KARDAN N.V.
AMSTERDAM, THE NETHERLANDS

Condensed Interim Consolidated Financial Statements
As of September 30, 2015

CONTENTS

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

page

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

A s s e t s

	Note	**September 30, 2015**	September 30, 2014	December 31, 2014
		unaudited	unaudited	audited
			In €'000	
Non-current assets				
Tangible fixed assets		22,198	58,767	60,862
Investment property	7	252,067	163,743	181,072
Investment in associates		8,652	7,316	7,378
Investment in joint ventures	8	91,908	139,530	84,445
Other financial assets		1,067	-	521
Loans to bank customers		75,522	60,468	63,763
Long-term loans and receivables		23,701	103,304	104,521
Intangible assets and goodwill, net		5,626	22,567	17,640
Deferred income tax assets		2,874	2,574	2,898
		483,615	558,269	523,100
Current assets				
Inventories, contract work and buildings inventory in progress		115,763	133,993	112,745
Current maturities of long-term loans and receivables		17,875	20,191	18,708
Loans to bank customers		51,051	51,100	54,596
Trade receivables		58,325	54,495	62,001
Income tax receivables		1,171	1,930	1,071
Other receivables and prepayments		39,048	54,333	53,449
Short-term investments		6,775	6,431	7,250
Cash and cash equivalents		223,588	96,201	148,545
		513,596	418,674	458,365
Assets held for sale	9	30,653	35,577	32,144
Total current assets		544,249	454,251	490,509
Total assets		1,027,864	1,012,520	1,013,609

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

Equity and liabilities

	Note	**September 30, 2015** unaudited	September 30, 2014 unaudited	December 31, 2014 audited
			In €'000	
Equity attributable to equity holders of the parent				
Issued and paid-in capital	6	25,276	23,041	23,041
Share premium		206,482	208,002	208,002
Foreign currency translation reserve		20,782	21,961	23,943
Property revaluation reserve		37,302	37,525	21,033
Revaluation reserve, other		8,347	9,713	10,765
Non-controlling interest holders transactions reserve		15,446	15,968	15,178
Treasury shares		-	(2,625)	(2,625)
Accumulated deficit		(228,065)	(239,972)	(206,939)
		85,570	73,613	92,398
Non-controlling interests		4,285	4,451	5,362
Total equity		89,855	78,064	97,760
Non-current liabilities				
Interest-bearing loans and borrowings		69,061	92,378	84,131
Banking customers accounts		225	276	230
Other long-term liabilities		3,297	4,342	3,111
Options		2,416	1,482	1,442
Debentures	3	339,267	254,223	250,047
Deferred income tax liabilities		14,297	14,966	20,062
Accrued severance pay, net		1,346	1,012	1,502
		429,909	368,679	360,525
Current liabilities				
Advances from customers in respect of contracts		62,375	51,043	56,454
Banking customers accounts		222,749	161,200	189,239
Trade payables		18,908	19,003	21,666
Current maturities of debentures	3	-	85,339	83,802
Interest-bearing loans and borrowings		68,247	104,834	89,719
Income tax payables		9,217	2,599	8,952
Advances from apartment buyers		6,932	28,705	164
Derivatives		10	308	49
Advances from customers		16,015	27,259	20,305
Other payables and accrued expenses		103,647	63,556	67,035
		508,100	543,846	537,385
Liabilities associated with assets held for sale	9	-	21,931	17,939
Total current liabilities		508,100	565,777	555,324
Total liabilities		938,009	934,456	915,849
Total equity and liabilities		1,027,864	1,012,520	1,013,609

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

CONDENSED INTERIM CONSOLIDATED INCOME STATEMENT

	Note	For the nine months ended September 30,		For the three months ended September 30,		For the year ended December 31,
		2015	2014	**2015**	2014	2014
		unaudited	unaudited	unaudited	unaudited	audited
		In €'000				
Contract revenues		129,772	102,687	41,819	31,911	142,795
Retail lending activities		27,590	24,510	9,746	6,124	33,295
Sale of apartments		520	9,150	-	411	46,866
Rental Revenues		996	-	685	-	-
Management fee and other revenues		5,370	5,045	1,943	1,919	7,425
Total revenues		164,248	141,392	54,193	40,365	230,381
Contract costs		109,554	84,957	35,683	25,462	118,426
Costs of retail lending activities		19,324	18,550	7,245	6,321	25,578
Cost of sale of apartments		446	7,606	-	372	44,217
Costs of rental revenues		905	-	278	-	-
Other expenses, net		4,686	4,023	2,394	1,587	6,108
Total expenses		134,915	115,136	45,600	33,742	194,329
Gross margin		29,333	26,256	8,593	6,623	36,052
Selling and marketing expenses		6,867	5,741	2,594	2,010	8,191
General and administration expenses		18,100	14,712	5,393	5,056	21,260
Profit from operations before fair value adjustments, disposal of assets and investment and other income		4,366	5,803	606	(443)	6,601
Adjustment to fair value of investment properties	7	21,693	4,346	(163)	1,148	8,859
Gain (loss) on disposal of assets and other income, net		244	1,079	268	516	17,798
Profit from fair value adjustments, disposal of assets and investments and other income		21,937	5,425	105	1,664	26,657
Profit (loss) from operations		26,303	11,228	711	1,221	33,258
Financial income		16,925	7,776	6,748	2,718	2,048
Financial expenses		(59,998)	(29,571)	(4,325)	(10,101)	(21,363)
Total financial income (expenses), net		(43,073)	(21,795)	2,423	(7,383)	(19,315)
Profit (loss) before share of profit (loss) from investments accounted for using the equity method		(16,770)	(10,567)	3,134	(6,162)	13,943
Share of profit (loss) of investments accounted for using the equity method, net		225	(531)	1,656	(1,499)	6,712
Profit (loss) before income taxes		(16,545)	(11,098)	4,790	(7,661)	20,655
Income tax expenses		7,341	4,205	343	1,535	13,002
Profit (loss) for the period from continuing operations		(23,886)	(15,303)	4,447	(9,196)	7,653
Net profit (loss) from discontinued operations	9	19,023	3,911	(171)	1,709	(2,591)
Net profit (loss) for the period		(4,863)	(11,392)	4,276	(7,487)	5,062
Attributable to:						
Equity holders		(4,857)	(11,450)	4,325	(7,520)	5,091
Non-controlling interest holders		(6)	58	(49)	33	(29)
		(4,863)	(11,392)	4,276	(7,487)	5,062
Earnings (loss) per share attributable to shareholders	6					
Basic from continuing operations		(0.21)	(0.14)	0.04	(0.09)	0.07
Basic from discontinued operations		0.17	0.04	-	0.02	(0.02)
		(0.04)	(0.1)	0.04	(0.07)	0.05
Diluted from continuing operations		(0.21)	(0.14)	0.04	(0.09)	0.07
Diluted from discontinued operations		0.17	0.04	-	0.02	(0.02)
		(0.04)	(0.1)	0.04	(0.07)	0.05

