	(32,588)
Net profit from discontinued operations	8	4,926	4,172	1,413	1,130	15,212
Profit (Loss) for the period		(21,754)	(16,097)	(12,412)	4,619	(17,376)
Attributable to:						
Equity holders		(23,988)	(15,766)	(12,914)	4,215	(17,101)
Non-controlling interest holders		2,234	(331)	502	404	(275)
		(21,754)	(16,097)	(12,412)	4,619	(17,376)
Earnings (loss) per share attributable to						
Basic and diluted from continuing operations		(0.22)	(0.15)	(0.12)	0.03	(0.25)
Basic and diluted from discontinued operations		0.04	0.02	0.02	-	0.10
		(0.18)	(0.13)	(0.10)	0.03	(0.15)

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

CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the nine months ended September 30,		For the three months ended September 30,		For the year ended December 31,
	2018	2017	**2018**	2017	2017
	Unaudited				Audited
	In €'000				
Profit (Loss) for the period	(21,754)	(16,097)	(12,412)	4,619	(17,376)
Foreign currency translation differences	(17,531)	(11,394)	(9,759)	(2,188)	(15,202)
Change in hedge reserve, net of tax (1)	(570)	(790)	(182)	(262)	(1,051)
Share of other comprehensive income (expense) of associates and joint venture accounted for using the equity method	(1,147)	(8,581)	(2,544)	(2,029)	(8,498)
Other comprehensive expense for the period to be reclassified to profit or loss in subsequent periods	(19,248)	(20,765)	(12,485)	(4,479)	(24,751)
Total comprehensive income (expense)	(41,002)	(36,862)	(24,897)	140	(42,127)
Attributable to:					
Equity holders	(38,908)	(36,377)	(24,036)	(118)	(41,705)
Non-controlling interest holders	(2,094)	(485)	(861)	258	(422)
	(41,002)	(36,862)	(24,897)	140	(42,127)

(1) Mainly relates to unwinding of hedge transactions in prior periods. The amounts are presented net of tax amounting to €190 thousand and €259 thousand for the nine months period ended September 30, 2018 and September 30, 2017, respectivly, €61 thousand and €87 thousand for the three months period ended September 30, 2018 and September 30, 2017, respectively, and €346 thousand for the year ended December 31, 2017.

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

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent								
	Issued and paid-in capital	Share premium	Foreign currency translation reserve (*)	Property revaluation reserve (*)	Revaluation reserve, other (*)	Accumulated deficit	Total	Non-controlling interest	Total equity
	In €'000								
Balance as of January 1, 2018 (Audited)	25,276	206,482	37	31,637	5,586	(273,386)	(4,368)	3,542	(826)
Adjustments on adoption of IFRS 15	-	-	-	-	-	688	688	-	688
Adjustments on adoption of IFRS 9	-	-	-	-	-	(7,246)	(7,246)	-	(7,246)
Balance as of January 1, 2018 (after adjustments on the adoption of IFRS 15 and IFRS 9)	25,276	206,482	37	31,637	5,586	(279,944)	(10,926)	3,542	(7,384)
Other comprehensive loss	-	-	(14,350)	-	(570)	-	(14,920)	(4,328)	(19,248)
Profit (loss) for the period	-	-	-	-	-	(23,988)	(23,988)	2,234	(21,754)
Total comprehensive loss	-	-	(14,350)	-	(570)	(23,988)	(38,908)	(2,094)	(41,002)
Transaction with non controlling interest holders	-	-	-	-	-	7	7	-	7
Share-based payment	-	-	-	-	2	-	2	484	486
Reclassification according to the Netherlands civil code requirements (*)	-	-	-	(1,579)	-	1,579	-	-	-
Balance as of September 30, 2018 (Unaudited)	25,276	206,482	(14,313)	30,058	5,018	(302,346)	(49,825)	1,932	(47,893)

(*) 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								
	Issued and paid-in capital	Share premium	Foreign currency translation reserve (*)	Property revaluation reserve (*)	Revaluation reserve, other (*)	Accumulated deficit	Total	Non-controlling interest	Total equity
	In €'000								
Balance as of January 1, 2017 (audited)	25,276	206,482	23,590	34,772	6,633	(259,420)	37,333	3,850	41,183
Other comprehensive expense	-	-	(19,821)	-	(790)	-	(20,611)	(154)	(20,765)
Loss for the period	-	-	-	-	-	(15,766)	(15,766)	(331)	(16,097)
Total comprehensive expense	-	-	(19,821)	-	(790)	(15,766)	(36,377)	(485)	(36,862)
Share-based payment	-	-	-	-	3	-	3	58	61
Transaction with non controlling interest	-	-	-	-	-	-	-	37	37
Reclassification according to the Netherlands civil code requirements (*)	-	-	-	(589)	-	589	-	-	-
Balance as of September 30, 2017 (unaudited)	25,276	206,482	3,769	34,183	5,846	(274,597)	959	3,460	4,419

(*) 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)

	Attributable to equity holders of the parent								
	Issued and paid-in capital	Share premium	Foreign currency translation reserve (*)	Property revaluation reserve (*)	Revaluation reserve, other (*)	Accumulated deficit	Total	Non-controlling interest	Total equity
	In €'000								
Balance as of July 1, 2018 (unaudited)	25,276	206,482	(3,373)	30,058	5,200	(289,432)	(25,789)	2,788	(23,001)
Other comprehensive income (expense)	-	-	(10,940)	-	(182)	-	(11,122)	(1,363)	(12,485)
Profit (loss) for the period	-	-	-	-	-	(12,914)	(12,914)	502	(12,412)
Total comprehensive income (expense)	-	-	(10,940)	-	(182)	(12,914)	(24,036)	(861)	(24,897)
Share-based payment	-	-	-	-	-	-	-	5	5
Balance as of September 30, 2018 (unaudited)	25,276	206,482	(14,313)	30,058	5,018	(302,346)	(49,825)	1,932	(47,893)

