KARDAN N.V.
AMSTERDAM, THE NETHERLANDS

Condensed Interim Consolidated Financial Statements
As of March 31, 2015

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CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

A s s e t s

	March 31, 2015	March 31, 2014	December 31, 2014
		In €'000	
Non-current assets			
Tangible fixed assets	21,952	54,882	60,862
Investment property	206,908	127,176	181,072
Investment in associates	8,553	6,438	7,378
Investment in joint ventures	96,205	128,724	84,445
Other financial assets	1,109	-	521
Loans to bank customers	60,071	49,125	63,763
Long-term loans and receivables	16,251	94,704	104,521
Intangible assets and goodwill, net	6,149	22,122	17,640
Deferred income tax assets	2,303	3,030	2,898
	419,501	486,201	523,100
Current assets			
Inventories, contract work and buildings inventory in progress	125,396	112,820	112,745
Current maturities of long-term loans and receivables	17,233	27,931	18,708
Loans to bank customers	58,538	48,667	54,596
Trade receivables	64,939	61,798	62,001
Income tax receivables	1,140	283	1,071
Other receivables and prepayments	45,819	55,021	53,449
Short-term investments	7,761	8,071	7,250
Cash and cash equivalents	245,206	78,034	148,545
	566,032	392,625	458,365
Assets held for sale	31,139	7,806	32,144
Total current assets	597,171	400,431	490,509
Total assets	1,016,672	886,632	1,013,609

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

Equity and liabilities

	March 31, 2015	March 31, 2014	December 31, 2014
		In €'000	
Equity attributable to equity holders of the parent			
Issued and paid-in capital	23,041	23,041	23,041
Share premium	208,002	208,002	208,002
Foreign currency translation reserve	41,593	(6,653)	23,943
Property revaluation reserve	21,510	35,025	21,033
Revaluation reserve, other	8,677	11,950	10,765
Non-controlling interest holders transactions reserve	15,078	15,968	15,178
Treasury shares	(2,625)	(2,625)	(2,625)
Accumulated deficit	(215,066)	(222,990)	(206,939)
	100,210	61,718	92,398
Non-controlling interests	3,954	3,898	5,362
Total equity	104,164	65,616	97,760
Non-current liabilities			
Interest-bearing loans and borrowings	74,787	78,094	84,131
Banking customers accounts	265	128	230
Other long-term liabilities	2,582	5,756	3,111
Options	471	1,352	1,442
Debentures	181,699	242,493	250,047
Deferred income tax liabilities	10,765	12,773	20,062
Accrued severance pay, net	1,544	1,217	1,502
	272,113	341,813	360,525
Current liabilities			
Advances from customers in respect of contracts	66,882	38,563	56,454
Banking customers accounts	218,348	139,090	189,239
Trade payables	17,622	22,082	21,666
Current maturities of debentures	175,612	84,546	83,802
Interest-bearing loans and borrowings	73,222	79,359	89,719
Income tax payables	9,315	1,341	8,952
Advances from apartment buyers	955	1,474	164
Derivatives	13	179	49
Other payables and accrued expenses	78,426	112,318	87,340
	640,395	478,952	537,385
Liabilities associated with assets held for sale	-	251	17,939
Total current liabilities	640,395	479,203	555,324
Total liabilities	912,508	821,016	915,849
Total equity and liabilities	1,016,672	886,632	1,013,609

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

CONDENSED INTERIM CONSOLIDATED INCOME STATEMENT

	For the three months ended March 31,		For the year ended December 31,
	2015	2014	2014
	In €'000		
Contract revenues	37,761	35,007	142,795
Retail lending activities	8,603	8,555	33,295
Sale of apartments	527	5,347	46,866
Management fee and other revenues	1,616	1,658	7,425
Total revenues	48,507	50,567	230,381
Contract costs	32,333	29,497	118,426
Costs of retail lending activities	6,429	5,800	25,578
Cost of sale of apartments	472	4,439	44,217
Other expenses, net	947	1,417	6,108
Total expenses	40,181	41,153	194,329
Gross margin	8,326	9,414	36,052
Selling and marketing expenses	1,766	1,590	8,191
General and administration expenses	6,489	4,483	21,260
Profit from operations before fair value adjustments, disposal of assets and investment and other income	71	3,341	6,601
Adjustment to fair value of investment properties	636	989	8,859
Gain on disposal of assets and other income, net	130	156	17,798
Profit from fair value adjustments, disposal of assets and investments and other income	766	1,145	26,657
Profit (loss) from operations	837	4,486	33,258
Financial income	22,393	6,697	2,048
Financial expenses	(50,053)	(8,126)	(21,363)
Total financial expenses, net	(27,660)	(1,429)	(19,315)
Profit (loss) before share of profit (loss) from investments accounted for using the equity method	(26,823)	3,057	13,943
Share of profit (loss) of investments accounted for using the equity method, net	436	461	6,712
Profit before income taxes	(26,387)	3,518	20,655
Income tax expenses	1,044	1,493	13,002
Profit (loss) for the year from continuing operations	(27,431)	2,025	7,653
Net profit (loss)from discontinued operations	19,988	982	(2,591)
Net profit (loss) for the period	(7,443)	3,007	5,062
Attributable to:			
Equity holders	(7,650)	3,032	5,091
Non-controlling interest holders	207	(25)	(29)
	(7,443)	3,007	5,062
Earnings (loss) per share attributable to shareholders			
Basic from continuing operations	(0.25)	0.02	0.07
Basic from discontinued operations	0.18	0.01	(0.02)
	(0.07)	0.03	0.05
Diluted from continuing operations	(0.25)	0.02	0.07
Diluted from discontinued operations	0.18	0.01	(0.02)
	(0.07)	0.03	0.05

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CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the three months ended March 31,		For the year ended December 31,
	2015	2014	2014
	In €'000		
Net profit (loss) for the period	(7,443)	3,007	5,062
Foreign currency translation differences (1)	17,755	(2,135)	28,638
Change in hedge reserve, net of tax (2)	(2,114)	(363)	(1,676)
Other comprehensive income (expense) for the period to be reclassified to profit or loss in subsequent periods (3)	15,641	(2,498)	26,962
Total comprehensive expenses	8,198	509	32,024
Attributable to:			
Equity holders	7,886	696	32,038
Non controlling interests holders	312	(187)	(14)
	8,198	509	32,024

(1) In Q1 2015 including an amount of €13,287 thousand related to reclassification of translation funds due to the sale of KWIG (see also Note 9B).

(2) Including reclassification of unwinding of hedges reserve of €2,114 thousand for the three months ended March 31, 2015, €363 thousand for the three months period ended March 31, 2014 and €1,676 thousand for the year ended December 31, 2014.
The amounts presented are net of tax amounting to €111 thousand for the three months ended March 31, 2015, €105 thousand for the three months ended March 31, 2014 and €438 thousand for the year ended December 31, 2014.

(3) Including impact resulted from associates and joint ventures of €15,687 thousand and €(727) thousand for the three months ended March 31, 2015 and March 31, 2014 respectively, and €(2,500) thousand for the year 2014.

