KARDAN N.V.

Financial position

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

	March 31, 2018	March 31, 2017	December 31, 2017	Notes
Total balance sheet	628,038	659,934	668,576	The decrease in total balance sheet compared to December 31 2017, is mainly due to the decrease in apartment inventory.
Current assets	324,452	326,620	362,952	The decrease in current assets compared to December 31, 2017, is mainly due to the decrease in apartment inventory following the delivery of building B.
Non-current assets	303,586	333,314	305,624	No material change compared to December 31, 2017.
Current maturities of debentures	278,639	110,849	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	245,476	332,285	271,594	The decrease in the other current liabilities compared to December 31, 2017 is mainly due to the decrease in the advances from apartment buyers following the delivery of building B in Europark Dalian. As of March 31, 2017 the loan for the Dalian project was classified as current liabilities. Following the refinancing agreement of the loan signed in November 2017 the loan is now presented as non-current liabilities.
Debentures	-	189,984	188,708	The decrease compared to December 31, 2017 and March 31 2017, is due to the classification of the entire debentures balance to current maturities as of March 31 2018.
Long term Interest-bearing loans and borrowings	105,820	-	104,933	As of March 31, 2017 the said loan for the Dalian project was classified as current maturities.
Equity attributable to equity holders of the parent	(12,739)	17,782	(4,368)	The decrease in equity compared to December 31, 2017, is mainly due to the impact of the adoption of new accounting standards (IFRS 9) for the first time, as described in note 3 to the financial statements, and due to foreign currency translation differences (other comprehensive expense).

2. Cash Flow Statement analysis (in EUR thousands)

	Q1 2018	Q1 2017	FY 2017	Notes
Net cash provided by (used in) operating activities	3,709	(25,262)	(50,196)	In Q1 2018, €11 million were provided for changes in payables and receivables which were partially offset by exchange rates and finance expenses. In Q1 2017 cash was mainly used to changes in payables and receivables in the amount of €15 million as well as exchange rates and finance expenses. In addition, In February 2017 the Company repaid the remaining interest on the debentures in the amount of €4 million. In 2017, approximately €27 million were used for payment of interest and taxes as well as decrease in payables and receivables.
Net cash provided by (used in) investing activities	(6,890)	(2,705)	11,594	In Q1 2018, €12 million were used for investments in short term deposits and were partially offset by approximately €6 million generated from the collection of loans to companies accounted for using the equity method. In Q1 2017 cash was mainly used for the acquisition of tangible fixed assets and for the investment in associated companies and grant of loans to associated companies; In 2017, approximately €20 million generated from the sale of Star Pumped Storage, and were partially offset by investments in fixed assets in the water infrastructure activities.
Net cash provided by (used in) financing activities	13,469	8,678	25,098	In Q1 2018 €13.7 million were proceeds from short term credit provided to the water infrastructure activity. In Q1 2017 €8.3 million were proceeds from short-term loans. In 2017 €11.2 million net were proceeds from long term loan in the real estate activity and €8.2 million were proceeds 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 2 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 March 31, 2018.
The average balance of trade receivables and trade payables for the period is €8 million and €2 million, respectively.

3. Cash Flow Forecast

The review report of the external auditors as of March 31 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 a negative working capital on a consolidated and stand-alone basis. These are considered "warning signs" as defined in Regulation 10 (b) (14) of the Israeli Securities Authority regulations. Therefore, the Company provides a cash-flow forecast (stand-alone) for a period of two years as starting April 1, 2018.

As announced by the Company, payments to the debenture holders that were scheduled for February 2018 were not executed on time and were not carried out by the date of this report. As of the date of this report, the Company is negotiating with the debenture holders for rescheduling the payments.

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 agreed with the debenture holders, <u>the Company cannot estimate the date on which such payments 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, as well as the other payments to the debenture holders for the next two years in accordance with their existing contractual obligations, without consideration of a debt settlement, if and when agreed (not including interest on arrears). Therefore, the Company emphasizes that the assumptions used by the Company in deriving the cash flow forecast should be read carefully.

Forecast cash flow	April 1, 2018 – December 31, 2018	January 1, 2019 - December 31, 2019	January 1, 2020 – March 31, 2020
	in € millions		
Cash and cash equivalents at the beginning of the period	**6.5**	**9.9**	**(71.3)**
From operating activities			
General and administrative expenses	(2.7)	(3.6)	(0.9)
From investing activities			
Sale of shares and holdings in a subsidiary - negotiations for its sale have already begun (2) – (5)	98.0	-	-
Sale of shares and holdings in subsidiaries - negotiations for their sale have not yet begun (2)	12.0	27.0	-
<u>Resources from investee companies</u>			
Loan repayment and dividends (8)	5.0	-	-
Total Resources	**118.8**	**33.3**	**(72.2)**
From financing activities (6) - (11)			
Principal and interest payment of debentures – Series A	47.2	-	-
Principal and interest payment of debentures – Series B	61.7	104.6	98.3
Total Uses	**108.9**	**104.6**	**98.3**
Cash and cash equivalents at the end of the period	**9.9**	**(71.3)**	**(170.5)**

<u>Main Assumptions to the Cash Flow Forecast</u>

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 12 below.

2. The cash flows from investing activities in 2018 and 2019 refer to the consideration from the expected sale of TGI, taking into account the assumptions, comments and reservations detailed below, and to transactions in the other assets of the Company - KLC and Avis Ukraine. As of the date of this report, negotiations regarding the sale of the Company's holdings in TGI are in an advanced stage. Negotiations regarding the sale of the Company's holdings in KLC and Avis Ukraine, an investment or the sale of any of their assets, have not yet begun. In addition, as of the date of this report, the Company does not have any information regarding the nature of such future transaction (investment in shares, sale of shares or sale of operations).

3. In regards to the sale of the Company's holdings in TGI – 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 transaction** and which would be used for repayment to the Debenture Holders. **As aforesaid, as of the date of this report, the negotiations regarding the sale of TGI were not yet finalized, and accordingly, <u>there is no certainty that a sale agreement will be signed, that the expected consideration will equal the consideration included in the cash flow forecast or the date on which the consideration 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 majority 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 that 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 certain period to secure certain representations given by the Company. In the preparation of the cash flow forecast, it was assumed that all of the expected consideration from the sale of TGI 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.

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. 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.