(*) 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)

	Attributable to equity holders of the parent								
	Issued and paid-in capital	Share premium	Foreign currency translation reserve (*)	Property revaluation reserve (*)	Revaluation reserve, other (*)	Accumulated deficit	Total	Non-controlling interest	Total equity
	In €'000								
Balance as of July 1, 2017 (unadited)	25,276	206,482	7,840	34,183	6,107	(278,812)	1,076	4,327	5,403
Other comprehensive expense	-	-	(4,071)	-	(262)	-	(4,333)	(146)	(4,479)
Profit for the period	-	-	-	-	-	4,215	4,215	404	4,619
Total comprehensive income (expense)	-	-	(4,071)	-	(262)	4,215	(118)	258	140
Share-based payment	-	-	-	-	1	-	1	20	21
Transaction with non controlling interest	-	-	-	-	-	-	-	(1,145)	(1,145)
Balance as of September 30, 2017 (unaudited)	25,276	206,482	3,769	34,183	5,846	(274,597)	959	3,460	4,419

(*) 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)

	Attributable to equity holders of the parent								
	Issued and paid-in capital	Share premium	Foreign currency translation reserve (*)	Property revaluation reserve (*)	Revaluation reserve, other (*)	Accumulated deficit (*)	Total	Non-controlling interest	Total equity
	In €'000								
Balance as of January 1, 2017 (Audited)	25,276	206,482	23,590	34,772	6,633	(259,420)	37,333	3,850	41,183
Other comprehensive expense	-	-	(23,553)	-	(1,051)	-	(24,604)	(147)	(24,751)
Loss for the year	-	-	-	-	-	(17,101)	(17,101)	(275)	(17,376)
Total comprehensive expense	-	-	(23,553)	-	(1,051)	(17,101)	(41,705)	(422)	(42,127)
Share-based payment	-	-	-	-	4	-	4	77	81
Transaction with non-controlling interest holders	-	-	-	-	-	-	-	37	37
Reclassification according to the Netherlands civil code requirements (*)	-	-	-	(3,135)	-	3,135	-	-	-
Balance as of December 31, 2017 (Audited)	25,276	206,482	37	31,637	5,586	(273,386)	(4,368)	3,542	(826)

(*) 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 nine months period ended September 30,		For the three months period ended September 30,		For the year ended December 31,
	2018	2017	**2018**	2017	2017
	Unaudited				Audited
	In €'000				
Cash flow from operating activities					
Profit (loss) from continuing operations before taxes on income	(25,022)	(18,609)	(13,419)	3,963	(27,408)
Profit from discontinued operations before taxes on income	6,050	7,898	2,234	4,688	20,309
Adjustments to reconcile net loss to net cash (see A below)	19,542	(22,869)	6,081	(9,766)	(43,097)
Net cash provided by (used in) operating activities	570	(33,580)	(5,104)	(1,115)	(50,196)
Cash flow from investing activities					
Acquisition of tangible fixed assets	(6,282)	(5,762)	(2,975)	(998)	(13,641)
Investments and collection of loans from companies accounted for using the equity method, net	8,705	64	2,906	1,777	2,737
Acquisition of a subsidiary (see B below)	(326)	-	(486)	-	-
Proceeds from sale of assets and investments in associates	56	2,717	8	10	22,738
Change in long-term loans and receivables	(850)	(454)	(850)	(110)	(934)
Change in short-term investments	453	4,883	14,217	2,554	183
Advances on account of sale of investment accounted for using the equity method	-	6,622	-	6,622	-
Disposal of a previously consolidated subsidiary (see B below)	-	(1,008)	-	-	(1,008)
Change in pledged deposits, net	-	(4,850)	-	(6,369)	1,519
Net cash provided by investing activities	1,756	2,212	12,820	3,486	11,594

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

CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

	For the nine months period ended September 30,		For the three months period ended September 30,		For the year ended December 31, 2017
	2018	2017	**2018**	2017	
	Unaudited				Audited
	In €'000				
Cash flows from financing activities					
Proceeds from long-term loans	-	2,565	-	-	117,304
Repayment of long-term loans	(16,168)	(1,833)	(16,154)	(31)	(106,076)
Change in short-term loans and borrowings	26,082	14,908	10,298	11	8,156
Change in short term deposit	-	-	-	-	176
Change in other long term liabilities, net	841	35	730	(133)	5,538
Change in pledge deposit	-	(394)	-	24	-
Net cash provided by (used in) financing activities	10,755	15,281	(5,126)	(129)	25,098
Increase (decrease) in cash and cash equivalents	13,081	(16,087)	2,590	2,242	(13,504)
Cash relating to assets held for sale	(9,763)	(12,850)	2,405	514	(9,049)
Foreign exchange differences relating to cash and cash equivalents	4,231	(5,485)	(42)	(1,491)	1,910
Cash and cash equivalents at the beginning of the period	37,140	57,783	39,736	22,096	57,783
Cash and cash equivalents at the end of the period	44,689	23,361	44,689	23,361	37,140

