

**PRESS RELEASE**

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**SECOND QUARTER AND FIRST HALF 2017 RESULTS KARDAN N.V.**
**Highlights Q2 and H1 2017:**

Net profit (loss) per activity:

(In € millions)	H1 2017	H1 2016	Q2 2017	Q2 2016
Real Estate	(5.2)	(8.3)	(3.3)	(6.3)
Water Infrastructure (discontinued operations)	2.2	1.6	1.3	1.9
Banking and Retail lending (discontinued operations)	-	6.5	-	2.6
Other – banking and retail lending - continuing operations	1.4	3.3	0.7	3.3
<b>Total Operations</b>	<b>(1.6)</b>	<b>3.1</b>	<b>(1.3)</b>	<b>1.5</b>
Holding (Corporate Finance and G&A)	(18.3)	(9.0)	(0.8)	(9.3)
<b>Total</b>	<b>(19.9)</b>	<b>(5.9)</b>	<b>(2.1)</b>	<b>(7.8)</b>

- Q2 2017: € 2.1 million loss to equity holders (Q2 2016: loss of € 7.8 million), including a significant positive impact of € 5.3 million as a result of foreign exchange translation differences of the EUR versus the NIS and Israeli CPI on the Company's debentures in Q2 2017.

H1 2017: € 19.9 million loss to equity holders (H1 2016: loss of € 5.9 million).

- Both Real Estate and Water Infrastructure improved their contribution to the net result in H1 2017 vs H1 2016. In Other – banking and retail lending – Avis Ukraine showed a strong performance and contributed equity earnings of € 1.6 million in H1 2017.

**Ariel Hasson, CEO of Kardan NV:** "Kardan's real estate and water infrastructure activities continued their positive operational performance in Q2 2017. In Real Estate, the sales process of the apartments in the new C towers in Dalian just commenced with encouraging interest in July 2017. We also see good performance of our joint venture residential projects.

In water infrastructure, we were recently awarded a USD 176 million agriculture project in Zambia, and three agriculture projects in Angola, totaling USD 291 million. We continue to see strong business development opportunities for new projects and are hopeful to secure additional strategic projects in the course of the coming months.

Unfortunately, currency movements had a severe negative impact on our equity position as at June 30, 2017, although in August, over the last weeks, the trend in currencies reversed, which may compensate for a certain part of the aforementioned decline in our equity. However, the expected closing of Star Pumped Storage sale should generate profit to further strengthen our equity position. In addition, the intended sale of Tahal is also expected to generate profit that will increase our equity.

We expect that the sale of Tahal will enable us to meet our 2018 debt repayment obligations. We will continue to do the utmost to divest assets in a manner that will allow us to maximize value and proceeds, in the interest of all of Kardan's stakeholders."

## Condensed Interim Consolidated Income Statement Kardan N.V.

For the six and three month periods ended June 30, 2017 (in € million)

	Total H1 - 2017	Total H1 - 2016	Total Q2 - 2017	Total Q2 - 2016	Total 12M - 2016
Total revenues	4.3	6.6	2.7	4.6	11.1
Total expenses	10.7	10.3	6.1	4.9	21.8
Loss from operations before fair value adjustments, disposal of assets and financial expenses	(6.4)	(3.7)	(3.4)	(0.3)	(10.7)
Loss from fair value adjustments and disposal of assets and investments, net	-	(0.3)	-	(0.4)	(4.2)
<b>Result from operations before finance expenses</b>	<b>(6.4)</b>	<b>(4.0)</b>	<b>(3.4)</b>	<b>(0.7)</b>	<b>(14.9)</b>
Financing expenses, net	(24.5)	(13.4)	(4.6)	(10.1)	(47.3)
Equity earnings	10.0	-	4.6	(3.4)	3.9
Loss before income tax	(20.9)	(17.4)	(3.4)	(14.2)	(58.3)
Income tax (expenses)/benefit	(1.2)	3.4	-	1.9	4.5
<b>Loss from continuing operations</b>	<b>(22.1)</b>	<b>(14.0)</b>	<b>(3.4)</b>	<b>(12.3)</b>	<b>(53.8)</b>
Profit from discontinued operations	2.2	8.1	1.3	4.5	22.5
<b>Loss for the period attributable to Kardan equity holder</b>	<b>(19.9)</b>	<b>(5.9)</b>	<b>(2.1)</b>	<b>(7.8)</b>	<b>(31.3)</b>
Other comprehensive income (loss)	(16.4)	(11.3)	(14.6)	(1.4)	(2.5)
<b>Total Comprehensive Income / (loss) attributable to Kardan equity holders</b>	<b>(36.3)</b>	<b>(17.2)</b>	<b>(16.7)</b>	<b>(9.2)</b>	<b>(33.8)</b>