7. **The cash flow forecast includes the principal and interest payment that were scheduled for February 2018 and were not yet repaid, and is based on the repayment schedule included in the Deeds of Trust for the remaining payments, including CPI linkage and interest at the rate specified in the Deeds of Trust (without interest in arrears), in light of the Company's inability to estimate the payment dates, and considering that the Company has not yet repaid these payments and that according to the Company's estimate, these payments will be repaid from funds received by the Company during the cash flow forecast period.**

8. **The cash flow forecast includes accrued interest up to the original payment date, in respect of payments that were scheduled for February 2018 and does not include interest in arrears resulting from failure to meet the repayment dates set out in the Deeds of Trust and deferment of payments to the Debenture Holders, both in light of the Company's request to the Trustees as mentioned above, and the Company's estimates 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 interest in arrears. Readers of the cash flow forecast should take these facts into consideration, with all that it might entail or imply.**

9. **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 the payments to debenture holders (series B) so that no payment will be made to debenture holders (series A). In light of the negotiations between the Company and the debenture holders, it was decided at this stage not to include in the cash flow forecast the balance payments.

10. Loan repayment and dividends include the estimated dividend amounts that the Company could receive from Avis Ukraine as well as the release of €5 million deposit which is pledged to secure various representations in respect to the sale of the subsidiary TBIF in 2016. According to the sale agreement the deposit would be released in August 2018.

11. The interest calculations are based on the Israeli CPI, exchange rates and interest rates which are applicable as of March 31, 2017, 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 in the amount of principal and interest payment in each of the years 2018 and 2019.

12. Restrictions on transferring funds:
Transfer of funds between Kardan NV, GTC RE, Emerging Investments XII, and KFS is mostly done through intercompany loans or distribution of dividend or capital reserves as permitted by Dutch law[1]. Breakdown of distributable reserves according to Dutch law and intercompany loans balances is as follows:

Subsidiary	Distributable reserves as of 31.3.2018	Intercompany loan as of 31.3.2018
	(EUR million)	
GTC RE	156.8	2.3
KFS	8.4	
Emerging	66.8	-

13. This estimate regarding the sources of cash in this forecast is forward looking information as defined in the Israeli Securities Act, based on management assumptions and expectations. The aforesaid may not materialize completely or part thereof, or materialize in a different manner, including materially different from what is expected as a result of market changes (including changes in foreign currencies and CPI), difficulties in raising credit, decrease in value of investments, changes in the transactions terms of the sale of TGI, difficulties in reaching an agreement with the buyers of TGI, delays or lack of completion of the conditions precedent to the sale transaction to the extent

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

an agreement will be signed and change in cash amounts 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 in accordance with the Debt Settlement.

4. Financial Position of holding companies of the Kardan Group as of March 31, 2018

- **Net debt (*)**

The following table summarizes the net debt of Kardan N.V. and of its directly held subsidiaries (company only) as of March 31, 2018:

Company	Net Debt (in EUR million)	
Kardan NV / GTC RE / Emerging Investments XII	**Liabilities:** Debentures** LT Liability **Assets:** Cash and short term investments	 (308.7) (2.1) 5.2
	Net debt	**(305.6)**
KFS	**Assets:** Cash and short term investments Loans to related parties	 6.4 4.9
	Net cash	**11.3**
TGI/TG/TGA* **	**Liabilities:** LT Liability **Assets:** Cash and short term investments	 (0.4) 0.6
	Net cash	**0.2**

(*) 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 10 below.
(***) These assets and liabilities are presented as held for sale in the consolidated financial statements as of March 31, 2018.

5. Main events in the 3 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

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, 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.

Independent Directors

As stated above, the Israeli Companies Law does not apply to Kardan NV. Accordingly, among other things, 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, accordance with Kardan's articles of association, there are decisions that the Board has to take according to a special approval procedure which requires, among other things, the consent of the independent directors who attend the Board meetings, as defined in Company's Articles of Association and Corporate Governance Code. As of March 31, 2018 and the date of this report, three out of the six Board members are independent. For further information regarding these directors, see Regulation 26 in Chapter D of the Periodic Report for 2017

It is noted that on May 30, 2018, a general meeting of the shareholders of the Company will be convened on whose agenda the appointment of an independent member of the Board of Directors (as this term is defined in the Company's Articles of Association), so that the majority of the members of the Board of Directors of the Company will be independent Board members (as this term is defined in the Company's Articles of Association).

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

Additional information

7. Fair Value Disclosure

Galleria Dalian shopping mall – China, Dalian

Identification of the property subject of the valuation	Shopping mall in Dalian, China, having net leasable area of 64,834 sqm.
Date of the valuation	31.12.2017
External valuer	Savills
Value of the property in the financial statements prior to the valuation	€ 221.1 million
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 methods

The fair value of the property as at March 31, 2018 is based on the model which was used in the valuation report which was attached to financial statements as of December 31, 2017 (for details regarding this valuation, see section 7.6.8.8 in Part A to the 2017 Israeli Annual Report). As of March 31, 2018 there were no material changes to the significant assumptions that were used in the valuation of investment property.

Without detracting from the aforesaid, it should be noted that, the value of the investment property as at March 31, 2018 decreased in approximately € 1.8 million compared to its value as of December 31, 2017, due to the change in exchange rate of the EUR vs. RMB, since its value is denominated and evaluated in the local currency, while the financial statements of the Company are drawn in EUR. For additional information also refer to section 1 of the chapter "Significant Events and Developments" below.

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8. Book value of investments Kardan N.V.

The following table summarizes the book value of the companies held directly by Kardan as of March 31, 2018 and December 31, 2017 (amounts in EUR millions):

Holding Company	Name of subsidiary	Share in subsidiary	Consolidated equity	Shareholders consolidated equity	Adjustments of Kardan NV	Book Value in Kardan NV	Shareholders Loans (*)	Total Investment in books 31.03.18	Total Investment in books 31.12.17
Kardan NV	GTC RE	100%	224.9	224.9	4.2	229.1	(2.4)	226.7	228.9
	KFS	100%	23.9	23.9	-	23.9	-	23.9	23.9
	TGI	98.43%	42.3	43.9	(1.4)	42.5	-	42.5	49.5
	Emerging Investments XII	100%	66.8	66.8	-	66.8	-	66.8	65.2

Holding Company	Name of subsidiary	Share in subsidiary	Consolidated equity	Shareholders consolidated equity	Adjustments of GTC RE	KLC Book Value	Shareholders Loans	Total Investment in books 31.03.18	Total Investment in books 31.12.17
GTC RE Holding	Kardan Land China	100%	269.0	269.0	1.0	270.0	(50.2)(**)	219.8	221.6

Holding Company	Name of subsidiary	Share in subsidiary	Consolidated equity	Shareholders consolidated equity	Adjustments of TGI	Book Value	Loans granted by TGI	Total Investment in books 31.03.18	Total Investment in books 31.12.17
TGI	Tahal Group Assets B.V.	100%	6.0	9.4	-	9.4	(3.4)	6.0	6.2
	Tahal Group B.V.	100%	42.7	40.9	-	40.9	(0.3)	40.6	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 EUR 7.9 million as of March 31, 2018.