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

CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

	For the nine months period ended September 30,		For the three months period ended September 30,		For the year ended December 31,
	2018	2017	**2018**	2017	2017
	Unaudited				Audited
	In €'000				
A. Adjustments to reconcile net profit (loss) to net cash					
charges / (credits) to profit (loss) not affecting operating cash flows:					
Share of profit (loss) of companies accounted for using the equity method	(2,205)	(11,622)	331	(2,207)	(17,770)
Gain on disposal of assets and investments in associates, net	-	-	-	-	(8,390)
Share-based payment	26	137	-	51	81
Depreciation and amortization	456	1,858	149	624	449
Fair value adjustments of investment property	2,105	785	-	-	4,181
Fair value adjustments of derivative financial instrument	(194)	398	2	380	240
Financial expense (income) and exchange differences, net	20,485	18,712	12,092	(5,627)	27,178
Capital loss (gain) from sale tangible fixed assets	26	(793)	12	-	(831)
Changes in operating assets and liabilities:					
Change in trade and other receivables	(37,533)	(28,357)	(17,566)	(9,479)	(29,195)
Change in inventories	56,419	(4,202)	1,190	(1,168)	(13,918)
Change in contract work in progress, net of advances from customers	(45,246)	-	(3,246)	-	26,408
Change in trade and other payables	40,310	2,060	16,420	5,062	(18,453)
Dividend received	2,528	16,946	2,528	7,178	13,386
Interest paid	(10,510)	(14,013)	(3,686)	(3,099)	(16,781)
Interest received	717	1,561	291	1,234	304
Income taxes paid	(7,842)	(6,339)	(2,436)	(2,715)	(9,986)
	19,542	(22,869)	6,081	(9,766)	(43,097)

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

CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

	For the nine months period ended September 30,		For the three months period ended September 30,		For the year ended December 31,
	2018	2017	**2018**	2017	2017
	Unaudited				Audited
	In €'000				
B. Proceeds from sale/aquisition of subsidiaries (presented as assets held for sale)					
Working capital (excluding cash and cash equivalents and bank borrowings)	1,880	-	986	-	-
Property, plant and equipment	(50)	-	-	-	-
Goodwill	(1,570)	-	(886)	-	-
Intaingable assets	(734)	-	(734)	-	-
Deffered taxes	148	-	148	-	-
Asset classified as held for sale (*)	-	(1,008)	-	-	(1,008)
	(326)	(1,008)	(486)	-	(1,008)

(*) During the first 9 months of 2017 the Company transferred a tax amount of € 1 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

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2018

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 November 28, 2018.

2. Financial Position and Going Concern

As at September 30, 2018 the Company had, on a stand-alone basis and on a consolidated basis, a working capital deficit of €303 million and €225 million, respectively (excluding debentures held by subsidiaries). For the nine and three months periods ended September 30, 2018, the Company recorded a (consolidated and on a stand-alone basis) net loss of €21.8 million and €12.4 million, respectively, and generated positive cash flow from operating activities of €15.0 million and €16.8 million, respectively, on a stand-alone basis, and positive cash flow from operating activities of €0.5 million and negative cash flow €5.1 million, respectively, on a consolidated basis. In addition, as at September 30, 2018 the Company had a deficit of €49.8 million in its equity attributable to equity holders. The Company has not repaid the February 2018 principal and interest payments to the debenture holders and is in default according to the Deeds of Trust – see below.
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 is conducting processes, directly or through its subsidiaries, and negotiating transactions to sell assets with a number of prominent parties, which, it is expecting, will generate adequate resources to meet its liabilities, as well as strengthening its financial and equity position. The main process being the sale of TGI.

On January 11, 2018 the Company announced that following updated information received that day, 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 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".

Subsequent to the balance sheet date, 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 will pay each year interest at a rate of 4% p.a.; the remaining interest will be payable at each date the Company repays (part of) the principal of the Debentures; 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.
It should be noted that as of the date of approval of this report, the negotiations with the trustee to debenture holders series B have not yet been completed, and the negotiations with the trustee to debenture holders series A have not yet commenced.

The Company is conducting advanced negotiation with respect to the intended sale of TGI. Based on this negotiation, the Company estimates that the majority of the consideration will be received at closing and will be used to repay the debentures. The remaining consideration will be held in escrow to secure certain representations for a limited period of time. The Company estimates, in the abovementioned liquidity analysis, that this majority of the consideration will be received in 2019. In addition, the Company has resolved to sell its investment in its joint venture Avis Ukraine. Accordingly, this investment is presented as held-for-sale as of September 30, 2018.

The directors expect that, taking into account the current status of the settlement discussions with the Debenture Holders and the expected terms of such settlement and taking into account the plans to realize the transactions and the progress which has been made in that respect, as mentioned-above, 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 satisfied that it is appropriate to prepare these 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 within the Company’s control, including the approval of debenture holders to a debt settlement, 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 the principal and interest payments which were due in February 2018 and its other liabilities in the normal course of business.
The condensed interim 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 September 30, 2018 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, 2017 ('the 2017 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, 2017.

New standards and amendments to standards have been effective in 2018 and adopted by the Group:
IFRS 15 Revenue from Contracts with Customers

As described in Note 4CC to the 2017 annual financial statements regarding the first-time implementation of International Financial Reporting Standard No. 15 - Revenues from Customer Contracts ("the Standard"), the Company applied IFRS 15 in accordance with the transitional directive. This transitional directive allows the modified retrospective application. The modified retrospective application allows recognition of the accumulative effect of the initial application as an adjustment of the opening balance of retained earnings in the period of initial application as at January 1, 2018 in the amount of €0.7 million.Comparative prior period/year are not adjusted.

Regarding the accounting policy implemented until December 31, 2017 in respect of the revenue recognition - see Note 4U to the 2017 annual financial statements.

The core principle of IFRS 15 is that revenues from contracts with customers must be recognized in a manner that reflects the transfer of control over the goods or services provided to customers under the contracts, in amounts reflecting the consideration that the entity expects to be entitled to receive for those goods or services.