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

CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the nine months ended September 30,		For the three months ended September 30,		For the year ended December 31,
	2015	2014	**2015**	2014	2014
	unaudited	unaudited	unaudited	unaudited	audited
	In €'000				
Net profit (loss) for the period	(4,863)	(11,392)	4,276	(7,487)	5,062
Foreign currency translation differences (1)	(2,955)	26,654	(12,170)	25,407	28,638
Change in hedge reserve, net of tax (2)	(2,523)	(2,684)	(564)	(1,986)	(1,676)
Other comprehensive income (expense) for the period to be reclassified to profit or loss in subsequent periods (3)	(5,478)	23,970	(12,734)	23,421	26,962
Total comprehensive expenses	(10,341)	12,578	(8,458)	15,934	32,024
Attributable to:					
Equity holders	(10,541)	12,507	(8,250)	15,797	32,038
Non controlling interests holders	200	71	(208)	137	(14)
	(10,341)	12,578	(8,458)	15,934	32,024

(1) In the nine months period ended September 30, 2015 including an amount of €13,287 thousand related to reclassification of foreign currency translation differences due to the sale of KWIG (see also Note 9B).

(2) Including reclassification of unwinding of hedges reserve of €(1,049) and €(382) thousand for the nine months period and three months period ended September 30, 2015 respectively, €(981) thousand and €(334) thousand for the nine months period and three months period ended September 30, 2014 respectively and €1,676 thousand for the year ended December 31, 2014.

The amounts presented are net of tax amounting to €350 thousand and €127 thousand for the Nine months period and three months period ended September 30, 2015 respectively, €327 thousand and €111 thousand for the nine months period and three months period ended September 30, 2014 respectively and €438 thousand for the year ended December 31, 2014.

(3) Including impact resulted from associates and joint ventures of €3,077 thousand and €(2,738) thousand for the nine months period and three months period ended September 30, 2015 respectively, €10,077 thousand and €9,901 thousand for the nine months period and three months period ended September 30, 2014 respectively, and €(2,500) thousand for the year ended December 31, 2014.

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

KARDAN N.V., AMSTERDAM

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	-	-	(3,161)	-	(2,523)	-	-	-	(5,684)	206	(5,478)
Loss for the period	-	-	-	-	-	-	-	(4,857)	(4,857)	(6)	(4,863)
Total comprehensive income (loss)	-	-	(3,161)	-	(2,523)	-	-	(4,857)	(10,541)	200	(10,341)
Issuance of shares (Note 3)	2,235	789	-	-	-	-	-	-	3,024	-	3,024
Release of treasury shares (Note 3)	-	(2,309)	-	-	-	-	2,625	-	316	-	316
Share-based payment	-	-	-	-	105	-	-	-	105	934	1,039
Dividend distributed to minority shareholders	-	-	-	-	-	-	-	-	-	(780)	(780)
Transactions with non-controlling interest holders	-	-	-	-	-	268	-	-	268	-	268
Deconsolidation of subsidiary (Note 9B)	-	-	-	-	-	-	-	-	-	(1,431)	(1,431)
Reclassification according to the Netherlands civil code requirements law (*)	-	-	-	16,269	-	-	-	(16,269)	-	-	-
Balance as of September 30, 2015 (unaudited)	25,276	206,482	20,782	37,302	8,347	15,446	-	(228,065)	85,570	4,285	89,855

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

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

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent										
	Issued and paid-in capital	Share premium	Property revaluation reserve (*)	Revaluation reserve, other (*)	Foreign currency translation reserve(*)	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	34,300	12,296	(4,680)	21,104	(2,786)	(225,297)	66,095	5,655	71,750
Other comprehensive profit (loss)	-	-	-	(2,684)	26,641	-	-	-	23,957	13	23,970
Profit (loss) for the period	-	-	-	-	-	-	-	(11,450)	(11,450)	58	(11,392)
Total comprehensive income (loss)	-	-	-	(2,684)	26,641	-	-	(11,450)	12,507	71	12,578
Share-based payment	-	-	-	147	-	-	-	-	147	384	531
Transactions with non-controlling interest holders (refer to Note 7B, 7C and 8B)	-	-	-	-	-	(5,136)	-	-	(5,136)	(1,659)	(6,795)
Issuance of treasury shares	-	(115)	-	(46)	-	-	161	-	-	-	-
Reclassification according to the Netherlands civil code requirements law (*)	-	-	3,225	-	-	-	-	(3,225)	-	-	-
Balance as of September 30, 2014 (unaudited)	23,041	208,002	37,525	9,713	21,961	15,968	(2,625)	(239,972)	73,613	4,451	78,064

