

PRESS RELEASE

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FOURTH QUARTER AND FULL YEAR 2014 RESULTS KARDAN N.V.

'We have finished the year 2014 with a very strong fourth quarter, and are consequently pleased to report our first profitable year since 2008, with a **full year 2014 net profit of EUR 5.1 mn.** Following a significant appreciation of the RMB versus the Euro and including our net profit, our equity as at year-end 2014 increased by 40% (y-o-y). Our total comprehensive income* was EUR 32.0 mn for equity holders, reflecting the impact of the fact that Kardan's assets are currently predominantly denominated in RMB. In comparison: for 2013 we reported a net loss of EUR 101.4 mn, which included EUR 55 mn loss with respect to our discontinued real estate operations in Central and Eastern Europe (GTC SA), and a total comprehensive loss equal to the net loss.

Our efforts to reorganize our business operations and our portfolio have paid off. Throughout the year our operating subsidiaries benefitted from a strong focus on their core activities and continuing cost awareness, generally resulting in profits from operations before financing expenses and tax in all quarters of 2014. Mainly following the successful sale of GTC SA, we were able to repay an outstanding bank loan at the end of 2013 and to repay our Debenture Holders in Q1 of 2014, thereby decreasing the 2014 financing expenses of Kardan significantly. As our Debentures are denominated in Israeli Shekel and are CPI related and both strengthened during the year 2014, we were confronted with a negative forex and CPI impact of EUR 3.8 mn, albeit lower than the negative impact of EUR 10 mn last year.

Kardan Land China experienced challenging market circumstances for the development and sale of its residential apartment projects. Nevertheless, KLC sold the A2 building of the Europark Dalian project en-bloc (comprising 201 apartments) in June and handed over the building in December, leading to a boost in revenue in the fourth quarter. The construction of the Europark shopping mall was near completion by year-end 2014 and, as a result of the great efforts which were put in attracting (anchor) tenants, at present some 63% of the mall has been pre-leased and more leases are about to be signed. The opening of the mall will take place in steps – mainly following preferences of tenants – in the coming months, with a large opening event to take place in the second half of this year. In line with Kardan's focus on generating cash in order to be able to repay its debts, it was decided to sell the remaining 50% stake in the successful retail center in Chengdu. This sale was positively concluded in Q4 2014, and resulted in a significant gain.

Tahal, our water infrastructure projects company, managed to grow its revenue on existing projects and to sign up attractive new projects in its clearly defined core market sectors, such as water related projects with an agricultural focus. At year-end 2014, Tahal had a backlog of USD 358 mn, 12% better than the year before. Moreover, Tahal contributed a profit to the bottom line of Kardan, demonstrating – among other things – the success of all of the efficiency efforts taken by management in the past periods. Tahal Assets decided to sell the shares in Kardan Water International Group ('KWIG') – its main operating company in China – in 2014, of which the first 75% was successfully concluded in the first quarter of this year (2015). This decision was based on Tahal's wish to be able to focus more on its EPC activities, the ongoing need for funding KWIG's capital intensive operations and Kardan's need for cash.

TBIF, our banking and retail lending operation, recorded an excellent result and contributed EUR 7.6 mn to our consolidated net result. Although the markets in which TBIF operates were far from easy, the measures taken by management on various levels resulted in a stronger, better and resilient organization, as evidenced by the upward trend of its results. In Q4 2014, TBIF announced the sale of one of its subsidiaries, which was recently concluded successfully.

Early 2015 we reached agreement with our Debenture Holders on postponing the upcoming (February 2015) payments for 6 months and on the main principles of a debt settlement, entailing in headline delaying payment by 24 months at certain conditions. At present we are working with the representatives and trustees of the Debenture Holders on formalizing the agreed principles in new deeds of trusts. In postponing the payment of principal we can focus fully on continuing to improve the results – and thus value – of our operating subsidiaries' states Shouky Oren, CEO of Kardan N.V.

(*) Total comprehensive income comprises predominantly the net result combined with the direct equity impact of foreign currency translation differences and changes in hedge reserves.

Highlights Q4 + FY 2014:
Kardan N.V.

- **Q4 2014:** EUR 16.5 mn profit (Q4 2013: EUR 5.2 mn net profit), mainly due to strong performance in the real estate segment and the banking and retail lending segment, and positive forex impact on financing expenses
- **2014:** **EUR 5.1 mn net profit** on improved operating results of TBIF and Tahal Projects, a net gain on disposal of assets, lower financing expenses (2013: loss of EUR 101.4 mn, including EUR 55 mn loss relating to the discontinued operations of GTC SA).
- Total comprehensive income of EUR 32.0 mn for equity holders predominantly following the appreciation of the RMB (2013: EUR 101.4 mn comprehensive loss)

Real Estate Asia

- **Q4 2014:** High number of handovers of residential apartments, sale of 50% stake in Galleria Chengdu and valuation gain Europark Dalian shopping mall lead to EUR 20.6 mn profit
- **2014:** EUR 24.6 mn profit; a combination of (y-o-y) slower handover of apartments, gain on disposal of assets and a forex gain

Water Infrastructure, Projects

- **Q4 2014:** Improved EBIT, mitigated by (y-o-y) higher financing expenses and tax, result in EUR 0.6 mn net profit
- **2014:** EUR 4.2 mn net profit; predominantly higher gross profit (y-o-y), continued cost efficiencies and lower tax expenses

Water Infrastructure, Assets

- **Q4 2014:** Net loss of EUR 7.3 mn, mainly due to impairment on KWIG after its announced sale; net gain of KWIG sale to be recorded in Q1 2015
- **2014:** EUR 5.7 mn net loss due to lower gross profit, higher financing and tax expenses and KWIG impairment

Banking and Retail Lending

- **Q4 2014:** Continued revenue growth lead to EUR 2.1 mn profit
- **2014:** EUR 7.6 mn profit on strong growth of better quality revenue, continued cost control, mitigated by an impairment of EUR 2.8 mn on a Ukrainian loan

The 2014 quarterly results of Kardan N.V. are presented in the table below.

Condensed consolidated income statement 2014 Kardan NV by Quarter (in EUR million)

	Q1/2014	Q2/2014	Q3/2014	Q4/2014*	2014
	In € millions				
Total revenues	56.3	57.7	46.8	97.1	257.9
Total expenses	50.9	52.7	45.1	93.8	242.5
Profit (loss) from operation before fair value adjustments, disposal of assets and financial expenses	5.4	5.0	1.7	3.3	15.4
Profit (loss) from fair value adjustments and on disposal of assets and investments	0.9	2.7	1.7	14.4	19.7
Result from operations before finance expenses and income taxes	6.3	7.7	3.4	17.7	35.1

Financing income (expenses), net	(1.9)	(13.3)	(7.4)	2.4	(20.2)
Share of profit of associates and joint ventures according to equity method	0.5	0.5	(1.5)	7.2	6.7
Profit (Loss) before income tax	4.9	(5.1)	(5.5)	27.3	21.6
Income tax (expenses)/benefit	(1.9)	(1.8)	(2.0)	(10.8)	(16.5)
Profit (Loss) from continuing operations	3.0	(6.9)	(7.5)	16.5	5.1
Profit (Loss) for the period	3.0	(6.9)	(7.5)	16.5	5.1
Attributed to share holders	3.0	(6.9)	(7.5)	16.5	5.1
Other Comprehensive income / (loss)	(2.3)	2.9	23.3	3.0	26.9
Total Comprehensive income/(loss) to equity holders	0.7	(4.0)	15.8	19.5	32.0

(*) numbers are rounded

The 2014 condensed consolidated income statements split into the different segments of Kardan N.V. is shown in the table below.

Condensed Consolidated Income Statement Kardan N.V.

For the **full year** ended December 31, 2014 (in EUR million)

	Real Estate	Infrastructure	Banking and Retail lending	Other	Total	Total	Total
	Asia	Projects	Assets		12M - 2014	12M - 2013	12M- 2012
In € millions							
Total revenues	52.0	135.9	34.4	35.6	257.9	208.0	161.8
Total expenses	56.4	125.6	26.3	28.1	242.5	203.0	186.9
Profit (loss) from operation before fair value adjustments, disposal of assets and financial expenses	(4.4)	10.3	8.1	7.5	15.4	5.0	(25.1)
Profit (loss) from fair value adjustments, disposal of assets and investments, equity earnings (loss)	32.9	(1.2)	(6.5)	1.3	26.4	8.2	9.4
Result from operations before finance expenses	28.5	9.1	1.6	8.8	41.8	13.2	(15.7)
Financing income (expenses), net	5.4	(1.6)	(4.1)	(0.9)	(20.2)	(45.6)	9.7
Profit (Loss) before income tax	33.9	7.5	(2.5)	7.9	21.6	(32.4)	(6.0)
Income tax (expenses)/benefit	(9.3)	(2.9)	(3.6)	(0.3)	(16.5)	(14.4)	(0.9)
Profit (Loss) from continuing operations	24.6	4.6	(6.1)	7.6	5.1	(46.8)	(6.9)
Profit (Loss) from discontinued operations	-	-	-	-	-	(75.2)	(131.9)
Profit (Loss) for the period	24.6	4.6	(6.1)	7.6	5.1	(122.0)	(138.8)
Attributable to:							
Non-controlling interest	-	0.4	(0.4)	-	-	(20.6)	(106.0)
Net result for equity	24.6	4.2	(5.7)	7.6	5.1	(101.4)	(32.8)
Profit (Loss) for the period	24.6	4.6	(6.1)	7.6	5.1	(122.0)	(138.8)
Other comprehensive income					26.9	-	(4.8)
Total Comprehensive Income / (Loss) to Kardan					32.0	(101.4)	(37.6)

Overall summarized review 2014 results

If developments are specifically attributable to Q4 2014, these are mentioned separately.

Kardan recognized a **consolidated net profit of EUR 5.1 mn**, significantly better than the net loss of EUR 101.4 mn in 2013, which included the loss of EUR 55 mn of discontinued operations (i.e. the remaining stake in GTC SA that was sold in Q4 2013). Additionally, the main improvements were due to: (a) significantly better operating results (before fair value adjustments, disposal of assets and financial expenses) of the banking and retail lending segment as well as the Water Infrastructure Projects segment, (b) the gain on the sale of the 50% stake in Galleria Chengdu, mitigated by the impairment on KWIG in China, and (c) lower financing expenses following repayment of debt and including a smaller negative impact of EUR 3.8 mn (2013: EUR 10 mn negative impact) due to the strengthening of the Israeli Shekel (NIS) versus the Euro and the increase of the CPI index. Total comprehensive income was EUR 32.0 mn for equity holders, mainly the result of the significant appreciation of the RMB versus the Euro (the majority of Kardan's assets are in denominated in RMB).

The Q4 2014 net profit of EUR 16.5 mn was significantly higher than in the comparable period last year (Q4 2013: EUR 5.2 mn profit), mainly as a result of the profit from fair value adjustments and on disposal of assets (EUR 14.4 mn). In addition, KLC contributed a good operational fourth quarter, and due to the weakening of the Israeli Shekel versus the Euro CPI changes a forex gain of EUR 6.2 mn could be recognized.

Real Estate Asia contributed a profit of EUR 24.6 mn (2013: EUR 18.3 mn) to the 2014 consolidated net result of Kardan, predominantly on the back of the very strong Q4 result (EUR 20.6 mn profit). Revenue from delivery of apartments was significantly higher due to the handover of the A2 building (Europark Dalian) en-bloc in Q4 2014, albeit at lower margins. Equity earnings in Q4 2014 improved compared to the previous 2014 quarters as nearly two third of the total 2014 (joint venture) handovers took place in this quarter. During the full year 2014, however, 46% (y-o-y) fewer apartments from joint venture projects were handed over, leading to a (y-o-y) similar decrease in equity earnings. In addition, the gain on the sale of the 50% stake in Galleria Chengdu (EUR 16.8 mn, before taxes) in Q4 2014 contributed substantially.

The construction of the retail center in Dalian was nearly completed as at year-end 2014 translated into a positive revaluation. As a result of the significant strengthening of the RMB versus the Euro, net financing income included a substantial positive forex impact. The number of sold apartments in 2014 (1,254) reflects the challenging market circumstances when compared to the 2,118 apartments sold in 2013.

Water Infrastructure Projects recorded a net profit of EUR 4.2 mn in 2014 compared to EUR 2.9 mn net loss in 2013, mainly the result of 11% higher (y-o-y) revenues at higher margins, fairly stable costs and lower tax expenses (in 2013 these were impacted by the EUR 8 mn gain on the sale of a real estate property and the closing down of the Polish subsidiary).

Water Infrastructure Assets contributed a net loss of EUR 5.7 mn compared to EUR 3.1 mn net profit in 2013. The main reason for the loss is the impairment of EUR 6.9 mn (before tax) on KWIG following the announcement in January 2015 of its sale, of which the first phase (75%) was completed beginning of March 2015. As the growth in 2014 revenue derived mainly from construction activities at KWIG (the main subsidiary of Tahal Assets), and these activities generally have a lower margin, the gross profit decreased by 7%. Although Tahal Assets kept its costs under control and equity earnings improved (y-o-y), this could not off-set the impairment of KWIG in the results of Q4 2014.

The **Banking and Retail Lending** segment reported a significant contribution in 2014 of EUR 7.6 mn profit, a marked improvement on the loss of EUR 18.8 mn in 2013 (which included impairments totaling EUR 12 mn). With 37% higher revenues (y-o-y) in 2014 - due to better quality loan portfolios, less interest expenses on deposits and including EUR 2.8 mn impairment on a loan - and stable costs of banking, combined with lower financing and tax expenses, TBIF has proven the success of its reorganizations, risk approach and business model. AVIS Ukraine, reported under equity earnings, managed to record a slight positive result in 2014, despite the continued unstable situation in the country.

Included in "Other" are the expenses and finance costs of Kardan and GTC RE, contributing a loss of EUR 25.6 mn in 2014 compared to a loss of EUR 101.1 mn in 2013, which included the loss from discontinued operations (GTC SA). Financing expenses decreased significantly following repayment of the majority of a loan and of debenture instalments. Moreover, in Q4 2014, the Israeli Shekel ('NIS') weakened against the Euro leading to a positive foreign exchange result of EUR 6.2 mn. For the full year 2014, the forex and CPI effect amounted to a negative impact of EUR 3.8 mn, lower than the EUR 10 mn negative forex impact in 2013.

The 2012 net consolidated result of Kardan amounted to a loss of EUR 33 mn, mainly due to substantial impairment of assets particularly in the real estate sector in Central and Eastern Europe.

Equity

Kardan N.V. (company only, in € million)	December 31, 2014	December 31, 2013
Total Assets	459.0	486.3
Total Equity	92.4	66.1
Equity/Total assets (%)	20%	14%

The shareholder's equity of Kardan N.V. increased from EUR 66.1 mn as of December 31, 2013 to EUR 92.4 mn as of December 31, 2014 on a combination of the profit of EUR 5.1 mn for the year and a substantial positive foreign exchange and other comprehensive income movement resulting from the strengthening of the RMB versus the Euro, mitigated by a change in the non-controlling interest transaction reserve. For further details, reference is made to the Statement of changes in Equity in the 2014 consolidated Financial Statements.

Covenants

As at December 31, 2014, the Company and its subsidiaries were not in breach of any covenants. We refer to note 27 of the 2014 consolidated Financial Statements.

Highlights per segment:

The result from operations before finance expenses of each segment is presented in note 28 of the condensed 2014 consolidated financial statements called "Segment result". In this press release, additional segment information is provided for information purposes.

REAL ESTATE

Kardan is active in development and management of Real Estate through the segment Real Estate Asia, which comprises its 100% subsidiary Kardan Land China ('KLC') operating in China.

Real Estate Asia

General developments China and Kardan Land China

During 2014, the Chinese government was faced with the effects of a complicated and volatile international environment, a domestic speculative property market as well as increasing credit growth. Consequently, various support measures were taken - such as granting tax breaks to small businesses, some monetary easing measures and stimulating investments in social housing and railways - in order to maintain domestic development, reform and stability and to support its aim to shift China's economic growth model from investment-led to consumption-led growth.

GDP growth in China held steady at 7.3% (y-o-y) in the fourth quarter of 2014 (Q3 GDP was also up by 7.3% annually), a combination of better retail sales and industrial production, mitigated by a slow-down in fixed asset investment, particularly in the development of residential buildings. The stimulus measures which were introduced during the year began to show some positive results, such as an uptick in home sales in December 2014, the first year on year advance in 12 months.