(****) Emerging Investment XII held the following Kardan N.V Debentures as of March 31, 2018:

	Nominal Value In NIS	Liability Value including accrued interest In EUR millions
Series A	109,839,448	32.2
Series B	120,381,450	38.3

9. Information to the Debenture Holders

The following are details regarding the marketable debentures of Kardan NV as of March 31, 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 274.9 million (NIS 1,190,000,000)	EUR 308.2 million (NIS 1,333,967,977)
Linkage basis	Principal and interest linked to Israeli CPI (CPI of January 2007)	Principal and interest linked to Israeli CPI (CPI of December 2006)
Par value of debentures as of March 31, 2018	EUR 68.7 million (NIS 297,500,000 par value)	EUR 220.1 million (NIS 952,834,318 par value)
Debentures held by subsidiaries	NIS 136,506,115 par value	NIS 120,381,450 par value
Interest rate (per annum)	6.325%	6.775%
Principal repayment	Two installments one in February 2017 and the second in February 2018.	Four installments from February 2017 to February 2020.
Interest payment dates	3 annual installments on 25 February in the years 2016 - 2018	5 annual installments on 1 February in the years 2016-2020
Total debt up to the date of the balance sheet (including interest and Israeli CPI linkage) (*)	EUR 47.2 million	EUR 264.6 million
Market capitalization as of March 31, 2018(*)	EUR 22.6 million	EUR 150.5 million
The trustee	Aurora Fidelity Trust Co. Ltd	Hermetic Trust (1975)
Rated by	S&P Maalot	S&P Maalot
Rating at the time of issuance	AA - (February 2007)	AA - (February 2007)
Updated rating	D (February 2018)	D (February 2018)
Right of early repayment	In accordance with the amended deeds of trust, the Company is eligible to announce on a partial or full early repayment throughout the entire term of the debentures. Such early repayment will be carried out without any compensation and in accordance to the full liability value of the debentures.	
Pledged Assets	According to the Deeds of Trust, the Company established and registered primary, exclusive pledges with no limitations of amounts over all of the Group's interests in GTC RE, KFS, TGI, EMERGING and KLC (the 'Pledged Subsidiaries'), including all benefits which will emanate from these interests and all the rights of the Group in loans granted to the Pledged Subsidiaries. A primary exclusive pledge with no limitation of amounts over all the rights of EMERGING for the repayments of loans it has granted to any of the corporations in Kardan Group. A primary exclusive pledges with no limitations of amounts over the bank accounts of the Company. Pledge on all the Company's debentures held by the Group. Commitment for certain negative pledges.	
Guarantee to secure the obligations of Kardan NV	A limited guarantee in the amount of EUR 100 million by Kardan Land China.	

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

The Debentures (Series A and B) are material to the Company. As of March 31, 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.

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DISCLAIMER

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

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

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

For this matter, the Management consists of:

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

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

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

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

In the quarterly report on the effectiveness of the internal control over financial reporting and disclosure, which is attached to the Israeli periodic report for the period ended March 31, 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.

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

I, A. Hasson, certify that:

1. I have reviewed the periodic report of Kardan NV ("the corporation") for the first quarter of 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.

May 30, 2018

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A. Hasson – CEO and Director

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

I, E.Oz-Gabber, certify that:

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

May 30, 2018

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E.Oz-Gabber, CFO

Kardan N.V.
(the “Company”)
Significant events and developments
Filings pursuant to Israeli Law
May 30, 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.

Real Estate

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

Europark Dalian

Data per 100%, Kardan Land China share – 100%		Q1 - 2018	2017
Invested costs	Cumulative costs for land at the end of the period	75.28	74.65
	Cumulative costs for development, taxes, and fees	3.23	2.76
	Cumulative costs for construction	109.44	103.08
	Cumulative costs in respect of financing (capitalized)	9.90	9.28
	Total cumulative cost	197.85	189.77
	Total cumulative carrying costs	197.85	189.77
Costs yet to be invested and completion rate	Costs in respect of land not yet invested (estimate)	1.39	1.38
	Development costs, taxes and fees not yet invested (estimated)	-	0
	Costs for construction not yet invested (estimated)	39.20	44.22
	Cumulative costs in respect of financing expected to be capitalized in the future (estimate)	3.35	3.85
	Total costs remaining for completion	43.94	50.01
	Completion rate (excluding land) (%)	74%	70%
	Expected construction completion date	2020	2020

		Q1 - 2018	2017
Agreements signed during the current period (not including apartment purchase orders)	Housing units (#)	26	111
	Housing units (sqm)	2,981	11,836
Average price per m^2 in agreements signed during the current period	Housing units	2,300	2,251
Cumulative agreements up to the end of the period:	Housing units (#)	780	754
	Housing units (sqm)	74,953	71,972
Cumulative average price per m^2 in agreements signed up to the end of the period (in euro)	Housing units	2,361	2,344
Marketing percentage of the project	Total expected income from the entire project (in millions of euros)	285	283
	Total cumulative expected income from signed agreements (EUR millions)	177	169
	Marketing rate as of the last day of the period (%)	62%	60%
Areas for which no agreement has been signed:	Housing units (#)	287	313
	Housing units (sqm)	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)		55	57
Exchange rate for this table		7.738	7.802
*** ***			
Number of agreements signed from the end of the period to the report date (#) / m2	Residential	14	
Average price per m2 in agreements signed between the end of the period and the date of the report (EURO)	Residential	2,546	

Suzy

Data per 100%, Kardan Land China share – 50%		Q1 - 2018	2017
Invested costs	Cumulative costs for land at the end of the period	24	23
	Cumulative costs for development, taxes, and fees	5	5
	Cumulative costs for construction	4	3
	Cumulative costs in respect of financing (capitalized)	-	--
	Total cumulative cost	33	31
	Total cumulative carrying costs	33	31
Costs yet to be invested and completion rate	Costs in respect of land not yet invested (estimate)	8	7
	Development costs, taxes and fees not yet invested (estimated)	38	38
	Costs for construction not yet invested(estimated)	93	93
	Cumulative costs in respect of financing expected to be capitalized in the future (estimate)	-	--
	Total costs remaining for completion	139	139
	Completion rate (excluding land) (%)	6%	6%
	Expected construction completion date	Q4 2022	Q4 2022