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

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent										
	Issued and paid-in capital	Share premium	Foreign currency Translation (*)	Property revaluation reserve (*)	Revaluation reserve, other (*)	Non controlling interest holders transactions reserve	Treasury shares	Accumulated deficit (*)	Total	Non-controlling Interests	Total equity
	In €'000										
Balance as of January 1, 2015	23,041	208,002	23,943	21,033	10,765	15,178	(2,625)	(206,939)	92,398	5,362	97,760
Other comprehensive (loss) income	-	-	17,650	-	(2,114)	-	-	-	15,536	105	15,641
Profit for the period	-	-	-	-	-	-	-	(7,650)	(7,650)	207	(7,443)
Total comprehensive income (loss)	-	-	17,650	-	(2,114)	-	-	(7,650)	7,886	312	8,198
Share-based payment	-	-	-	-	26	-	-	-	26	491	517
Dividend distributed to minority shareholders	-	-	-	-	-	-	-	-	-	(780)	(780)
Transactions with non-controlling interest holders	-	-	-	-	-	(100)	-	-	(100)	-	(100)
Deconsolidation of subsidiary (Refer to Note 9B)	-	-	-	-	-	-	-	-	-	(1,431)	(1,431)
Reclassification according to the Netherlands civil code requirements law (*)	-	-	-	477	-	-	-	(477)	-	-	-
Balance as of March 31, 2015	23,041	208,002	41,593	21,510	8,677	15,078	(2,625)	(215,066)	100,210	3,954	104,164

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

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

	Attributable to equity holders of the parent										
	Issued and paid-in capital	Share premium	Foreign currency Translation (*)	Property revaluation reserve (*)	Revaluation reserve, other (*)	Non controlling interest holders transactions reserve	Treasury shares	Accumulated deficit (*)	Total	Non-controlling Interests	Total equity
	In €'000										
Balance as of January 1, 2014	23,041	208,117	(4,680)	34,300	12,296	21,104	(2,786)	(225,297)	66,095	5,655	71,750
Other comprehensive loss	-	-	(1,973)	-	(363)	-	-	-	(2,336)	(162)	(2,498)
Profit for the period	-	-	-	-	-	-	-	3,032	3,032	(25)	3,007
Total comprehensive income (loss)	-	-	(1,973)	-	(363)	-	-	3,032	696	(187)	509
Share-based payment	-	-	-	-	63	-	-	-	63	67	130
Transactions with non-controlling interest holders	-	-	-	-	-	(5,136)	-	-	(5,136)	(1,637)	(6,773)
Issuance of treasury shares	-	(115)	-	-	(46)	-	161	-	-	-	-
Reclassification according to the Netherlands civil code requirements law (*)	-	-	-	725	-	-	-	(725)	-	-	-
Balance as of March 31, 2014	23,041	208,002	(6,653)	35,025	11,950	15,968	(2,625)	(222,990)	61,718	3,898	65,616

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

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CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Attributable to equity holders of the parent										
	Issued and paid-in capital	Share premium	Foreign currency translation Reserve (*)	Property revaluation reserve (*)	Revaluation reserve, other (*)	Non-controlling interest holders transactions reserve	Treasury shares	Accumulated deficit (*)	Total	Non-controlling interest	Total equity
	In €'000										
Balance as of January 1, 2014	23,041	208,117	(4,680)	34,300	12,296	21,104	(2,786)	(225,297)	66,095	5,655	71,750
Other comprehensive income (expense)	-	-	28,623	-	(1,676)	-	-	-	26,947	15	26,962
Profit (loss) for the period	-	-	-	-	-	-	-	5,091	5,091	(29)	5,062
Total comprehensive income (expense)	-	-	28,623	-	(1,676)	-	-	5,091	32,038	(14)	32,024
Share-based payment	-	-	-	-	191	-	-	-	191	593	784
Issuance of treasury shares	-	(115)	-	-	(46)	-	161	-	-	-	-
Transaction with non-controlling interest	-	-	-	-	-	(5,926)	-	-	(5,926)	(872)	(6,798)
Reclassification according to the Netherlands civil code requirements law (*)	-	-	-	(13,267)	-		-	13,267	-	-	-
Balance as of December 31, 2014	23,041	208,002	23,943	21,033	10,765	15,178	(2,625)	(206,939)	92,398	5,362	97,760

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

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CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT

	For the three months period ended March 31,		For the year ended December 31,
	2015	2014	2013
		In €'000	
Cash flow from operating activities			
Profit (loss) from continuing operations before taxes on income	(26,387)	3,518	20,655
Profit from discontinued operations before taxes on income	21,467	1,370	892
Adjustments to reconcile net profit (loss) to net cash (see A below)	(12,822)	(6,648)	7,202
Net cash provided by (used in) operating activities	(17,742)	(1,760)	28,749
Cash flow from investing activities			
Acquisition of tangible fixed assets and investment propertie	(5,176)	(7,621)	(45,257)
Investments and collection (granting) loans from (to) companies accounted for using the equity method, net	(34)	(831)	(1,958)
Proceeds from sale of assets and investments	181	582	496
Change in loans to bank customers, net	4,197	730	8,200
Change in long-term loans and receivables	(1,774)	(3,630)	(35,035)
Change in short-term investments	(65)	594	(632)
Proceeds from sale of a subsidiary (see B below)	110,148	-	-
Proceeds from sale of a company accounted for using the equity method	331	-	74,369
Net cash provided by (used in) investing activities	107,808	(10,176)	183

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

CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

	For the three months period ended March 31,		For the year ended December 31,
	2015	2014	2014
		In €'000	
Cash flows from financing activities			
Issuance of debentures	-	2,155	2,155
Repayment and repurchase of debentures	(6,725)	(68,538)	(68,538)
Change in loans from bank customers	29,144	1,497	51,748
Proceeds from long-term loans	2,435	46,937	89,152
Repayment of long-term loans	(29,973)	(5,517)	(48,003)
Change in short-term loans and borrowings	-	(1,113)	(1,415)
Release of pledged deposit	-	8,016	8,025
Repayment of long term liability	-	(8,031)	(8,031)
Change in short term deposits	-	(350)	(351)
Costs related to issuance of loans	-	(250)	(267)
Change in other long term liabilities	63	(35)	75
Transactions with non controlling interest holders	-	(3,279)	(6,791)
Net cash provided by (used in) financing activities	(5,056)	(28,508)	17,759
Foreign exchange differences relating to cash and cash equivalents	11,651	210	5,127
Increase (decrease) in cash and cash equivalents	96,661	(40,234)	51,818
Change in cash of assets held for sale	-	-	(21,541)
Cash and cash equivalents at the beginning of the period	148,545	118,268	118,268
Cash and cash equivalents at the end of the period	245,206	78,034	148,545

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

CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

	For the three months period ended March 31,		For the year ended December 31,
	2015	2014	2014
	In €'000		
A. Adjustments to reconcile net profit (loss) to net cash			
charges / (credits) to profit (loss) not affecting operating cash flows:			
Share of profit of companies accounted for using the equity method	(436)	(461)	(6,712)
Impairment of goodwill and other intangible assets	-	-	5,429
Gain on disposal of assets and investments, net (*)	(21,467)	-	(16,739)
Share-based payment	572	187	1,302
Depreciation and amortization	1,228	1,308	5,473
Fair value adjustments of investment properties	(636)	(989)	(8,859)
Financial expense and exchange differences, net	28,733	7,435	30,268
Capital gain from sale property plant and equipment	(109)	(124)	(19)
Increase in provision for bad debts in the financial services segment	2,003	465	7,797
Changes in operating assets and liabilities:			
Change in trade and other receivables	6,861	(5,685)	(32,298)
Change in inventories and in contract work in progress, net of advances from customers	4,906	(7,727)	13,683
Change in trade and other payables	(21,628)	689	1,566
Increase of concession finance receivables	-	(1,872)	(7,358)
Movement in pledged time deposit	(76)	(1,446)	(1,752)
Interest paid	(21,434)	(6,550)	(17,151)
Interest received	9,999	8,495	35,476
Income taxes paid	(1,338)	(375)	(3,124)
Other	-	2	220
	(12,822)	(6,648)	7,202

(*) For details see Note 9B below.

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CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

	For three months period ended March 31,		For the year ended December 31,
	2015	2014	2014
	In €'000		
B. Proceeds from sale of a subsidiary			
Working capital (excluding cash and cash equivalents)	7,352	-	-
Non-current assets (excluding fixed assets and concession assets)	14,006	-	-
Fixed assests	39,165	-	-
Concession assets	86,637	-	-
Non-controlling interests	(1,431)	-	-
Long-term liabilities	(18,144)	-	-
Release of currency translation reserves	(13,287)	-	-
Gain on disposal of investment, net of tax	19,988	-	-
Asset classified as held for sale	(24,138)	-	-
	110,148	-	-

	For three months period ended March 31,		For the year ended December 31,
	2015	2014	2014
	In €'000		
C. Material non cash transaction			
Liability to repurchase shares from Non controlling interest holders	4,442	6,535	3,380
Dividend payable to non controlling interest holders of a subsidiary	780	-	-

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

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2015

1. Corporate information

Kardan N.V. ('Kardan' or 'the Company') having its legal seat in Amsterdam, The Netherlands, was incorporated on May 2, 2003, and acts as an operating holding company which is engaged in the development of real estate, (water) infrastructure projects, (water) infrastructure assets (see Note 5) and banking and lending through its subsidiaries, joint ventures and associated companies.