Over the full year 2014, however, the Chinese economy grew at its slowest pace since 2010 (by 7.4% y-o-y, just off the targeted 7.5%), albeit that this growth appears to be slowly becoming better balanced. Consumption drove 51 % of the 2014 growth, whereas this was still 48% in 2013, and trade also contributed better to the overall 2014 growth than in the previous year, whilst investment in fixed assets decelerated. The internal consumption was underpinned by a (nominal) growth in national per capita disposable income (up 10.1% y-o-y in 2014), an increase in retail sales on domestic markets (up by 11.9% y-o-y in 2014) and a low inflation rate of on average 2% during 2014 (in December prices went up by 1.5% y-o-y).

The fundamentals of the Chinese real estate market remained strong: a large population, continued urbanization, growing income and upgrading of living standards. KLC based its strategy on these growth characteristics and

accordingly developed both residential apartments in various joint venture projects, a successful shopping mall in Chengdu and currently it is developing a large mixed-use project in Dalian.

Due to the strong growth fundamentals, the retail market is increasingly becoming exposed to over- supply of basic shopping malls. With the Europark project, KLC therefore specifically focuses on consumers and individuals with high quality requirements offering a complete shopping and entertainment area combined with apartments situated around a green park and connected to the city's new subway line.

The cities in which KLC initiated its real estate developments were carefully selected on specific parameters, such as a higher than country average growth of the disposable income of its residents.

The Chinese residential real estate market continues to face challenges, as buyers of apartments are hesitant to buy and await possible new eased mortgage measures. KLC follows these developments closely and – as far as possible - paces the development of its residential apartment from joint venture projects in order not to build up too large an inventory. As at December 31, 2014, the percentage of completed but unsold apartments in the inventory increased to 9% (compared to 6% as at December 31, 2013). With respect to the residential apartment buildings in the Europark Dalian project, KLC also looks into possibilities of selling the service apartment buildings en-bloc (i.e. the total building), evidenced by the sale of the A2 building in June 2014 which involved 201 SOHO apartments that were handed over in the fourth quarter of 2014. Moreover, KLC has also adjusted its offering (in terms of lay out as well as price) and increased its marketing efforts. Despite these actions, however, fewer sale contracts for apartments were signed in 2014 than in 2013.

Residential projects Kardan Land China				
Units sold in the period				
	2014	2013	Q4/14	Q4/13
Joint Venture projects*				
Olympic Garden	550	818	133	230
Suzy	162	540	21	62
Palm Garden	75	134	38	24
City Dream	256	562	73	175
	1,043	2,054	265	491
100% owned				
Dalian	211	64	2	25
Total	1,254	2,118	267	516

* presented 100% number, KLC holds approx. 50%

During 2014, KLC still owned 50% of Galleria Chengdu, the shopping mall which KLC developed, opened in 2010 and of which it sold 50% in 2011. In line with the asset disposal program of Kardan, to generate funds to repay its debt, KLC's remaining 50% stake was sold to its co-shareholder in December 2014. KLC will, however, continue to manage the mall.

The construction of the Europark shopping mall in Dalian was completed early 2015, and a large number of tenants have finished their fit-out activities. The opening of the mall is planned to take place gradually to be concluded in the second half of 2015; some tenants are expected to open in Q2 2015 at the same time as the opening of the subway station adjacent to the Europark Dalian project, whilst other tenants have a preference to open simultaneously with their new seasonal offering after summer. Just after reporting date, KLC announced that it had signed a lease agreement with Beijing Hualian Group ('BHG') for an upscale supermarket of over 6,000 sqm in Europark Dalian's shopping mall. As a result, the current (pre lease) occupancy of the mall is approximately 63%, and more leases are about to be signed. The mix of tenants reflects Europark Dalian's target to lead the way in providing malls in which family entertainment is a key element.

Results Real Estate Asia

	For the year ended December 31		For the three months ended December 31	
	2014	2013	2014	2013
	In € millions			
Delivery of units	46.9	24.0	37.7	24.0
Management fee and other revenues	5.1	5.0	1.7	1.4
Total revenues	52.0	29.0	39.4	25.4
Cost of Sales	47.5	21.9	38.1	20.3
Gross profit	4.5	7.1	1.3	5.1
SG&A expenses	8.9	8.3	3.1	2.6
Adjustment to fair value (impairment) of investment property	8.9	8.8	4.4	3.6
Gain on disposal of assets and other income	16.8	0.1	16.8	0.1
Equity earnings (losses)	7.2	14.5	7.2	7.8
Result from operations before finance expenses	28.5	22.2	26.6	14.0
Financing income (expenses), net	5.4	(0.1)	2.0	0.2
Income tax (expenses) / benefit	(9.3)	(3.8)	(8.0)	(3.2)
Net profit (loss)	24.6	18.3	20.6	11.0
Attributable to:				
Equity holders (Kardan N.V.)	24.6	18.3	20.6	11.0

Additional information Kardan Land China	2014 (31.12)	2013 (31.12)
Balance sheet (in € millions)		
Share of investment in JVs	60.7	105.8
Investment Property Under Construction	181.1	118.1
Inventory	98.1	96.9
Cash & short term investments	66.6	26.2
Total Assets	470.3	364.7
Loans and Borrowings	120.7	60.9
Advance payments from buyers	0.2	5.7
Total Equity	305.6	269.5

Operational Information Residential	FY 2014	FY 2013	Q4/14	Q4/13
Revenue Residential - JV (in € million)	50.0	79.2	28.1	38.0
Gross profit residential - JV (in € million)	14.6	24.3	8.1	10.8
Apartments sold in period (a)	1,254	2,118	267	516
Apartments delivered in period (Dalian, 100%)	250	120	204	120
Apartments delivered in period (Joint Venture, 50%)	1,480	2,727	949	1,381
Total apartments sold, not yet delivered	2,832(b)	3,308	2,832	3,308

Operational Information Retail (in € million)

Revenue Retail	8.0	7.4	2.4	2.0
(50% rental Chengdu, 100% service fees)				
Gross profit Retail	5.1	4.8	1.6	1.4

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

(b) Includes approximately EUR 26 mn gross profit (Kardan Land China share)

Result analysis 2014

The Real Estate Asia segment, fully comprising Kardan Land China, contributed EUR 24.6 mn to the consolidated 2014 net result, which was significantly more than the EUR 18.3 mn contribution in 2013, mainly on its strong results in the fourth quarter.

The results of KLC's joint venture residential activities and the results of the 50% stake in Galleria Chengdu are reported as "Equity in net earnings of joint ventures". "Management fee and other revenues" consequently predominantly relates to the 100% asset management activities of Chengdu, and "delivery of units" relates to the revenue resulting from the handover of apartments of the Europark Dalian project (100%).

It is noted that the results of Real Estate Asia are impacted by an appreciation of the RMB by 11.4% (y-o-y) as at December 31, 2014.

KLC recognized significantly higher (y-o-y) revenue from the delivery of units in 2014 than in 2013, predominantly following the en-bloc delivery of 201 apartments after the sale of the A2 building of the Europark Dalian project in Q2 of 2014. In comparison: the first 120 apartments of the Europark Dalian project were handed over in last quarter of 2013. The revenue relating to the asset management activities for Galleria Chengdu remained stable in 2014 compared to 2013. It is noted that although Galleria Chengdu has been sold in Q4 2014, KLC will continue to manage the mall.

The gross margin on delivery of apartments was significantly lower (6%) in 2014 than in 2013 (18%). This was the effect of the en-bloc sale and hand-over of the A2 building, which predominantly represents the reported revenue and relating cost of sales, whereas in 2013 apartments were handed over to individual buyers. The gross margin on management fees and other revenues (i.e. of the asset management activities with respect to Galleria Chengdu) decreased slightly to 53% from 55% in 2013.

Total sales & marketing, and general & administrative expenses (SG&A) grew by 7% (y-o-y), mainly on higher administrative expenses mainly following some one-off costs (e.g. consultants) (which were recognized in Q4 2014), and on the back of higher selling and distribution expenses linked to the progress of the Europark Dalian project.

As the construction of the Europark Dalian shopping mall progressed according to plan, and more contracts were signed with tenants (current pre-lease is 63%, and more leases are about to be signed) a fair value adjustment of EUR 8.9 mn was recognized in 2014 (of which EUR 4.4 mn in Q4), which was similar to in 2013.

The gain on disposal of assets reflects the sale of the remaining 50% stake in Galleria Chengdu, which includes a substantial foreign exchange contribution of the strong RMB. In 2013, no assets were sold.

'Equity earnings', comprising the results of the retail center in Chengdu and of the residential apartments from joint venture projects, was significantly lower than in 2013. The results of Galleria Chengdu were the main contribution in the equity earnings 2014. The mall recognized good revenue growth (y-o-y) against stable costs and therefore a higher gross margin. In addition, a valuation gain was recognized at the time of the sale of the mall.

In Q4 2014, nearly two third (i.e. 949) of the total 2014 number of hand-overs of apartments from joint venture projects (1,480) were delivered. As the total number of deliveries of residential apartments from joint venture projects was 46% lower in 2014 than in 2013, the relating revenue decreased by a similar percentage (y-o-y). Despite an impairment of EUR 0.8 mn on inventory of parking spaces in the joint venture projects, the gross margin in 2014 was 28% (2013: 30%).

The net financing income, which includes the net exchange rate differences, was impacted predominantly by the strengthening of the RMB versus the Euro during 2014 (y-o-y) which added EUR 4.2 mn in 2014, whereas in 2013 a negative forex impact of EUR 1.4 mn was recognized.

The increase of EUR 5.5 million in tax expenses is attributable to the tax on the gain on the sale of the 50% stake in Galleria Chengdu.

Additional Information

Investment property under construction, which relates fully to the Europark Dalian retail center, increased by 53% (from December 31, 2013) as the result of the construction progress and the consequential positive valuation as well as a substantial positive forex effect due to the strengthening of the RMB versus the Euro.

"Loans and borrowings", which predominantly relates to the use of a construction loan for Europark Dalian, nearly doubled as at year end 2014 compared to year end 2013. The increase is the result of the additional construction loan of RMB 400 mn (at that time approximately EUR 48 mn), that was taken on in February 2014 and was fully drawn down by the end of 2014, and of the forex effect of the RMB.

Following the delivery of the A2 building apartments in Q4 of 2014 and taking into account the slow sale of 'individual' apartments of the Dalian project, "Advance Payments from Buyers" decreased significantly at year end 2014 compared to year end 2013.

The increase of equity in 2014 by 13% (y-o-y) is attributable to a combination of the profit in the period combined with the forex effect of the RMB, off-set by the impact of pay-out of a vested employee stock option plan.

WATER INFRASTRUCTURE

Tahal Group International B.V. ('TGI'), Kardan's water infrastructure company, focuses on executing water related projects worldwide through Tahal Projects and focused on developing water assets (e.g. wastewater, water treatment and water supply plants) through Tahal Assets. Tahal Projects is active in Africa, Central and Eastern Europe, Latin America and in other regions and countries, such as Israel, whilst Tahal Assets was mainly active in China, through its subsidiary KWIG, and also in Turkey. The sale of the shares of KWIG was announced and 75% of the transaction was concluded in Q1 2015.

General developments water infrastructure markets and Tahal

Water supply crises and food security are generally considered as global risks with a significant impact if they were to manifest over the next coming years, as economic growth and social well-being depend on a safe and secure water and food supply. Although the water quantity on Earth has been stable for many years, the quality of water has deteriorated considerably, mainly due to population growth and urbanization. Moreover, as the (economic strength of the) middle class is growing, particularly in emerging markets, the demand for more and better food as well as an improved infrastructure is also increasing. Taking into account that approximately 70% of all the worldwide available water is used for agricultural purposes, and therefore inextricable linked to food supply, this leads to the necessity to not only facilitate better and more access to (potable) water, but also to force the world to find new ways to generate higher growth while using much less water. It requires collaboration between governments to provide sound policies and regulation and financial institutions to provide funding. As water is a local resource, it is therefore not surprising that solutions to water scarcity are generally likely to be (searched for) local(ly). Engineering expertise and reputation are, however, crucial in the water solutions market, which means that barriers to entry are high. Tahal recognizes that besides delivering high quality engineering solutions and project management, it is of great importance to offer assistance in arranging appropriate funding for projects. This is therefore included in Tahal's tender offers.

At present, Tahal Projects is conducting a number of larger projects in Africa - with an integrated agricultural and regional development focus – as well as other water related projects in various countries.

During 2014, the majority of the existing projects progressed according to plan. Tahal managed to sign up a significant number of new projects in its focal market sectors during 2014, with a combined total value of approximately USD 229 million (as the majority of the projects is US dollar denominated the backlog is reported in USD). Consequently at the end of 2014 the backlog of Tahal Projects amounted to USD 358 mn (year-end 2013: USD 320 mn) as the result of newly signed agreements and the effect of the progress of execution (and thus revenues) of projects. Tenders for new projects usually have long lead times, as so many parties are involved.

Results Water Infrastructure Projects*

	For the year ended December 31		For the three months ended December 31	
	2014	2013	2014	2013
	In € millions			
Contract revenues	135.9	122.0	37.7	35.6
Contract cost	113.4	105.2	31.6	30.9
Gross profit	22.5	16.8	6.1	4.7
SG&A expenses	12.2	11.9	3.3	2.9
Equity earnings / (losses)	(1.0)	(0.1)	(0.2)	(0.1)
Gain on disposal of assets and other income	(0.2)	(0.9)	(0.5)	(0.3)
Result from operations before financing expenses	9.1	3.9	2.1	1.4

Financing income (expenses), net	(1.6)	(2.4)	(0.5)	-
Income tax (expenses) / benefits	(2.9)	(4.1)	(0.9)	(0.4)
Profit (loss) from continuing operations	4.6	(2.6)	0.7	1.0
Net profit (loss)	4.6	(2.6)	0.7	1.0
Attributable to:				
Non-controlling interest holders	0.4	0.3	0.1	0.1
Equity holders (Kardan N.V.)	4.2	(2.9)	0.6	0.9

(*) General and Administrative expenses of Tahal Group International have been allocated to Water Infrastructure Projects

Additional Information Projects	2014 (31.12)	2013 (31.12)
<i>Balance sheet (in EUR million)</i>		
Cash & short term investments	12.9	7.0
Total Assets	140.3	140.9
Net debt (excl. shareholder loans)*	(12.6)	(5.5)
Equity**	37.4	40.8
Equity** / Assets	26.7%	28.9%
<i>Other (in USD million)</i>		
Backlog	358	320

* Bank loans net of cash and cash equivalents

** Group equity including shareholder loan

Result analysis 2014

Tahal Projects contributed EUR 4.2 mn net profit in 2014, compared to a net loss of EUR 2.9 in 2013, mainly on higher revenues at higher margins and lower tax expenses.

Revenue grew by 11% y-o-y in 2014 on the back of accelerated progress in existing projects, particularly in Africa and Central and Eastern Europe. Revenue of new projects generally starts to be recognized according to the relevant agreed upon milestones, which is usually after the first invoice has been sent or the first agreed upon phase of the project has been completed. During 2014 a number of new contracts were signed, of which an agricultural project in Central and Eastern Europe and the project in Yakutsk, Russia, (announced in December 2014) were the larger ones.

As a result of Tahal's project mix which included more projects (than in 2013) in the agricultural sector which generally involve lower contract costs, and as some of the existing projects progressed better than schedule, a higher gross margin could be recorded in 2014 (16.6%) than in 2013 (13.8%). Continued focus on cost efficiency in the operations mitigated by a slight increase in administrative costs at Tahal Group International has resulted in a 2.5% increase of SG&A expenses in 2014 compared to last year, although as a percentage of revenue these expenses are trending down.

Following a lower outstanding debt and a more favorable mix of interest payable in 2014 than in 2013, the net financing expenses came in lower (y-o-y). The tax expenses in 2014 were lower than in 2013 when these were impacted by the one -off gain that was realized on the sale of real estate asset in Israel combined with the impact of the bankruptcy of Tahal's subsidiary in Poland.