IFRS 15 establishes a single revenue recognition model according to which the entity will recognize revenue in accordance with the said core principle by implementing five stages:

1) Identify the contract(s) with a customer;
2) Identify the performance obligations in the contract;
3) Determine the transaction price;
4) Allocate the transaction price to the different performance obligations in the contract; and
5) Recognize revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 relates to the accounting treatment of a wide range of issues related to the implementation of the said model, including: recognition of variable revenue in the contract, adjustment of the transaction price determined in the contract to reflect the time value of money and the costs of obtaining and maintaining a contract.

The Standard expands the disclosure requirements with regard to income, and inter alia requires the provision of quantitative and qualitative information regarding significant management considerations that were taken into account in order to determine the recognized income.

The accounting policy applied as of January 1, 2018 in respect of revenue recognition is as follows:

Revenue recognition

In accordance with the Standard, revenue from customer contracts is recognized in profit or loss when control of the asset or service is transferred to the customer. Revenue is measured and recognized at fair value of the consideration expected to be received in accordance with the terms of the contract, net of the amounts collected in favor of third parties (such as taxes). Revenue is recognized in profit or loss to the extent that the economic benefits are expected to flow to the Company, and the income and expenses, if relevant, can be measured reliably.

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms. Costs of rental operations are recorded in the same period as rental income is recognized. The aggregate cost of rental incentives is recognized as a reduction of rental income over the lease term on a straight-line basis.

Sale of apartments

The Company is operating in construction and sale of residential properties and offices in China.

In accordance with the law, regulations and the commertial harictaristic in China, in case of a mortgage taken for the purchase of an apartment, the control over the property is transfered to the buyer only upon delivery of the apartment and therefore the income from the sale of the residential units, offices and commercial areas is recognized at one point (on the date of delivery), in cases where the apartment was purchased without the a bank financing, no asset was created with alternative use of the company, and it has an enforceable right for payment based on percentage of completion up to that date. Under these circumstances, the company recognizes income over time. The percentage of completion is determined based on completion of engineering stages of the work.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting of financial assets measured at fair value and amortized cost. In July 2017 the IASB confirmed the accounting for modifications of financial liabilities under IFRS 9. That is, when a financial liability measured at amortized cost is modified without this resulting in an extinguishment, a gain or loss should be recognized in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate.

The Company applied IFRS 9 from the annual reporting periods beginning on January 1, 2018, Retrospective application is required, but comparative information is not compulsory.

In July 2015, the terms of the debentures issued by the Company in 2008 were changed. During the period of application of IAS 39, it was determined that in case of an unsubstantial modification in the terms of a financial liability, which does not lead to the extinguishment of the financial liability, the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate is amortized over the remaining term of the modified liability.

Under IFRS 9, even if the change is considered immaterial, it immediately affects the debentures financial liability, which is measured after the change as the present value of the balance of the new contractual cash flows discounted at the original effective interest rate and the difference between the financial liability in the books (in its original terms) The new consideration is charged as an expense to the statement of profit or loss. As a result of the initial implementation of IFRS 9, the balance of debentures as at January 1, 2018 was changed from €302,106 thousand to €309,352 thousand, against an increase in deficicit for an amount of €7,246 thousand as at the said date. As the Company has not yet reached a debt settlement, the contractual cash flows which were in place as of 31 December 2017 have been used to calculate the impact.

Classification and measurement:
From January 1 2018, the Group classifies its financial assets in the following measurement categories:
1. Those to be measured subsequently at fair value (either through OCI, or through profit or loss), and
2. Those to be measured at amortised cost.

The classification depends on the Company's business model for managing the financial asset and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI). The Group reclassifies debt investments when and only when its business model for managing those assets changes.
The impact of classification and measurement is not material (i.e. no transfer between categories)

Measurement
At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Impairment of financial assets
The Group has four types of financial assets that are subject to IFRS 9 new expected credit loss model
- Loans to joint ventures
- Long term loans and receivables
- Trade receivables
- Other receivables and prepayments

The Group was required to revise its impairment methodology under IFRS 9 for each of these classes of assets. The impact of the change in impairment methodology was immaterial.
The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

A. NEW STANDARDS AND AMENDMENTS NOT YET ADOPTED BY THE GROUP

IFRS 16 Leases

International Financial Reporting Standard 16 Leases (IFRS 16) 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.
IFRS 16 is effective for annual periods beginning on or after 1 January 2019.
In addition, it should be noted that the Company chose to apply the exemption from recognition of short-term leases and to leases in which the underlying asset is of low value.

The Company is in the process of evaluating the potential impact of IFRS 16 on its financial statements.

4. Segment information

A. Segments results:

(1) For the nine months ended September 30, 2018:

	Real Estate		
	Development	Investment property	Total
	Unaudited		
	€ in thousands		
Revenues	69,868	4,208	74,076
Adjustment to fair value of investment property	-	(2,105)	(2,105)
Total Income	69,868	2,103	71,971
Share in profit of investment accounted using the equity method	1,860	-	1,860
Segment result	2,970	(3,833)	(863)
Unallocated expenses			(4,479)
Loss from operations and share in profit of investment accounted using the equity method before finance expenses, net			(5,342)
Finance expenses, net			(19,680)
Loss before income tax			(25,022)
Income tax expense			(1,658)
Loss from continuing operations			(26,680)
Profit from discontinued operations			4,926
Loss for the period			(21,754)

(2) For the nine months ended September 30, 2017:

	Real Estate		
	Development	Investment property	Total
	Unaudited		
	€ in thousands		
Revenues	2,834	4,288	7,122
Adjustment to fair value of investment property	-	(785)	(785)
Total Income	2,834	3,503	6,337
Share in profit of investment accounted using the equity method	10,224	-	10,224
Segment result	9,583	(3,247)	6,336
Unallocated expenses			(5,669)
Loss from operations and share in profit of investment accounted using the equity method before finance expenses, net			667
Finance expenses, net			(19,276)
Loss before income tax			(18,609)
Income tax expense			(1,660)
Loss from continuing operations			(20,269)
Profit from discontinued operations			4,172
Loss for the period			(16,097)