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

The accompanying notes are an integral part of these interim condensed 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 July 1, 2015 (unaudited)	23,041	208,002	32,793	37,425	8,860	15,446	(2,625)	(232,513)	90,429	4,359	94,788
Other comprehensive (loss) income	-	-	(12,011)	-	(564)	-	-	-	(12,575)	(159)	(12,734)
Profit (loss) for the period	-	-	-	-	-	-	-	4,325	4,325	(49)	4,276
Total comprehensive income (loss)	-	-	(12,011)	-	(564)	-	-	4,325	(8,250)	(208)	(8,458)
Issuance of shares (Note 3)	2,235	789	-	-	-	-	-	-	3,024	-	3,024
Release of treasury shares (Note 3)	-	(2,309)	-	-	-	-	2,625	-	316	-	316
Share-based payment	-	-	-	-	51	-	-	-	51	134	185
Reclassification according to the Netherlands civil code requirements law (*)	-	-	-	(123)	-	-	-	123	-	-	-
Balance as of September 30, 2015 (unaudited)	25,276	206,482	20,782	37,302	8,347	15,446	-	(228,065)	85,570	4,285	89,855

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

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

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent										
	Issued and paid-in capital	Share premium	Property revaluation reserve (*)	Revaluation reserve, other (*)	Foreign currency translation reserve(*)	Non-controlling interest holders transactions reserve	Treasury shares	Accumulated deficit	Total	Non-controlling Interests	Total equity
	In €'000										
Balance as of July 1, 2014 (unaudited)	23,041	208,002	36,763	11,658	(3,342)	15,968	(2,625)	(231,690)	57,775	4,063	61,838
Other comprehensive income (loss)	-	-	-	(1,986)	25,303	-	-	-	23,317	104	23,421
Profit (loss) for the period	-	-	-	-	-	-	-	(7,520)	(7,520)	33	(7,487)
Total comprehensive income (loss)	-	-	-	(1,986)	25,303	-	-	(7,520)	15,797	137	15,934
Share-based payment	-	-	-	41	-	-	-	-	41	251	292
Reclassification according to the Netherlands civil code requirements law (*)	-	-	762	-	-	-	-	(762)	-	-	-
Balance as of September 30, 2014 (unaudited)	23,041	208,002	37,525	9,713	21,961	15,968	(2,625)	(239,972)	73,613	4,451	78,064

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

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

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Attributable to equity holders of the parent										
	Issued and paid-in capital	Share premium	Foreign currency translation Reserve (*)	Property revaluation reserve (*)	Revaluation reserve, other (*)	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, this part of the equity is restricted for distribution.

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

CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT

	For the nine months Period ended September 30,		For the three months Period ended September 30,		For the year ended December 31,
	2015	2014	**2015**	2014	2014
	unaudited	unaudited	unaudited	unaudited	audited
	In €'000				
Cash flow from operating activities					
Profit (loss) from continuing operations before taxes on income	(16,545)	(11,098)	4,790	(7,661)	20,655
Profit from discontinued operations before taxes on income	20,912	5,408	407	2,233	892
Adjustments to reconcile net profit (loss) to net cash (see A below)	4,302	25,327	16,078	(2,527)	7,202
Net cash provided by (used in) operating activities	8,669	19,637	21,275	(7,955)	28,749
Cash flow from investing activities					
Acquisition of tangible fixed assets and investment in investment properties	(33,644)	(36,503)	(1,996)	(13,780)	(45,257)
Investments and collection (granting) loans from (to) companies accounted for using the equity method, net	(1,460)	(1,651)	(216)	(770)	(1,958)
Proceeds from sale of assets and investments	452	553	130	160	496
Change in loans to bank customers, net	1,367	7,641	(7,041)	2,317	8,200
Change in long-term loans and receivables	(15,409)	(19,338)	(5,534)	(3,790)	(35,035)
Change in short-term investments	743	156	808	(663)	(632)
Proceeds from sale of subsidiaries (see B below and Note 9B)	119,048	-	-	-	-
Change in deferred brokerage fees and other assets	-	22	-	22	-
Proceeds from sale of a company accounted for using the equity method	331	-	-	-	74,369
Net cash provided by (used in) investing activities	71,428	(49,138)	(13,849)	(16,504)	183