Results Water Infrastructure Assets*

	For the year ended December 31		For the three months ended December 31	
	2014	2013	2014	2013
In € millions				
Contract revenues	34.4	31.0	10.3	9.6
Contract cost	20.5	16.1	6.4	5.5
Gross profit	13.9	14.9	3.9	4.1

SG&A expenses	5.8	6.4	1.6	1.8
Equity earnings / (losses)	0.4	(0.2)	0.3	-
Gain / (loss) on disposal of assets and other income	(6.9)	0.2	(6.9)	0.1
Result from operations before financing expenses	1.6	8.5	(4.3)	2.4
Financing income (expenses) net	(4.1)	(3.5)	(1.1)	(1.2)
Income tax (expenses) / benefit	(3.6)	(2.8)	(2.0)	(0.9)
Net profit (loss)	(6.1)	2.2	(7.4)	0.3
Attributable to:				
Non-controlling interest holders	(0.4)	(0.9)	(0.1)	(0.2)
Equity holders (Kardan N.V.)	(5.7)	3.1	(7.3)	0.5

(*) Finance expenses of Tahal Group International have been allocated to Tahal Assets

Additional Information Assets	2014	2013
	(31.12)	(31.12)
<i>Balance sheet (in EUR million)</i>		
Cash & short term investments	1.1	7.3
Total Assets	180.6	166.6
Net Debt (excl shareholder loans)*	62.2	62.4
Equity**	86.4	84.5
Equity**/ Assets	47.8%	50.7%

* Bank loans net of cash and cash equivalents

**Group equity including shareholder loan

Result analysis 2014

The results of Tahal Assets are predominantly impacted by KWIG in China.

The 2014 net result of Tahal Assets contributable to Kardan was a loss of EUR 5.7 mn, compared to a EUR 3.1 mn profit contribution in 2013, mainly resulting from the impairment and tax of KWIG amounting to EUR 8.3 mn due to its sale. As the sale is expected to result in a net gain of approximately EUR 5 mn, including the release of positive foreign exchange reserves, and as the first phase (75%) of the sale was completed, this implies an estimated gain of EUR 13 mn to be recognized in Q1 2015. The second and final phase of this sale is planned to be completed in Q2 2015.

Reported total revenue comprises the operational revenue from rendering of water services and the effect of construction activities. KWIG reported a decrease in revenue from rendering of services of 6% (y-o-y) in the 2014 period compared to the same period last year, predominantly due to lower output from one plant and a delay in output from another plant. During 2014, KWIG initiated construction activities (expansion) on one particular project - whereas hardly any construction activities took place during 2013 – which was the main contributor to the 11% (y-o-y) increase of the total revenue of Tahal Assets for the reported period.

The construction activities in China, which predominantly took place in the second and fourth quarter of 2014, were the main reason for the decrease in the overall gross margin of Tahal Assets to 40.2% from 48.4% in 2013, as construction activities generally have lower margins. The sales & marketing, general and administration expenses (SG&A) were kept under control (9% lower y-o-y in 2014 than in 2013). Taking into account the equity earnings which turned slightly positive (from a slight loss in 2013), the 2014 results from running operations remained fairly stable.

Financing expenses were EUR 0.6 mn higher in 2014 than in 2013 which included a positive impact of the valuation of a warrant.

Additional information

The equity of Tahal Assets as at December 31, 2014 (compared to December 31, 2013) showed a net increase of EUR 1.9 mn mainly due to the loss for the year, partly off-set by a net increase in the foreign currency translation reserve.

BANKING AND RETAIL LENDING

Kardan is active in the financial services sector through its 100% holding in Kardan Financial Services (KFS) which operates through its wholly owned subsidiary TBIF (banking and retail lending) in Bulgaria and Romania. In addition, KFS is active in Ukraine with leasing activities through its 66% holding in Avis Ukraine. The results of Avis Ukraine and two other small entities are presented according to the equity method.

General developments Bulgaria and Romania and TBIF

The pace of economic recovery remained subdued in most of the European Union's ('EU') countries during 2014. Besides unfinished macroeconomic adjustments and sluggish implementation of reforms, uncertainty about the geopolitical situation, among others, weighed down on economic growth. However, most macroeconomists are cautiously optimistic with respect to 2015, albeit that diversity is likely to persist since idiosyncratic features shape the growth performance. Substantial risks to the recovery remain, but a number of developments bode well: the lagged effect of a weakening Euro, easing fiscal austerity in some countries, ECB's quantitative easing program, a more stable banking sector and currently lower oil prices.

The Bulgarian economy, although influenced by political instability and unrest in the banking sector, still managed to grow by 1.4% in 2014 mainly on the back of domestic consumption and public investment using available EU funds. Household's real disposable income grew and purchasing power improved underpinned by deflation, caused by a combination of worldwide decreased energy prices and lower food prices following a good harvest in Bulgaria. It is noted though, that Bulgaria is still one of the poorest countries of the EU and that it is experiencing a decline in the working-age population, due to aging and emigration, which is slowing down private consumption. Early 2014, consumer confidence appeared to improve, evidenced by households carefully taking on loans and depositing savings. In H2 2014 however, the turmoil around the elections and the closing of a large bank in Bulgaria (KTB Bank) led to a sharp deterioration of confidence, especially in the domestic banking system. The stability of the financial system was, however, not materially impacted. In addition, the statutory guarantee on deposits was applied to KTB clients in December 2014, which helped to restore consumer confidence, evidenced by a country wide growth of retail deposits by 16% (y-o-y) in 2014. The banking sector in Bulgaria ended the year 2014 with a 27% higher profit than in 2013.

TBI Bank Bulgaria managed to benefit from the liquidity in the system and saw deposits increase by 4% (y-o-y) as individuals transferred their deposits from KTB Bank to other banks. Against the general market trend (-1%), deposit balances from small and medium-sized enterprises ('SMEs') at TBI grew by 5%(y-o-y), both in volume as in clients as the result of the bank's focus on long term account relationships. The net loan portfolio increased by 10% (y-o-y), particularly on the back of the retail portfolio development.

Romania's GDP growth in 2014 arrived at 2.9% - slightly lower than in 2013 which benefitted from a bumper harvest - on strengthening private consumption and continuing robust export mitigated by investments. Following a stellar Q3 2014 GDP growth of 1.9% (q-o-q), the fourth quarter (0.5% q-o-q) was impacted by a weakening of export. Consumer demand is expected to remain strong as labor market conditions improve, wages continue to increase and the inflation rate is anticipated to stay low and interest rates to decline. During 2014, confidence indicators in Romania moved back to pre-crisis levels, resulting in individuals and corporates slowing down their deleveraging. Supported by easing credit conditions and favorable tax policy changes, local currency lending picked up again.

The net loan portfolio of TBIF's activities in Romania grew (by 16%, y-o-y), particularly on the back of a strong increase in the SME segment. In 2014, the first full year in which TBI could raise deposits in Romania after having obtained permission to perform banking activities, the growth in deposit taking was significant: retail deposits increased by 78% and SMEs deposited nearly three and a half times more funds than in 2013, demonstrating the successful strategy of TBI Bank's Romanian branch.

Avis Ukraine focuses on operational leasing services mainly to international corporations. The political situation of Ukraine continues to be unstable and TBIF is monitoring the situation closely both with respect to its Avis Ukraine operations as with respect to its intention to sell its stake in this company.

Results Banking & Retail Lending

	For the year ended December 31		For the three months ended December 31	
	2014	2013	2014	2013
	In € millions			
Banking and retail lending activities	33.3	24.4	8.8	6.4
Other revenues	2.3	1.6	0.7	0.2
Total revenues	35.6	26.0	9.5	6.6
Costs of banking and lending activities	25.6	25.2	7.0	4.4
Other expenses, net	2.6	1.1	0.7	0.9
Gross profit	7.4	(0.3)	1.8	1.3
SG&A expenses	-	1.1	(0.3)	0.1
Equity earnings (losses)	0.2	(2.7)	(0.1)	0.4
Gain on disposal of assets and other income	1.2	(8.4)	0.4	(5.0)
Impairment losses on goodwill	-	(3.9)	-	(0.5)
Result from operations before financing expenses	8.8	(16.4)	2.4	(3.9)
Financing income (expenses), net	(0.9)	(1.9)	(0.4)	(0.1)
Income tax (expenses) / benefits	(0.3)	(0.5)	0.1	(0.7)
Net Profit (loss)	7.6	(18.8)	2.1	(4.7)
Attributable to:				
Equity holders (Kardan N.V.)	7.6	(18.8)	2.1	(4.7)

**Additional Information KFS
Banking & Retail Lending**

	2014 (31.12)	2013 (31.12)
Balance sheet (in € millions)		
Net loan portfolio	152.1	137.2
Cash & short term investments	71.0	67.3
Total Assets	304.4	268.8
Deposits	189.5	149.7
Total Equity	37.8	29.2
Portfolio quality		
Provisions / non-performing loans	66%	77%

Result analysis 2014

Despite the unstable political and banking sector situation in Bulgaria during 2014, TBIF contributed a significant profit of EUR 7.6 mn to the 2014 consolidated result of Kardan, whereas this was still a loss of EUR 18.8 mn last year (including impairments totaling EUR 12 mn).

Revenues increased by 37% y-o-y in 2014 as loan portfolios grew in volume and in quality. As a result of the better quality of the portfolio, lower provisions were deducted from revenues, albeit that in Q3 2014 a loan to VAB Bank was impaired by EUR 2.8 mn following the deterioration of the situation of VAB bank in Ukraine. Moreover, less interest expenses were recognized as, particularly in the first half of 2014, a decline in deposits was recorded in Bulgaria following the banking crisis in the country. In Q4 2014, however, clients of the KTB Bank transferred their deposits to other banks, leading to a large influx of cash although at lower interest rates given the competition. As TBIF kept its costs of banking – which also includes the wages of the staff in the operations - under control, the gross profit improved significantly from a loss in 2013 to EUR 7.4 mn in 2014. It is noted, however, that the Q4 2014 costs of banking showed an increase due to marketing expenses related to the holiday season.

AVIS Ukraine reported a small profit of EUR 0.1 mn in very difficult market and economic circumstances, reported under equity earnings. In 2014 receivables were collected (recognized under 'gain on disposal of assets and other income'), compared to a substantial loss in 2013 relating to impairments on intangible assets. Financing expenses decreased (y-o-y) mainly as a result of foreign exchange differences.

“Other” (Expenses)

	For the year ended December 31		For the three months ended December 31	
	2014	2013	2014	2013
	In € millions			
General and administration expenses	6.1	5.8	2.2	1.9
Equity earnings (losses)	(0.1)	0.8	0.2	0.3
<i>Financing income (expenses), net</i>	(19.0)	(37.7)	2.5	(4.5)
Income tax expenses (benefit)	(0.4)	(3.2)	-	0.1
Profit (loss) from continuing operations	(25.6)	(45.9)	0.5	(6.0)
Net Profit (loss) from discontinued operations	-	(75.2)	-	3.5
Net profit (loss)	(25.6)	(121.1)	0.5	(2.5)
Attributable to:				
Non-controlling interest holders	-	(20.0)	-	-
Equity holders (Kardan NV)	(25.6)	(101.1)	0.5	(2.5)

General

Results under “Profit (loss) from continuing operations” relate to the holding and finance expenses of Kardan N.V. and its direct subsidiary GTC Real Estate Holding BV (GTC RE).

Financing expenses in 2014 were less than in 2013, following repayment of bank debts and of debenture instalments, less negative impacted from CPI and foreign exchange differences relating to the debentures (as the Israeli Shekel (NIS) strengthened versus the Euro) in the amount of a EUR 3.8 mn (Q4 2014: profit of EUR 6.2 mn) compared to the negative impact of EUR 10 million in 2013 (Q4 2013: profit of EUR 1.4 mn). Currently, the Company’s equity is mostly exposed to the Chinese RMB on its assets side and to NIS on its liabilities side. Changes in the NIS exchange rate mostly impact the income statement while changes in RMB mostly impact the equity directly. The income tax expense relates to deferred and current tax on hedge instruments.

OUTLOOK 2015

Kardan N.V.

In the interest of all of Kardan’s stakeholders, management of Kardan continues to work with its business segments to improve their results and consequently their value. In addition, management focuses on generating cash through its continuing operations to meet the Group’s obligations to its debt holders and banks. As a result of the sale of KWIG (China) in the first quarter of 2015, we expect to recognize the gain on this disposal of assets in our Q1 2015 results. On the basis of the current currency movements, the Company estimates the Q1 2015 results to be negatively impacted in its income statement by the strengthening of the NIS as the Debentures are denominated in NIS. As the RMB has appreciated versus the Euro, however, the Company estimates to recognize a positive movement in its equity as part of the other comprehensive income, as the majority of its assets are denominated in RMB.

Management is committed to succeed both in strengthening its financial position and in organically growing Kardan’s existing businesses. A cash flow forecast for the coming two years can be found in the Directors’ Report on page 14, as well as the Assumptions and Notes to the Cash Flow forecast.

This report also contains information regarding market developments which are based on external party research which was published in the following reports.

Macro-economic reports

National Bureau of Statistics, China

International Monetary Fund, *World Economic Outlook: Cross Currents* (January 2015)

European Commission; *Economic Forecast Spring 2014: Growth becoming broader-based* (May 2014)

Worldbank; *Global Economic Prospects, Disappointments, Divergences and Expectations* (January 2015)

KBC; *Economic Outlook*

Real Estate:

CBRE; *The key to investing in the China Retail market Q4 2014*

Jones Lang LaSalle: *An overview of 30 retail locations in China (2014)*

Jones Lang LaSalle: *Retail Cities in Asia Pacific (2014)*

National Bureau of Statistics, China

McKinsey; *All you need to know about business in China* (April 2014)

Water Infrastructure

KPMG; *Future State 2030, 2013*

Pacific Institute; *The CEO Water mandate, corporate water disclosure guidelines, 2014*

China Water Risk; *China Water Risk's 5 trends for 2014* (February 2014)

Financial Services

Bulgarian National Bank, *Economic Review Summaries*

Ministry of Finance Bulgaria, *Bulgarian Economy, monthly report* (June 2014)

KBC; *Economic Outlook Central Europe* (July 2014)

Oesterreichische National bank; *Focus on European Economic Integration Q2 2014, Outlook for selected CESEE Countries*

Kardán N.V. is not responsible for the nature or correctness of data presented in this section regarding market developments or macro-economic projections.

Analyst & Investor Call

An analyst and investor call will be held **on Thursday, March 26, at 09.30 CET.**

To take part in the call, please use the following dial-in number:

Dial in number NL: +31(0)20 716 8256

Conference ID: 6356286

Dial in number UK: +44(0)20 3140 8286

Conference ID: 6356286

The Investor Relations presentation will be published on the corporate site, www.kardan.nl, approximately one hour after publication of this release.

Please confirm your attendance to eventmanagement@citigateff.nl.

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 Kardán N.V. and its group companies (jointly "Kardán 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 Kardán 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.

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 three sectors that benefit from the rising middle class: Real Estate, Water Infrastructure and Banking & Retail Lending. 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 December 31, 2014 amounted to EUR 1 billion; revenues totalled EUR 258 mn in 2014. Kardan is listed on NYSE Euronext Amsterdam and the Tel Aviv Stock Exchange.

The Director's Report including the financial reports, drawn up in accordance with the Dutch and Israeli regulations, are presented in a separate document and form an integral part of this release.

For further information please contact:

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"This press release contains regulated information (gereguleerde informatie) as defined in the Dutch Act on Financial Supervision (Wet op het financieel toezicht)"

Director's Report and Financial Statements Kardan N.V. Full Year 2014

Amsterdam/Tel Aviv, March 26, 2015

Number of pages: 38

The Additional Information and the Financial Statements of Kardan N.V., Q4 + FY 2014, are drawn up in accordance with the Dutch and Israeli regulations and together with the separately presented press release on the Q4 + FY 2014 results of Kardan ('Kardan'/ 'the Company') form an integral part of the regulatory requirements and presentation.

FINANCIAL REPORTS FOR THE FULL YEAR ENDED DECEMBER 31, 2014

The Financial Reports contain the following sections:

PART 1 ADDITIONAL INFORMATION FOR 2014

1. Main events in the period
2. Subsequent events
3. Book Value of investments of Kardan as of December 31, 2014
4. Financial position of Kardan Group as of December 31, 2014
5. Risk Management

PART 2 ADDITIONAL INFORMATION

1. Financial analysis of consolidated balance sheet, income statement and cash-flow statement
2. Fair Value disclosure
3. Issuance of debentures
4. Sensitivity analysis of the fair value of financial instruments
5. Linkage balance
6. Senior Officers and Stakeholders Remuneration
7. Directors with accounting and financial expertise
8. Critical accounting estimations
9. Internal audit at Kardan NV
10. Donations policy
11. Classification of minor transactions
12. Internal Enforcement Plan
13. Financial Statement Approval Procedure
14. Audit fees

PART 3 FINANCIAL STATEMENTS INCLUDING INDEPENDENT AUDITOR'S REPORT (PUBLISHED ON THE WEBSITE OF KARDAN N.V. (WWW.KARDAN.NL))

1. ADDITIONAL INFORMATION FOR 2014

1.1. Main events in 2014

Kardan

- In July 2014, Maalot, the Israeli subsidiary of Standard & Poor's ("S&P"), reported that it retained the rating of Kardan at iIB with Negative outlook for Kardan and iIB for its Debentures Series A and Series B, which had been determined by S&P in August 2013.