		Q1 - 2018	2017
Agreements signed during the current period	Housing units (#)	77	318
	Housing units (sqm)	5,363	23,652
	Commercial areas (sqm)	-	-
Average price per m² in agreements signed during the current period	Housing units	683	656
	Commercial areas	-	-
Cumulative agreements up to the end of the period:	Housing units (#)	395	318
	Housing units (sqm)	29,015	23,652
	Commercial areas (sqm)	-	-
Cumulative average price per m² in agreements signed up to the end of the period (in euro)	Housing units	666	656
	Commercial areas	-	-
Marketing percentage of the period	Total expected income from the entire project (in commercial currency)	255	253
	Total cumulative expected income from signed agreements (EUR millions)	19	16
	Marketing rate as of the last day of the period (%)	8%	6%
Areas for which no agreement has been signed:	Housing units (#)	2,636	2,713
	Housing units (sqm)	244,350	249,713
	Commercial areas (sqm)	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	14
*** ***			
Number of agreements signed from the end of the period to the report date (#) / m²	Residential	57	
	Commercial	-	
Average price per m² in agreements signed between the end of the period and the date of the report (EURO)	Residential	698	
	Commercial	-	

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

Project Name			Q1 - 2018	2017
Olympic Garden	Agreements signed during the current period	Housing units (#)	45	709
		Housing units (sqm)	3,743	70,474
		Commercial areas (sqm)	21	1,963
	Average price per m² in agreements signed during the current period	Housing units	1,223	770
		Commercial areas	2,755	2,408
City Dream	Agreements signed during the current period	Housing units (#)	-	56
		Housing units (sqm)	-	16,387
		Commercial areas (sqm)	-	9,203
	Average price per m² in agreements signed during the current period	Housing units	-	774
		Commercial areas	-	1,255
Palm Garden	Agreements signed during the current period	Housing units (#)	2	-
		Housing units (sqm)	146	-
		Commercial areas (sqm)	-	-
	Average price per m² in agreements signed during the current period	Housing units	516	-
		Commercial areas	-	-

Shopping mall – Galleria Dalian (Dalian, China)

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

(*) The asset functional currency is the RMB. The changes compared to the year 2017 are mainly due to the decrease 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.

Water Infrastructure

3. Following the description of the Company's material customers in Water Infrastructure in section 8.7.5 to the Annual Report:

   3.1. On May 23, Tahal Consulting Engineers Ltd. ('Tahal') won a tender (together with a partner who owns 5% of the project company) for the planning and execution of works for the reconstruction of two waste water and sludge treatment facilities in the city of Kharkiv, in the Ukraine. The total compensation for the Project is approximately USD 60 million.

Financing

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

<table>
<tr><th>Name of the Loan and the section in the Annual Report which refers to the loan</th><th>Update information</th><th>Calculation of financial covenants</th></tr>
<tr><td>Debentures series A section 12.1.2 (1) to the Annual Report</td><td rowspan="2">-</td><td rowspan="2">See section 12.1.2 to the Annual Report. The coverage ratio of Kardan NV according to the financial statements as of 31.3.2018 is 95.7%; the coverage ratio of Kardan Land China according to the financial statements as of 31.3.2018 is 345%.</td></tr>
<tr><td>Debentures series B section 12.1.2 (2) to the Annual Report</td></tr>
<tr><td>Credit facility amounting up to RMB 900 million (approximately €115 million at the date of the singing) taken by Kardan Land Dalian Ltd, section 7.6.8.6 to the Annual Report</td><td>-</td><td>See section 7.6.8.6 to the Annual Report.
(1) The ratio between the balance of the loan, net of the cash balances and the value of the pledged properties is 37% (i.e. lower than 50%) (2) As of the report date, KLC signed guarantees at a total sum of 116 million euros, constituting 43% of its equity (i.e. lower than its shareholders' equity. (3) There was no material adverse change in the value of the shares of the Project Company, which affected the ability to repay the loan (4) As of the report date, KLD met the milestone set forth in the loan agreement in connection with construction progress</td></tr>
</table>

General

5. For information regarding the convening of a meeting of the Debenture Holders Series B, refer to the announcement issued by the Trustee on April 8, 2018.

6. For information regarding the convening of an annual meeting of the Company's shareholders, to be held on Wednesday, May 30, 2018 and on the Company's Board of Directors decision not to put the approval of an annual bonus to the Company's CEO for 2018 up for vote, refer to the notices issued by the Company on April 17, 2018 and May 22, 2018.

7. For information regarding the announcement issued by the Trustee of Debenture Holders Series A regarding the postponement of the payment dates of the Debentures Series A, refer to the announcement issued on April 25, 2018 and May 7, 2018.

8. For information regarding the convening of a voting assembly of the Debenture Holders Series A on which agenda is the postponement of the final repayment date of the principal and interest of the Debentures Series A, from May 22, 2018 to July 24, 2018 or any other date that will be determined In coordination with the Tel Aviv Stock Exchange, refer to the announcement issued by the Trustee of the Debenture Holders Series A on April 8, 2018.

KARDAN N.V.
AMSTERDAM, THE NETHERLANDS

Condensed Interim Consolidated Financial Statements (unaudited)
As of March 31, 2018

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CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

A s s e t s

	Note	**March 31, 2018**	March 31, 2017	December 31, 2017
		Unaudited		Audited
		In €'000		
Non-current assets				
Deferred tax assets		468	536	464
Intangible assets and goodwill, net		-	115	-
Tangible fixed assets, net		642	2,428	627
Investment property		222,932	238,331	221,089
Investments in joint ventures	7	51,955	41,794	49,889
Loans to joint ventures		19,641	41,117	25,432
Long-term loans and receivables		7,948	8,993	8,123
		303,586	333,314	305,624
Current assets				
Apartments inventory		61,193	104,122	117,900
Trade receivables		10,710	5,657	5,401
Current tax assets		342	1,335	1,502
Other receivables and prepayments		3,200	20,337	5,686
Short-term investments		24,044	6,451	11,969
Cash and cash equivalents		36,327	25,377	37,140
		135,816	163,279	179,598
Assets held for sale	8	188,636	163,341	183,354
Total current assets		324,452	326,620	362,952
Total assets		628,038	659,934	668,576