(3) For the three months ended September 30, 2018:

	Real Estate		
	Development	Investment property	Total
	Unaudited		
	€ in thousands		
Revenues	4,002	1,466	5,468
Adjustment to fair value of investment property	-	-	-
Total Income	4,002	1,466	5,468
Share in profit of investment accounted using the equity method	(66)	-	(66)
Segment result	847	(841)	6
Unallocated expenses			(1,520)
Loss from operations and share in profit of investment accounted using the equity method before finance expenses, net			(1,514)
Finance expenses, net			(11,905)
Loss before income tax			(13,419)
Income tax benefit			(406)
Loss from continuing operations			(13,825)
Profit from discontinued operations			1,413
Loss for the period			(12,412)

(4) For the three months ended September 30, 2017:

	Real Estate		
	Development	Investment property	Total
	Unaudited		
	€ in thousands		
Revenues	1,376	1,424	2,800
Adjustment to fair value of investment property	-	-	-
Total Income	1,376	1,424	2,800
Share in profit of investment accounted using the equity method	1,855	-	1,855
Segment result	1,354	(772)	582
Unallocated expenses			(1,958)
Loss from operations and share in profit of investment accounted using the equity method before finance expenses, net			(1,376)
Finance income, net			5,339
Profit before income tax			3,963
Income tax expense			(474)
Profit from continuing operations			3,489
Profit from discontinued operations			1,130
Profit for the period			4,619

(5) For the year ended December 31, 2017:

	Real Estate		
	Development	Investment property	Total
	Audited		
	€ in thousands		
Revenues	9,275	5,748	15,023
Fair value adjustments of investment property	-	(4,181)	(4,181)
Total Income	9,275	1,567	10,842
Share in profit of investment accounted using the equity method	16,424	-	16,424
Segment result	15,331	(7,440)	7,891
Unallocated expenses			(7,823)
Profit from operations and share in profit of investment accounted using the equity method before finance expenses, net			68
Finance expenses, net			(27,476)
Loss before income tax			(27,408)
Income tax expense			(5,180)
Loss from continuing operations			(32,588)
Profit from discontinued operations			15,212
Loss for the period			(17,376)

B. Segments assets

	September 30,		December 31
	2018	2017	2017
	Unaudited		Audited
	€ in thousands		
Real Estate – Development	115,730	169,303	176,320
Real Estate – Investment property	223,033	239,350	232,326
	338,763	408,653	408,646
Assets held for sale – (former) water infrastructure and investment in joint venture Avis Ukraine segments	235,552	182,129	183,354
Unallocated assets (*)	61,936	52,503	76,576
	636,251	643,285	668,576

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

C. Segments liabilities

	September 30,		December 31
	2018	2017	2017
	Unaudited		Audited
	€ in thousands		
Real Estate – Development	61,634	78,213	101,538
Real Estate – Investment property	2,459	3,852	7,958
	64,093	82,065	109,496
Liabilities associated with assets held for sale – (former) water infrastructure segment and investment in Avis Ukraine	176,087	136,756	132,798
Unallocated liabilities (*)	443,964	420,045	427,108
	684,144	638,866	669,402

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

5. Share capital

Composition

	September 30, 2018		December 31, 2017	
	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 35 to the 2017 annual 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

		September 30, 2018		September 30, 2017		December 31, 2017	
		Unaudited				Audited	
	Level	€ 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	253,217	101,557	295,424	189,035	301,484	177,856
Debentures issued by the Company that ceased to be traded (Series B) (***)	2	68,362	22,223	-	-	-	-

(*) Including accrued interest.
(**) Price on the Tel-Aviv Stock Exchange.
(***) Portion of Debentures Series B that were not repaid and therefore ceased to be traded on the Tel Aviv Stock Exchange. The repayment date of Debentures Series A was postponed and accordingly these debentures continue to be traded.
The fair value of Series B debentures that were delisted from trading was determined according to the market value of series B debentures that remained listed.

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, 2018 (*)	Transactions recorded in P&L	As of September 30, 2018
	Audited	Unaudited	
		In €'000	
Put options	1,306	(639)	667

(*) Not including a balance of €2,114 thousand which is presented as a liability associated with assets held for sale as of September 30, 2018 (see Note 8).

In March 2018 50% of the Put option were cancelled.

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 to the 2017 annual financial statements.

C. Further to Note 7 to the 2017 annual financial statements, as of September 30, 2018 there were no material changes to the significant assumptions that were used in the valuation of investment property (Galleria Dalian) as at December 31, 2017, apart from adjuments to certain parameters in order to reflect changes as at June 30, 2018. These adjustments resulted in a decrease in the value of the investment property of € 2.1 million.