In September 2014, however, S&P adjusted the rating of Kardan to iICC with outlook Negative, and to iICC for its Debentures Series A and Series B, as the Company had not as yet generated cash through the sale of assets in order to repay the upcoming repayment instalments on its debts, and as the Company's H1 2014 financial statements included an emphasis of matter regarding a going concern.

- Also in September 2014, the Board of Directors of the Company decided to comply with a request of the trustees and the joint representatives of the Debenture Holders (Series A and B) of the Company to enter into discussions, to examine the possibility to come to an agreement with them on postponing the instalments that are payable by the Company, with the commitment to repay the debt in full. Kardan clarified that, in parallel to the discussions, it would continue to negotiate two significant transactions, to enable it to meet its obligations to its creditors in time, and noted that there was no certainty that discussions with the Debenture Holders would result in an agreement nor that was certainty that the transactions on which the Company was working would be signed and executed.

During the first meeting with the Debenture Holders, Kardan presented an initial framework regarding a debt arrangement mainly focusing on postponing payments and on elements such as a higher interest payable on the Debentures and allocation of up to 10% of the Company's shares. It was clarified that the principle elements and details of the presented framework could change substantially.

- In October 2014, as part of the ongoing negotiations between Kardan and the trustees of the Debenture Holders, Kardan signed a letter of undertaking towards the trustees (i.e. Aurora Fidelity Trust Company Ltd., the trustee of debentures series A and Hermetic Trust (1975) Ltd., the trustee of debentures series B) for the period of the negotiations (the 'Interim Period'), whereby, during this Interim Period the Company would cooperate and provide information to the trustees and would avoid certain actions, including transactions with the controlling shareholders and their relatives and making a "distribution" (as defined in the Israeli Companies Law, 1999) and would give the trustees notice, 21 days before the execution of certain activities or transactions, which are defined in the letter of undertaking.
- In November 2014, a Shelf Prospectus was published in Israel, where it is possible to issue such a generic prospectus that serves as a primary document, to enable a company to offer to the public all types of securities several times and on different dates during the effective period of the Shelf Prospectus (two years with the possibility to extend one more year after having been approved by the ISA) via the Tel Aviv Stock Exchange ('TASE'). It gives a company the possibility to act faster once a decision regarding an offering has been taken, by only having to additionally publish a Shelf Offering Report. The Shelf Prospectus predominantly describes the Company's activities by referring to Kardan's financial statements dated December 31, 2013 and June 30, 2014 as well as to Kardan's Periodic Report for 2013 (the annual report according to Israeli law and regulations, as then approved by the Board) and by referring to all other major events announced by the Company since the day of publication of the 2013 financial statements. Publishing a Shelf Prospectus does not imply that the Company has decided to offer securities to the market through the TASE.
- Further to the announcements in September, the Board of Directors of Kardan decided in December 2014 to propose an agreement in principle regarding debt restructuring ('the Principles') to the Debenture Holders as negotiated and agreed upon in principle with the trustees and representatives of the Debenture Holders. The proposed agreement in principle

comprised two phases:

1) A proposal to amend the deeds of trust for debentures Series A and Series B (combined referred to as 'the Immediate Amendment'), which in headline entailed to postpone the February 2015 interest and principal payments by six months until August 2015 for both Series.

2) The Company and the trustees and the Debenture Holders would, within 90 days after receiving the approval of the Debenture Holders, begin to draft the amendments to the deeds of trust according to the proposed Principles, which in headline entailed to postpone the majority of payment of principals by 24 months against certain conditions, restrictions and collateral. On January 6, 2015, Kardan was informed that both the meetings of the Debenture Holders had given their approval to the Immediate Amendment and to the trustees of both Series to conduct negotiations with the Company to reach final agreements based on the proposed agreement in principle. For additional information regarding the Debt Settlement, see Note 1 of the 2014 Financial Statements.

Real estate (GTC Real Estate)

- In January 2014, a financing agreement was signed between GTC Real Estate Holding BV ('GTC RE') and Israel Discount Bank ('the Bank') for a loan in the amount of EUR 33 mn ('the New Credit'), which amount was used, along with additional amounts of Kardan, to repay Kardan's Debenture Holders in February 2014.

The New Credit was to be repaid in two installments: EUR 28 mn by December 26, 2014 and the remainder by December 25, 2015. As collateral for the credit facility, the Company pledged all the shares of Kardan Financial Services BV ('KFS') and all the shares of Tahal Group International BV ('TGI') (and all the shareholder loans) in favor of the Bank. In addition, GTC RE pledged 51% of the shares of Kardan Land China Ltd. ('KLC').

In December 2014, GTC RE repaid EUR 28 mn, using the funds from the proceeds of the sale of the 50% stake it indirectly held in Galleria Chengdu in China (see below). After reporting date, in February 2015, GTC RE repaid the remaining EUR 5 mn plus interest, using the funds of the proceeds of the sale of the TBIF subsidiary (see below). Consequently, the pledges were removed.

- In February 2014, Kardan Land Dalian Ltd. (the 'Project Company'), an indirectly wholly owned subsidiary of the Company (through KLC) entered into an agreement with a syndicate of two banks in China (the 'Syndicate') for an additional credit ('Financing Agreement') of RMB 400 mn (at the time approximately EUR 48 mn) with respect to the Europark Dalian project (the 'Project'). Before signing the Financing Agreement, the Project Company already had a loan of RMB 500 mn (approximately EUR 60 mn) from one of the banking institutions that comprise the Syndicate, so that the total loan (the 'Credit') is RMB 900 mn and therefore has become a material loan for the Company and as such is a "reportable credit" under Israeli regulations. The duration of the Credit is until September 2017 and repayment will be made in three tranches.
- In April 2014, the Project Company signed a Letter of Intent with a Chinese investor (the 'Purchaser') for the sale of building A2 in the Europark Dalian project in China, which comprises 201 Small Office Home Office (SOHO) units as well as 100 parking spaces ('the Transaction'). In June 2014 the Project Company signed the final sale agreement. The total consideration of RMB 334 mn (at the time approximately EUR 39 mn), split in RMB 319 mn for the apartments and RMB 16 mn for the parking lots was paid in three tranches: 10% in April at the signing of the Letter of Intent, 60% in June 2014 and 30% at the delivery of the building, which took place in Q4 2014. The proceeds of the Transaction are used by the Project Company to further develop the Project.
- In December 2014, KLC signed a share purchase agreement to sell its 50% shares in Kardan Land Chengdu (HK) Ltd. to its 50% co-shareholder, BR Spicy (B.V.I) Ltd. for a consideration of approximately RMB 555 mn (at the time approximately EUR 72.6 mn) ('the Consideration'), which reflected a value of the shopping mall (100%) Galleria Chengdu of RMB 1,254 mn (then approximately EUR 164 mn), off-set by a bank loan and other assets and liabilities of Kardan

Land Chengdu. Closing also took place in December 2014, when KLC received the final Consideration of approximately USD 90.8 mn (approximately EUR 74.2 mn), of which at least EUR 30 mn was transferred to GTC RE to repay a bank loan. The Transaction resulted in a net gain to Kardan of EUR 11.4 mn, after tax expenses. It was further agreed that KLC will continue to manage Galleria Chengdu.

Water Infrastructure (Tahal)

- In March 2014, Tahal Group BV ('TG'), Kardan's indirectly held subsidiary, signed an agreement to manage part of a larger agricultural development project, involving developing, engineering, procurement, construction and consulting, which was initiated by the client in an Eastern European country ('the Project'). The Project entails the development and cultivation of considerable agricultural areas and is expected to take four years. The consideration for the Project, amounting to EUR 62 mn, will be paid over the duration of the Project to TG. The duration of the Project may be extended, for payment of an additional consideration, for further periods of one year each. The first down payment of 10% of the total consideration was received in May 2014.

In December 2014, Tahal Consulting Engineers Ltd. ('Tahal') signed an agreement regarding the planning and construction of a water treatment plant and pumping system in the city of Yakutsk, Russia ('the Project'). The total compensation for the Project is USD 67 mn (including VAT) (approximately EUR 55 mn), which will be paid during the expected duration of the Project (approximately 40 months). A down payment of 15% of the total compensation was paid to Tahal in February 2015. Most of the funding for the project is provided by the European Bank of Reconstruction and Development and the balance is funded by the Republic of Yakutsk.

Financial Services

- In October 2014, TBIF Financial Services B.V. ('TBIF'), a wholly owned subsidiary of Kardan, signed an agreement to sell all of its shares in a subsidiary that holds a non-performing credit portfolio and other non-banking financial operations ('the Subsidiary'). Closing of the sale of the shares took place after the reporting period, in February 2015, when the full consideration of approximately EUR 10 mn was received. The Company used the proceeds to fully repay a bank loan of EUR 5 mn plus interest, thus releasing all relating pledges. As a result of the transaction the Company is expected to record a small net gain.
- In November, 2014, TBIF learned, from a press release of the National Bank of Ukraine ('NBU'), that the NBU had declared the Ukrainian VAB Bank insolvent and had instructed to appoint an administrator as the VAB Bank was not able to execute plans to strengthen its equity. TBIF had an outstanding subordinated loan to VAB Bank which was due on December 15, 2014. As a result, the Company decided to fully provide for the remaining outstanding debt of VAB Bank to TBIF amounting to EUR 2.8 million (net of a provision of EUR 2.1 million) in the third quarter of 2014.

1.2. Subsequent Events

- In January, 2015, S&P reported that it had changed the rating of the Company and of its Debentures (series A and series B, hereinafter the 'Debentures') to D (from iICC) on the announcement that the February 2015 interest and principal payments for the Debentures had been postponed by six months. However, on the following day, S&P reported that it had reassigned the rating of the Company to iCCC Negative Outlook, and of its Debentures (series A and series B, hereinafter the 'Debentures') to iCCC, taking into account the interim debt agreement which had been approved as well as that this approval entailed that the Company and the trustees of the Debenture Holders would begin to draft the amendments to the deeds of trust according to the proposed Principles, which in headline entailed to postpone the majority of payment of principals by 24 months against certain conditions, restrictions and collateral.

Also in January 2015, Kardan announced that its indirectly held subsidiary Tahal Group Assets BV ('Tahal Assets') signed a Share Purchase Agreement with China Gezhouba Group Investment Holding Co. Ltd. ('CGGC Investment') to sell its shares in the Chinese water infrastructure company Kardan Water International Group Ltd. ('KWIG'), to take place in two phases (75% and 25%) to be finalized before the end of June 2015. The total consideration of the two phases amounts to RMB 630 mn (at the time of the release approximately EUR 86 mn / USD 101 mn, 'the Consideration') ('the Transaction'). The first phase (75%) of the Transaction was concluded in March 2015. Additionally, on top of the Consideration and as part of the Transaction, CGGC Investment repaid all outstanding loans provided to KWIG by Kardan Group companies, totaling approximately USD 46 mn (approximately EUR 42 mn).

The decision to sell KWIG is due to Tahal Group International's ('Tahal') wish to focus on its core competences as an Engineering, Procurement and Construction player and KWIG's need for funding in order to further grow its capital intensive operations as well as due to Kardan's need to generate cash. The funds of the Consideration will be used by Tahal for its ongoing business operations as well as for repayment of debt, on Tahal's and on Kardan's level. As the sale of KWIG was not highly probable in 2014, KWIG was not classified as held for sale in the reporting period. The Company estimates that the Transaction will generate a net profit of approximately EUR 5 mn (reported as follows: an impairment of approximately EUR 8 mn in Q4 2014 and a gain of approximately EUR 13 mn in Q1 2015).

Tahal and CGGC furthermore agreed to cooperate in order to expand their activities both in China and abroad.

- In March 2015, TGI fully repaid FIMI the loan principal of USD 25 mn together with accrued interest as of that date. As a result, in the first quarter of 2015, TGI is expected to record a financial expense of approximately EUR 2.5 million due to the early repayment.
- In March, 2015 the Company announced that it intends to early repay interest and principal of Debentures series A and Debentures series B on March 31, 2015. According to its announcement the Company will early repay interest amounting to approximately EUR 4.3 mn relating to series A and approximately EUR 14.1 mn of interest to series B. Additionally, the Company will early repay principal amounting to approximately EUR 3.3 mn relating to series A (3.69% of the outstanding series) and approximately EUR 3.4 mn of principal to series B (1.23% of the outstanding series). The total repayment amounts to approximately EUR 25.1 mn.

1.3. Book value of investments Kardan N.V.

The following table summarizes the book value of the companies held directly by Kardan as of December 31, 2014 and December 31, 2013 (amounts in EUR mn):

Holding Company	Name of subsidiary	Share in subsidiary	Consolidated equity	Share holders consolidated equity	Adjustments of Kardan NV	Book Value in Kardan NV	Share holders Loans*	Total Invest ment in books 31.12.14	Total Invest ment in books 31.12.13
Kardan NV	GTC RE Holding	100%	293.7	293.2	4.2	297.4	(19.1)	278.3	293.7
	KFS	100%	37.8	37.8	-	37.8	41.5	79.3	71.4
	TGI	98.43%	102.9	102.1	(2.7)	99.4	-	99.4	97.9
	Emerging Invest ments XII *, **	100%	22.3	22.3	-	22.3	-	22.3	124.2

Holding Company	Name of subsidiary	Share in subsidiary	Consolidated equity	Share holders console-dated equity	Adjustments of GTC RE(***)	GTC RE Book Value	Share-holders Loans (**)	Total Investment in books 31.12.14	Total Investment in books 31.12.13
GTC RE Holding	Kardan Land China	100%	305.6	305.6	3.4	309.0	(37.0)	272.0	269.5

Holding Company	Name of subsidiary	Share in subsidiary	Consolidated equity	Share holders console-dated equity	Adjustments of KFS	KFS Book Value	Loans granted by KFS	Total Investment in books 31.12.14	Total Investment in books 31.12.13
KFS	TBIF	100%	66.2	66.2	-	66.2	-	66.2	71.4

Holding Company	Name of subsidiary	Share in subsidiary	Consolidated equity	Share holders console-dated equity	Adjustments of TGI	TGI Book Value	Loans granted by TGI	Total Investment in books 31.12.14	Total Investment in books 31.12.13
TGI	Tahal Group Assets B.V.	100%	21.0	22.4	-	22.4	64.0	86.4	84.5
	Tahal Group B.V.	100%	23.7	21.5	-	21.5	15.9	37.4	40.8

(*) In October 2012, the Company assigned its shareholder's loans (provided to its subsidiaries) to Emerging Investments XII. For convenience, the shareholder's loans are presented as part of the investments in subsidiaries.

The Company's repurchased debentures are mostly held by Emerging Investments XII. The shareholder's loan which Kardan N.V. provided to Emerging Investments XII is presented net of the debentures.

Emerging Investment XII holds the following Kardan N.V Debentures:

	Nominal Value	Liability Value including accrued interest
Series A	219,678,897	58.4
Series B	144,457,732	38.6

Kardan N.V provided a loan to Emerging Investments XII with the same conditions as its Debentures, in order to enable Emerging Investments XII to purchase the Debentures in previous years. It is the Company's intention is to settle the loan and Debentures through a net settlement. Therefore the Company presents the loan and debentures net.

(**) An equity loan and is expected to be deducted from KLC's equity.

(***) GTC RE holds NIS 53,333,333 par value debentures (Series A) of the Company having a liability value of EUR 14.2 mn

1.4. Financial Position of holding companies of the Kardan Group as of December 31, 2014

- **Net debt**

The net debt position of Kardan N.V., GTC RE BV, Emerging Investments XII, KFS BV and TBIF BV as of December 31, 2014 amounts to EUR 323.6 mn (year end 2013: EUR 425 mn).