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

Equity and liabilities

	Note	**March 31, 2018**	March 31, 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		(5,845)	21,985	37
Property revaluation reserve		31,637	34,772	31,637
Revaluation reserve, other		5,379	6,490	5,586
Accumulated deficit		(275,668)	(277,223)	(273,386)
		(12,739)	17,782	(4,368)
Non-controlling interests		2,454	3,711	3,542
Total equity (deficit)		(10,285)	21,493	(826)
Non-current liabilities				
Interest-bearing loans and borrowings		105,820	-	104,933
Other long-term liabilities		1,053	819	1,054
Financial instruments		927	999	1,306
Debentures	2	-	189,984	188,708
Deferred tax liabilities		6,408	3,505	6,355
		114,208	195,307	302,356
Current liabilities				
Trade payables		1,730	3,748	2,294
Current maturities of debentures	2	278,639	110,849	95,452
Interest-bearing loans and borrowings		-	108,517	-
Current tax liabilities		1,245	2,410	1,342
Advances from apartment buyers		18,155	49,604	61,208
Other payables and accrued expenses		78,389	47,485	73,952
		378,158	322,613	234,248
Liabilities associated with assets held for sale	8	145,957	120,521	132,798
Total current liabilities		524,115	443,134	367,046
Total liabilities		638,323	638,441	669,402
Total equity and liabilities		628,038	659,934	668,576

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

CONDENSED INTERIM CONSOLIDATED INCOME STATEMENT

	Note	For the three months ended March 31, 2018	For the three months ended March 31, 2017	For the year ended December 31, 2017
		Unaudited	Unaudited	Audited
		In €'000		
Rental revenues		972	992	3,883
Revenues from sale of apartments		61,627	-	8,556
Management fees and other revenues		477	650	2,584
Total revenues		63,076	1,642	15,023
Rental cost		415	415	1,346
Cost of apartment sold		60,384	-	7,993
Management fees and other expenses, net		595	644	2,847
Total expenses		61,394	1,059	12,186
Gross profit		1,682	583	2,837
Selling and marketing expenses		1,027	1,029	5,668
General and administration expenses		2,480	2,485	10,180
Loss from operations before fair value adjustments, disposal of assets and investment and other income		(1,825)	(2,931)	(13,011)
Adjustment to fair value of investment properties		-	-	(4,181)
Gain on disposal of assets and other income, net		-	-	836
Loss from fair value adjustments, disposal of assets and investments and other income		-	-	(3,345)
Loss from operations		(1,825)	(2,931)	(16,356)
Financial income		13,314	122	6,845
Financial expenses		(6,968)	(20,029)	(34,321)
Total financial income (expenses), net		6,346	(19,907)	(27,476)
Profit (loss) before share of profit from investments accounted for using the equity method		4,521	(22,838)	(43,832)
Share of profit of investments accounted for using the equity method, net	7	1,712	5,362	18,853
Profit (loss) before income taxes		6,233	(17,476)	(24,979)
Income tax expenses		1,627	1,221	5,180
Profit (loss) for the period from continuing operations		4,606	(18,697)	(30,159)
Net profit from discontinued operations	8	162	574	12,783
Net profit (loss) for the period		4,768	(18,123)	(17,376)
Attributable to:				
Equity holders		4,269	(17,803)	(17,101)
Non-controlling interest holders		499	(320)	(275)
		4,768	(18,123)	(17,376)
Earnings (loss) per share attributable to shareholders				
Basic and diluted from continuing operations		0.04	(0.15)	(0.25)
Basic and diluted from discontinued operations		-	-	0.10
		0.04	(0.15)	(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 three months ended March 31,		For the year ended December 31,
	2018	2017	2017
	Unaudited		Audited
		In €'000	
Net profit (loss) for the period	4,768	(18,123)	(17,376)
Foreign currency translation differences	(7,875)	(1,307)	(15,202)
Change in hedge reserve, net of tax (1)	(208)	(133)	(1,051)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(72)	(144)	(8,498)
Other comprehensive expense for the year to be reclassified to profit or loss in subsequent periods	(8,155)	(1,584)	(24,751)
Total comprehensive expense	(3,387)	(19,707)	(42,127)
Attributable to:			
Equity holders	(1,821)	(19,552)	(41,705)
Non-controlling interests holders	(1,566)	(155)	(422)
	(3,387)	(19,707)	(42,127)

(1) Mainly relates to unwinding of hedge transactions in prior periods. The amounts are presented net of tax amounting to €69 thousand and €85 thousand for the three months ended March 31, 2018 and March 31, 2017 respectivly 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	-	-	(5,882)	-	(208)	-	(6,090)	(2,065)	(8,155)
Profit for the period	-	-	-	-	-	4,269	4,269	499	4,768
Total comprehensive loss	-	-	(5,882)	-	(208)	4,269	(1,821)	(1,566)	(3,387)
Transactions with non-controlling interest	-	-	-	-	-	7	7	-	7
Share-based payment	-	-	-	-	1	-	1	478	479
Balance as of March 31, 2018 (Unaudited)	25,276	206,482	(5,845)	31,637	5,379	(275,668)	(12,739)	2,454	(10,285)

(*) In accordance with the 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 loss	-	-	(1,605)	-	(144)	-	(1,749)	165	(1,584)
Loss for the period	-	-	-	-	-	(17,803)	(17,803)	(320)	(18,123)
Total comprehensive loss			(1,605)	-	(144)	(17,803)	(19,552)	(155)	(19,707)
Share-based payment	-	-	-	-	1	-	1	16	17
Balance as of March 31, 2017 (Unaudited)	25,276	206,482	21,985	34,772	6,490	(277,223)	17,782	3,711	21,493