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

CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

	For the nine months period ended September 30		For the three months Period ended September 30		For the year ended December 31,
	2015	2014	**2015**	2014	2014
	unaudited	unaudited	unaudited	unaudited	audited
	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	33,505	23,755	10,449	32,567	51,748
Proceeds from long-term loans	3,224	86,372	383	2,485	89,152
Repayment of long-term loans	(30,834)	(16,085)	(945)	(7,129)	(48,003)
Change in short-term loans and borrowings	(129)	(1,390)	(129)	(46)	(1,415)
Release of (increase in) pledged deposit	(2,317)	7,667	-	-	7,674
Debentures settlement payment	(750)	-	(750)	-	-
Repayment of long term liability	-	(8,031)	-	-	(8,031)
Costs related to issuance of loans	-	(267)	-	-	(267)
Change in other long term liabilities	(50)	-	(60)	-	75
Dividend to Non-Controlling interest holders of subsidiary	(780)	-	-	-	-
Transactions with non controlling interest holders (Note 9(C)2)	(5,337)	(3,279)	(5,337)	-	(6,791)
Net cash provided by (used in) financing activities	(10,193)	22,359	3,611	27,877	17,759
Foreign exchange differences relating to cash and cash equivalents	5,139	6,616	(2,718)	5,672	5,127
Increase (decrease) in cash and cash equivalents	75,043	(526)	8,319	9,090	51,818
Change in cash of assets held for sale	-	(21,541)	-	(21,541)	(21,541)
Cash and cash equivalents at the beginning of the period	148,545	118,268	215,269	108,652	118,268
Cash and cash equivalents at the end of the period	223,588	96,201	223,588	96,201	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 nine months period ended September 30,		For the three months Period ended September 30,		For the year ended December 31,
	2015	2014	2015	2014	2014
	unaudited	unaudited	unaudited	unaudited	audited
	In €'000				
A. Adjustments to reconcile net profit (loss) to net cash					
charges / (credits) to profit (loss) not affecting operating cash flows:					
Share of profit of companies accounted for using the equity method	(225)	531	(1,656)	1,499	(6,712)
Impairment of goodwill and other intangible assets	-	233	-	-	5,429
Gain on disposal of assets and investments, net (*)	(20,842)	-	(227)	-	(16,739)
Share-based payment	762	675	183	321	1,302
Depreciation and amortization	3,536	3,806	1,247	1,248	5,473
Fair value adjustments of investment properties	(21,693)	(4,346)	163	(1,148)	(8,859)
Financial expense and exchange differences, net	43,649	33,779	(3,776)	10,788	30,268
Capital (gain)/loss from sale property plant and equipment	(241)	92	(61)	45	(19)
Increase in provision for bad debts in the financial services segment	5,308	5,644	1,575	4,638	7,797
Changes in operating assets and liabilities:					
Change in trade and other receivables	(34,206)	(7,227)	14,839	(4,058)	(32,298)
Change in inventories and in contract work in progress, net of advances from customers	13,578	12,053	5,107	(7,063)	13,683
Change in trade and other payables	16,624	(5,310)	(7,901)	(3,026)	1,566
Increase of concession finance receivables	-	(5,144)	-	(876)	(7,358)
Movement in pledged time deposit	(26)	(1,645)	29	(154)	(1,752)
Interest paid	(29,588)	(22,192)	(4,024)	(7,543)	(17,151)
Interest received	30,713	17,517	11,057	5,203	35,476
Income taxes paid	(3,041)	(3,139)	(471)	(2,401)	(3,124)
Other	(6)	-	(6)	-	220
	4,302	25,327	16,078	(2,527)	7,202

(*) For details see Note 9 below.

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

CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

	For nine months period ended September 30,		For three months period ended September 30,		For the year ended December 31,
	2015	2014	**2015**	2014	2014
	unaudited	unaudited	unaudited	unaudited	audited
	In €'000				
B. Proceeds from sale of subsidiaries					
Working capital (excluding cash and cash equivalents)	13,450	-	410	-	-
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	(14,773)	-	-	-	-
Release of currency translation reserves	(13,287)	-	-	-	-
Gain on disposal of investment, net of	18,965	-	(171)	-	-
Asset classified as held for sale	(23,684)	-	(239)	-	-
	119,048	-	-	-	-

	For nine months period ended September 30,		For three months period ended September 30,		For the year ended December 31,
	2015	2014	**2015**	2014	2014
	unaudited	unaudited	unaudited	unaudited	audited
	In €'000				
C. Material non cash transaction					
Issuance of shares and treasury shares	3,340	-	3,340	-	-
Liability to repurchase shares from non controlling interest holders	-	6,535	-	-	3,380

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

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
September 30, 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 November 25, 2015.

2. Financial Position

In January 2015, the Company reached an interim arrangement with its Debentures Holders with respect to payment of the Company's debentures series A and B. In June 2015 the final settlement was approved by a special majority of the Debentures Holders, and the amended Deeds of Trust were signed in the beginning of July 2015. The principles of the Debt Settlement are outlined in Note 3 below.

In accordance with the final Debt Settlement, as described in Note 3 below, the next payment is in February 2016 of accrued interest amounting to €23.0 million; and the next principal and interest repayment of €106.8 million is in February 2017.

The Company's condensed interim consolidated financial statements as at September 30, 2015 have been prepared on the assumption the Company will continue as a going concern. This is based, among others, on the current cash balances and its available assets as well as considering cash from future operations and transactions.
In accordance with the provisions of the Debt Settlement, as described below, the Company already retained the funds required to repay the next interest in February 2016. The subsequent repayments will be funded through existing cash balances and cash generated from the repayment of certain shareholder's loans by some of the Company's subsidiaries. In addition, management is considering the possibility of selling certain assets. The Company prepared a two year liquidity analysis as part of its normal course of business which addresses the required liquidity to be able to pay interest on the debentures in February 2016 and pay interest and to repay debentures in February 2017 and all its other liabilities and to finance its operating activities. The realization of some the Company's plans depends on factors that are not wholly within the Company's control, however the Company believes that it will be able to generate enough funds to repay its liabilities as they mature in the foreseeable future.

As the amended Deeds of Trust with the Debenture Holders of the Company have been signed on July 3, 2015, management believes that there is no longer 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.