The following table summarizes the net debt of Kardan N.V. and if applicable of its directly held subsidiaries (company only) as of December 31, 2014:

Company	Net Debt* (in EUR million)	
Kardan NV / GTC RE / Emerging Investments XII**	Liabilities:	
	Debentures	(352.5)
	Bank loan	(5.1)
	Assets:	
	Loan to KFS	41.5
Cash and short term investments	1.4	
	Net debt	(314.7)
KFS / TBIF	Liabilities:	
	Loans from Kardan NV	(41.5)
	Assets:	
	Cash and short term investments	5.4
	Loans to others	11.0
Loans to subsidiaries and other receivables	<u>16.2</u>	
	Net debt	(8.9)
TGI	Liabilities:	
	Loans (and related warrant)	(18.6)
	Assets:	
Cash and short term investments	0.1	
	Net debt	(18.5)

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

(**) Emerging Investments XII is a wholly owned subsidiary of Kardan N.V. During Q4 2012, Kardan assigned all the loans provided to its subsidiaries to Emerging Investments XII. In addition, the majority of the repurchased Debentures are held by Emerging Investments XII.

1.5. Risk Management

Kardan has three divisions: Real Estate (GTC RE), Water Infrastructure (Tahal), and Banking and Retail lending (KFS). These divisions are divided into four segments, which can each consist of one or more operating company/ies. Each segment is managed by an executive director or Board of Directors, responsible for managing the operations and the market segment risks. In addition, in each operating company a senior manager is responsible for managing its

risks. As of the beginning of 2014, Mr. Guy Elias, member of the Executive Management of Kardan, is responsible for Risk Management. For more details on Mr. Guy Elias's resume, reference is made to the corporate site of Kardan, www.kardan.nl.

The main categories of risks relating to Kardan's strategy, such as liquidity and capital availability and financial market risks (which includes interest rate and currency risks), etc. are described in Kardan's Annual Report 2014. These risks are deemed incorporated and repeated in this Press Release by reference. The above described risks should be seen as re-quoted in this report by way of reference. It is noted specifically that fluctuations in the exchange rates of the various currencies in which the business affairs of Kardan are managed may affect the financial status of Kardan as the Company reports in Euro, whereas it has Israeli Shekel (NIS) denominated debts and most of its assets are denominated in Chinese RMB. Changes in the currency rates during 2014 had a significant effect on Kardan NV's results, as a result of the strengthening of the Chinese RMB against the Euro. Regarding the currency changes during Q1 of 2015, in light of the trends which took place with the exchange rates up to the date of this report, Kardan NV is estimating that changes in the exchange rates will have a negative effect on its results in light of the strengthening of the NIS, as opposed to the positive influence on the capital in light of the strengthening of the Chinese RMB. These effects may be material.

Given Kardan's business philosophy which is based on the view that emerging markets generally develop faster than developed markets supported by economic strengthening of the middle classes, the Company is predominantly active in emerging markets. Emerging markets are generally inherently more volatile and therefore often exposed to risks arising from unforeseen changes such as (geo)political, regulatory and economic.

Developments and shocks in global markets and particularly in the Chinese and other emerging markets may affect the liquidity of Kardan N.V., its equity value, the value of its assets, its ability to realize its assets, the state of its business (including the demand for its assets), its ability to distribute dividends and its ability to raise finance for its ongoing activities and long-term activities, as well as the terms of such financing.

Contacts between the CEO, the members of the Executive Management and local management of Kardan's subsidiaries remain frequent and intensive, to discuss the latest development and expectations in the respective markets as well as the (financial) resilience of these subsidiaries.

For an overview of the main risk categories which the Group is exposed to, reference is made to the 2013 Annual Report (which can be found on the corporate site (www.kardan.nl)). The Kardan 2014 Annual Report will be published on April 15, 2015.

In addition, reference is made to the 2014 consolidated financial statements as well as to the 2014 Israeli Annual Report (Barnea), which can also be found on the corporate site. It should be noted that there may be other significant risks Kardan has not yet identified or that have not been assessed as having a significant potential impact on the business but which in a later stage could materialize as such.

Disclaimer

This report contains forward looking information as defined in the Israeli Securities Act, based on macro-economic data relevant to each geographical region in which Kardan N.V. is active, the management's experience and the condition of the local and global market. The aforesaid may not materialize completely or part thereof, or materialize in a different manner, including materially different from what is expected as a result of changes in the state of the market, new regulations, continuation and/or worsening of the global economic crisis or incorrect assessments by management.

This report also contains information regarding market developments which are based on external party research which was published in the following reports.

2. PART 2 ADDITIONAL INFORMATION

2.1. Financial analysis

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

	December 31, 2014	December 31, 2013	Notes
Total balance sheet	1,013,609	924,615	The increase in total balance sheet compared to December 31, 2013 is mainly due to raising of loans and strengthening of the RMB.
Current assets	498,356	452,315	The increase in current assets compared to December 31, 2013, is mainly due to classification of a subsidiary of TBIF as held for sale.
Non-current assets	515,253	472,300	The increase in non-current assets compared to December 31, 2013, is mainly due to investment in and revaluation of investment property as well as strengthening of the RMB.
Current liabilities	555,324	429,798	The increase in current liabilities compared to December 31, 2013, is mainly due to an increase in short term loans reclassification of current maturities (mainly of the Company's debentures).
Long term Debentures	250,047	327,240	The decrease in long term debentures compared to December 31, 2013, is mainly due to classification of current maturities relating to the February 2015 payment to short term.
Long term Interest-bearing loans and borrowings	84,131	70,423	The increase in long term interest bearing loans and borrowings compared to December 31, 2013 is mainly due to a new project loan received by KLC.
Equity attributable to equity holders of the parent	92,398	66,095	The increase in equity compared to December 31, 2013, is mainly due to the strengthening of the RMB and the profit for the period, off-set by the impact of transactions with non- controlling interest holders.

2.1.2 Income Statement of Business Operations (in EUR thousands)

	Year ended December 31, 2014	Year ended December 31, 2013	Year ended December 31, 2012	Notes
<u>Revenues</u>				
Contract revenues	170,258	153,010	142,967	The y-o-y increase in 2014 contract revenues is a result of revenue recognized in existing water infrastructure projects, mainly in Africa and east Europe.
Sale of apartments	46,866	23,984	-	Sale of apartments relates exclusively to the delivery of apartments in the Europark Dalian project in China.
Banking and retail lending activities	33,295	24,406	10,966	The y-o-y increase in 2014 revenues from the banking and retail lending activities is largely a result of an increase in the loan portfolios and lower interest paid on deposit taking.
Management fees and other income	7,425	6,595	7,835	-
Total Revenues	257,844	207,995	161,768	
<u>Expenses</u>				
Contract costs	133,887	121,342	121,962	See explanations for the changes in revenues from contract works.
Cost of sales of apartments	44,217	19,697	-	See explanations for the changes in revenues from sale of apartments.
Cost of banking and lending activities	25,578	25,182	23,562	See explanations for the changes in revenues from banking and retail lending activities.
Other expenses, net	6,108	3,358	5,370	
Total expenses	209,790	169,579	150,894	
Gross margin	48,054	38,416	10,874	
Selling and marketing expenses	8,192	7,912	8,210	-
General and administration expenses	24,527	25,513	27,740	The decrease in general and administration expenses is primarily attributable to cost reduction in share based payment expenses.
Profit (loss) from operations before fair value adjustments, disposals of assets and financial expenses	15,335	4,991	(25,076)	-

	Year ended December 31, 2014	Year ended December 31, 2013	Year ended December 31, 2012	Notes
Adjustment to fair value of investment properties	8,859	8,802	10,383	Adjustment to fair value of investment properties in the reported period relates to the revaluation of the Europark Dalian shopping center in China.
Impairment losses on goodwill	(5,190)	(3,926)	(4,005)	Impairment losses on goodwill in 2014 mainly relate to KWIG, pending its announced sale. Impairment losses on goodwill in 2013 relate to the Financial Services division.
Gain on disposal of assets and other income	16,018	(8,947)	(1,690)	The gain in 2014 relates primarily to the sale of Galleria Chengdu shopping center. The loss in 2013 relates primarily to the write-off of a polish subsidiary.
Profit (loss) on disposal of assets and investments	19,687	(4,071)	4,688	-
Profit (loss) before finance expenses and income taxes	35,022	920	(20,388)	-
Financial income	12,374	6,185	50,072	Financial income is mainly the result of interest on the cash balances and deposits of the Group and exchange rate differences on financial instruments.
Financial expenses	(32,561)	(51,803)	(41,389)	The financial expenses are mainly related to financing costs of loans and debentures in the group. The y-o-y decrease in the financial expenses in 2014 is mainly a result of less negative CPI and exchange rate differences and is also due to repayment of loans.
Adjustments to fair value of other financial instruments	-	-	1,073	
				-
Total financial expenses, net	(20,187)	(45,618)	9,756	-

	Year ended December 31, 2014	Year ended December 31, 2013	Year ended December 31, 2012	Notes
Profit (loss) from operations	14,835	(44,698)	(10,632)	-
Share of profit (loss) of companies accounted for using the equity method	6,712	12,345	4,662	The y-o-y decrease in share of profit of companies accounted for using the equity method in 2014 relates primarily to the real estate operations from joint venture projects in China.
Net profit (loss) before income taxes	21,547	(32,353)	(5,970)	-
Income tax (benefit) expenses	16,485	14,443	938	Tax expenses increased in 2014 (y-o-y) primarily due to sale of Galleria Chengdu as well as to the sale of KWIG
Net profit (loss) for the year from continuing operations	5,062	(46,796)	(6,908)	-
Net profit (loss) from discontinued operations	-	(75,177)	(131,948)	In 2013, the net loss from discontinued operations includes the results of GTC SA and the result of its sale in Q4 2013.
Net profit (loss) for the period	5,062	(121,243)	(138,856)	-
Net profit (loss) attributed to equity holders of the parent	5,091	(101,333)	(32,852)	-
Net profit (loss) attributed to non-controlling interest holders	(29)	(20,640)	(106,004)	-

2.1.3 Cash Flow and source of funding (in EUR thousands)

	FY 2014	FY 2013	FY 2012	Notes
Net cash provided by (used in) operating activities	28,749	(40,399)	(60,780)	-
Net cash used in investing activities	183	(81,859)	(190,684)	<p>In 2014 € 45 mn were used for the acquisition of tangible fixed assets and investment properties. € 35 mn were used to provide long-term loans.</p> <p>In 2013, € 42 mn were used for loans to bank customers and € 36 mn were used for acquisition of tangible fixed assets and investment properties. € 26 mn were provided from long-term loans and receivables and € 18 mn from sale of assets and investment.</p>
Net cash provided by financing activities	17,759	(127,075)	(92,029)	<p>In 2014, € 69 mn were used for repayment of debentures. € 89 mn were provided from long term loans.</p> <p>In 2013, € 132 mn were used for repayment of long term loans and € 58 mn were used for repayment and repurchase of debentures. € 69 mn were provided from loans from bank customers and € 12 mn were provided from the sale of a hedge instrument.</p>

The Auditors' review report in the Company's Financial Statements as of December 31, 2014 includes an emphasis of matter paragraph regarding significant doubts related to the Company's ability to continue as a going concern (for additional information regarding the Company's financial position reference is also made to note 1 of the financial statements) and presents a negative working capital in the company only and the consolidated financial statements. These are "warning signs" as defined in Regulation 10 (b) (14) of the Israeli Securities Authority regulations.

In accordance with the Israeli Securities Authority regulations the Company hereby provides cash-flow forecast for a period of two years as of December 31, 2014:

Forecast cash flow	January 1, 2015 - December 31, 2015	January 1, 2016 - December 31, 2016
	in € millions	
Cash and cash equivalents at the beginning of the period – Kardan NV*	1.4	52.6
Cash and cash equivalents at the beginning of the period – GTC RE	-	-
Company only resources		
From operating activities		
General and administration expenses	(5.5)	(4.5)
From investing activities		
Sale of assets	82.1	110.0
Other	0.1	0.1
Resources from investee companies		
From operating activities in investments – Loan repayment	2.0	4.0
From operating activities in investments – Management fees	0.6	0.6
Total Resources	80.7	162.8
Expected Uses		
From financing activities		
Repayment of a loan	5	-
Interest payment of debentures – Series A	3.7	4.8
Interest payment of debentures – Series B	12.7	16.9
Principal payment of debentures – Series A	3.3	-
Principal payment of debentures – Series B	3.4	-
Total Uses	28.1	21.7
Cash and cash equivalents at the end of the period	52.6	141.1

Assumptions and Notes to the cash flow forecast:

1. The cash-flow projection has been jointly prepared for Kardan NV (company-only) and its wholly owned subsidiaries GTC Real Estate Holding BV) and Emerging Investments XII BV as the treasury of these companies is centralized. With respect to limitations regarding the transfer of funds between Kardan NV and GTC RE please see below under point 9.
2. The projected cash flow was prepared under the assumption that the Company will complete the Debt Settlement with the Debenture Holders. Accordingly, the repayment of principal of the Debentures will be postponed by 2 years to February 2017. The repayment of principal and interest in 2015 was calculated according to the early repayment announced by the Company and is expected to take place on March 31, 2015.
3. The forecasted General and administration expenses are based on estimates of the Company according to its past experience.
4. With respect to sale of assets in 2014 and 2015, the Company is conducting processes through its subsidiaries to sell a part or the total of its significant assets. The Company recently reported the sale of the following assets:
 - 2015
 - During Q1 2015, TBIF concluded the sale of TBI Credit. As a result the Company received from KFS a repayment of a shareholders' loan in the amount of EUR 9.9 mn which GTC RE used to repay a the outstanding balance of a bank loan EUR 5 mn.
 - During Q1 2015, Tahal Assets concluded the first phase (75%) of its sale of the shares in KWIG for a consideration amounting to USD 75.7 mn. In accordance to the agreement all shareholder loans which were provided by Group companies to KWIG were repaid in a total amount of USD 45.8 mn. After repayment of liabilities on the level of TGI, an amount of USD 52.5 mn was transferred from TGI to the Company. It is expected that in June 2015 the second phase (25%) of the transaction will be completed for the remaining consideration of approximately USD 25.2 mn. On March 15, 2015 the Company announced the early repayment of interest and principal of Debentures A and B for a total amount of NIS 108.5 mn (approximately EUR 23 mn) using the funds transferred to it.
 - 2016
 - In 2016, the proceeds to be used to repay the interest of the Debentures according to the Debt Settlement are expected to be received from a sale of real estate and / or sale of shares in subsidiaries from the real estate and banking and retail lending segments.
5. In 2014 and 2015, most of the loan repayments are due to be received from KFS. The balance of the shareholder's loan to KFS amounted to EUR 41.5 mn as of the balance sheet date. This loan was assigned to Emerging Investments XII BV, which in its turn will distribute the proceeds to Kardan as dividend. Subsequent to balance sheet date, KFS repaid an amount of EUR 9.9 mn to the Company from the sale of TBI Credit.
6. The amount of Management fees from investee companies is based on existing agreements between the Company and its subsidiaries as of the balance sheet date.
7. The Interest calculations are based on CPI, exchange rates and interest rates which are applicable as of December 31, 2014. The principal and interest payments for the debentures include the amount net of the interest which relates to the debentures held by GTC RE and Emerging Investment XII BV (wholly owned subsidiaries of the Company). It is noted that due to the appreciation of the NIS versus the Euro in Q1 2015, the payable amounts in Euro may be higher than presented in this cash flow forecast.
8. The cash flow forecast does not include any additional investments which the Company will make once those will be approved by the appropriate bodies in the Company. As of the authorization of these financial statements, the Company did not approve any new investments. It should be noted that the projected cash flow does not include amounts relating to the claw-back clause, in the sale agreement, in 2015 and 2016.