The Company, its subsidiaries, joint ventures and associates are referred to as 'the Group'.

These condensed interim consolidated financial statements were approved by the Board of Directors on May 27, 2015.

2. Going concern

As at March 31, 2015, the Company had, on a stand-alone basis and in the consolidated financial statements, a working capital deficit of €169 million and €43 million respectively, which is mainly due to the current maturities of the Company's Debentures to repay €86.5 million and €104.5 million in August 2015 and February 2016, respectively.

In September 2014, the Board decided to accept the offer of the trustees and the representatives of the Debenture Holders (series A and B) of the Company ('the Debentures') to begin negotiations in order to examine the possibilities of an arrangement with the Debenture Holders, which included postponement or rescheduling the repayments of the Debentures, while repaying the debt in full.

In January 2015, an interim arrangement was reached in stages and was approved by the Debentures Holders. The final settlement was presented to the Debenture Holders and is expected to be approved by the Debentures Holders after the date of publishing these financial statements.

The final debt settlement outlined in Note 3 below is subject to the approval of the Debenture Holders by a special majority. The Company's management is of the opinion that the chances for approving and finalizing the final debt settlement in accordance with the principles set forth in Note 3 below are high in view of the fact that the Company was successful in selling assets in accordance with its plan and fully paid the interest which was deferred from February 2015 and made an early repayment on account of the deferred principal on March 31, 2015.

However, the approval and finalization of the debt settlement is not under the control of the Company and is dependent on the approval of third parties. These conditions indicate the existence of a material uncertainty which may cast significant doubt regarding the Company's ability to repay its liabilities when they become due and its ability to continue as a going concern.

The financial statements do not include any adjustments to the carrying amounts and classifications of assets and liabilities that would result if the Company was unable to continue as a going concern.

The Company's plans for the repayment of principal and interest of the Debentures in 2017 and onwards, in case that the final debt settlement will be approved, include mainly disposal of assets and / or receipt of dividends from its subsidiaries. The Company's management and the Board estimate that the Company has the ability to obtain the required resources for repaying its obligations and continue its business operations in the future.

3. Debt settlement between the Company and its Debenture Holders

The interim arrangement which was approved on January 6, 2015, includes two phases, as follows: the first phase includes an immediate amendment to the deeds of trust and postponement of principal and interest payments from February 2015 to August 2015 with additional interest and linkage differences as described below. In the second phase a period of 90 days has been given to the Company, the trustees and the Debenture Holders in order to reach a final debt settlement which will include a comprehensive amendment to the deeds of trust according to the proposed principles that were presented to the Debenture Holders as detailed below. The duration of the negotiations with the trustees and the Debenture Holders has exceeded the 90 days period and is expected to conclude shortly.

Interim arrangement main principles

Postponement of principal and interest payments - Series A:

A. According to the interim arrangement, the principal payment which the Company originally had to pay on February 25, 2015 to the debenture holders (series A) was postponed to August 25, 2015. The deferred principal payment shall bear annual interest at the rate of 6.325% (an addition of 1.875% to the nominal interest rate of the original deed of trust) for the period from February 25, 2015 to the earlier of August 25, 2015 or the date of an early repayment, all including linkage differences.

B. According to the interim arrangement, the interest amount which the Company originally had to pay on February 25, 2015 to the debenture holders (series A) shall bear annual interest at the rate of 6.825% for the period from February 25, 2015 to the earlier of August 25, 2015 or the date of an early repayment, all including linkage differences. This amount was paid in full on March 31, 2015.

Postponement of principal and interest payments - Series B:

A. According to the interim arrangement, the principal payment which the Company originally had to pay on February 1, 2015 to the debenture holders(series B) was postponed to August 1, 2015. The deferred principal payment shall bear annual interest at the rate of 6.775% (an addition of 1.875% to the nominal interest rate of the original deed of trust) for the period from February 1, 2015 to the earlier of August 1, 2015 or an early repayment date and all including linkage differences.

B. According to the interim arrangement, the interest which the Company originally had to pay on February 1, 2015 to the debenture holders (series B) shall bear annual interest at the rate of 7.275% for the period from February 1, 2015 to the earlier of August 1, 2015 or an early repayment date and all including linkage differences. This amount was paid in full on March 31, 2015.

Establishment of pledges in favor of the debenture holders

According to the interim arrangement, the Company committed to establish and register a primary, exclusive pledge with no limitations of amounts, over GTC RE's shares and on the accompanying rights of these shares, including dividends, options, bonus shares etc. in favor of the trustees of the debenture holders. These pledges were registered on February 17, 2015.

Final debt settlement main principles

The final debt settlement ('the Final Settlement') constitutes new deeds of trust to series A and B and which will replace the original deeds of trust, including all related amendments. The Final Settlement postpones the debt repayment dates that were determined in the original deeds of trust while repaying the debt in full to the Debenture Holders. Below are the main principles of the Final Settlement which will be detailed in the amended deeds of trust which will be approved by the general meetings of the debenture holders of each series ('the Amended Deeds of Trust').

Principal and interest payments according to the Final Settlement

Series A:

A. The principal payments (and linkage differences in respect thereof) which the Company originally would have had to pay on February 25, 2015 and February 25, 2016 are postponed to February 25, 2017 and February 25, 2018, respectively.

B. No change will occur in the interest payment dates set in the deeds of trust, except the February 2015 interest payment, which will be paid according to the interim arrangement, as detailed above. The interest set in the deed of trust will be increased by 1.875%, so that the principal of Debentures Series A shall bear an annual interest rate of 6.325%, payable once a year, on February 25 of each year from 2016 up to and including 2018.

Series B:

A. The principal payments (and linkage differences in respect thereof) which the Company originally would have had to pay on February 1, shall be postponed by 24 months, excluding the principal payments of 2019 and 2020, which shall remain unchanged (and shall grow, due to the postponement of the principal payments of this series from 2017 and 2018 to 2019 and 2020).

B. No change will occur in the interest payment dates set in the deed of trust, except the February 2015 interest payment, which will be paid according to the interim arrangement, as detailed above. The interest set in the deed of trust will be increased by 1.875%, so that the principal of Debentures Series B shall bear an annual interest rate of 6.775%, payable once a year, on February 1 of each year from 2016 up to and including 2020.

Issuance of shares to the debenture holders

The Company shall allocate to the Debenture Holders, without consideration, shares of the Company, which shall constitute approximately 10% of the Company's issued and paid in capital immediately after the issuance. In addition, the Company will make a cash payment of €750,000 to the Debenture Holders, instead of issuing additional 2% to the Debenture Holders, as was initially agreed within the framework of the Agreement in Principle.

Pledges and guarantees in favor of the Debentures holders

The Company committed to establish and register primary, exclusive pledges with no limitations of amounts over all of the Group's interests in GTC RE, KLC, KFS, TBIF, TGI, EMERGING (the ‘Pledged Subsidiaries’), including all benefits which will emanate from these interests and all the rights of the Group in loans granted to the Pledged Subsidiaries. As long as the aforesaid pledges have not been exercised the Company shall be allowed to use the benefits derived from these interests and from loan repayments. Issuance or sale of shares in the Pledged Subsidiaries will be used to early repay the Debentures.

In addition, the Company will establish in favor of the trustees primary exclusive pledges with no limitations of amounts over the bank accounts of the Company (‘the Pledged Accounts’). All the funds in the Company’s possession, shall be deposited and kept in the Pledged Accounts, excluding the Free Amount (‘Free Amount‘ signifies a maximum of €3 million, which will serve for the payment of the Company's general and administrative expenses), which will not be pledged in favor of the trustees and which can be deposited in a bank account which is not pledged in favor of the trustees. Insofar the said pledge has not been exercised, the Company may use the funds freely.