(*) 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 (Note 18)	-	-	-	-	4	-	4	77	81
Transaction with non-controlling interest (Note 21)	-	-	-	-	-	-	-	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 three months period ended March 31,		For the year ended December 31,
	2018	2017	2017
	Unaudited		Audited
	In €'000		
Cash flow from operating activities			
Profit (loss) from continuing operations before taxes on income	6,233	(17,476)	(24,979)
Profit from discontinued operations before taxes on income	21	254	17,880
Adjustments to reconcile net loss to net cash (see A below)	(2,545)	(8,040)	(43,097)
Net cash provided by (used in) operating activities	3,709	(25,262)	(50,196)
Cash flow from investing activities			
Acquisition of tangible fixed assets and investment properties	(838)	(2,576)	(13,641)
Investments and collection (granting) loans from (to) companies accounted for using the equity method, net	5,797	(1,160)	2,737
Acquisition of a subsidiary (see B below)	160	-	-
Proceeds from sale of assets and investments in associates	41	-	22,738
Change in long-term loans and receivables	-	-	(934)
Change in short-term investments	(12,050)	1,031	183
Disposal of a previously consolidated subsidiary (see B below)	-	(386)	(1,008)
Proceeds from deposit release	-	386	1,519
Change in pledged deposits, net			
Net cash provided by (used in) investing activities	(6,890)	(2,705)	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 three months period ended March 31,		For the year ended December 31,
	2018	2017	2017
	Unaudited		Audited
	In €'000		
Cash flows from financing activities			
Proceeds from long-term loans	-	-	117,304
Repayment of long-term loans	(300)	(1,776)	(106,076)
Change in short-term loans and borrowings	13,686	8,268	8,156
Change in short term deposit	-	-	176
Change in other long term liabilities, net	83	24	5,538
Decrease in pledge deposit	-	2,162	-
Net cash provided by financing activities	13,469	8,678	25,098
Increase (decrease) in cash and cash equivalents	10,288	(19,289)	(13,504)
Cash relating to assets held for sale	(11,556)	(12,542)	(9,049)
Foreign exchange differences relating to cash and cash equivalents	455	(575)	1,910
Cash and cash equivalents at the beginning of the period	37,140	57,783	57,783
Cash and cash equivalents at the end of the period	36,327	25,377	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 three months period ended March 31,		For the year ended December 31,
	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 of companies accounted for using the equity method	(1,640)	(5,044)	(17,770)
Gain on disposal of assets and investments in associates, net	-	-	(8,390)
Share-based payment	16	49	81
Depreciation and amortization	50	604	449
Fair value adjustments of investment property	-	-	4,181
Financial expense (income) and exchange differences, net	(5,831)	20,265	27,178
Capital gain from sale tangible fixed assets	(4)	-	(831)
Fair value adjustments of derivative financial instrument	78	-	240
Changes in operating assets and liabilities:			
Change in trade and other receivables	(16,700)	(8,195)	(29,195)
Change in inventories	55,310	(2,076)	(13,918)
Change in contract work in progress, net of advances from customers	(46,141)	(3,402)	26,408
Change in trade and other payables	18,669	(1,276)	(18,453)
Dividend received	-	-	13,386
Interest paid	(3,236)	(7,837)	(16,781)
Interest received	119	96	304
Income taxes paid	(3,235)	(1,224)	(9,986)
	(2,545)	(8,040)	(43,097)

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

CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

	For three months period ended March 31,		For the year ended
	2018	2017	December 31, 2017
	Unaudited		Audited
	In €'000		
B. Proceeds from sale/aquisition of subsidiaries			
Working capital (excluding cash and cash equivalents and bank borrowings)	1,061	-	-
Property, plant and equipment	(46)	-	-
Goodwill	(855)	-	-
Asset classified as held for sale (*)	-	(386)	(1,008)
	160	(386)	(1,008)

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

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

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
March 31, 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 May 30, 2018.

2. Financial Position and Going Concern

As at March 31, 2018 the Company had, on a stand-alone basis and on a consolidated basis, a working capital deficit of €295 million and €200 million, respectively (excluding debentures held by subsidiaries). For the first quarter of 2018, the Company recorded a (consolidated and on a stand-alone basis) net profit of €4.7 million, and generated negative cash flow from operating activities of €5.4 million on a stand-alone basis, and positive cash flow of €3.7 million on a consolidated basis. In addition, as at March 31, 2018 the Company had a deficit of €12.7 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.

The Company is conducting 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 trust to secure certain representations for a limited period of time. 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 Tahal Group International B.V. (‘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, as at 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 and is making progress in its negotiations of the sale of its holdings in TGI as of the date of the approval of these Condensed Interim Consolidated financial Statements. 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".

The directors expect that, taking into account the current status of the discussions with the Debenture Holders and taking into account their 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 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 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 March 31, 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 paragraph U of Note 4 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:

<u>Revenue recognition</u>

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 1 January 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.

4. Segment information

A. Segments results:

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

	Real Estate			
	Development	Investment property	Other	Total
	Unaudited			
	€ in thousands			
Revenue	61,807	1,269	-	63,076
Total Income	61,807	1,269	-	63,076
Share in profit of investment accounted using the equity method	1,239	-	473	1,712
Segment result	2,003	(632)	432	1,803
Unallocated expenses				(1,916)
Loss from operations and share in profit of investment accounted using the equity method before finance expenses, net				(113)
Finance expenses, net				6,346
Loss before income tax				6,233
Income tax expense				(1,627)
Loss from continuing operations				4,606
Profit from discontinued operations				162
Profit for the period				4,768

(2) For the three months ended March 31, 2017:

	Real Estate			
	Development	Investment property	Other	Total
	Unaudited			
	€ in thousands			
Revenue	186	1,456	-	1,642
Total Income	186	1,456	-	1,642
Share in profit of investment accounted using the equity method	4,607	-	755	5,362
Segment result	4,383	(865)	701	4,219
Unallocated expenses				(1,788)
Loss from operations and share in profit of investment accounted using the equity method before finance expenses, net				2,431
Finance expenses, net				(19,907)
Loss before income tax				(17,476)
Income tax expense				(1,221)
Loss from continuing operations				(18,697)
Profit from discontinued operations				574
Loss for the period				(18,123)

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

	Real Estate			
	Development	Investment property	Other	Total
	Audited			
	€ in thousands			
Revenue	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	16,425	-	2,428	18,853
Segment result	15,331	(7,440)	1,699	9,590
Unallocated expenses				(7,093)
Loss from operations and share in profit of investment accounted using the equity method before finance expenses, net				2,497
Finance expenses, net				(27,476)
Loss before income tax				(24,979)
Income tax expense				(5,180)
Loss from continuing operations				(30,159)
Profit from discontinued operations				12,783
Loss for the period				(17,376)

B. Segments assets

	March 31,		December 31
	2018	2017	2017
	Unaudited		Audited
	€ in thousands		
Real Estate – Development	122,160	176,818	176,320
Real Estate – Investment property	234,142	249,208	232,326
	356,302	426,026	408,646
Assets held for sale (former water infrastructure)	188,636	163,341	183,354
Unallocated assets (*)	83,100	70,567	76,576
	628,038	659,934	668,576

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

C. Segments liabilities

	March 31,		December 31
	2018	2017	2017
	Unaudited		Audited
	€ in thousands		
Real Estate – Development	49,849	81,351	101,538
Real Estate – Investment property	3,189	3,311	7,958
	53,038	84,662	109,496
Liabilities associated with assets held for sale (former water infrastructure segment)	145,957	120,521	132,798
Unallocated liabilities (*)	439,328	433,258	427,108
	638,323	638,441	669,402

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

5. Share capital

Composition

	March 31, 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

		March 31, 2018		March 31, 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	237,670	120,713	303,875	189,309	301,484	177,856
Debentures issued by the Company that ceased to be traded (Series B) (***)	2	62,640	52,376	-	-	-	-

(*) 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 its value on the stock exchange on the last trading day, while analyzing the volatility of the prices of Series A and B debentures that continue to be traded.