3. Debt settlement between the Company and its Debenture Holders

The interim arrangement which was approved on January 6, 2015, included 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. On July 3, 2015 the conditions precedent of the final debt settlement were met.

<u>Interim debt settlement - main principles</u>

<u>Postponement of principal and interest payments - Series A:</u>

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.

<u>Postponement of principal and interest payments - Series B:</u>

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.

The postponed interest and the additional interest as described above were paid in full on March 31, 2015.

<u>Establishment of pledges in favor of the debenture holders</u>

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'), dated July 3, 2015 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 is detailed in the amended deeds of trust which was approved by the general meetings of the debenture holders of each series ('the Amended Deeds of Trust') in mid June 2015.

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 and a onetime payment 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. On July 15, 2015, the Company allocated to the Debenture Holders the shares and made the cash payment of €750 thousand. Refer also to Note 6 for further details regarding the issuance of shares.

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.

The aforesaid pledges were not yet registered, even though the agreed period to register them has passed, due to delays concerning the negotiation between the parties regarding the wording of the pledge documents which are not fundamental disagreements between the parties. The Company is working on completing the registration of the pledges in the near future, and as of the date of approving these financial statements it does not expect the delays to result in immediate repayment.

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 provided 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 and Note 9C below) as well as for supporting its subsidiaries.

<u>Purchase of Debentures</u>

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.

<u>Restrictions on business activities</u>

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.

<u>Relief Conditions</u>

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 as of July 3, 2015 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. The effective interest of the series A debentures and the series B debentures post settlement amounts to 7.05% and 7.64% respectively.

4. Basis of presentation and preparation

A. Basis of preparation

The condensed interim consolidated financial statements for the nine and three months ended September 30, 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.

In preparing these condensed interim consolidated financial statements, the significant judgments made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended December 31, 2014, with the exception of changes in estimates that are required in determining the provision for income taxes and investment property.

In interim periods, income tax expense is recognized based on management's estimate of the weighted average annual income tax rate expected for the full financial year.

B. New and amended standards and Interpretations, effective for financial years starting after 1 January 2016 or later

Amendments to IFRS 10, 'Consolidated financial statements' and IAS 28, 'Investments in associates' - Sale or contribution of assets between an investor and its associate or joint venture

The amendments resolve a current inconsistency between IFRS 10 and IAS 28. The accounting treatment depends on whether the nonmonetary assets sold or contributed to an associate or joint venture constitute a 'business'.
Full gain or loss will be recognized by the investor where the nonmonetary assets constitute a 'business'. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor to the extent of the other investors' interests.
The amendments to IFRS 10 and IAS 28 (2011) are prospective and are effective from January 1, 2016 and not yet adopted by the EU. These amendments are not expected to have any impact on the Group

Amendments to IAS 1, 'Presentation of financial statements' - Disclosure initiative

In December 2014 the IASB issued amendments to clarify guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. The amendments form a part of the IASB's Disclosure Initiative, which explores how financial statement disclosures can be improved. The amendments are effective from January 1, 2016.

Improvements to IFRSs - 2012-2014 Cycle

The IASB issued the 2012-2014 cycle improvements to its standards and interpretations, primarily with a view to removing inconsistencies and clarifying wording.

IAS 34, 'Interim financial reporting' - The amendment clarifies what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report'. The amendment further amends IAS 34 to require a cross-reference from the interim financial statements to the location of that information. The amendment is retrospective.

C. 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)
September 30, 2015	0.89	0.23	0.14	132.52
September 30, 2014	0.79	0.22	0.13	132.6
December 31, 2014	0.82	0.21	0.13	132.8
		%		
Change in 2015 (9 months)	8.22	7.28	4.12	(0.19)
Change in 2015 (3 months)	(0.27)	(4.19)	(3.76)	0.30
Change in 2014 (9 months)	9.51	2.87	7.87	(0.29)
Change in 2014 (3 months)	8.52	0.97	7.56	-
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 Chief Operating Decision Maker ('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 operations 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 nine months ended September 30, 2015:

	Real Estate Asia	Banking and Retail lending	Water Infrastructure	Other	Total
	In €'000				
Revenue	4,150	30,326	129,772	-	164,248
Other income (expense) (*)	22,287	1,435	(1,484)	(76)	22,162
Total Income	26,437	31,761	128,288	(76)	186,410
Segment result (**)	14,443	9,681	6,233	(76)	30,281
Unallocated expenses					(3,753)
Gain from operations and share in profit of investment accounted using the equity method before finance expenses, net					26,528
Finance expenses, net					(43,073)
Loss before income tax					(16,545)
Income tax expenses					(7,341)
Loss from continuing operations					(23,886)
Profit from discontinued operations					19,023
Loss for the period					(4,863)

(2) For the nine months ended September 30, 2014:

	Real Estate Asia	Banking and Retail lending	Water Infrastructure	Other	Total
	In €'000				
Revenue	12,538	26,167	102,687	-	141,392
Other income (expense) (*)	4,401	959	(267)	(199)	4,894
Total Income	16,939	27,126	102,420	(199)	146,286
Segment result (**)	1,729	6,391	6,703	(199)	14,624
Unallocated expenses					(3,927)
Gain from operations and share in profit of investment accounted using the equity method before finance expenses, net					10,697
Finance expenses, net					(21,795)
Loss before income tax					(11,098)
Income tax expenses					(4,205)
Loss from continuing operations					(15,303)
Profit from discontinued operations					3,911
Loss for the period					(11,392)

(3) For the three months ended September 30, 2015:

	Real Estate Asia	Banking and Retail lending	Water Infrastructure	Other	Total
	In €'000				
Revenue	1,610	10,764	41,819	-	54,193
Other income (expense) (*)	1,288	617	(144)	-	1,761
Total Income	2,898	11,381	41,675	-	55,954
Segment result (**)	(1,839)	3,151	2,275	-	3,587
Unallocated expenses					(1,220)
Gain from operations and share in profit of investment accounted using the equity method before finance expenses, net					2,367
Finance expenses, net					2,423
Gain before income tax					4,790
Income tax expenses					(343)
Profit from continuing operations					4,447
Loss from discontinued operations					(171)
Profit for the period					4,276

(4) For the three months ended September 30, 2014:

	Real Estate Asia	Banking and Retail lending	Water Infrastructure	Other	Total
	In €'000				
Revenue	1,628	6,826	31,911	-	40,365
Other income (expense) (*)	(215)	549	(55)	(114)	165
Total Income	1,413	7,375	31,856	(114)	40,530
Segment result (**)	(1,645)	240	2,506	(114)	987
Unallocated expenses					(1,265)
Gain from operations and share in profit of investment accounted using the equity method before finance expenses, net					(279)
Finance expenses, net					(7,383)
Loss before income tax					(7,661)
Income tax expenses					(1,535)
Loss from continuing operations					(9,196)
Profit from discontinued operations					1,709
Loss for the period					(7,487)

(5) 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 year					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.

(**) Segment result includes the segment profit (loss) from operation and the Group's share of profit (loss) of investments accounted for using the equity method, net.

B. Segments assets

	September 30,		December 31,
	2015	2014	2014
		In €'000	
Real estate - Asia	499,526	443,412	420,392
Banking and Retail lending	325,312	279,610	304,437
Water Infrastructure (*)	179,161	106,869	121,877
	1,003,999	829,891	846,706
Unallocated assets	23,865	2,356	2,650
Discontinued operation (KWIG) (*)	-	180,273	164,253
	1,027,864	1,012,520	1,013,609

(*) For details see Note 9B below.

6. Share capital

Composition

	September 30, 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	123,022,256	225,000,000	111,848,583

On July 15, 2015, as part of the Final Settlement, as described in Note 3 above, the Company allocated to the Debenture Holders, without consideration, 12,341,258 shares of the Company (out of which 1,167,585 shares were treasury shares held by the Group), which constitute approximately 10% of the Company's issued and paid in capital immediately after the allocation.

7. Financial Instruments and Risk Management

The condensed interim consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the group's annual financial statements as at 31 December 2014.
There have been no changes in the risk management department or in any risk management policies since the year end.

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	**September 30, 2015**		September 30, 2014		December 31, 2014	
		€ 000'					
		Carrying amount (*)	Fair value (**)	Carrying amount (*)	Fair value (**)	Carrying amount (*)	Fair value (**)
Liabilities							
Debentures issued by the Company series A	1	86,498	60,384	86,206	58,384	85,600	59,012
Debentures issued by the Company series B	1	275,185	185,064	265,786	162,780	264,236	161,240
Total		361,683	245,448	351,992	221,164	349,836	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:

	Fair value as of January 1, 2015	Fair Value gain (loss) recorded in P&L	Fair value gain in OCI	Additions and Settlements	Fair value as of September 30, 2015
	In €'000				
Warrants and call options	(428)	(43)	-	471	-
Long term liability	-	(1,945)	-	(471)	(2,416)
Put option	(1,014)	(133)	-	1,147	-
Other liabilities	(3,150)	(1,890)	-	-	(5,040)
Total liabilities	(4,592)	(4,011)	-	1,147	(7,456)

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 the above mentioned financial liabilities, for additional information on fair value refer to Note 38 in the 2014 annual financial statements.

C. Further to Note 7 to the 2014 annual financial statements, below are the significant assumptions used in the valuations of the investment property under construction:

The movements in investment properties for the nine months period ended on September 30, 2015 and for the year ended on December 31, 2014 are as follows:

	September 30, 2015	December 31, 2014
	€ in thousands	
Opening balance	181,072	118,068
Additions capitalized subsequent expenditure	46,314	34,954
Fair value adjustment	21,693	8,859
Foreign currency translation differences	2,988	19,191
Closing balance	252,067	181,072

The construction of the property was complete in April 2015. To assess the fair value of completed investment property, the Discounted Cash Flow ('DCF')Approach and Direct Comparison Method have been adopted for the retail portion. The Direct Capitalisation method has been adopted for the car park portion. The completed investment property is classified as Level 3 in the fair value hierarchy.

	September 30, 2015
Galleria Dalian Shopping Mall (level 3 category)	
DCF method	
Adopted Average Unit Rent (AAUR) per sqm per month (in €)	24
Discount rate	10.5%
Rental growth	5%-15%
Exit rate	5.5%

The table above includes the following descriptions and definitions relating to valuations techniques and key unobservable inputs made in determining the fair value:

Discounted Cash Flow ('DCF') method

Under the DCF method, a property fair value is estimated using explicit assumptions about the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This involves the projection of series of cash flows and to this, an appropriate, market-derived discount rate is applied to establish the present value of the income stream.

Direct Comparison approach

The Direct Comparison approach involves the analysis of recent market sales evidence of similar properties compared with the premises under valuation. Each comparable is analysed on the basis of its unit rate (or accommodation value for land comparables); each attribute of the comparable is then compare with the subject and where there is a difference, the unit rate is adjusted in order to arrive at the appropriate unit rate for the subject. This is done by making percentage adjustments to the unit rate for various factors, such as location size, layout and so on.