### Overall summarized review of Q2 and H1 2017 results

**Kardan** recognized a consolidated net loss attributable to equity holders of € 2.1 million for Q2 2017 (Q2 2016: € 7.8 million net loss), bringing the result for the first half of 2017 to a consolidated net loss of € 19.9 million (H1 2016: € 5.9 million), mainly due to higher financing costs in H1 2017 (€ 24.5 million) compared with H1 2016 (€ 13.4 million). The financing costs included a net positive foreign exchange impact of € 5.3 million of the revaluation of the EUR versus the NIS and the Israeli CPI on the Company's debentures in Q2 2017 (Q2 2016: € 2.0 million negative), partially offsetting the significant negative foreign exchange and the Israeli CPI impact in Q1 2017. This resulted in a total negative € 6.2 million impact of foreign exchange and CPI on the Company's debentures in H1 2017 (H1 2016: € 4.8 million positive).

The Real Estate activities showed an improvement in revenue from delivery of units in Europark Dalian project - € 1.1 million in H1 2017 (H1 2016: € 0.3 million). Rental revenues from Galleria Dalian continued to grow gradually. This brings total revenues of the Real Estate activities to € 4.3 million in H1 2017, an increase compared to € 4.0 million in H1 2016, despite the fact that the management contract of Galleria Chengdu expired as per year-end 2016. Equity earnings from joint venture residential projects increased substantially to € 8.4 million (€ 0.3 million loss in H1 2016) as a result of the delivery of residential units. The net loss contributed by the Real Estate activities amounted to € 5.2 million in H1 2017 which mainly included the interest expenses related to the Europark Dalian loan and were also impacted by the devaluation of the RMB versus the EUR during the first half of 2017. The net loss in H1 2016 (€ 8.3 million) included a deferred tax benefit of € 3.7 million.

The revenue of the Water Infrastructure activities increased by 17% compared to H1 2016, following the progress in various new and existing projects, and contributed a net profit of € 2.2 million in H1 2017 (H1 2016: € 1.6 million). As of Q1 2017, TGI (Kardan NV's water infrastructure subsidiary) is presented as Held-For-Sale, its results as discontinued operations, and is no longer presented as a segment in the Company's consolidated financial statements.

Avis Ukraine (banking and retail lending activity) continued to show strong results and contributed a net profit of approximately €0.8 million in each of the first two quarters of 2017.

Taking into account the direct equity impact of foreign currency translation differences and changes in the hedge reserves combined with the net result, the total comprehensive loss to Kardan NV's shareholders amounted to €36.3 million in H1 2017 compared to a comprehensive loss of €17.2 million in H1 2016.

## Equity

<b>Kardan N.V.</b> (company only, in € million)	<b>June 30, 2017</b>	<b>December 31, 2016</b>
Total Assets	388.7	409.7
Total Equity	1.1	37.3
Equity/Total assets (%)	3%	9%

The shareholders' equity of Kardan N.V. decreased from €37.3 million as of December 31, 2016 to €1.1 million as of June 30, 2017 mainly due to the loss in the period of €19.9 million and the strengthening of the EUR versus the RMB.