7. Joint Ventures

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

1. **<u>Green Power Development Ltd.</u>** (a joint venture of KLC)

	September 30, 2018	September 30, 2017	December 31, 2017
	Unaudited		Audited
		In €'000	
Current assets (not including cash and cash equivalent)	54,850	54,528	44,697
Cash and cash equivalent	3,091	26,218	28,045
Non-current assets	3,014	4,340	3,022
Current liabilities	(24,290)	(65,273)	(25,629)
Current financial liabilities	(4,499)	-	(18,161)
Non controlling interest holders	(1,719)	(3,382)	(1,677)
Total equity attributed to the owners	30,447	16,431	30,297
% held in the joint venture	50%	50%	50%
Total investment in joint ventures	15,223	8,216	15,149
Deemed cost on projects	195	206	202
Total investment in joint ventures	15,418	8,422	15,351

	For the nine months period ended September 30,		For the three months period ended September 30,		For the year ended December 31,
	2018	2017	**2018**	2017	2017
	Unaudited				Audited
			In €'000		
Revenues from operations	9,927	73,145	1,983	10,537	77,246
Cost of operations	(6,954)	(49,719)	(1,592)	(6,724)	(50,256)
Selling and marketing, other expenses net, and administrative expenses	(1,804)	(4,028)	(580)	(886)	(4,577)
Other financial income (expenses)	570	3,864	1	1,132	10,723
Profit before tax	1,739	23,262	(188)	4,059	33,136
Income tax expenses	(1,675)	(7,846)	(408)	(1,718)	(9,116)
Net profit (loss)	64	15,416	(596)	2,341	24,020
Profit (loss) attributed to non-controlling	31	715	(39)	715	1,338
Profit (loss) for the year attributed to equity holders	33	14,701	(557)	1,626	22,682
% held of the joint venture	50%	50%	50%	50%	50%
Group's share of profit (loss) for the year	16	7,351	(278)	813	11,341
Realizing of deemed cost on projects	(7)	(178)	-	(11)	(181)
Group's share of profit (loss) for the year	9	7,173	(278)	802	11,160
Total other comprehensive income (expenses) attributed to equity holders	(482)	(3,546)	(1,548)	(1,302)	13,080
% held of the joint venture	50%	50%	50%	50%	50%
Group share of the total other comprehensive income (expenses)	(241)	(1,773)	(774)	(651)	6,540

2. Shanxi GTC Lucky Hope Real Estate Development Ltd. (a joint venture of KLC)

	September 30, 2018	September 30, 2017	December 31, 2017
	Unaudited		Audited
	In €'000		
Current assets (not including cash and cash equivalent)	81,866	107,283	83,640
Cash and cash equivalent	44,583	27,603	27,342
Non-current assets	13,305	17,941	13,390
Current liabilities	(101,380)	(122,400)	(88,496)
Current financial liabilities	(9,631)	(6,905)	(6,702)
Total equity attributed to the owners	28,743	23,522	29,174
% held in the joint venture	50%	50%	50%
Total investment in joint ventures	14,371	11,761	14,587

	For the nine months period ended September 30,		For the three months period ended September 30,		For the year ended December 31,
	2018	2017	**2018**	2017	2017
	Unaudited				Audited
	In €'000				
Revenues from operations	27,698	21,960	6,734	6,072	60,712
Cost of operations	(17,738)	(13,961)	(4,578)	(3,845)	(40,066)
Selling and marketing, other expenses, and administrative expenses	(3,235)	(1,879)	(951)	(527)	(7,178)
Other financial income	90	73	18	5	120
Profit before tax	6,815	6,193	1,223	1,705	13,588
Income tax expenses	(1,731)	(1,706)	(329)	(860)	(3,396)
Profit for the year attributed to equity holders	5,084	4,487	894	845	10,192
% held of the joint venture	50%	50%	50%	50%	50%
Group's share of profit for the year	2,542	2,243	447	422	5,096
Total other comprehensive income attributed to equity holders	4,118	2,376	(660)	882	7,038
% held of the joint venture	50%	50%	50%	50%	50%
Group share of the total other comprehensive income	2,059	1,188	(330)	441	3,519

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 are comprised of the following:

	Septmber 30, 2018	Septmber 30, 2017	December 31, 2017
	Unaudited		Audited
	€ '000		
Assets			
Investment in Subsidiary TGI (*)	216,955	182,129	183,354
Investment in Joint venture Avis Ukraine	18,597	-	-
Total assets	235,552	182,129	183,354
Liabilities			
Investment in Subsidiary TGI	176,087	136,756	132,798
Net asset value	59,465	45,373	50,556

(*) Assets held for sale and liabilities associated with assets held for sale in TGI:

	Septmber 30, 2018	Septmber 30, 2017	December 31, 2017
	TGI	TGI	TGI
	Unaudited		Audited
	€ '000		
Assets			
Assets held for sale	-	11,145	-
Trade receivables	109,751	79,002	96,401
Cash and cash equivalents	18,813	12,850	9,049
Other current assets	45,965	41,925	35,730
Tangible fixed assets net	16,240	17,308	19,822
Other non-current assets	26,186	19,899	22,352
Total assets	216,955	182,129	183,354
Liabilities			
Interest bearing loans and borrowings	49,718	28,337	21,903
Due to customers for contract work	30,909	12,356	48,147
Other liabilities	95,460	96,063	62,748
Total liabilities	176,087	136,756	132,798
Net asset value	40,868	45,373	50,556

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.

C.

Net profit from discontinued operations is comprised of the following:

	For the nine months ended September 30,		For the three months ended September 30,		For the year ended December 31,
	2018	2017	**2018**	2017	2017
	Unaudited				Audited
	€ '000				
Equity earning from Joint venure Avis Ukraine	908	2,205	-	643	2,429
Profit from Subsidiary TGI (*)	4,018	1,967	1,413	487	12,783
Net profit from discontinued operation	4,926	4,172	1,413	1,130	15,212

(*) Net profit from discontinued operations of TGI is comprised of the following:

	For the nine months ended September 30,		For the three months ended September 30,		For the year ended December 31,
	2018	2017	**2018**	2017	2017
	Unaudited				Audited
	€ '000				
	TGI				
Income	117,114	116,531	43,437	42,302	176,442
Operating and finance expenses and Share of profit of investments accounted for using the equity method, net	(111,972)	(110,838)	(41,203)	(38,257)	(166,357)
Other income, net	-	-	-	-	7,795
Profit before tax	5,142	5,693	2,234	4,045	17,880
Income tax expenses (benefit), net	1,124	3,726	821	3,558	5,097
Profit from discontinued operations	4,018	1,967	1,413	487	12,783
Attributable to:					
Equity holders	1,785	2,333	912	83	12,582
Non-controlling interest holders	2,233	(366)	501	404	201
	4,018	1,967	1,413	487	12,783

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

	For the nine months ended September 30,				For the three months ended September 30,				For the year ended December 31,	
	2018		2017		**2018**		2017		2017	
	Avis Ukraine	TGI	Avis Ukraine	TGI	Avis Ukraine	TGI	Avis Ukraine	TGI	Avis Ukraine	TGI
	Unaudited								Audited	
	€ '000									
Net cash used in operating activities	908	(12,721)	2,205	(20,554)	-	(8,784)	643	(900)	2,429	(27,821)
Net cash provided by (used in) investing activities	-	(5,623)	-	(3,704)	-	(2,367)	-	1,051	-	3,401
Net cash provided by (used in) financing activities	-	26,880	-	14,847	-	10,986	-	(152)	-	13,940

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

	For the nine months ended September 30,				For the three months ended September 30,				For the year ended December 31,	
	2018		2017		**2018**		2017		2017	
	Unaudited								Audited	
	€ '000									
	Avis Ukraine	TGI	Avis Ukraine	TGI	Avis Ukraine	TGI	Avis Ukraine	TGI	Avis Ukraine	TGI
Adjustments arising from translating financial statements of foreign operations (*)	409	(13,609)	(1,688)	(3,170)	-	(4,082)	(474)	(1,794)	(1,919)	(3,746)
Change in hedge reserve, net	-	-	-	(13)	-	-	-	-	-	(13)
Total other comprehensive expense	409	(13,609)	(1,688)	(3,183)	-	(4,082)	(474)	(1,794)	(1,919)	(3,759)
Attributable to:										
Equity holders	409	(9,436)	(1,688)	(3,077)	-	(2,763)	(474)	(1,674)	(1,919)	(3,345)
Non-controlling interest holders	-	(4,173)	-	(106)	-	(1,319)	-	(120)	-	(414)
	409	(13,609)	(1,688)	(3,183)	-	(4,082)	(474)	(1,794)	(1,919)	(3,759)

9. Financial Covenants

Further to Note 25A to the 2017 annual financial statements, as at September 30, 2018 the Company did not meet its financial covenant, as agreed with the Company's debenture holders.

As of September 30, 2018 all Group companies met their financial covenants, except for one Group company which did not meet certain covenants relating to one of its short term bank credit lines. After the balance sheet date this company received a waiver from the relevant bankwith respect to the covenants, until December 31, 2018.

Review report

To: the shareholders of Kardan N.V.

Introduction

We have reviewed the accompanying condensed interim consolidated financial information of Kardan N.V., Amsterdam, which comprises the condensed interim consolidated statement of financial position as at 30 September 2018, the condensed interim consolidated income statement, the condensed interim consolidated statement of comprehensive income, the condensed interim consolidated statement of changes in equity, the condensed interim consolidated statement of cash flows and the selected explanatory notes for the three and nine 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 30 September 2018 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 negotiating a new debt settlement with its debenture holders. It also indicates that in February 2018 the Company has not repaid the principal and interest payments which were due in February 2018. Hence, the Company is in default according to the Deed of Trust as of February 2018.
The main source of cash for the Company, in order to repay its debt, will be generated from the sale of assets. The realization of the Company's plans depends on factors that are not within the Company's control, including the approval of the debenture holders to a debt settlement, and therefore there is uncertainty that such transactions will be completed at all or that the discussions with the Debenture Holders will result in rescheduling of payments. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Amsterdam, 28 November 2018
PricewaterhouseCoopers Accountants N.V.
M.P.A. Corver RA

ADDITIONAL INFORMATION

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

KARDAN N.V.

Presentation of separate financial data included annexed to the

Consolidated financial statements related to the Company

As of September 30, 2018

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

September 30, 2018

	September 30,		December
	2018	2017	31, 2017
	€ in thousand		
A s s e t s			
Non-current assets			
Property and equipment	122	76	128
Financial fixed assets			
Investments in consolidated subsidiaries	338,036	375,497	372,256
Loans to consolidated subsidiaries	24	24	24
	338,060	375,521	372,280
Current assets			
Cash and cash equivalents	18,377	666	5,979
Short-term investments	169	169	169
Other receivables and derivatives	1,704	1,445	1,406
	20,250	2,280	7,554
Total assets	358,432	377,877	379,962
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	(14,313)	3,769	37
Property revaluation reserve	30,058	34,183	31,637
Other reserves	5,018	5,846	5,586
Accumulated deficit	(302,346)	(274,597)	(273,386)
	(49,825)	959	(4,368)
Long-term liabilities			
Debentures	-	211,676	216,087
Option liability	2,781	3,399	3,323
	2,781	215,075	219,410
Current liabilities			
Current maturities of debentures	365,251	144,836	141,901
Other payables	40,225	17,007	23,019
	405,476	161,843	164,920
Total equity and liabilities	358,432	377,877	379,962

ADDITIONAL INFORMATION FROM THE COMPANY'S INCOME STATEMENT

	For the nine months ended September 30,		For the three months ended September 30,		For the year ended December 31,
	2018	2017	**2018**	2017	2017
	€ in thousand				
Net result from investments for the period	(6,359)	(3,861)	(1,671)	(6,109)	2,785
General and administrative expenses, net	2,009	2,682	733	997	3,459
Income from operations before financing expenses	(8,368)	(6,543)	(2,404)	(7,106)	(674)
Financing expenses, net	(15,430)	(8,964)	(10,449)	11,408	(16,081)
Loss before tax expenses (benefit)	(23,798)	(15,507)	(12,853)	4,302	(16,755)
Income tax expense (benefit)	(190)	(259)	(61)	(87)	(346)
Loss for the period	(23,988)	(15,766)	(12,914)	4,215	(17,101)