D. Foreign currency impact

During the nine months period ended September 30, 2015, an appreciation (circa 7%) has occurred in the NIS/EUR exchange rate. Since the Company's debentures, whose carrying value including accrued interest amounted to €362 million as at September 30, 2015, are denominated in NIS, the Company recognized financial expenses due to the appreciation of the exchange rates during the first nine months of 2015. Also, during the same period an appreciation (circa 4%) has occurred in the RMB/EUR exchange rate. Since a large part of Company's assets are denominated in RMB, the Company has recorded positive other comprehensive income during the nine months period ended September 30, 2015. During this period, KLC recorded a financial income in the amount of €6.5 million and a positive movement in the foreign currency translation reserve amounting to €6.2 million resulting from the appreciation of RMB versus the EURO.

E. Contingent liability

From time to time, Kardan Land China is involved in discussions with customers relating to the fulfillment of certain contractual obligations. To the extent there are gaps between the current performance of KLC and the relevant terms in the underlying agreements, these gaps may expose KLC to risks which may result in future cash out flows. As of the date of issuance of these financial statements, none such discussions resulted in legal claims being lodged or asserted and management of KLC concluded that the exposure to such risks is, in most cases, remote, and when the exposure is assessed to be between remote and probable, it is not practicable to estimate the related amount. Consequently, no provision is included in the accounts in respect of any such risks.

8. Joint Ventures

The requirements of the Israeli Securities regulation stipulate that if the net results of a joint venture or an associates are material to 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. and Green Power 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:

	September 30, 2015	September 30, 2014	December 31, 2014
	In €'000		
Current assets (not including cash and cash equivalent)	144,922	145,794	155,182
Cash and cash equivalent	5,396	15,062	11,640
Non-current assets	15,708	14,814	15,154
Current liabilities	81,344	139,417	140,044
Current financial liabilities	44,262	10,532	9,470
Non-current liabilities	330	338	414
Total equity attributed to the owners	40,090	25,383	32,048
% held in the joint venture	50	50	50
	20,045	12,691	16,024
Deemed cost on projects	-	-	121
Total investment in joint ventures	20,045	12,691	16,145

Summary of financial data from the income statement:

	For the nine months period ended September 30,		For the three months period ended September 30,		For the year ended December 31,
	2015	2014	**2015**	2014	2014
	In €'000				
Revenues from operations	40,272	14,080	2,002	3,956	28,488
Cost of operations	26,400	9,076	574	2,236	15,316
Selling and marketing, other income (expenses), and administrative expenses	(4,496)	(3,494)	(1,058)	(1,042)	(4,802)
Interest Income	24	74	6	48	82
Profit before tax	9,400	1,584	376	726	8,452
Income tax expenses (income)	2,378	443	100	200	2,114
Profit for the year attributed to equity holder	7,022	1,141	276	526	6,338
% held of the joint venture	50	50	50	50	50
Group's share of profit for the year	3,511	570	138	263	3,169
Realizing of deemed cost on projects	-	-	-	-	(195)
Group's share of profit for the year	3,511	570	138	263	2,974
Total other comprehensive income (expenses attributed to equity holders	1,020	1,976	(1,696)	1,908	3,446
% held of the joint venture	50	50	50	50	50
Group share of the total other comprehensive income (expenses)	510	988	(848)	954	1,723

Green Power Development Ltd.

Summary of financial data from the statement of financial position:

	September 30, 2015	September 30, 2014	December 31, 2014
	In €'000		
Current assets (not including cash and cash equivalent)	173,213	150,452	155,926
Cash and cash equivalent	5,190	1,410	2,328
Non-current assets	10,627	8,779	7,460
Current liabilities	178,218	145,974	149,728
Non controlling interest holders	3,073	2,942	3,274
Total equity attributed to the owners	7,739	11,725	12,712
% held in the joint venture	50	50	50
	3,869	5,862	6,356
Deemed cost on projects	678	867	790
Total investment in joint ventures	4,547	6,729	7,146

	For the nine months period ended September 30,		For the three months period ended September 30,		For the year ended December 31,
	2015	2014	**2015**	2014	2014
	In €'000				
Revenues from operations	6,201	20,235	1,658	8,806	41,449
Cost of operations	2,791	15,612	(161)	6,611	32,636
Selling and marketing, other income (expenses), and administrative expenses	(9,121)	(3,099)	(622)	(1,333)	6,299
Interest Income	12	25	-	9	31
Other financial income (expenses), net	(2,453)	(2,482)	46	(2,230)	(3,514)
Profit (loss) before tax	(8,152)	(933)	1,243	(1,359)	(969)
Income tax expenses (income)	(852)	769	318	360	1,593
Profit for the year attributed to equity holder	(7,300)	(1,702)	925	(1,719)	(2,562)
Profit (loss) for the year attributed to non controlling interest	364	89	(72)	(42)	(74)
	(6,936)	(1,613)	853	(1,761)	(2,636)
% held of the joint venture	50	50	50	50	50
Group's share of profit for the year	(3,468)	(806)	426	(880)	(1,318)
Realizing of deemed cost on projects	(104)	(189)	(96)	(182)	(148)
Group's share of profit for the year	(3,572)	(995)	330	(1,062)	(1,466)
Total other comprehensive income (expenses attributed to equity holders	1,967	2,748	(1,954)	2,632	4,758
Total other comprehensive income (expenses attributed to the non controlling interest	164	502	(139)	512	(368)
	2,131	3,251	(2,093)	3,144	4,390
% held of the joint venture	50	50	50	50	50
Group share of the total other comprehensive income (expenses)	1,065	1,625	(1,046)	1,572	2,195

9. Significant transactions

A. Kardan NV

(1) Early repayment of debentures

On March 31, 2015 the Company paid the interest deferred to August 2015 as was agreed in the interim debt arrangement (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 (3.9% of the outstanding series A principal) and approximately €3.4 million of principal to Debenture Holders series B (1.23% of the outstanding series B principal). The total repayment amounted to approximately €25.4 million.