In addition, to secure the Company’s commitments, KLC will provide a guarantee in favor of the trustees limited to an amount of €100 million which will expire upon meeting the Relief Conditions as detailed below. The trustees will not be able to use the guarantee or to take any action against KLC as long as the construction loan from Chinese Banks to the Dalian project has not been fully repaid, as well as loans that will be obtained, if obtained, in relation to the Dalian project.

Financial Covenants

The Company’s debt coverage ratio shall not be below 100% during the years 2015 till 2017 (including), and shall not be below 120% from 2018 onwards. The coverage ratio is the total value of the assets according to the Company’s stand-alone financial statements divided by the total stand-alone liabilities of the Company, net of certain amounts as detailed in the Debt Settlement. If the Company's coverage ratio in the years 2015-2017 shall be lower than 110%, and as of 2018 – lower than 130%, KLC's coverage ratio shall not be lower than 180%.

Additional provisions

Some additional provisions have been established to guarantee the rights of the Debenture Holders including: provisions which regulate the early repayment of debt to the Debenture Holders from sources which will become available to the Company, restrictions on dividend distribution, limitations on general and administrative expenses of the Company and payments to controlling shareholders, restrictions on specific new investments, various restrictions on raising credit and the right to appoint a director on behalf of the debenture holders to the Company’s board of the directors and KLC’s board. In addition the approval by both general meetings of the Debenture Holders (by a regular majority or a special one as the case may be) will be required before certain actions, including transferring of the control in the Company and transactions with controlling shareholders.

It was also agreed that the Company may retain certain amounts, prior to an early repayment, for general and administrative expenses, interest payment to the debenture holders, the Company's obligations in respect of the GTC SA transaction (see Note 5C to the 2014 annual financial statements) as well as for supporting its subsidiaries.

Purchase of Debentures

According to the Amended Deeds of Trust, the Company or any entity under its control shall be permitted to purchase the Company's Debentures (series A and B) at any price only through the Tel Aviv Stock Exchange subject to some preconditions detailed in the Amended Deeds of Trust.

Debentures purchased by the Company will expire and deleted from trade on the stock exchange. A corporation controlled by the Company that will purchase Debentures of the Company, will have to choose, in its discretion whether to transfer the Debentures to the Company for expiry or to pledge the Debentures in favor of the trustee of that series.

Restrictions on business activities

It was agreed that the Company and GTC RE shall not initiate any new business activity, shall not make any new investments and shall not be allowed to raise any new credit (unless it is subordinated to the Debentures).

KFS and any company under its control shall not be allowed to enter into new business activities except for the ones detailed in the Amended Deeds of Trust. KFS and TBIF shall not be allowed to make any new investments, however any corporation under their control shall be allowed to invest in existing and new projects in its area of operations, provided that the source of the funds is the ongoing operations of such corporation. KFS and TBIF themselves shall not be allowed to raise any credit, except for credit taken by KFS from TBIF, or short term credit that will be taken by any of them from a corporation under their control in an aggregate amount not exceeding €5 million. Any corporation under their control shall be allowed to obtain unlimited credit, for the purpose of its business activity subject to the conditions detailed in the Amended Deeds of Trust.

KLC and any corporation under its control shall not be allowed to enter into new business activities or to invest in new projects or activities even if they are within the current area of operations. In addition, KLC shall not expand the Dalian Project, and the Lucky Hope joint venture companies shall not initiate or develop any new projects beyond the existing projects which will be developed on the land plots they currently own. Proceeds from the sale of assets owned by KLC or companies under its control shall serve only for that project. Unless approved by a 66% majority by each of the meetings of the debenture holders of the two series, KLC or any entity under its control shall not be allowed to raise credit except under the certain limitations which are detailed in the Amended Deeds of Trust.

TGI and TGA or any entity under their control (except TG and entities under its control) shall not be allowed to enter into new business activities except for those detailed in the Amended Deeds of Trust. They can make investments and obtain credit insofar the source of the investments is from the operating activities of any of the entities controlled by TGI; and the securities for such credit will be provided by TGI and entities under its control and not by other Group companies.

Relief Conditions

Upon meeting both of the following conditions: (1) Repayment (taking into account repurchase of Debentures which would be done after the date of completion of the Final Settlement) of 55% of the par value of the Debentures (which are not owned by the Company or its subsidiaries) as of December 31, 2014; and (2) the coverage ratio of the Company calculated according to the Company's most recent stand-alone financial statements (quarterly or annual, according to the date), will stand at more than 180% ('Relief Conditions'), all the restrictions on purchase of Debentures by the Company or any corporation under its control will be removed, the Free Amount will increase to €6 million, pledges over TGI or KFS and TBIF (or both) will be revoked, provided that the coverage ratio calculated using the remaining pledged assets after the revocation of said pledges and the Company's debt shall be at least 180%, restrictions on the business activities of subsidiaries as described above will be revoked, restriction on dividend distribution will be revoked (distribution will be allowed after the Company will repay 75% of the par value of the Debentures) and the right to appoint a board member on behalf of the debenture holders will be cancelled. In addition, after the Relief Conditions have been met the Company shall be obligated to repay only 35% of the funds received from disposal of certain assets (as detailed in the Amended Deeds of Trust).

Accounting

The Company examined the changes in the terms of Debentures series A and B in accordance with IAS 39 provisions for substantial modification of the terms of an existing financial liability. The Company concluded, based on its examination, that the modified terms are not substantially different than the terms of the existing debentures, and therefore it is not regarded an extinguishment. Accordingly, the debt settlement would be accounted for by an adjustment of the effective interest rate resulted from the modification of the interest rate and the future issuance of shares. Such adjustment shall not result in recognition of profit or loss from the modification of the terms.

4. Basis of presentation and preparation

A. Basis of preparation

The condensed interim consolidated financial statements for the three months ended March 31, 2015 have been prepared in accordance with International Accounting Standard (IAS) 34 as defined by the International Accounting Standards Board and as endorsed by the European Union to be used for the preparation of interim consolidated financial statements.

The condensed interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as at December 31, 2014.

The accounting policies adopted in the preparation of these condensed interim consolidated financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended December 31, 2014.

B. Foreign currency translation

Following are the representative exchange rates of the USD, NIS and RMB in relation to the EUR and the Israeli Consumer Price Index (CPI) in points:

	USD	NIS	RMB	CPI (in Israel)
March 31, 2015	0.93	0.23	0.15	131.0
March 31, 2014	0.72	0.21	0.12	132.3
December 31, 2014	0.82	0.21	0.13	132.8
	%			
Change in 2015 (3 months)	13.4	9.52	11.2	(1.35)
Change in 2014 (3 months)	(0.18)	(0.56)	0.7	(0.56)
Change in 2014 (12 months)	13.4	1.2	12.7	(0.15)

5. Segment information

Due to the sale of KWIG on January 15, 2015 (for additional information see Note 9 below), the Company's CODM re examined the Company's operating segments. In the past, the results of KWIG represented the main activities of the 'Infrastructure – Assets' segment. Following the sale, the Company is substantially no longer active in the 'Infrastructure – Assets' segment and the results of KWIG have been presented as discontinued operation and thus no longer form a reportable operating segment. Due to the said sale, the CODM now examines both the other activities that were in the past part of 'infrastructure-assets' segment and the activities that were in the past part of the 'infrastructure-projects' segment - together as one segment – 'water infrastructure'. The corresponding segment figures were adjusted to conform with the current operating segments.

A. Segments results:

(1) For the three months ended March 31, 2015:

	Real Estate Asia	Banking and Retail lending	Water Infrastructur e	Other	Total
			In €'000		
Revenue	1,335	9,411	37,761	-	48,507
Other income (expense) (*)	1,310	259	(273)	(94)	1,202
Total Income	2,645	9,670	37,488	(94)	49,709
Segment result	(667)	2,455	922	(94)	2,616
Unallocated expenses					(1,343)
Gain from operations and share in profit of investment accounted using the equity method before finance expenses, net					1,273
Finance expenses, net					(27,660)
Loss before income tax					(26,387)
Income tax expenses					(1,044)
Loss from continuing operations					(27,431)
Profit from discontinued operations					19,988
Loss for the period					(7,443)

(*) Other income/expense includes fair value adjustments of investment property, goodwill impairment, equity earnings, gains from disposal of assets and investments and other adjustments.