## Covenants

As at June 30, 2017, the Company and its subsidiaries were not in breach of any covenants.

## Financial position

For further information on the Company's financial position please refer to Note 2 in the financial statements.

## Highlights per activity:

## REAL ESTATE

Kardan is active in development and management of Real Estate in China through its 100% subsidiary Kardan Land China ('KLC').

## Results

	For the six months ended June 30		For the three months ended June 30		Full year
	2017	2016	2017	2016	2016
In € millions					
Delivery of units	1.1	0.3	1.1	0.2	0.8
Rental revenues	1.9	1.8	0.9	0.9	3.7
Management fee and other revenues	1.3	1.9	0.7	1.0	4.0
<b>Total revenues</b>	<b>4.3</b>	<b>4.0</b>	<b>2.7</b>	<b>2.1</b>	<b>8.5</b>
Cost of sales	1.0	0.3	1.0	0.2	0.7
Cost of rental revenues	0.8	0.8	0.4	0.4	1.5
Cost of management fee and other revenues	1.2	2.5	0.6	1.2	5.1
<b>Gross profit</b>	<b>1.3</b>	<b>0.4</b>	<b>0.7</b>	<b>0.3</b>	<b>1.2</b>
SG&A expenses	5.4	4.4	3.0	2.1	8.9
Adjustment to fair value (impairment) of investment property	(0.8)	(0.4)	(0.8)	(0.4)	(2.6)
Gain from sale of fixed assets	0.8	-	0.8	-	-
Equity earnings (losses)	8.4	(0.3)	3.9	(3.2)	2.4
<b>Result from operations before finance expenses</b>	<b>4.3</b>	<b>(4.7)</b>	<b>1.6</b>	<b>(5.4)</b>	<b>(7.9)</b>
Financing expenses, net	(8.5)	(7.3)	(5.0)	(2.7)	(12.4)
Income tax (expenses) / benefit	(1.0)	3.7	0.1	1.8	5.1
<b>Loss for the period attributable to Kardan equity holders</b>	<b>(5.2)</b>	<b>(8.3)</b>	<b>(3.3)</b>	<b>(6.3)</b>	<b>(15.2)</b>

## Additional information - Kardan Land China

	2017 (30.6)	2016 (31.12)
<b>Balance sheet (in € millions)</b>		
Share of investment in JVs	59.5	69.2
Investment Property	225.9	240.5
Inventory	102.3	101.5
Cash & short term investments	26.2	33.5
<b>Total Assets</b>	<b>485.3</b>	<b>518.2</b>
Loans and Borrowings	105.8	111.2
Advance payments from buyers	47.2	50.0

	H1/17	H1/16	Q2/17	Q2/16	FY 2016
<b>Operational Information Residential</b>					
Revenue Residential - JV (in € million)	41.5	19.3	13.8	6.0	57.5
Gross profit residential - JV (in € million)	13.1	5.3	4.9	1.5	15.7
Apartments sold in period (a)	741	749	286	362	1,323
Apartments delivered in period (b)	913	520	297	134	1,417
<b>Total apartments sold, not yet delivered (c)</b>	<b>1,906</b>	<b>2,434</b>	<b>1,906</b>	<b>2,434</b>	<b>2,114</b>

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

(b) 12 apartments delivered in the Dalian project in H1 2017 (H1 2016 – 2 apartment, FY 2016 – 3 apartments).

(c) Includes approximately €23.1 million gross profit (Kardan Land China share) as of June 30, 2017.