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 March 31, 2018
	Audited	Unaudited	
	In €'000		
Put options	1,306	(379)	927

(*) Not including a balance of €1,964 thousand which is presented as a liability associated with assets held for sale as of March 31, 2018 (see Note 8).

In March 2018 50% of the Put option was 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 March 31, 2018 there was no external valuation obtained for the Company's investment property, and therefore there are no changes to the significant assumptions used in the valuation.

7. Joint Ventures

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

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

	March 31, 2018	March 31, 2017	December 31, 2017
	Unaudited		Audited
	In €'000		
Current assets (not including cash and cash equivalent)	42,582	71,524	44,697
Cash and cash equivalent	11,780	31,405	28,045
Non-current assets	3,062	5,521	3,022
Current liabilities	(17,240)	(44,845)	(25,629)
Current financial liabilities	(10,948)	(37,994)	(18,161)
Non controlling interest holders	(1,840)	(4,336)	(1,677)
Total equity attributed to the owners	27,396	21,275	30,297
% held in the joint venture	50%	50%	50%
Total investment in joint ventures	13,698	10,637	15,149
Deemed cost on projects	197	229	202
Total investment in joint ventures	13,895	10,867	15,351

	For the three months period ended March 31,		For the year ended December 31,
	2018	2017	2017
	Unaudited		Audited
	In €'000		
Revenues from operations	5,172	51,410	77,246
Cost of operations	(3,609)	(35,929)	(50,256)
Selling and marketing, other (income) expenses, and administrative expenses	(468)	(2,145)	(4,577)
Other financial income	693	531	10,723
Profit before tax	1,788	13,867	33,136
Income tax expenses	(658)	3,796	(9,116)
Net profit	1,130	10,071	24,020
Profit (loss) attributed to non-controlling	89	-	(1,338)
Profit for the year attributed to equity holders	1,041	10,071	22,682
% held of the joint venture	50	50	50
Group's share of profit for the year	521	5,036	11,341
Realizing of deemed cost on projects	(5)	(155)	(181)
Group's share of profit for the year	516	4,881	11,160
Total other comprehensive income (expenses) attributed to equity holders	720	(444)	13,080
% held of the joint venture	50	50	50
Group share of the total other comprehensive income (expenses)	360	(222)	6,540

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

	March 31, 2018	March 31, 2017	December 31, 2017
	Unaudited		Audited
	In €'000		
Current assets (not including cash and cash equivalent)	82,210	105,420	83,640
Cash and cash equivalent	31,918	26,560	27,342
Non-current assets	13,638	18,420	13,390
Current liabilities	(89,764)	(97,232)	(88,496)
Current financial liabilities	(6,672)	(25,000)	(6,702)
Total equity attributed to the owners	31,330	28,168	29,174
% held in the joint venture	50	50	50
Total investment in joint ventures	15,665	14,084	14,587

	For the three months period ended March 31,		For the year ended December 31,
	2018	2017	2017
	Unaudited		Audited
	In €'000		
Revenues from operations	3,594	2,560	60,712
Cost of operations	(920)	(1,486)	(40,066)
Selling and marketing, other expenses, and administrative expenses	(874)	(828)	(7,178)
Other financial income	52	30	120
Profit before tax	1,852	276	13,588
Income tax expenses	(456)	(88)	(3,396)
Profit for the year attributed to equity holders	1,396	188	10,192
% held of the joint venture	50	50	50
Group's share of profit for the year	698	94	5,096
Total other comprehensive income (expenses) attributed to equity holders	1,650	(226)	7,038
% held of the joint venture	50	50	50
Group share of the total other comprehensive income (expenses)	825	(113)	3,519

3. VIP Rent (Avis Ukraine)

	March 31, 2018	March 31, 2017	December 31, 2017
	Unaudited		Audited
	In €'000		
Current assets (not including cash and cash equivalent)	8,108	9,383	8,066
Cash and cash equivalent	870	1,484	2,076
Non-current assets	29,400	30,715	30,619
Current liabilities	(3,171)	(3,520)	(2,643)
Current financial liabilities	(2,818)	(2,484)	(2,790)
Non-current liabilities	(11,576)	(12,909)	(12,566)
Total equity attributed to the owners	20,813	22,669	22,762
% held in the joint venture	66	66	66
Total investment in joint ventures	13,737	14,962	15,023

	For the three months period ended March 31, 2018	For the three months period ended March 31, 2017	For the year ended December 31, 2017
	Unaudited		Audited
	In €'000		
Revenues from operations	2,013	2,220	8,815
Cost of operations	(1,646)	(1,564)	(6,720)
Selling and marketing, other income, and administrative expenses	414	756	2,363
Other financial income	71	18	317
Profit before tax	852	1,430	4,775
Income tax expenses	(4)	(245)	(971)
Profit for the year attributed to equity holders	848	1,185	3,804
% held of the joint venture	66	66	66
Group's share of profit for the year	560	782	2,511
Total other comprehensive expenses attributed to equity holders	(730)	(379)	(2,907)
% held of the joint venture	66	66	66
Group share of the total other comprehensive expenses	(482)	(250)	(1,919)

8. Discontinued operations and assets held for sale

A. Regarding the presentation of TGI as discontinued operations and asset held for sale, please refer to Note 2.

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

	March 31, 2018	**March 31, 2017**	**December 31, 2017**
	TGI	TGI	TGI
	Unaudited		Audited
	€ '000		
Assets			
Trade receivables	45,559	46,417	39,068
Accrued income	45,978	19,304	57,333
Other current assets	38,734	40,044	35,730
Tangible fixed assets,	14,825	12,974	19,822
Other non-current	22,934	32,060	22,352
Cash and cash	20,606	12,542	9,049
Total assets	188,636	163,341	183,354
Liabilities			
Interest bearing loans	35,636	24,117	21,903
Advances from	45,653	38,745	48,147
Other liabilities	64,668	57,659	62,748
Total liabilities	145,957	120,521	132,798
Net asset value	42,679	42,820	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:

	For the three months ended March 31,		December 31
	2018	2017	2017
	Unaudited		Audited
	€ '000		
	TGI		
Income	31,617	31,159	176,442
Operating and finance expenses and Share of profit of investments accounted for using the equity method, net	(31,596)	(30,905)	(166,357)
Other income, net	-	-	7,795
Profit before tax	21	254	17,880
Income tax expenses (benefit), net	(141)	(320)	5,097
Profit from discontinued operations	162	574	12,783
Attributable to:			
Equity holders	159	894	12,582
Non-controlling interest holders	3	(320)	201
	162	574	12,783

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

	Three months ended March 31,		For the year ended December 31,
	2018	2017	2017
	Unaudited		Audited
	€ '000		
	TGI		
Net cash used in operating activities	(1,851)	(11,055)	(27,821)
Net cash provided by (used in) investing activities	(40)	(3,171)	3,401
Net cash provided by (used in) financing activities	(13,469)	8,252	13,940

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

	Three months ended March 31,		For the year ended December 31,
	2018	2017	2017
	Unaudited		Audited
	€ '000		
	TGI		
Adjustments arising from translating financial statements of foreign operations	(8,204)	909	(3,746)
Change in hedge reserve, net	-	114	(13)
Total other comprehensive income	(8,204)	1,023	(3,759)
Attributable to:			
Equity holders	(6,243)	871	(3,345)
Non-controlling interest holders	(1,961)	152	(414)
	(8,204)	1,023	(3,759)

9. Financial Covenants

Further to Note 25A to the 2017 annual financial statements, as of March 31, 2018 the Company did not meet its financial covenant, as agreed with the Company’s debenture holders.
As of March 31, 2018 the other Group companies meet their financial covenants.

Review report

To: the shareholders of Kardan N.V.

Introduction

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

Scope

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated interim financial information as at 31 March 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, 30 May 2018

PricewaterhouseCoopers Accountants N.V.

A.H. Zoon 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 March 31, 2018

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

March 31, 2018

	March 31,		December
	2018	2017	31, 2017
	€ in thousand		
A s s e t s			
Non-current assets			
Property and equipment	137	89	128
Financial fixed assets			
Investments in consolidated subsidiaries	362,290	396,419	372,256
Loans to consolidated subsidiaries	24	24	24
	362,314	396,443	372,280
Current assets			
Cash and cash equivalents	4,960	7,668	5,979
Short-term investments	169	131	169
Other receivables and derivatives	1,517	1,266	1,406
	6,646	9,065	7,554
Total assets	369,097	405,597	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	(5,845)	21,985	37
Property revaluation reserve	31,637	34,772	31,637
Other reserves	5,379	6,490	5,586
Accumulated deficit	(275,668)	(277,223)	(273,386)
	(12,739)	17,782	(4,368)
Long-term liabilities			
Debentures	350,365	217,607	216,087
Option liabilities	2,890	3,232	3,323
	353,255	220,839	219,410
Current liabilities			
Current maturities of debentures	-	161,457	141,901
Other payables	28,581	5,519	23,019
	28,581	166,976	164,920
Total equity and liabilities	369,097	405,597	379,962

ADDITIONAL INFORMATION FROM THE COMPANY'S INCOME STATEMENT

	For the three months ended March 31,		For the year ended December 31,
	2018	2017	2017
	€ in thousand		
Net result from investments for the period	(5,501)	3,883	2,785
General and administrative expenses, net	1,103	880	3,459
Profit (loss) from operations before financing income (expenses)	(6,604)	3,003	(674)
Financing income (expenses), net	10,942	(20,721)	(16,081)
Profit (loss) before tax expenses	4,338	(17,718)	(16,755)
Income tax expense (benefit)	(69)	85	346
Profit (loss) for the period	4,269	(17,803)	(17,101)

ADDITIONAL INFORMATION FROM THE COMPANY'S STATEMENT OF COMPREHENSIVE INCOME

	For the three months ended March 31,		For the year ended December 31,
	2018	2017	2017
	€ in thousand		
Net result for the period	4,269	(17,803)	(17,101)
Foreign currency translation differences	(5,882)	(1,605)	(23,553)
Change in hedge reserve, net	(208)	(144)	(1,051)
Other comprehensive income (expenses) for the period	(6,090)	(1,749)	(24,604)
Total comprehensive loss	(1,821)	(19,552)	(41,705)

ADDITIONAL INFORMATION FROM THE COMPANY'S CASH FLOW STATEMENT

	For the three months ended March 31,		For the year ended December 31,
	2018	2017	2017
	€ in thousand		
Cash flow from operating activities of the Company			
Profit (loss) for the period	4,269	(17,803)	(17,101)
Adjustments to reconcile net profit to net cash of the Company			
Charges to net loss not affecting operating cash flows:			
Financial expenses (income)	(10,986)	20,836	16,317
Fair value loss on derivative financial instruments	78	-	240
Share-based payment	1	(1)	4
Equity (earnings) losses	5,501	(3,883)	(2,785)
Changes in working capital of the Company			
Change in receivables	(120)	(255)	(89)
Change in payables	238	40	(352)
Cash amounts paid and received during the period			
Dividend received from consolidated companies	-	11,500	18,170
Interest received	-	(4,457)	(4,457)
Interest paid	-	-	-
Net cash provided by (used in) operating activities of the Company	**(1,019)**	**5,977**	**9,947**
Cash flow from investing activities of the Company			
Short term investments, net	-	-	(38)
Investments in subsidiaries	-	(63)	(5,684)
Net cash provided by (used in) investing activities of the Company	**-**	**(63)**	(5,722)
Net cash used in financing activities of the Company	**-**	**-**	-
Increase (decrease) in cash and cash equivalents of the Company	(1,019)	5,914	4,225
Cash and cash equivalents at beginning of the period of the Company	5,979	1,754	1,754
Cash and cash equivalents at end of the period of the Company	**4,960**	**7,668**	**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 three months ended March 31, 2018.

2. Financial position and going concern

As at March 31, 2018 the Company had, on a stand-alone basis and on a consolidated basis, a working capital deficit of €295 million and €200 million, respectively (excluding debentures held by subsidiaries). For the first quarter of 2018, the Company recorded a (consolidated and on a stand-alone basis) net profit of €4.7 million, and generated negative cash flow from operating activities of €5.4 million on a stand-alone basis, and positive cash flow of €3.7 million on a consolidated basis. In addition, as at March 31, 2018 the Company had a deficit of €12.7 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.

The Company is conducting 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 trust to secure certain representations for a limited period of time. 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 Tahal Group International B.V. ('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, as at 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 and is making progress in its negotiations of the sale of its holdings in TGI as of the date of the approval of these Condensed Interim Consolidated financial Statements.

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".

The directors expect that, taking into account the current status of the discussions with the Debenture Holders and taking into account their 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 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 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**.**