(2) For the three months ended March 31, 2014:

	Real Estate Asia	Banking and Retail lending	Water Infrastructure	Other	Total
	In €'000				
Revenue	6,489	9,071	35,007	-	50,567
Other income (expense) (*)	1,806	(202)	55	(54)	1,605
Total Income	8,295	8,869	35,062	(54)	52,172
Segment result	1,629	2,520	2,059	(54)	6,154
Unallocated expenses					(1,207)
Gain from operations and share in profit of investment accounted using the equity method before finance expenses, net					4,947
Finance expenses, net					(1,429)
Profit before income tax					3,518
Income tax expenses					(1,493)
Profit from continuing operations					2,025
Profit from discontinued operations					982
Profit for the period					3,007

(*) Other income/expense includes fair value adjustments of investment property, goodwill impairment, equity earnings, gains from disposal of assets and investments and other adjustments.

(3) For the year ended December 31, 2014:

	Real Estate Asia	Banking and Retail lending	Water Infrastructure	Other	Total
	In €'000				
Revenue	51,957	35,630	142,794	-	230,381
Other income (expense) (*)	32,861	1,280	(690)	(82)	33,369
Total Income	84,818	36,910	142,104	(82)	263,750
Segment result	28,390	8,749	8,986	(82)	46,043
Unallocated expenses					(6,073)
Gain from operations and share in profit of investment accounted using the equity method before finance expenses, net					39,970
Finance expenses, net					(19,315)
Profit before income tax					20,655
Income tax expenses					(13,002)
Profit from continuing operations					7,653
Loss from discontinued operations					(2,591)
Profit for the period					5,062

(*) Other income/expense includes fair value adjustments of investment property, goodwill impairment, equity earnings, gains from disposal of assets and investments and other adjustments.

B. Segments assets

	March 31,		December 31,
	2015	2014	2014
		In €'000	
Real estate - Asia	489,917	356,215	420,392
Banking and Retail lending	310,090	254,568	304,437
Water Infrastructure (*)	187,467	128,210	121,877
	987,474	738,993	846,706
Unallocated assets	29,198	5,363	2,650
Discontinued operation (KWIG) (*)	-	142,276	164,253
	1,016,672	886,632	1,013,609

(*) For details see Note 9B below.

6. Share capital

Composition

	March 31, 2015		December 31, 2014	
	Authorized	Issued and Paid-in	Authorized	Issued and Paid-in
	Number of shares		Number of shares	
Ordinary shares with nominal value of €0.20 each	225,000,000	111,848,583	225,000,000	111,848,583

7. Financial Instruments and Risk Management

Further to Note 38 to the 2014 annual consolidated financial statements, below are presented additional information regarding financial instruments and risk management:

A. Set out below is a comparison by class of the differences between the carrying amounts and fair values of the Group's financial instruments.

Fair value schedule

	Level	**March 31, 2015**		March 31, 2014		December 31, 2014	
		€ 000’					
		Carrying amount(*)	Fair value(**)	Carrying amount(*)	Fair value(**)	Carrying amount(*)	Fair value(**)
Liabilities							
Debentures issued by the Company	1	360,323	259,711	332,177	218,565	348,485	220,252

(*) Including accrued interest.
(**) Price on the Tel-Aviv Stock Exchange.

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

B. Level 3 financial assets and liabilities reconciliation

Level 3 reconciliation:

	As of January 1, 2015	Fair Value gain (loss) recorded in P&L	Fair value gain in OCI	Settlements	As of March 31, 2015
	In €’000				
Derivative assets	45	(36)	-	-	9
Total assets	45	(36)	-	-	9
Warrants and call options	(428)	(43)	-	-	(471)
Put option	(1,014)	(133)	-	-	(1,147)
Share-based payment liability	(5,280)	(602)	-	14	(5,868)
Other liabilities	(3,150)	(630)	-	-	(3,780)
Total liabilities	(9,872)	(1,408)	-	14	(11,266)

There were no material changes in the valuation processes, the valuation methods used, and the assumptions applied and (narrative) sensitivities, for recurring fair value measurements of investment properties and the above mentioned financial assets and liabilities, for additional information on fair value refer to Note 38 in the annual financial statements.

C. Further to Note 7 to the annual financial statements, below are the significant assumptions used in the valuations of the investment property under construction:

	March 31, 2015
DCF method	
Estimated rental value per sqm per month (in €)	22
Discount rate	10.5%
Rental growth	5%-15%
Residual method	
Remaining construction cost (in € millions)	28
Remaining construction period (in months)	-
Development profit	5%

D. Foreign currency impact

During the first quarter of 2015, a material appreciation (circa 10%) has occurred in the NIS/EUR exchange rate. Since the Company's debentures, whose carrying value including interest amounted to €360.3 million as at March 31, 2015, are denominated in NIS, the Company recognized a material financial expense during Q1/2015. Also, during the same period a material appreciation (circa 10%) has occurred in the RMB/EUR exchange rate. Since a large part of Company's assets are denominated in RMB, the Company has recorded a material positive other comprehensive income during Q1/2015. In Q1 2015, KLC recorded a financial income in the amount of €9 million and a positive movement in the foreign currency translation reserve amounting to €25.6 million resulting from the appreciation of RMB versus the EUR.

8. Joint Ventures

The requirements of the Israeli Securities regulation stipulate that if the net results of a joint venture or an associated company exceed 10% of the net results of the Company for the period, a summary of financial information will be disclosed in the interim financial statements. The above criterion was met by the joint venture company, Shanxi GTC Lucky Hope Real Estate Development Ltd., whose summary of financial information is presented below:

Shanxi GTC Lucky Hope Real Estate Development Ltd.

Summary of financial data from the statement of financial position:

	March 31, 2015	March 31, 2014	December 31, 2014
	In €'000		
Current assets (not including cash and cash equivalent)	159,392	119,088	155,182
Cash and cash equivalent	16,130	14,714	11,640
Non-current assets	16,036	12,628	15,154
Current liabilities	139,354	111,036	140,044
Current financial liabilities	9,092	10,424	9,470
Non-current liabilities	256	314	414
Total equity attributed to the owners	42,856	24,656	32,048
% held in the joint venture	50	50	50
	21,428	12,328	16,024
Deemed cost on projects	-	308	121
Total investment in joint ventures	21,428	12,636	16,145

Summary of financial data from the income statement:

	For the three months period ended March 31, 2015	For the three months period ended March 31, 2014	For the year ended December 31, 2014
		In €'000	
Revenues from operations	34,452	6,320	28,488
Cost of operations	23,196	1,644	15,316
Selling and marketing, other income (expenses), and administrative expenses	2,170	1,301	4,802
Interest Income	8	10	82
Profit before tax	9,094	3,385	8,452
Income tax expenses	2,284	864	2,114
Profit for the year attributed to equity holders	6,810	2,521	6,338
% held of the joint venture	50	50	50
Group's share of profit for the year	3,405	1,261	3,169
Realizing of deemed cost on projects	(121)	(8)	(195)
Group's share of profit for the year	3,284	1,253	2,974
Total other comprehensive income (expenses) attributed to equity holders	3,996	(130)	3,446
% held of the joint venture	50	50	50
Group share of the total other comprehensive income (expenses)	1,998	(65)	1,723

9. Significant transactions

A. Kardan NV

Early repayment of debentures

On March 31, 2015 the Company paid the interest deferred to August 2015 (see Note 3 above) in the amount of approximately €4.4 million to Debenture Holders series A and approximately €14.3 million to Debenture Holders series B. Additionally, the Company early repaid principal amounting to approximately €3.3 million to Debenture Holders series A (3.83% of the outstanding series A principal) and approximately €3.4 million of principal to Debenture Holders series B (1.24% of the outstanding series B principal). The total repayment amounted to approximately €25.4 million.

B. TGI

(1) Sale of KWIG

On January 15, 2015, TGA, an indirectly held subsidiary (98.43%) of the Company signed a share purchase agreement (‘the Agreement’) with China Gezhouba Group Investments Holding Co Ltd. (‘the Purchaser’), to sell all of its holdings (100%) in KWIG. KWIG operates 11 wastewater treatment facilities and water supply projects in China.