9. Limitations on transferring funds: transfer of funds between Kardan NV and GTC RE is done through a loan, of which the balance amounts to EUR 19.1 mn as of December 31, 2014. In addition, GTC RE has free distributable reserves according to Dutch law amounting to EUR 220 mn as of December 31, 2014. Subsequent to the balance sheet date GTC RE repaid the bank loan and therefore is not subject to any financial covenants.
10. Restrictions on transfer of funds: money transfer from Emerging Investments XII to the Company is done by dividend payment from Emerging Investments XII. Retained earnings according to the Dutch law are in the amount of EUR 22.3 mn as of December 31, 2014.
11. Restrictions on transfer of funds: money transfer from TGI to Kardan N.V.; a) distributable reserves of at maximum EUR 85.5 may be transferred and b) covenants of lending banks of TGI Group need to be met.
12. Covenants: in February 2015, GTC RE repaid the remaining balance to Discount Bank and consequently as of the publication date of this report the Company is no longer subject to any financial covenants
13. This estimate is forward looking information as defined in the Israeli Securities Act, based on management assumptions and expectations. The aforesaid may not materialize completely or part thereof, or materialize in a different manner, including materially different from what is expected as a result of changes in the state of the market, difficulties in raising credit, decrease in value of investments and change in cash amounts expected to be received from affiliated companies.
14. Comparison table and explanation for material deviations:

Forecast cash flow	January 1, 2014 - December 31, 2014 (projected)	January 1, 2014 - December 31, 2014 (actual)	Comments and explanations
Sources	in EUR millions		
From investing activities			
Sale of assets	120	30	(1)
Resources from investee companies			
From operating activities in investments – Loan repayment	23.5	2.4	(2)
Cash and cash equivalents for the end of the period	104.9	1.4	

Comments and explanations:

- (1) In 2014, GTC RE concluded the sale of its 50% stake in the Chengdu shopping center in China. Of the total received proceeds, an amount of EUR 30 mn was transferred to GTC RE, which was predominantly used to repay a bank loan. The remaining balance in KLC is kept in KLC based on a requirement of a financing bank and for further investment in the Dalian project.
- (2) TBIF signed an agreement to sell a subsidiary in Q4 2014, which sale was concluded in Q1 2015. The consideration amounted to EUR 9.9 mn, which was used to repay a bank loan of EUR 5 mn plus interest, after the reporting date, thus releasing the relating pledges. TBIF has been planning to sell Avis Ukraine as of 2013. Given the continuing unstable political situation in Ukraine, TBIF is monitoring the situation closely both with respect to Avis Ukraine's operations as with respect to its intention to sell its stake in this company.
- (3) After the reporting period, in January 2015, the Company indirectly sold its shares in KWIG, of which the first phase (75%) was concluded in March 2015. The net proceeds amounted to USD 52.2 mn. In June 2015 the Company expects to complete the sale of the remaining 25%.

2.2 Fair Value Disclosure

Galleria Dalian(*)

Country	City	Project name	Use of asset	KNV share of the asset	Right on the asset	Estimated NRV Sqm	Value of the project in the Financial Statements (€ 000')	Valuation gain recorded in the period (in € million)	Discount rate (%)	Exit rate (%)	Developer profit in the valuation (%)	Rent per Sqm assumed in the valuation	Valuation Method	External valuer	Date of the last valuation
China	Dalian	Galleria Dalian	Under construction Shopping Center	100%	Lease	65,584	181.1	8.9	10.5%	5.5%	12%	EUR 18 per Sqm	Residual and cost approach For the gross development value direct Comparison and DCF	external valuation – C&W	Based on external valuation performed by C&W for June 31.12.2014

(*) The valuation report is attached to the financial statements of the Company

2.3 Issuance of debentures(*)

The following are details regarding the marketable debentures of Kardan NV as of December 31, 2014:

	Debenture series A	Debenture series B
Par value of issued debentures	EUR 251.9 million (NIS 1,190,000,000)	EUR 282.3 million (NIS 1,333,967,977)
Linkage basis	Principal and interest linked to Israeli CPI (CPI of January 2007)	Principal and interest linked to Israeli CPI (CPI of December 2006)
Par value of debentures as of December 31, 2014	EUR 125.9 million (NIS 595,000,001 par value)	EUR 242.0 million (NIS 1,143,401,182 par value)
Debentures held by subsidiaries	NIS 273,012,229.89 par value	NIS 144,457,731.95 par value
Interest rate (per annum)	4.45%	4.9%
Principal repayment (****)	Four equal installments from February 2013 to February 2016	Seven equal installments from February 2014 to February 2020
Interest payment dates (****)	9 annual installments from February 2008 to February 2016	13 annual installments from February 2008 to February 2020
Total debt up to the date of the balance sheet (including interest and Israeli CPI linkage)	EUR 85.7 million (net of debentures held by subsidiaries)	EUR 266.9 million (net of debentures held by subsidiaries)
Market capitalization as of December 31, 2014	EUR 59.0 million (net of debentures held by subsidiaries)	EUR 161.2 million (net of debentures held by subsidiaries)
The trustee	Aurora Fidelity Trustees Ltd (CPA Daniel Vafnish +972-3-6083252)	Hermatic trustee (1957) (Adv. Dan Avnun +972-3- 5274867)
Rated by	S&P Maalot	S&P Maalot
Rating at the time of issuance	AA - (February 2007)	AA - (February 2007)
Updated rating	CCC (January 2015)	CCC (January 2015)

(*) For additional information regarding the Debt Settlement, see note 1 of the 2014 Financial Statements. The information in the above table is presented according to the original deeds of trust and therefore do not include the expected changes after the approval of the Debt Settlement.

(**) Debentures (Series A and B) are material to the Company.

(***) During and at the end of 2014 the Company met the terms of the deeds of trust.

(****) In accordance with the Interim Settlement of January 2015, the interest and principal payments due in February 2015 have been postponed to August 2015.

General meetings of the debenture holders

In January 2014, the Company agreed to three additions to the existing agreement:

1. It was agreed to appoint a representative of the trustees who, after having signed a non-disclosure agreement with the Company, will be informed regularly on the progress of the Company and have access to confidential information. The representative is not permitted to share information with the trustees or the Debenture holders, but may reveal his conclusions and make recommendations based on the information provided to him. The representative is appointed until March 31, 2015.
2. The Company committed to give at least 45 days public notice prior to:
 - a. Pledging shares (part or all) of the Target Assets as laid down in the March 2013 agreement with the debenture holders. The notification is required until the repayment of the debentures (principal and Interest) in February 2016 has taken place.
 - b. Pledging shares (part or all) of Kardan Financial Services (KFS). The notification is required until the repayment of the debentures (principal and Interest) in February 2016 has taken place.
 - c. In the event of an increase in any credit secured by assets, any change in the identity of the holders of the pledge and in the event of any material change in the terms of a pledge or credit facility which is secured by assets. All relates to existing as well as new pledges on assets.
3. Until December 31, 2014, the Company will not start insolvency procedures itself (in Israel or abroad), including suspension of payments or liquidation, without giving at least 30 days written notice to the trustees.

Debenture holders meeting March 31, 2014

The meeting of the debenture holders of Series A and Series B which was held on March 31, 2014 was adjourned without any resolutions.

Debenture holders meeting September 3, 2014

In addition, a meeting of the debenture holders of Series A and Series B was held on September 3, 2014, in which it was resolved that the debenture holders of Series A and Series B will be represented jointly.

Debenture holders meeting December 25, 2014

On December 25, 2014, a meeting of the Debenture Holders of Series A and Series B was held during which an update was provided by the Company regarding the status of its business. Also, the amendment to the deeds of trust (series A and B) was presented to the Debenture Holders by the Company and the trustees. The two resolutions on the agenda were as follows: a) To approve the amendment to the deeds of trust, and b) To allow the trustees to negotiate with the Company in accordance to the principles of the debt settlement. On January 12, 2015, the trustees published that the above resolutions were approved. For additional information regarding the Debt Settlement, see Note 1 of the 2014 Financial Statements.

Debenture holders meeting March 15, 2015

On March 15, 2015, a meeting of the Debenture Holders (series A and B) was held, during which an update was provided by the Company regarding the status of its business. Additionally, a decision was made to instruct the trustees of series A and the trustees of series B to come to an agreement among themselves, on the topic of the pledge of the shares of GTC RE.

2.4 Sensitivity analysis of the fair value of financial instruments

Financial Instruments' Fair Value Sensitivity Analysis According to Changes in Market Factors

	<u>Sensitivity Analysis to Changes in Euro \ US Dollar exchange rate</u>						
	<u>Profit or (loss) from change in Euro millions</u>			<u>Fair Value In Euro millions</u>	<u>Profit or (loss) from change in Euro millions</u>		
	<u>Increase in exchange rate</u>				<u>Decrease in exchange rate</u>		
	<u>20%</u>	<u>10%</u>	<u>5%</u>		<u>5%</u>	<u>= 10%</u>	<u>= 20%</u>
				0.83			
<u>Derivatives that are not designated as hedging instruments</u>							
EUR/USD Derivatives	(0.5)	(0.2)	(0.1)	0.3	0.1	0.2	0.5
<u>Other financial instruments</u>							
Cash and cash equivalents	7.3	3.6	1.8	36.4	(1.8)	(3.6)	(7.3)
Accounts receivables	2.1	1.0	0.5	10.4	(0.5)	(1.0)	(2.1)
Other receivables	0.2	0.1	0.1	1.1	(0.1)	(0.1)	(0.2)
Warrants and options	(0.1)	(0.0)	(0.0)	(0.4)	0.0	0.0	0.1
Trade payables	(0.3)	(0.2)	(0.1)	(1.7)	0.1	0.2	0.3
Other payables and accrued expenses	(1.2)	(0.6)	(0.3)	(6.1)	0.3	0.6	1.2
Long-term loans from banks and others (including current maturities)	(4.2)	(2.1)	(1.0)	(20.8)	1.0	2.1	4.2
Non-current interest bearing loans and borrowings (Including current maturities)	(3.8)	(1.9)	(1.0)	(19.1)	1.0	1.9	3.8
Total	(0.5)	(0.3)	(0.1)	0.1	0.1	0.3	0.5

	<u>Sensitivity Analysis to Changes in US Dollar \ NIS exchange rate</u>						
	<u>Profit or (loss) from change in Euro millions</u>			<u>Fair Value In Euro millions</u>	<u>Profit or (loss) from change in Euro millions</u>		
	<u>Increase in exchange rate</u>				<u>Decrease in exchange rate</u>		
	<u>%20</u>	<u>10%</u>	<u>5%</u>		<u>= 5%</u>	<u>= 10%</u>	<u>-20%</u>
				3.89			
<u>Derivatives that are not designated as hedging instruments</u>							
USD/NIS Derivatives	(1.6)	(0.8)	(0.4)	(0.4)	0.4	0.8	1.6
Total	(1.6)	(0.8)	(0.4)	(0.4)	0.4	0.8	1.6

Sensitivity Analysis to Changes in Euro \ NIS exchange rate

	Profit or (loss) from change in Euro millions			Fair Value In Euro millions	Profit or (loss) from change in Euro millions		
	Increase in exchange rate		5%		Decrease in exchange rate		
	%20	10%			5%	-5%	-10%
Other financial instruments				0.21			
Cash and cash equivalents	1.1	0.6	0.3	5.7	(0.3)	(0.6)	(1.1)
Short term investments	0.1	0.1	0.0	0.7	(0.0)	(0.1)	(0.1)
Accounts receivable (Trade receivables)	4.6	2.3	1.2	23.2	(1.2)	(2.3)	(4.6)
Long term loans and receivables (Including current maturities)	0.4	0.2	0.1	2.0	(0.1)	(0.2)	(0.4)
Other receivables	(0.2)	(0.1)	(0.1)	(1.0)	0.1	0.1	0.2
Other payables and accrued expenses	(4.7)	(2.4)	(1.2)	(23.5)	1.2	2.4	4.7
Trade payables	(1.0)	(0.5)	(0.3)	(5.1)	0.3	0.5	1.0
Warrants and options	(0.2)	(0.1)	(0.1)	(1.0)	0.1	0.1	0.2
Derivatives	(0.0)	(0.0)	(0.0)	(0.0)	0.0	0.0	0.0
Non-Convertible debentures linked to the Israeli CPI (Including current maturities)	(44.1)	(22.0)	(11.0)	(220.3)	11.0	22.0	44.1
Non- current interest bearing loans and borrowings (Including current maturities)	(0.1)	(0.0)	(0.0)	(0.3)	0.0	0.0	0.1
Other long term liabilities	(0.7)	(0.4)	(0.2)	(3.6)	0.2	0.4	0.7
Total	(44.8)	(22.3)	(11.3)	(223.2)	11.3	22.3	44.8

Sensitivity Analysis to Changes in Euro \ RMB exchange rate

	Profit or (loss) from change in Euro millions			Fair Value In Euro millions	Profit or (loss) from change in Euro millions		
	Increase in exchange rate		5%		Decrease in exchange rate		
	%20	10%			5%	-5%	-10%
Other financial instruments				0.13			
Cash and cash equivalents	12.3	6.1	3.1	61.5	(3.1)	(6.1)	(12.3)
Short term investments	0.5	0.2	0.1	2.3	(0.1)	(0.2)	(0.5)
Accounts receivable (Trade receivables)	1.1	0.5	0.3	5.3	(0.3)	(0.5)	(1.1)
Other receivables	4.6	2.3	1.1	22.8	(1.1)	(2.3)	(4.6)
Long term loans and receivables (Including current maturities)	17.3	8.7	4.3	86.6	(4.3)	(8.7)	(17.3)
Trade payables	(2.2)	(1.1)	(0.6)	(11.2)	0.6	1.1	2.2
Current Interest bearing loans and borrowings (Not including current maturities)	(2.2)	(1.1)	(0.6)	(11.1)	0.6	1.1	2.2
Other payables and accrued expenses	(6.2)	(3.1)	(1.5)	(30.8)	1.5	3.1	6.2
Non-current interest bearing loans and borrowings (Including current maturities)	(25.5)	(12.8)	(6.4)	(127.7)	6.4	12.8	25.5
Other long term liabilities	(0.2)	(0.1)	(0.0)	(0.8)	0.0	0.1	0.2
Total	(0.5)	(0.4)	(0.2)	(3.1)	0.2	0.4	0.5

Sensitivity Analysis to Changes in Euro \ RON exchange rate

	Profit or (loss) from change in Euro millions			Fair Value In Euro millions	Profit or (loss) from change in Euro millions		
	Increase in exchange rate				Decrease in exchange rate		
	20%	10%	5%				
	0.22	5%	-10%		-%20		
Other financial instruments							
Cash and cash equivalents	0.5	0.3	0.1	2.6	(0.1)	(0.3)	(0.5)
Accounts receivable (Trade receivables)	0.0	0.0	0.0	0.2	(0.0)	(0.0)	(0.0)
Other receivables	1.2	0.6	0.3	6.1	(0.3)	(0.6)	(1.2)
Loans to bank customers	0.1	0.0	0.0	0.3	(0.0)	(0.0)	(0.1)
Consumer finance (including current maturities and leasing)	8.4	4.2	2.1	41.8	(2.1)	(4.2)	(8.4)
Trade payables	(0.1)	(0.0)	(0.0)	(0.4)	0.0	0.0	0.1
Other Payables and accrued expenses	(0.8)	(0.4)	(0.2)	(4.0)	0.2	0.4	0.8
Banking customers accounts	(4.9)	(2.4)	(1.2)	(24.5)	1.2	2.4	4.9
Total	4.4	2.3	1.1	22.1	(1.1)	(2.3)	(4.4)

Sensitivity Analysis to Changes in Euro \ RUB exchange rate

	Profit or (loss) from change in Euro millions			Fair Value In Euro millions	Profit or (loss) from change in Euro millions		
	Increase in exchange rate				Decrease in exchange rate		
	%20	10%	5%				
	0.01	-5%	-10%		-%20		
Derivatives that are not designated as hedging instruments							
EUR/RUB Derivatives	(0.4)	(0.2)	(0.1)	0.6	0.1	0.2	0.4
Other financial instruments							
Cash and cash equivalents	0.0	0.0	0.0	0.2	(0.0)	(0.0)	(0.0)
Other receivables	0.7	0.4	0.2	3.5	(0.2)	(0.4)	(0.7)
Trade payables	(0.2)	(0.1)	(0.1)	(1.2)	0.1	0.1	0.2
Other payables and accrued expenses	(0.4)	(0.2)	(0.1)	(2.2)	0.1	0.2	0.4
Total	(0.3)	(0.1)	(0.1)	0.9	0.1	0.1	0.3

Sensitivity Analysis to Changes in Euro \ Ukrainian Hryvnia exchange rate

	Profit or (loss) from change in Euro millions			Fair Value In Euro millions	Profit or (loss) from change in Euro millions		
	Increase in interest rate				Decrease in interest rate		
	<u>%20</u>	<u>10%</u>	<u>5%</u>		<u>-5%</u>	<u>-10%</u>	<u>-%20</u>
					0.05		
<u>Other financial instruments</u>							
Cash and cash equivalents	0.0	0.0	0.0	0.0	(0.0)	(0.0)	(0.0)
Accounts receivable (Trade receivables)	0.1	0.0	0.0	0.3	(0.0)	(0.0)	(0.1)
Other payables and accrued expenses	(0.1)	(0.0)	(0.0)	(0.3)	0.0	0.0	0.1
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Sensitivity Analysis to Changes in NIS interest rate