Residential projects Kardan Land China					
Units sold in the period					
	H1/17	H1/16	Q2/17	Q2/16	FY 2016
<b>100% owned</b>					
Dalian	16	2	4	2	14
<b>Joint Venture projects*</b>					
Olympic Garden	647	306	260	175	593
Suzy	-	1	-	1	10
Palm Garden	28	51	12	24	88
City Dream	50	389	10	160	618
	<b>725</b>	<b>747</b>	<b>282</b>	<b>360</b>	<b>1,309</b>
<b>Total</b>	<b>741</b>	<b>749</b>	<b>286</b>	<b>362</b>	<b>1,323</b>

\* 100% number presented; KLC holds approx. 50%

The Real Estate activity improved its result from operations to € 4.3 million profit in H1 2017 compared with € 4.7 million loss in H1 2016 mainly as a result of the increase of hand over of unit. The net loss of € 5.2 million in H1 2017 is explained by high financing expenses. The loss in H1 2016 (€ 8.3 million) included a deferred tax benefit of € 3.7 million.

Revenue from delivery of units relates to the handover of apartments of the Europark Dalian project. During H1 2017 4 apartments were delivered compared with 2 apartments in H1 2016. Additional 8 units in Dalian that were previously used as fixed assets were sold in Q2 2017, contributing a gain of € 0.8 million.

Rental revenue increased to € 1.9 million compared with € 1.8 million in H1 2016, as a result of the continuous improvement in the operational indicators of Galleria Dalian including increase in footfall and tenants performance. In April 2017, the food market was opened which contributed positively to the opening rate and footfall. The decrease in management fees in H1 2017 reflects the expiry of the management contract of Galleria Chengdu as of January 1, 2017. The above resulted in an increase in total revenues to € 4.3 million (H1 2016: € 4.0 million) mainly as a result of the increase of hand over of unit of the Europark Dalian project partially offset by the decrease in management fees as mentioned above.

SG&A showed an increase compared to the corresponding period in 2016, due to marketing activities of the new C towers in Europark Dalian project, for which sales activities for the residential units commenced in July 2017.

'Equity earnings', comprises the result of the residential activities from joint venture projects, which contributed a profit of € 8.4 million in H1 2017 compared with a loss of € 0.3 million in H1 2016, as a result of a considerable increase in delivery of apartments and related revenues (€ 41.5 million in H1 2017 compared to € 19.3 million in H1 2016), while the gross margin improved as well from 28% to 32%.

'Financing expenses, net', amounted to € 8.5 million, compared with € 7.3 million in H1 2016. The financing expenses mainly include interest expenses related to the Europark Dalian project loan. Financing expenses included also a negative impact of € 2.7 million due to the devaluation of the RMB versus the EUR, compared with a negative foreign exchange impact of € 1.0 million in H1 2016.

Income tax expenses of € 1.0 in H1 2017 is mostly related to tax expenses in respect of a dividend. In H1 2016 a deferred tax benefit of € 3.7 was recognized on taxable losses.

#### Additional Information

Investment property fully relates to Galleria Dalian shopping mall, of which the value decreased by approximately 6% (from December 31, 2016) due to the depreciation of the RMB versus the EUR as well as a decrease of its valuation of € 0.8 million. 2016 was the first full year in operation for Galleria Dalian.

In April 2017, the food market was opened which contributed to the increase in opening rate to approximately 73% as of 30 June 2017.

In total 741 units were sold in H1 2017, compared with 749 units sold in H1 2016 and 1,323 units sold in the whole of 2016.

The number of unsold units in inventory (including the inventory of joint venture projects) decreased to 519 (vs 718 end of last year) as a result of high volumes of handover of units during Q2 2017. The rate of unsold units for which construction was completed decreased to 15% compared with 17% on December 31, 2016.

'Loans and borrowings', predominantly relate to the use of a construction loan for Europark Dalian, in the amount of € 103.2 million as at June 30, 2017. KLC works diligently on its refinancing requirements and is in constructive negotiations with its financing partners to extend the loan, which is due in November 2017. The management of KLC is confident regarding its ability to reach agreement on this refinancing.

The decrease in equity in the reporting period by 6% (y-o-y) is attributable to foreign currency effect and the loss for the period.

## **WATER INFRASTRUCTURE (TGI) - Discontinued operations**

Results under 'Profit (loss) from discontinued operations - TGI' relate to Tahal Group International B.V. ('TGI'), Kardan's water infrastructure company.