The total consideration for the shares amounts to RMB 630 million (paid in USD at a predetermined exchange rate of 6.24 RMB/USD; approximately €90.3 million as at March 4, 2015) (the ‘Consideration’). Additionally, as part of the transaction, all outstanding loans provided to KWIG by Group companies, totaling approximately to €44 million, shall be repaid.

The sale of KWIG took place in two phases: in March 2015 the first phase of the transaction in which 75% of KWIG shares were sold was completed; the Purchaser paid 75% of the consideration and all outstanding loans from Group companies were repaid. The second phase of the transaction is expected to take place before June 30, 2015, when the remaining 25% of the Consideration will be paid to TGA.

As a result of the transaction, the Group recorded a gain of approximately €20 million mainly due to the release of capital reserves transferred to the statement of income following the sale.

Following the first phase of the transaction, the remaining 25% of KWIG are classified in the consolidated statements of financial position as of March 31, 2015 as asset held for sale. Since KWIG was considered by management as major line of business, the results of the investment in KWIG (including the gain from the sale of the investment) in all represented periods were classified, in accordance with IFRS 5, to discontinued operations.

Discontinued operations related to loss of control and sale of KWIG:

	For the three months ended March 31,		For the year ended December 31,
	2015	2014	2014
	€ '000		
Income	-	5,778	27,463
Expenses	-	(4,408)	(19,597)
operating before tax and revaluation of investment	-	1,370	7,866
Loss from revaluation of investment	-	-	(6,974)
Profit before tax	-	1,370	892
Income tax expenses, net	-	(388)	(3,483)
Profit (loss) from discontinued operations before revaluation and release of capital reserves	-	982	(2,591)
Discontinued operation items related to the sale of KWIG:			
Capital gain	6,701	-	-
Release of capital reserves due to sale, net of tax *)	13,287	-	-
Net profit (loss) from discontinued operations	19,988	982	(2,591)

*) Net of tax expenses amounting to € 1,479 thousand.

Composition of the cash flow statements related to discontinued operations:

	Three months ended March 31,		Year ended December 31,
	2015	2014	2014
	€ '000		
Net cash provided by (used in) operating activities	-	(1,645)	3,594
Net cash provided by (used in) investing activities	110,148	(137)	(493)
Net cash used in financing activities	-	(858)	(6,839)

(2) FIMI loan repayment

In March 2015 TGI fully repaid the outstanding balance of a loan amounting to USD 25 million (approximately €22.6 million) and the accrued interest as of that date to FIMI. The carrying value of the loan upon early repayment was lower than the repayment amount. As a result, in the first quarter of 2015, following the repayment of the loan, TGI recognized a financial expense of approximately €3 million.

(3) Executive employees grant of options in TGI

In March 2015, the supervisory board of TGI decided to grant options to purchase 2.0 % of TGI's share capital (fully diluted) to a management member of TGI. The option have a 4 years graded vesting period. The total benefit of the grant is valued at approximately USD 1 million and was calculated using the Black & Scholes model, based on the following assumptions:

Expected volatility (%)	36%
Risk-free interest rate (%)	0%
Expected term of options (years)	4
Weighted average share exercise price ($)	5,978
Weighted average share value ($)	6,131

C. <u>GTC RE</u>

<u>Claw back liability</u>

On November 22, 2013, GTC RE completed the sale of its investment in GTC SA for a total consideration of €160 million.

The share purchase agreement contained a 'claw-back' clause which is conditional upon GTC SA achieving two specific business targets, one by March 31, 2015 and one by December 31, 2015. If a target is not met in time, the buyer has the right to receive an amount of €3.15 million per target. In April 2015, GTC RE and the Company received a demand from the buyer to pay an amount of € 3.15 million, as it claims that GTC SA did not meet one of the said targets. The Company is reviewing the said demand (see also Note 7 and Note 5C to the 2014 consolidated annual financial statements)

D. <u>KFS</u>

<u>Sale of TBI CREDIT EAD</u>

In October 2014, TBIF signed an agreement to sell its investment in TBI Credit EAD for a total consideration of approximately €8.9 million, subject to adjustments. In accordance with the requirements of IFRS 5, as of December 31, 2014, the Company presented the assets of TBI Credit as 'Assets held for sale' and the liabilities as 'Liabilities associated with assets held for sale'.

On February 11, 2015 TBIF finalized the sale of TBI Credit EAD, a fully-owned Bulgarian subsidiary. The final consideration amounted to €9.9 million was received by TBIF which recognized a small gain upon the completion of the sale.

10. Financial Commitments and Covenants

During the first quarter of 2015 and as of March 31, 2015 all Group companies met their financial covenants.

Review report

To: the shareholders of Kardan N.V.

Introduction
We have reviewed the accompanying condensed interim consolidated statement of financial position of Kardan N.V., Amsterdam (the "Company") as at March 31, 2015 and the related condensed interim consolidated income statement, statement of comprehensive income, changes in equity and cash flows for the three month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these condensed interim consolidated financial statements in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union. Our responsibility is to express a conclusion on these condensed interim consolidated financial statements based on our review.

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

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union.

Emphasis of uncertainty with respect to the going concern assumption
We draw attention to Note 2 to the consolidated financial statements which indicate that the Company had, on a stand-alone basis, and on the consolidated statements a working capital deficit of €169 million and €43 million, respectively, per March 31, 2015 which is mainly due to the current maturities of the Company's Debentures to repay € 86.5 million and € 104.5 million in August 2015 and February 2016, respectively. In January 2015 an interim arrangement was reached and approved by the Debentures Holders. The Company's management is of the opinion that the chances for approving and finalizing the final debt settlement in accordance with the principles mentioned in Note 3 are high. However, the approval and finalization of the debt settlement is not under the control of the Company and is dependent on the approval of third parties. These conditions indicate the existence of a material uncertainty which may cast significant doubt regarding the Company's ability to repay its liabilities when they become due and its ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

Amsterdam, May 27, 2015
Ernst & Young Accountants LLP

W.P. de Pater

ADDITIONAL INFORMATION

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

KARDAN N.V.

Presentation of separate financial data included annexed to the

Consolidated financial statements related to the Company

As of March 31, 2015

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

March 31, 2015

	March 31,		December
	2015	2014	31, 2014
	€ in thousand		
A s s e t s			
Non-current assets			
Property and equipment	120	141	127
Financial fixed assets			
Investments in consolidated subsidiaries	451,677	402,825	456,880
Loans to consolidated subsidiaries	22	20	20
	451,699	402,845	456,900
Current assets			
Cash and cash equivalents	24,623	1,369	605
Short-term investments	290	259	796
Other receivables and derivatives	661	422	536
	25,574	2,050	1,937
Total assets	477,393	405,036	458,964
E q u i t y a n d l i a b i l i t i e s			
Equity attributable to equity shareholders			
Issued and paid-in capital	23,041	23,041	23,041
Share premium	208,002	208,002	208,002
Foreign currency translation reserve	41,593	(6,653)	23,943
Property revaluation reserve	21,510	35,025	21,033
Other reserves	8,677	11,950	10,765
Non-controlling interest holders transactions reserve	15,078	15,968	15,178
Treasury shares	(2,625)	(2,625)	(2,625)
Accumulated deficit	(215,066)	(222,990)	(206,939)
	100,210	61,718	92,398
Long-term liabilities			
Debentures	182,721	251,494	258,226
Current liabilities			
Current maturities of long term loans and debentures	189,922	88,454	90,630
Other payables	4,540	3,370	17,710
	194,462	91,824	108,340
Total equity and liabilities	477,393	405,036	458,964

ADDITIONAL INFORMATION FROM THE COMPANY'S INCOME STATEMENT

	For the three months ended March 31,		For the year ended December 31,
	2015	2014	2014
	€ in thousands		
Net result from investments for the period	30,266	4,065	31,079
General and administrative expenses, net	1,237	1,064	5,508
Profit from operations before financing expenses	29,029	3,001	25,571
Financing income (expenses), net	(36,568)	146	(20,146)
Profit (loss) before tax expenses (benefit)	(7,539)	3,147	5,425
Income tax expense	(111)	(115)	(334)
Net Profit (loss) for the period	(7,650)	3,032	5,091

ADDITIONAL INFORMATION FROM THE COMPANY’S STATEMENT OF COMPREHENSIVE INCOME

	For the three months ended March 31,		For the year ended December 31,
	2015	2014	2014
	€ in thousands		
Net result for the period	(7,650)	3,032	5,091
Foreign currency translation*	17,650	(1,973)	30,701
Change in hedge reserve, net	(2,114)	(363)	(3,754)
Other comprehensive income (loss) for the period	15,536	(2,336)	26,947
Total comprehensive income	7,886	696	32,038

***** In Q1 2015 including an amount of €13,287 thousand related to reclassification of translation funds due to the sale of KWIG.