ADDITIONAL INFORMATION FROM THE COMPANY'S STATEMENT OF COMPREHENSIVE INCOME

	For the nine months ended September 30,		For the three months ended September 30,		For the year ended December 31,
	2018	2017	**2018**	2017	2017
	€ in thousand				
Net result for the period	(23,988)	(15,766)	(12,914)	4,215	(17,101)
Foreign currency translation differences	(14,350)	(19,821)	(10,940)	(4,071)	(23,553)
Change in hedge reserve, net	(570)	(790)	(182)	(262)	(1,051)
Other comprehensive income (loss) for the period	(14,920)	(20,611)	(11,122)	(4,333)	(24,604)
Total comprehensive loss	(38,908)	(36,377)	(24,036)	(118)	(41,705)

ADDITIONAL INFORMATION FROM THE COMPANY'S CASH FLOW STATEMENT

	For the nine months ended September 30,		For the three months ended September 30,		For the year ended December 31,
	2018	2017	2018	2017	2017
	€ in thousand				
Cash flow from operating activities of the Company					
Profit (loss) for the period	(23,988)	(15,766)	(12,914)	4,215	(17,101)
Adjustments to reconcile net profit to net cash of the Company					
Charges to net loss not affecting operating cash flows:					
Financial expenses	15,311	9,288	10,432	(11,304)	16,317
Fair value loss on derivative financial instruments	(194)	398	2	380	240
Share-based payment	2	3	-	1	4
Equity earnings	6,358	3,861	1,670	6,109	(2,785)
Changes in working capital of the Company					
Change in receivables	(101)	(421)	(35)	(52)	(89)
Change in payables	70	(272)	177	(67)	(352)
Cash amounts paid and received during the period					
Dividend received from consolidated companies	17,500	11,500	17,500	-	18,170
Interest received	-	-	-	-	(4,457)
Interest paid	-	(4,457)	-	-	-
Net cash provided by (used in) operating activities of the Company	**14,958**	**4,134**	**16,832**	**(718)**	**9,947**
Cash flow from investing activities of the Company					
Short term investments, net	-	(38)	-	(38)	(38)
Investments in subsidiaries	(2,560)	(5,184)	(60)	-	(5,684)
Net cash provided by (used in) investing activities of the Company	**(2,560)**	**(5,222)**	**(60)**	**(38)**	**(5,722)**
Net cash used in financing activities of the Company	**-**	**-**	**-**	**-**	**-**
Increase (decrease) in cash and cash equivalents of the Company	12,398	(1,088)	16,772	(756)	4,225
Cash and cash equivalents at beginning of the period of the Company	5,979	1,754	1,605	1,422	1,754
Cash and cash equivalents at end of the period of the Company	**18,377**	**666**	**18,377**	**666**	**5,979**

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, 2017 and the accompanying notes, and in conjunction to the condensed interim consolidated financial statements for the nine and three months ended September 30, 2018.

2. Financial position and going concern

As at September 30, 2018 the Company had, on a stand-alone basis and on a consolidated basis, a working capital deficit of €303 million and €225 million, respectively (excluding debentures held by subsidiaries). For the nine and three months periods ended September 30, 2018, the Company recorded a (consolidated and on a stand-alone basis) net loss of €21.8 million and €12.4 million, respectively, and generated positive cash flow from operating activities of €15.0 million and €16.8 million, respectively, on a stand-alone basis, and positive cash flow from operating activities of €0.5 million and negative cash flow €5.1 million, respectively, on a consolidated basis. In addition, as at September 30, 2018 the Company had a deficit of €49.8 million in its equity attributable to equity holders. The Company has not repaid the February 2018 principal and interest payments to the debenture holders and is in default according to the Deeds of Trust – see below.
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 is conducting processes, directly or through its subsidiaries, and negotiating transactions to sell assets with a number of prominent parties, which, it is expecting, will generate adequate resources to meet its liabilities, as well as strengthening its financial and equity position. The main process being the sale of TGI.

On January 11, 2018 the Company announced that following updated information received that day, 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 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".

Subsequent to the balance sheet date, 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 will pay each year interest at a rate of 4% p.a.; the remaining interest will be payable at each date the Company repays (part of) the principal of the Debentures; 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.
It should be noted that as of the date of approval of this report, the negotiations with the trustee to debenture holders series B have not yet been completed, and the negotiations with the trustee to debenture holders series A have not yet commenced.

The Company is conducting advanced negotiation with respect to the intended sale of TGI. Based on this negotiation, the Company estimates that the majority of the consideration will be received at closing and will be used to repay the debentures. The remaining consideration will be held in escrow to secure certain representations for a limited period of time. The Company estimates, in the abovementioned liquidity analysis, that this majority of the consideration will be received in 2019. In addition, the Company has resolved to sell its investment in its joint venture Avis Ukraine. Accordingly, this investment is presented as held-for-sale as of September 30, 2018.

The directors expect that, taking into account the current status of the settlement discussions with the Debenture Holders and the expected terms of such settlement and taking into account the plans to realize the transactions and the progress which has been made in that respect, as mentioned-above, 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 satisfied that it is appropriate to prepare these 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 within the Company's control, including the approval of debenture holders to a debt settlement, 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 the principal and interest payments which were due in February 2018 and its other liabilities in the normal course of business.
The condensed interim 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.