	Profit or (loss) from change in Euro millions			Fair Value In Euro millions	Profit or (loss) from change in Euro millions		
	Increase in interest rate				Decrease in interest rate		
	<u>100%</u>	<u>10%</u>	<u>5%</u>		<u>-5%</u>	<u>-10%</u>	<u>-100%</u>
<u>Derivatives that are not designated as hedging instruments</u>							
USD/NIS Derivatives	0.0	0.0	0.0	(0.4)	(0.0)	(0.0)	(0.0)
<u>Other financial instruments</u>							
Other financial assets	(0.4)	(0.0)	(0.0)	2.4	0.0	0.0	0.5
interest bearing loans and borrowings (Not including current maturities)	0.0	0.0	0.0	(0.1)	(0.0)	(0.0)	(0.0)
Non-current interest bearing loans and borrowings (Including current maturities)	0.0	0.0	0.0	(0.0)	(0.0)	(0.0)	(0.0)
Non-convertible debentures linked to the Israeli CPI (Including current maturities)	53.5	7.9	4.0	(220.3)	(4.3)	(8.8)	(167.0)
Total	53.1	7.9	4.0	(218.4)	(4.3)	(8.8)	(166.5)

Sensitivity Analysis to Changes in EURO interest rate

	Profit or (loss) from change in Euro millions			Fair Value In Euro millions	Profit or (loss) from change in Euro millions		
	Increase in interest rate				Decrease in interest rate		
	100%	10%	5%		-5%	-10%	-100%
	Financial instruments that are not designated as hedging instruments						
EUR/RUB Derivatives	(0.0)	(0.0)	(0.0)	0.6	0.0	0.0	0.0
EUR/USD Derivatives	(0.0)	0.0	0.0	(0.3)	0.0	0.0	0.0
Other financial Instruments							
loans and receivables (Including Current maturities)	(105.0)	(10.5)	(5.2)	108.3	5.2	10.5	105.0
Banking customer accounts	108.0	10.8	5.4	(108.0)	(5.4)	(10.8)	(108.0)
Current Interest bearing loans and borrowings (not including current maturities)	3.9	0.4	0.2	(12.9)	(0.2)	(0.4)	(3.9)
Non-Current interest bearing loans and borrowings (Including current maturities)	0.0	0.0	0.0	(0.8)	(0.0)	(0.0)	(0.0)
Total	6.9	0.7	0.4	(13.1)	(0.4)	(0.7)	(6.9)

Sensitivity Analysis to Changes in US Dollar interest rate

	Profit or (loss) from change in Euro millions			Fair Value In Euro millions	Profit or (loss) from change in Euro millions		
	Increase in interest rate				Decrease in interest rate		
	100%	10%	5%		-5%	-10%	-100%
	Financial instruments that are not designated as hedging instruments						
USD/NIS Derivatives	0.0	0.0	0.0	(0.4)	(0.0)	(0.0)	(0.0)
EUR/USD Derivatives	(0.0)	0.0	0.0	(0.3)	0.0	0.0	0.0
Other financial instruments							
Warrants and Options	(0.0)	(0.0)	(0.0)	(0.4)	0.0	0.0	0.1
Non-Current interest bearing loans and borrowings (Including current maturities)	3.4	0.4	0.2	(18.2)	(0.2)	(0.4)	(5.0)
Total	3.4	0.4	0.2	(19.3)	(0.2)	(0.4)	(5.0)

Sensitivity Analysis to Changes in RMB interest rate

	<u>Profit or (loss) from change in Euro millions</u>			<u>Fair Value In Euro millions</u>	<u>Profit or (loss) from change in Euro millions</u>		
	<u>Increase in interest rate</u>				<u>Decrease in interest rate</u>		
	<u>100%</u>	<u>10%</u>	<u>5%</u>		<u>= 5%</u>	<u>-10%</u>	<u>-100%</u>
	<u>Other financial instruments</u>						
Long term loans and receivables (including current maturities)	(16.5)	(2.0)	(1.0)	86.6	1.0	2.0	25.6
Current Interest bearing loans and borrowings (not including current maturities)	(0.1)	(0.0)	(0.0)	(5.6)	0.0	0.0	0.1
Non-current interest bearing loans and borrowings (Including current maturities)	3.1	0.3	0.2	(133.7)	(0.2)	(0.3)	(3.4)
Total	(13.5)	(1.7)	(0.8)	(52.7)	0.8	1.7	22.3

Sensitivity Analysis to Changes in Russian RUB interest rate

	<u>Profit or (loss) from change in Euro millions</u>			<u>Fair Value In Euro millions</u>	<u>Profit or (loss) from change in Euro millions</u>		
	<u>Increase in interest rate</u>				<u>Decrease in interest rate</u>		
	<u>100%</u>	<u>10%</u>	<u>5%</u>		<u>-5%</u>	<u>-10%</u>	<u>-100%</u>
	<u>Financial instruments that are not designated as hedging instruments</u>						
EUR/RUB Derivatives	0.1	0.0	0.0	0.6	(0.0)	(0.0)	(0.1)

Sensitivity Analysis to Changes in Stock Prices

	<u>Profit or (loss) from change in Euro millions</u>			<u>Fair Value In Euro millions</u>	<u>Profit or (loss) from change in Euro millions</u>		
	<u>Increase in stock prices</u>				<u>Decrease in stock prices</u>		
	<u>30%</u>	<u>10%</u>	<u>5%</u>		<u>-5%</u>	<u>-10%</u>	<u>-30%</u>
	<u>Other financial instruments</u>						
Short term investments	0.2	0.1	0.0	0.5	(0.0)	(0.1)	(0.2)
Warrants and Options	(1.1)	(0.3)	(0.1)	(1.4)	0.2	0.3	0.6
Total	(0.9)	(0.2)	(0.1)	(0.9)	0.2	0.2	0.4

Sensitivity Analysis to Changes in Stock Prices Volatility

	<u>Profit or (loss) from change in Euro millions</u>			<u>Fair Value In Euro millions</u>	<u>Profit or (loss) from change in Euro millions</u>		
	<u>Increase in stock prices volatility</u>				<u>Decrease in stock prices volatility</u>		
	<u>30%</u>	<u>10%</u>	<u>5%</u>		<u>-5%</u>	<u>-10%</u>	<u>-30%</u>
	<u>Other financial instruments</u>						
Warrants and Options	(0.4)	(0.1)	(0.1)	(0.4)	0.1	0.1	0.3
Total	(0.4)	(0.1)	(0.1)	(0.4)	0.1	0.1	0.3

Sensitivity Analysis to Changes in CPI

	<u>Profit or (loss) from change in Euro millions</u>		<u>Fair Value In Euro millions</u>	<u>Profit or (loss) from change in Euro millions</u>	
	<u>Increase in CPI</u>			<u>Decrease in CPI</u>	
	<u>2%</u>	<u>1%</u>		<u>-1%</u>	<u>-2%</u>
	<u>Other financial instruments</u>				
Long term loans and receivables (including current maturities)	0.0	0.0	0.1	(0.0)	(0.0)
Non-convertible debentures (Including current maturities)	(4.4)	(2.2)	(220.3)	2.2	4.4
Total	(4.4)	(2.2)	(220.2)	2.2	4.4

The fair value of the financial instruments was determined as follows:

1. The fair value of each account balance includes the total fair value of all the financial instruments which are materially sensitive to the relevant market factor.
2. The fair value of traded financial instruments was determined based on the securities quote as of December 31, 2014.
3. The loans' fair value was estimated based on the future cash flow discounted by an annual interest rate equal to the interest rate at which the company received or could receive for a similar period, as of the balance sheet date.
4. The fair value of the long term loans includes their current maturities.
5. The sensitivity analysis of long-term loans that bear a variable interest was calculated only on the interest's permanent component.
6. The fair value sensitivity analysis of loans with no payoff date was based on the company's payoff forecast; given no forecast the fair value was determined based on its book value as of December 31, 2014.
7. Loans from banks in the amount of approximately 1 million Euro were not taken into account due to the fact that they were paid off about two weeks after the valuation date.
8. The balances of cash and cash equivalents, short-term investments, accounts receivables, short-term borrowing, trade payables and accounts payable are presented based on their carrying amounts.
9. The sensitivity analysis for the Israeli customer price index was made using a 1%-2% range, based on company's assessments of possible fluctuation in this index.
10. The sensitivity to fluctuations in the interest rates was assessed assuming an extreme scenario of 100% for all interest rate, according to company's assessments.

2.5 Linkage balance

For information regarding linkage balance sheets of the Company, see Note 38 to the financial statements.

2.6 Senior Officers and Stakeholders Remuneration Policy

Following are details of the examination of the Company's management regarding the remuneration given during the reporting period to the senior officers and to the stakeholders in the Company referred to in regulation 21 in Chapter IV of the Periodic Report: "Additional information on the corporation".

Senior officers in the group, listed in regulation 21 (a): The five senior officers with the highest remuneration, set forth in Section D to the report, in accordance with Regulation 21 (a) are the CEO and senior officers in material subsidiaries. The Board stated that in order to be able to examine the remuneration of these officers, the following criteria need to be taken into account:

(A) The Board will take into account the statement of the direct superior of these officers (i.e. the Board, the Management Board or shareholders, depending on matter).

(B) The Remuneration of these senior officers will include these three components - a fixed remuneration, a short-term variable remuneration and a long-term variable remuneration, as is customary in the Company and Kardan NV group, and will be determined in line with the senior remuneration policy as adopted by the Board of Directors in February 2015.

(C) The Board will get the data that was presented to the relevant body (see A) provided that these data are similar in nature to the data presented to it when evaluating the benefit to members of the senior officers of the Company.

(D) The Board has reckoned with Company management decision.

The Board was presented, in advance, all the relevant data for each of the senior officers listed below, according to the criteria set by it.

Mr. Shouky Oren – CEO of the Company.
Mr. Saar Bracha – CEO of Tahal Group International.
Mr. Alon Shlank – Chairman of KLC and President of KWIG.
Mr. Erez Applerot - CEO of KLC.
Mr. Ariel Hasson – CEO of TBIF.

Data on employment agreements, their roles, and contributions to the Group for each of the senior officers in the Group were presented to the Board. In addition, data regarding the benefits of parallel officers in other companies were presented. Moreover, the Board's attention was directed to the level of share-based payment, which was a major factor in the remuneration of these senior officers in 2013. In this context, the Board took into account the Kardan Group's policy regarding the granting of such Remuneration.

Based on the information presented, the Board examined the remuneration granted to these senior officers, and is of the opinion that the Remuneration of these officers is reasonable, fair and consistent with the contribution of these senior officers to the subsidiary which they are serving.

Remuneration of the senior officers, members of the Management of the Company:

These officers are: Shouky Oren, Einat Oz – Gabber and Guy Elias, detailed in Regulation 21 (b).

During the preparation to confirm the Company's financial statements as of December 31, 2014, the Board examined again the Compensation for 2014 and approved, based on the recommendation of the Remuneration Committee, in accordance with criteria determined by it, that such compensation is reasonable, fair and consistent with the contribution of each member of the Management Kardan NV's activity and to its success. The Board of the Company assesses that the total remuneration of the directors as specified in regulation 21 of Chapter IV of the Periodic Report (Additional information on the corporation), reflects the contribution of these officers to the Company and that it is fair and reasonable.

Remuneration to the stakeholders, listed in regulation 21 (c):

Regarding Management members - see above.

Regarding the non-executive Board members: Mr. Peter Sheldon, Mr. Albert May, Mr. Max Groen, Mr. Avner Schnur, Mr. Joseph Greenfeld, Mr. Eitan Rechter, Mr. Elly Seinstra and Mr. Cor van des Bos, the Board stated that the wage paid to them is reasonable and fair considering the standard wage for Board members and that it is in relation to their contribution to the Company and their responsibility in connection with such role. This wage was confirmed by the general meeting of shareholders of the Company on May 31, 2012, and is for the period as of Jan 1, 2014 to December 31, 2014.

2.7 Directors with accounting and financial expertise

Kardan N.V. is a corporation incorporated in the Netherlands and consequently the 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.

The Company has a one-tier Board. The Board, as is customary in Israel, comprises one executive Board Member, the CEO of the Company, and other non-executive Board Members, including the Chairman of the Board. In addition to the Board, the Company also established an Executive Management team.

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

The directors with accounting and finance expertise currently serving on the Board are:

Peter Sheldon - Chairman of the Board, CPA, was a partner in an accounting firm in England.

Cor van den Bos - Chairman of the Audit Committee, former Executive Board member of Aegon Nederland, Athlon Groep and SNS Reaal, holds university degrees in Economics and in Accounting and Business Administration, and serves as a consultant and director of various companies.

Max Groen - Member of the Audit Committee, has a university degree in economics and accounting and was a partner in the audit firm KPMG in the Netherlands until 2005.

Shouky Oren - CEO of the Company, a graduate of Economics and Business Administration studies, former Accountant General of the State of Israel and former CEO of Bank Leumi Switzerland.

Albert May - Chairman of the Remuneration Appointment and Selection committee, holds a university degree in Applied economics, and served as director of international banks

Eytan Rechter - Serves as CEO and director of Kardan Yazamut Ltd. Group and holds a university degree in Psychology and Economics.

Members of management with accounting and finance experience who are members of the Executive Management are:

Einat Oz-Gabber - CFO of the Company, holds a university degree in Economics and Accounting. She worked as an auditor at the offices of the firm of accountants of Liuboshitz, Kasirer & Co, and Deloitte Touche Amsterdam. Since 2005, she has served as a member of the Management of Kardan NV and other companies in the Group as well.

Shouky Oren - CEO of the Company, see above.

2.8 Critical accounting estimations

Kardan NV's financial reports are drawn up on the basis of the International Financial Reporting Standards (IFRS). The main principles of the accounting policy are specified in notes 2-4 to the financial reports for the year 2014. Applying the rules of accounting by the management during the compilation of the financial reports often involves the inclusion of various assumptions, forecasts and estimates that affect the reported amounts of the assets and liabilities as well as the results of the transactions reported in the financial reports. It may be that the manner in which these assumptions and estimates are performed in the future may change from the way in which they are estimated at the time the financial reports were compiled. Some of the assumptions, estimates and forecasts are critical to the financial position or the results of the operations reflected in Kardan NV's financial reports, due to the nature of the subject, the components of the estimates or the extent of planning for the implementation of the items subjected to a degree of uncertainty.

The following is a breakdown of the accounting estimates which in the opinion of Kardan NV's management are critical in relation to the financial reports (For more information with respect to accounting estimates, see Note 3 to the financial reports of 2014):

1. Investment properties

"Investment property" includes investment property under construction and completed investment property. Completed investment property comprises real estate (land or building) held by the Company or leased under a finance lease in order to generate rental income or for capital appreciation, or both, rather than for use in the production or supply of goods or services or for administrative purposes or for use in the ordinary course of business.

Investment properties are presented at fair value as at the balance sheet date, any changes in the fair value are included in the income statement. The fair value is usually determined by independent real estate valuation experts in accordance with recognized valuation techniques which include estimating techniques of future cash flows from assets and estimation of discount rates applicable to those assets. In some cases, the fair values are determined based on recent real estate transactions with similar characteristics and location to those of the company's assets.

Fair value of investment properties is based on external valuation. If any, external valuation expert, estimates and assumptions do not take into account estimation uncertainty, if any, about key assumptions concerning the future, as property valuations are based on market conditions in effect as at balance sheet date.

If values cannot be reliably determined, the Cost model is used in evaluating investment property under construction until such time as that it will be possible to provide a reliable estimate. The fair value of investment properties under construction is determined using either the Income Approach (which includes the Discounted Cash Flow (DCF) method) or the Residual Method. Accepted valuation methods of investment property under construction embody significant risks that are relevant to projects under construction, such as construction risks and rent risks. See additional information in Note 3 to the financial statement.

For detailed disclosure regarding investment property and its fair value, reference is made to the Real Estate Asia sections in the Periodic Report.

2. Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Management to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable risk-adjusted discount rate in order to calculate the present values of those cash flows. Generally, the Group uses the Weighted Average Cost of Capital (WACC) of the applicable cash-generating units. For more information, see Note 3 of the financial report. For Sensitivity analysis, see Note Intangible assets and goodwill to the financial statements of 2014.