ADDITIONAL INFORMATION FROM THE COMPANY'S CASH FLOW STATEMENT

	For the three months ended March 31,		For the year ended December 31,
	2015	2014	2014
	€ in thousands		
Cash flow from operating activities of the Company			
Profit (loss) for the period	(7,650)	3,032	5,091
Adjustments to reconcile net profit to net cash of the Company			
Charges to net loss not affecting operating cash flows:			
Financial expenses	36,968	3,054	23,561
Share-based payment	25	63	191
Equity earnings	(30,266)	(4,065)	(31,079)
Dividend received from consolidated companies	50,092	74,272	78,557
Changes in working capital of the Company			
Change in receivables	(118)	181	(730)
Change in payables	(17)	(150)	1,474
Cash amounts paid and received during the period			
Interest received	10	9	10
Interest paid	(18,676)	(2,997)	(2,997)
Net cash provided by (used in) operating activities of the Company	30,368	73,399	74,078
Cash flow from investing activities of the Company			
Short term investments, net	506	594	57
Investments in subsidiaries	(131)	(21,059)	(21,966)
Net cash provided by (used in) investing activities of the Company	375	(20,465)	(21,909)
Cash flow from financing activities			
Repayment of long-term debt	(6,725)	(67,789)	(67,788)
Net cash used in financing activities of the Company	(6,725)	(67,789)	(67,788)
Increase (decrease) in cash and cash equivalents of the Company	24,018	(14,855)	(15,619)
Cash and cash equivalents at beginning of the period of the Company	605	16,224	16,224
Cash and cash equivalents at end of the period of the Company	24,623	1,369	605

ADDITIONAL INFORMATION

1. General

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

This condensed interim separate financial information should be read in conjunction with the additional separate financial information for the year ended December 31, 2014 and the accompanying notes, and in conjunction to the condensed interim consolidated financial statements for the three months ended March 31, 2015.

2. Going concern

As at March 31, 2015, the Company had, on a stand-alone basis and in the consolidated financial statements, a working capital deficit of €169 million and €43 million respectively, which is mainly due to the current maturities of the Company’s Debentures to repay €86.5 million and €104.5 million in August 2015 and February 2016, respectively.

In September 2014, the Board decided to accept the offer of the trustees and the representatives of the Debenture Holders (series A and B) of the Company (‘the Debentures’) to begin negotiations in order to examine the possibilities of an arrangement with the Debenture Holders, which included postponement or rescheduling the repayments of the Debentures, while repaying the debt in full.

In January 2015, an interim arrangement was reached in stages and was approved by the Debentures Holders. The final settlement was presented to the Debenture Holders and is expected to be approved by the Debentures Holders after the date of publishing this financial information.

The final debt settlement outlined in Note 3 below is subject to the approval of the Debenture Holders by a special majority. The Company’s management is of the opinion that the chances for approving and finalizing the final debt settlement in accordance with the principles set forth in Note 3 below are high in view of the fact that the Company was successful in selling assets in accordance with its plan and fully paid the interest which was deferred from February 2015 and made an early repayment on account of the deferred principal on March 31, 2015.

However, the approval and finalization of the debt settlement is not under the control of the Company and is dependent on the approval of third parties. These conditions indicate the existence of a material uncertainty which may cast significant doubt regarding the Company’s ability to repay its liabilities when they become due and its ability to continue as a going concern.

The financial statements do not include any adjustments to the carrying amounts and classifications of assets and liabilities that would result if the Company was unable to continue as a going concern.

The Company’s plans for the repayment of principal and interest of the Debentures in 2017 and onwards, in case that the final debt settlement will be approved, include mainly disposal of assets and / or receipt of dividends from its subsidiaries. The Company's management and the

Board estimate that the Company has the ability to obtain the required resources for repaying its obligations and continue its business operations in the future.

3. Debt settlement between the Company and its Debenture Holders

The interim arrangement which was approved on January 6, 2015, includes two phases, as follows: the first phase includes an immediate amendment to the deeds of trust and postponement of principal and interest payments from February 2015 to August 2015 with additional interest and linkage differences as described below. In the second phase a period of 90 days has been given to the Company, the trustees and the Debenture Holders in order to reach a final debt settlement which will include a comprehensive amendment to the deeds of trust according to the proposed principles that were presented to the Debenture Holders as detailed below. The duration of the negotiations with the trustees and the Debenture Holders has exceeded the 90 days period and is expected to conclude shortly.

Interim arrangement main principles

Postponement of principal and interest payments - Series A:

A. According to the interim arrangement, the principal payment which the Company originally had to pay on February 25, 2015 to the debenture holders (series A) was postponed to August 25, 2015. The deferred principal payment shall bear annual interest at the rate of 6.325% (an addition of 1.875% to the nominal interest rate of the original deed of trust) for the period from February 25, 2015 to the earlier of August 25, 2015 or the date of an early repayment, all including linkage differences.

B. According to the interim arrangement, the interest amount which the Company originally had to pay on February 25, 2015 to the debenture holders (series A) shall bear annual interest at the rate of 6.825% for the period from February 25, 2015 to the earlier of August 25, 2015 or the date of an early repayment, all including linkage differences. This amount was paid in full on March 31, 2015.

Postponement of principal and interest payments - Series B:

A. According to the interim arrangement, the principal payment which the Company originally had to pay on February 1, 2015 to the debenture holders (series B) was postponed to August 1, 2015. The deferred principal payment shall bear annual interest at the rate of 6.775% (an addition of 1.875% to the nominal interest rate of the original deed of trust) for the period from February 1, 2015 to the earlier of August 1, 2015 or an early repayment date and all including linkage differences.

B. According to the interim arrangement, the interest which the Company originally had to pay on February 1, 2015 to the debenture holders (series B) shall bear annual interest at the rate of 7.275% for the period from February 1, 2015 to the earlier of August 1, 2015 or an early repayment date and all including linkage differences. This amount was paid in full on March 31, 2015.

Establishment of pledges in favor of the debenture holders

According to the interim arrangement, the Company committed to establish and register a primary, exclusive pledge with no limitations of amounts, over GTC RE's shares and on the accompanying rights of these shares, including dividends, options, bonus shares etc. in favor of the trustees of the debenture holders. These pledges were registered on February 17, 2015.

Final debt settlement main principles

The final debt settlement ('the Final Settlement') constitutes new deeds of trust to series A and B and which will replace the original deeds of trust, including all related amendments. The Final Settlement postpones the debt repayment dates that were determined in the original deeds of trust while repaying the debt in full to the Debenture Holders. Below are the main principles of the Final Settlement which will be detailed in the amended deeds of trust which will be approved by the general meetings of the debenture holders of each series ('the Amended Deeds of Trust').

Principal and interest payments according to the Final Settlement

Series A:

A. The principal payments (and linkage differences in respect thereof) which the Company originally would have had to pay on February 25, 2015 and February 25, 2016 are postponed to February 25, 2017 and February 25, 2018, respectively.

B. No change will occur in the interest payment dates set in the deeds of trust, except the February 2015 interest payment, which will be paid according to the interim arrangement, as detailed above. The interest set in the deed of trust will be increased by 1.875%, so that the principal of Debentures Series A shall bear an annual interest rate of 6.325%, payable once a year, on February 25 of each year from 2016 up to and including 2018.