TGI focuses on executing water related projects worldwide in Africa, Central and Eastern Europe, India and in other regions and other countries, such as Israel.

	For the six months ended June 30,		For the three months ended June 30,		Full Year
	2017	2016	2017	2016	2016
In € millions					
Contract revenues	74.2	63.5 *	43.1	31.9 *	138.5 *
Contract cost	65.3	53.9 *	38.3	27.1 *	117.4 *
<b>Gross profit</b>	<b>8.9</b>	<b>9.6</b>	<b>4.8</b>	<b>4.8</b>	<b>21.1</b>
SG&A expenses	7.1	7.0	3.7	3.4	14.2
Equity earnings / (losses)	(0.5)	-	(0.2)	0.1	(1.1)
Gain on disposal of assets and other income	-	1.0	-	1.1	0.5
<b>Result from operations before financing expenses</b>	<b>1.3</b>	<b>3.6</b>	<b>0.9</b>	<b>2.6</b>	<b>6.3</b>
Financing income (expenses), net	0.3	0.3	0.5	(0.3)	(1.9)
Income tax expenses	(0.2)	(2.2)	(0.5)	(1.5)	(3.4)
<b>Profit (loss) from continuing operations</b>	<b>1.4</b>	<b>1.7</b>	<b>0.9</b>	<b>0.8</b>	<b>1.0</b>
Net profit (loss) from discontinued operations - KWIG	-	(0.1)	-	1.3	(0.1)
<b>Net profit (loss)</b>	<b>1.4</b>	<b>1.6</b>	<b>0.9</b>	<b>2.1</b>	<b>0.9</b>
Attributable to:					
Non-controlling interest holders	(0.8)	-	(0.4)	0.2	-
<b>Equity holders (Kardan N.V.)</b>	<b>2.2</b>	<b>1.6</b>	<b>1.3</b>	<b>1.9</b>	<b>0.9</b>

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

<b>Additional Information Water Infrastructure</b>	<b>2017 (30.6)</b>	<b>2016 (31.12)</b>
<i>Balance sheet (in € million)</i>		
Cash & short term investments	13.8	19.2
Total Assets	176.6	159.7
Net debt	20.8	(3.1)
Equity	44.6	43.7
Equity / Assets	25.3%	27.4%
<i>Other (in USD million)</i>		
Backlog	605	606

TGI operations contributed a total profit of €2.2 million attributed to equity holders in H1 2017 compared with €1.6 million in H1 2016.

Revenue increased to €74.2 million in H1 2017 compared to €63.5 million in H1 2016 as a result of progress in the execution of new and existing projects.

The gross margin decreased from 15.1% in H1 2016 to 12.0% in H1 2017, mainly as a result of initial high costs of the new agricultural project Quiminha in Angola (a 7 year large scale agricultural project which commenced at the beginning of this year).

The decrease in income tax expenses (€0.2 million in H1 2017 compared to €2.2 million in H1 2016) is mainly related to profit before tax and also as a result of deferred taxes in respect of the loss incurred from the project in Angola.

Progress was achieved in the Star Pumped Storage project and in July 2017 the financial closing of the Project was completed, after a tow part agreement was signed in June 2017 for the sale of 40.5% stake in Star Pumped Storage Ltd to Noy Fund. Completion of each of the two parts of the transaction is subject to the fulfilment of various conditions precedent which are expected to be met in the next few months.

In August TGI has signed, together with its 50% partner, a USD 176 million contract for a multipurpose agriculture and water project in Zambia and three agriculture projects in Angola, totaling USD 291 million. The projects would commence once the conditions precedent are fulfilled.

With these new large agricultural project, TGI strengthens its international position in this sector.

The order backlog remained stable at USD 605 million as per 30 June 2017. A pipeline of USD 467 million signed contracts will be added when conditions precedent are being met.