3. Contract work and building inventory in progress

Inventories are stated at the lower of Cost and Net Realisable Value. The cost of inventories includes direct construction costs, identified indirect costs and capitalized costs. Net Realisable Value is assessed with reference to market conditions and prices existing at the reporting date and is determined by the Group having taken suitable external advice and in the light of recent market transactions. In connection with residential units under construction which classify as inventory, impairment is tested by comparing the estimated selling price per unit and the expected cost per unit on completion.

Contract work in progress in those cases where an expected loss is expected, shall be recognised in the income statement as expected loss to all work performed to complete.

The company classifies building inventory for sale as current or non-current depending on the company's operating cycle. When inventory meets the criteria of the normal operating cycle (turnover cycle) of the group, it is, classified as current in the financial statements.

The company classifies building inventory for sale as current or non-current depending on the company's operating cycle. If the operating cycle (turnover cycle) is higher than the group standard operating cycle it is classified as non-current in the financial statements.

Revenues to be received from contracts of work in progress are calculated separately for each contract execution and are presented in the balance sheet as the total of the accumulated amounts plus the total costs and recognized profits less recognized losses and total advanced payments received. If the amount is positive, it is presented in the balance sheet as an asset, if the net amount is negative it is presented as a liability in respect of works contracts for implementation.

2.9 Internal Audit at Kardan NV

Kardan NV is incorporated pursuant to the laws of the Netherlands and is not subject to the Israeli Companies Law. Therefore, the duty to appoint an internal auditor by virtue of the Companies Law 1999 does not apply to it. However, in accordance of Dutch corporate governance code, being applicable to Companies incorporated under Dutch law and trading on a stock exchange recognized in the Netherlands or abroad, various recommendations pertaining to optimal Management of corporations do apply. The statutory duty pursuant to the Dutch corporate governance code is of an "comply or explain" nature, i.e. trading companies can adopt the provisions in the code or some of them or may deviate from them giving an explanation as to why they chose not to comply or to deviate from the code provisions. With respect to the internal auditor, the code has a recommendation to appoint such a body and Kardan NV chose to adopt the code's recommendation in this respect and appointed an internal auditor.

Within the framework of adopting the Dutch corporate governance code in this respect Kardan NV further determined that the internal auditor's activity would be under the Kardan NV Management's responsibility and that this would assist Management in examining the risk Management structure and the control system within the Kardan NV.

Likewise, the external auditor and the Audit Committee are involved in determining the internal auditor's tasks and they will be informed on it findings.

The Internal Auditor's Details:

1. Auditor's Name: CPA Yossi Ginosar.
2. Appointment Date: April 2006.
3. The Internal Auditor (including but not limited to the external entity on behalf of whom it operates) does not hold the audited corporate securities or securities of a body affiliated with it.
4. The Internal Auditor (including but not limited to the external entity on behalf of whom it operates) will not have material business ties or other material ties with the audited corporation or with a body affiliated with it.
5. The Internal Auditor (including but not limited to the external entity on behalf of whom it operates) does not fulfil a role in the corporation other than its role as Internal Auditor.

6. To the best knowledge of the Company, the Internal Auditor meets the conditions set forth in Section 146 (b) of Companies Law 1999 – and Section 8 of the Internal Audit Law 1992.

Method of Appointment:

1. The Auditor was appointed to his role on 16.4.06. The Internal Auditor was interviewed by Kardan NV's Management and it found him to be suited for the role due to his many years of experience in similar roles in large and stock listed companies and corporations. Additionally, in light of the corporation's multinational activities, the Management viewed it as an advantage to have an Internal Auditor who has been a manager in internal control at Fahn Kane control Management firm Grant Thornton Israel, the company in the international accountants network, Grant Thornton International, which due to its international network allows it to perform an internal audit of the Kardan NV's international subsidiary companies.
2. The duties powers and roles imposed upon the Auditor are as follows: managing the internal audit with respect to the corporation and affiliated bodies thereto, and -, reporting to the Kardan NV Management and Audit Committee in respect of the audit findings that arose during its review. Its powers are to review anything within the framework of the issues defined in its work plan. The Auditor has unlimited access to the Kardan NV records and assets. The audit issues are determined pursuant to the Auditor's recommendations and Kardan NV's Management resolution, after consulting with the Audit Committee and External Auditor recommended by the Auditor.

The Organizational Body In Charge of the Internal Auditor in the Corporation:

Kardan NV's Chief Executive Officer.

The Work Plan:

The Auditor's work plan is multi-year (4-5 years) determined by an independent issues review that was executed in 2011 by the Auditor for planning the internal audit activity in the following years. The annual audit issues and its recommendations are determined based on the various issue ratings in risks surveys and importance thereof while considering the Auditor and Corporation Management's recommendations. Kardan NV's Management decides on the Auditor's work plan upon cooperating with and involving the Audit Committee and the External Auditor.

It is noted that despite determining the work plan, as stated above, by the Internal Auditor, there is discretion to deviate from the original plan, subject to the Management's approval.

Auditing Subsidiaries Abroad:

In accordance with Kardan NV's Management's decision and the Audit Committee, the Internal Auditor is responsible for the Company's internal audit.

Scope of Employment:

The Internal Auditor and/or entities acting on its behalf scope of employment amounted during the course of the 2014 fiscal year as detailed in the table:

Corporation	Area of activity	Hours
Kardan N.V	Abroad	250
Tahal Group International (TGI)	Israel	100
Total		350

In the Auditor and Kardan NV Management's assessment, this scope of hours will allow implementing the material components in the multi-year audit plan determined as stated above.

Executing the Audit - Professional Standards:

The auditing standards pursuant to which the Auditor acts, are the common practice and

international internal audit standards published from time to time by the American Audit Office IIA. Kardan NV's former Management Board received the Internal Auditor's statement that it satisfied the foregoing professional standards.

Access to Information:

The Internal Auditor's access to materials and documents relevant to its activities was not restricted. The Corporation's Management instructed the employees to allow the Internal Auditor to have access to all assets or documents.

During the audit procedures carried out by the Internal Auditor abroad, he was given unlimited access to all assets or documents.

The Internal Auditor's Report:

Every audit project is summarized in a written report in which the Auditor details the audit findings, defects that it found, recommendations to remedy the defects and the audit entities responses.

As a rule, about a year after completing the audit of the various issues, the Auditor executes an examination of the remedied defects and implementation of the auditing entities recommendations, and this in respect of all the material findings found in the past, subject to its professional discretion and upon consulting with the Corporation's Management.

In 2014, the Internal Auditor's procedures focused on the following issues:

- The sale of the remaining stakes regarding GTC SA
- The fees structure relating to Bug company

During Q1 2015 the relating reports were presented to the Audit Committee and the management of the Company.

The Board's Assessment of the Internal Auditor's Activities:

In the opinion of the Management, the Internal Auditor's activities are reasonable under the circumstances and implement the corporation's internal audit objectives.

Remuneration:

The Internal Auditor's remuneration is by payment of a fee in accordance with the hours budget that was determined with him to review the various audit issues, subject to an agreed upon hourly rate, for the purpose of reviewing the various issues in its work plan.

The Internal Auditor's fee in the 2014 fiscal year amounted to approximately EUR 11 thousands.

It is noted that the Auditor is not remunerated by receiving corporate or another body's securities affiliated thereto.

2.10 Donations policy

Kardan NV is a Dutch company and consequently it does not contribute to the State of Israel.

2.11 Classification of minor transactions

For more information about the classification of minor transactions refer to section 10 (c) to part D to the Consolidated Financial Statements.

2.12 Internal Enforcement Plan

During 2012, the Company has begun the establishment of the Internal Enforcement Plan (IEP). The Board has approved the majority part of the IEP and its appendices and re-approved certain related

procedures (already existing) in connection with the IEP: Insider Trading Information, Code of Conduct and Whistleblower procedures.

In 2013, the Board approved the procedure of implementation of IEP and various policies and procedures. In addition the Board decided to delegate the responsibility for monitoring the IEP to the Audit Committee, appointed the legal consul to oversee the implementation of the IEP and approved actions such as training and online tutorials for selected policies and procedures.

The Company focuses on developing appropriate and affordable tools for the required training to relevant employees of the Company. It is noted that despite the above action, most of the IEP components have been already applied. For example, periodic reminders regarding the prohibition of insider trading information, Whistleblower policy and Code of Conduct are already implemented in practice. Each year updates and related refreshments are being sent; also related relevant data to Kardan N.V by subsidiaries, as well as the reporting of Kardan N.V itself in accordance with securities laws in the Netherlands and Israel are satisfactory so far.

2.13 Financial Statement Approval Procedure

Kardan N.V.'s Board decided that the members of the Audit Committee (4 non-executive independent directors), also serve as the 'Financial Statements Review Committee'. In addition, the Company's CEO and CFO will participate in those meetings on a regular basis. The external auditor (EY) of Kardan N.V., as well as other financial functionaries at the Company, are invited and participate in the Company Financial Statement Review Committee sessions as well as in the Board meetings in which financial statements are discussed.

The Board Members in the Financial Statement Review Committee who, given their education and business experience (for their detailed biographies see www.kardan.nl), are capable of reading and understanding the financial statements, are:

Cor van den Bos - Chairman of the Audit Committee, former Executive Board member of Aegon Nederland, Athlon Groep and SNS Reaal, holds university degrees in Economics and in Accounting and Business Administration and serves as a consultant and director of various companies. Cor van den Bos has management and financial experience through his positions in various Insurance corporations.

Peter Sheldon – Chairman of the Board, Member of the Audit committee and the Remuneration, Appointment and Selection committee. Peter Sheldon is a CPA and was a partner in an accounting firm in England. Peter Sheldon has management and financial experience through the various positions he held as a member of senior management in Retail and High Tech companies.

Albert May – Chairman of the Remuneration, Appointment and Selection committee and serves as a member of the Audit committee. Albert May holds a university degree in Applied economics and has management and financial experience through serving as a director of international banks.

Max Groen – Member of the Audit Committee. Max Groen has financial and accounting expertise and holds a university degree in Economics and Accounting. Until 2005, Max Groen served as partner in the audit firm KPMG in the Netherlands.

The approval of the 2014 financial statements included, inter-alia, the following sessions:

The first one, a meeting of the Audit Committee (and of the Financial Statement Review Committee) included a comprehensive principle discussion on the material accounting and auditing issues and a preliminary discussion in order to form its recommendations to the Board in relation to the approval of the 2014 financial statements. All committee members attended this meeting of March 18, 2015, including the external auditors, the CEO and the CFO of the Company, the Controller and General Counsel of the Company as well as other relevant position holders at the Company. The committee examined, by means of a detailed presentation by the various financial bodies of the Company and by means of the external auditors' presentation, the Q4 + 2014 operational result as well as the material issues in the Financial Statements, critical estimations and assumptions that were implemented, reasonableness of transactions that are not in the ordinary course of business, modification requirement at the accounting policy, proper disclosure and the valuations including the underlying assumptions. In addition, the meeting included a comprehensive discussion on the Company's financial position,

considering the Company's results and liquidity analysis in light of the expected maturities of the debentures.

The recommendations of the Financial Statement Review Committee were provided to the Board after the aforesaid meeting on March 18, 2015. The date is consistent with the Board requirement. On March 24, 2015 the Board discussed the recommendation of the 'Financial Statement Review Committee' with respect to the approval of the Financial Statements as of December 31, 2014. The Board members, Executive Management, the Company's Controller and General Counsel and various other relevant position holders at the Company attended the meeting. During the meeting the Financial Statements were presented to the Board, as well as a comprehensive review of the issues discussed at the prior meeting of the Financial Statement Review Committee.

In a teleconference call that the Board had on March 25, 2015, the Board approved the financial statements and their publication on March 26, 2015, in the presence of the Auditor and the management of the Company.

2.14 Audit Fees

Accountant's fees of Kardan NV and its material subsidiaries, which including audit services, audit-related services and tax services for the years 2014 and 2013 was as follows:

2014									
Company name	Accountancy firm		Audit and other related services (EUR thousands)	Number of hours spent		Tax services (EUR thousands)	Number of hours spent	Other services (EUR thousands)	Number of hours spent
KFS Group	Ernst & Young Other firms		218 -	3.196 -		- 39	- 157	- 54	- 1526
Kardan N.V.	Ernst & Young		453	4.126		20	185	25	203
GTC Group	Ernst & Young		363	7.262		18	143	-	-
Tahal	Ernst & Young		195	4.258		21	303	50	725

Year 2013									
Company name	Accountancy firm		Audit and other related services (*) (EUR mln)	Number of hours spent		Tax services (**) (EUR mln)	Number of hours spent	Other services (EUR mln)	Number of hours spent
KFS Group	Ernst & Young BDO		0.209 0.064	3,533 904		0.023	136	0.002	32
Kardan N.V.	Ernst & Young		0.492	4,726		0.025	186	-	-
GTC Group (*)	Ernst & Young		0.368	7,490		0.014	50	-	-
Tahal	Ernst & Young Other		0.165 0.036	3,872 919		0.032 0.01	195 270	- 0.01	- 340

Chapter E - Annual Report on Effectiveness of Internal Control over Financial Reporting and Disclosure

- Annual report on effectiveness of internal control over financial reporting and disclosure, pursuant to Regulation 9b(a) of Securities Law Regulations (Periodic and Immediate Reports), 1970 ("the regulations")
- Certification by CEO pursuant to Regulation 9b(d)(1) of the regulations
- Certification by CFO pursuant to Regulation 9b(d)(2) of the regulations

**Annual report on effectiveness of internal control over financial reporting and disclosure,
pursuant to Regulation 9b(a) of the regulations:**

The Management, supervised by the Board of Kardan NV ("the corporation") is responsible to set and maintain proper internal control over financial reporting and disclosure by the corporation.

For this matter, Management consists of:

1. S. Oren, member of the Board (CEO).
2. E. Oz-Gabber, member of Management Board (CFO).

Internal control over financial reporting and disclosure consists of existing controls and procedures at the corporation, designed by the general manager and most senior financial officer, or under their supervision, or by those acting in said capacities, under supervision of the corporation's Board, which are designed to provide reasonable certainty with respect to reliability of financial reporting and preparation of reports pursuant to statutory provisions, and to ensure that information which the corporation 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 corporation is required to disclose, is collected and submitted to corporate management, including to the general manager and to the most senior financial officer, or to those acting in said capacities, so as to enable decisions to be made at the appropriate time with regard to the required disclosure.

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

The Management, supervised by the Board, shall review and assess the internal control over financial reporting and disclosure at the corporation and the effectiveness thereof, the effectiveness of the internal control over financial reporting and the disclosure made by the Management Board, supervised by the Supervisory Board included: (1) Entity-level controls, including control over the editing and closing process of the financial reporting and general information systems controls (2) controls over investment properties valuation (3) controls over interest-bearing loans and debentures (4) controls over contract revenues process (5) controls over contract costs process (6) investments accounted for using the equity method (7) loans to bank customers (8) Bank customers accounts.

Based on this assessment, the Board and the Management of the corporation have reached the conclusion that internal control over financial reporting and disclosure at the corporation as of December 31, 2014, the date of these financial statements, is effective.

Certification by CEO pursuant to Regulation 9b(d)(1) of the regulations:

I, S. Oren, certify that:

1. I have reviewed the periodic report of Kardan NV ("the corporation") for 2014 ("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. Have assessed the effectiveness of internal control over financial reporting and disclosure, and have presented in this report the conclusions drawn by the Board and Management Board with regard to effectiveness of said internal control as of the report date.

The foregoing shall not detract from my statutory responsibility, or that of any other person.

March 25, 2015

S. Oren - CEO

Certification by CFO pursuant to Regulation 9b(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 2014 ("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. Have assessed the effectiveness of internal control over financial reporting and disclosure, as it relates to the financial statements and other financial information included in the reports on the periodic report: the conclusions of my assessment were presented to the Board and the Management and integrated in this report

The foregoing shall not detract from my statutory responsibility, or that of any other person.

March 25, 2015

E.Oz-Gabber, CFO

Declaration

In accordance with Article 5:25d of the Financial Supervision Act (Wet op het financieel toezicht) the Board declares, to the best of its knowledge, that:

(i) The condensed consolidated semi-annual financial statements as at December 31, 2014 and for the full year ended December 31, 2014, give a true and fair view of the assets, liabilities, financial position and the result of Kardan N.V. and of the group companies included in the consolidation;

(ii) The semi-annual directors' report gives a fair view of the information required pursuant to Article 5:25d sub 8 and 9 of the Financial Supervision Act

March 25, 2015

P. Sheldon (Chairman of the Board)

S. Oren (CEO)

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.