Series B:

A. The principal payments (and linkage differences in respect thereof) which the Company originally would have had to pay on February 1, shall be postponed by 24 months, excluding the principal payments of 2019 and 2020, which shall remain unchanged (and shall grow, due to the postponement of the principal payments of this series from 2017 and 2018 to 2019 and 2020).

B. No change will occur in the interest payment dates set in the deed of trust, except the February 2015 interest payment, which will be paid according to the interim arrangement, as detailed above. The interest set in the deed of trust will be increased by 1.875%, so that the principal of Debentures Series B shall bear an annual interest rate of 6.775%, payable once a year, on February 1 of each year from 2016 up to and including 2020.

Issuance of shares to the debenture holders

The Company shall allocate to the Debenture Holders, without consideration, shares of the Company, which shall constitute approximately 10% of the Company's issued and paid in capital immediately after the issuance. In addition, the Company will make a cash payment of €750,000 to the Debenture Holders, instead of issuing additional 2% to the Debenture Holders, as was initially agreed within the framework of the Agreement in Principle.

Pledges and guarantees in favor of the Debentures holders

The Company committed to establish and register primary, exclusive pledges with no limitations of amounts over all of the Group's interests in GTC RE, KLC, KFS, TBIF, TGI, EMERGING (the 'Pledged Subsidiaries'), including all benefits which will emanate from these interests and all the rights of the Group in loans granted to the Pledged Subsidiaries. As long as the aforesaid pledges have not been exercised the Company shall be allowed to use the benefits derived from these interests and from loan repayments. Issuance or sale of shares in the Pledged Subsidiaries will be used to early repay the Debentures.

In addition, the Company will establish in favor of the trustees primary exclusive pledges with no limitations of amounts over the bank accounts of the Company ('the Pledged Accounts'). All the funds in the Company's possession, shall be deposited and kept in the Pledged Accounts, excluding the Free Amount ('Free Amount' signifies a maximum of €3 million, which will serve for the payment of the Company's general and administrative expenses), which will not be pledged in favor of the trustees and which can be deposited in a bank account which is not pledged in favor of the trustees. Insofar the said pledge has not been exercised, the Company may use the funds freely.

In addition, to secure the Company's commitments, KLC will provide a guarantee in favor of the trustees limited to an amount of €100 million which will expire upon meeting the Relief Conditions as detailed below. The trustees will not be able to use the guarantee or to take any action against KLC as long as the construction loan from Chinese Banks to the Dalian project has not been fully repaid, as well as loans that will be obtained, if obtained, in relation to the Dalian project.

Financial Covenants

The Company's debt coverage ratio shall not be below 100% during the years 2015 till 2017 (including), and shall not be below 120% from 2018 onwards. The coverage ratio is the total value of the assets according to the Company's stand-alone financial statements divided by the total stand-alone liabilities of the Company, net of certain amounts as detailed in the Debt Settlement. If the Company's coverage ratio in the years 2015-2017 shall be lower than 110%, and as of 2018 – lower than 130%, KLC's coverage ratio shall not be lower than 180%.

Additional provisions

Some additional provisions have been established to guarantee the rights of the Debenture Holders including: provisions which regulate the early repayment of debt to the Debenture Holders from sources which will become available to the Company, restrictions on dividend distribution, limitations on general and administrative expenses of the Company and payments to controlling shareholders, restrictions on specific new investments, various restrictions on raising credit and the right to appoint a director on behalf of the debenture holders to the Company's board of the directors and KLC's board. In addition the approval by both general meetings of the Debenture Holders (by a regular majority or a special one as the case may be) will be required before certain actions, including transferring of the control in the Company and transactions with controlling shareholders.

It was also agreed that the Company may retain certain amounts, prior to an early repayment, for general and administrative expenses, interest payment to the debenture holders, the Company's obligations in respect of the GTC SA transaction (see Note 5C to the 2014 annual financial statements) as well as for supporting its subsidiaries.

Purchase of Debentures

According to the Amended Deeds of Trust, the Company or any entity under its control shall be permitted to purchase the Company's Debentures (series A and B) at any price only through the Tel Aviv Stock Exchange subject to some preconditions detailed in the Amended Deeds of Trust.

Debentures purchased by the Company will expire and deleted from trade on the stock exchange. A corporation controlled by the Company that will purchase Debentures of the Company, will have to choose, in its discretion whether to transfer the Debentures to the Company for expiry or to pledge the Debentures in favor of the trustee of that series.

Restrictions on business activities

It was agreed that the Company and GTC RE shall not initiate any new business activity, shall not make any new investments and shall not be allowed to raise any new credit (unless it is subordinated to the Debentures).

KFS and any company under its control shall not be allowed to enter into new business activities except for the ones detailed in the Amended Deeds of Trust. KFS and TBIF shall not be allowed to make any new investments, however any corporation under their control shall be allowed to invest in existing and new projects in its area of operations, provided that the source of the funds is the ongoing operations of such corporation. KFS and TBIF themselves shall not be allowed to raise any credit, except for credit taken by KFS from TBIF, or short term credit that will be taken by any of them from a corporation under their control in an aggregate amount not exceeding €5 million. Any corporation under their control shall be allowed to obtain unlimited credit, for the purpose of its business activity subject to the conditions detailed in the Amended Deeds of Trust.

KLC and any corporation under its control shall not be allowed to enter into new business activities or to invest in new projects or activities even if they are within the current area of operations. In addition, KLC shall not expand the Dalian Project, and the Lucky Hope joint venture companies shall not initiate or develop any new projects beyond the existing projects which will be developed on the land plots they currently own. Proceeds from the sale of assets owned by KLC or companies under its control shall serve only for that project. Unless approved by a 66% majority by each of the meetings of the debenture holders of the two series, KLC or any entity under its control shall not be allowed to raise credit except under the certain limitations which are detailed in the Amended Deeds of Trust.

TGI and TGA or any entity under their control (except TG and entities under its control) shall not be allowed to enter into new business activities except for those detailed in the Amended Deeds of Trust. They can make investments and obtain credit insofar the source of the investments is from the operating activities of any of the entities controlled by TGI; and the securities for such credit will be provided by TGI and entities under its control and not by other Group companies.

Relief Conditions

Upon meeting both of the following conditions: (1) Repayment (taking into account repurchase of Debentures which would be done after the date of completion of the Final Settlement) of 55% of the par value of the Debentures (which are not owned by the Company or its subsidiaries) as of December 31, 2014; and (2) the coverage ratio of the Company calculated according to the Company's most recent stand-alone financial statements (quarterly or annual, according to the date), will stand at more than 180% ('Relief Conditions'), all the restrictions on purchase of Debentures by the Company or any corporation under its control will be removed, the Free Amount will increase to €6 million, pledges over TGI or KFS and TBIF (or both) will be revoked, provided that the coverage ratio calculated using the remaining pledged assets after the revocation of said pledges and the Company's debt shall be at least 180%, restrictions on the business activities of subsidiaries as described above will be revoked, restriction on dividend distribution will be revoked (distribution will be allowed after the Company will repay 75% of the par value of the Debentures) and the right to appoint a board member on behalf of the debenture holders will be cancelled. In addition, after the Relief Conditions have been met the Company shall be obligated to repay only 35% of the funds received from disposal of certain assets (as detailed in the Amended Deeds of Trust).

Accounting
The Company examined the changes in the terms of Debentures series A and B in accordance with IAS 39 provisions for substantial modification of the terms of an existing financial liability. The Company concluded, based on its examination, that the modified terms are not substantially different than the terms of the existing debentures, and therefore it is not regarded an extinguishment. Accordingly, the debt settlement would be accounted for by an adjustment of the effective interest rate resulted from the modification of the interest terms and the future issuance of shares. Such adjustment shall not result in a recognition of profit of loss from the modification of the terms.

4. Early repayment of debentures

On March 31, 2015 the Company paid the interest deferred to August 2015 (see Note 3 above) in the amount of approximately €4.4 million to Debenture Holders series A and approximately €14.3 million to Debenture Holders series B. Additionally, the Company early repaid principal amounting to approximately €3.3 million to Debenture Holders series A (3.83% of the outstanding series A principal) and approximately €3.4 million of principal to Debenture Holders series B (1.24% of the outstanding series B principal). The total repayment amounted to approximately €25.4 million.