## CORPORATE HOLDING AND OTHER

	For the six months ended June 30,		For the three months ended June 30,		Full Year
	2017	2016	2017	2016	2016
	In € millions				
<b>Corporate expenses:</b>					
General and administration expenses	(2.1)	(1.8)	(1.1)	(0.9)	(3.7)
Financing income (expense), net	(16.0)	(6.9)	0.4	(8.4)	(35.7)
Gain on disposal of assets and other income	-	-	-	(0.1)	-
Income tax expenses	(0.2)	(0.3)	(0.1)	0.1	(0.6)
	<b>(18.3)</b>	<b>(9.0)</b>	<b>(0.8)</b>	<b>(9.3)</b>	<b>(40.0)</b>
<b>Continuing operations of the former 'banking and retail lending' segment:</b>					
Gain on disposal of assets and other income	-	2.7	-	2.6	(1.6)
Financing income (expense), net	-	0.8	-	1.0	-
Equity earnings	1.6	0.3	0.8	(0.2)	1.5
Other expenses, net	(0.2)	(0.5)	(0.1)	(0.1)	1.5
	<b>1.4</b>	<b>3.3</b>	<b>0.7</b>	<b>3.3</b>	<b>1.4</b>

### **Corporate expenses:**

Financing expenses increased significantly in H1 2017 compared with H1 2016, mainly attributable to the impact of foreign exchange currencies. The Company's debentures are denominated in NIS. The positive impact of foreign exchange differences and the Israeli CPI on the Company's debentures was € 5.3 million in Q2 2017 following the devaluation of the NIS versus the EUR, net of the negative impact of the increase of the Israeli CPI in Q2 2017 (Q2 2016: € 2 million negative). Q1 2017 included a negative effect of € 11.5 million, due to a strengthening of the NIS vs the EUR, net of the impact of the Israeli CPI. In total financing expenses in H1 2017 were negatively impacted by € 6.2 million versus a positive impact of € 4.8 million in H1 2016.

The 'Income tax expenses' relates to tax on hedge instruments.

**Continuing operations** of the former 'banking and retail lending' segment consisted in H1 2017 mainly of equity earnings from the Company's holding in Avis Ukraine joint venture, which continued to show strong results and contributed net profit of € 1.6 million as part of the Company's equity earnings in H1 2017.

## 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 Euronext Amsterdam and the Tel Aviv Stock Exchange and (iv) from it being a decentralized organization with a large number of separate entities spread over different geographic areas in emerging markets, so that Kardan Group is exposed to the risk of fraudulent activities or illegal acts perpetrated by managers, employees, customers, suppliers or third parties which expose the organization to fines, sanctions and loss of customers, profits and reputation etc. and may adversely impact Kardan Group's ability to achieve its objectives and (v) from any of the risk factors specified in Kardan N.V.'s Annual Report and in the related "Periodic Report" (published by Kardan N.V. in Israel) published in April, and which is also available at the Kardan website. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in the relevant forward-looking statement as expected, anticipated, intended, planned, believed, sought, estimated or projected. Kardan N.V. does not intend or assume any obligation to update or revise these forward-looking statements in light of developments which differ from those anticipated.

## About Kardan

Kardan identifies and develops assets in promising emerging markets, mainly in Asia (predominantly China), Africa and selected CEE and CIS countries. Its activities are mainly focused on two sectors that benefit from the rising middle class: Real Estate and Water Infrastructure. Company headquarters are in the Netherlands. Kardan aims at holding controlling interests in its investments and is actively involved in the definition and implementation of their strategy through its local business platforms. Total assets as of June 30, 2017 amounted to € 637 million; revenues totaled € 4.3 million in the first six months of 2017.

Kardan is listed on Euronext Amsterdam and the Tel Aviv Stock Exchange.

**The Directors' Report including the non-statutory consolidated financial statements, drawn up in line with the Dutch and Israeli regulations, are presented in a separate document and form an integral part of this release.**

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