(2) Amendment to the service agreement with Kardan Israel

In May 2015 the services agreement between the Company and Kardan Israel Ltd. (a related party) has been amended. According to the amended agreement, effective March 1, 2015, the scope of services will be reduced and accordingly, the corresponding service fees would be reduced to a total of approximately €212 thousands per year (compared to €474 under the original terms of the agreement), linked to Israeli CPI. This agreement is effective for three years.

(3) CEO and management stock options modification

In August 2015, the General Meeting of Shareholders of the Company approved a modification to the option plan of the Company's CEO, which would replace the current option plan (for additional information see 2014 annual financial statements Note 19B(1)A).

According to the new plan, the CEO is entitled to 2,282,624 options exercisable to 2,282,624 shares of the Company, approximately 2% of the outstanding share capital of the Company (prior to the shares issued to the debenture holders as part of the Final Settlement agreement (see also Note 3 above). According to the modified plan, the exercise price would be €0.2807 or NIS 1.191. The options will vest in two equal tranches, 50% of the options would be exercisable from December 31, 2016 and 50% of the options will be exercisable from June 30, 2018. The modification was accounted for under the requirements of IFRS 2.

The total benefit of the grant is valued at approximately €0.2 million and was calculated using the Black & Scholes model, based on the following assumptions:

Expected volatility (%)	63%-67%
Risk-free interest rate (%)	2.56%-2.73
Expected term of options (years)	3

Senior management outstanding stock options were modified in line with the above modification. In addition, 100,000 new options were granted and 50,000 options expired. The total additional expense relating to the management stock option plan is less than €0.1 million.

B. <u>TGI</u>

(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, has been repaid.

The sale of KWIG would take 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 also repaid. The second phase of the transaction was expected to take place before June 30.
In June 2015 it was announced that the second phase of the sale was postponed by three months until September 30, 2015, at the request of the Purchaser. However, due to processes that are taking more time than expected, it was agreed between the parties that the completion of the second phase would be further postponed. The remaining consideration bears an interest of Libor + 5% p.a.

As a result of the transaction, the Group recorded a net gain of approximately €19 million mainly due to the release of equity 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 September 30, 2015 as 'Asset held for sale'. Also, 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.

<u>Discontinued operations related to loss of control and sale of KWIG:</u>

	For the nine months ended September 30,		For the three months ended September 30,		For the year ended December 31,
	2015	2014	**2015**	2014	2014
	€ '000				
Income	-	19,553	-	6,509	27,463
Expenses	168	(14,145)	-	(4,276)	(19,597)
Operating before tax and revaluation of investment	168	5,408	-	2,233	7,866
Loss from revaluation of investment	-	-	-	-	(6,974)
Profit (loss) before tax	168	5,408		2,233	892
Income tax expenses, net	-	(1,497)	-	(524)	(3,483)
Profit (loss) from discontinued operations before revaluation and release of capital reserves	168	3,911	-	1,709	(2,591)
Discontinued operation items related to the sale of KWIG:					
Capital gain	5,568	-	(171)	-	-
Release of capital reserves due to sale, net of tax *)	13,287	-	-	-	-
Net profit (loss) from discontinued operations	19,023	3,911	(171)	1,709	(2,591)

*) Net of tax expenses amounting to € 1,890 thousand.

Composition of the cash flow statements related to discontinued operations:

	Nine months ended September 30,		Three months ended September 30,		Year ended December 31,
	2015	2014	**2015**	2014	2014
	In €'000				
Net cash provided by (used in) operating activities	-	713	-	381	3,594
Net cash provided by (used in) investing activities	110,148	(396)	-	(138)	(493)
Net cash used in financing activities	-	(2,736)	-	(1,014)	(6,839)

(2) FIMI loan repayment and Amended Agreement

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.

On September 10, 2015 TGI and the Company signed an amended agreement with FIMI (the 'Amended Agreement') to replace existing agreements which were signed in 2010 (the 'Agreements'). According to the Amended Agreement FIMI will be entitled to receive from TGI a cash consideration (and not the right to receive shares as stipulated in the previous warrant agreements) under the following conditions:

- If an exit event occurs during the period from the date of signing of the Amended Agreement until July 31, 2021 (the 'Exercise Period') at a TGI company value of up to USD 173, FIMI will receive an amount USD 3 million (the 'Basic Amount') the Basic Amount is subject to adjustments in the event of investments in TGI or distribution of dividends by TGI, excluding distribution of dividends of up to a maximum of USD 27 million following the sale transaction of KWIG.

- If an exit event occurs at a TGI company value which is higher than USD 173 million, FIMI will receive an amount of USD 3 million plus 8% of the difference between the value of the underlying transaction and the Basic Amount and up to a maximum amount of USD 7.5 million.

- If no exit event occurred during the Exercise period FIMI will receive an amount of USD 0.5 million.

According to the Amended Agreement there will be no restrictions on TGI's right to distribute dividends and/or to repay shareholder loans.

Following signing the Amended Agreement, the Company and TGI signed an agreement whereby the Company undertakes towards TGI to bear payment to FIMI exceeding USD 0.5 million.

The fair value of the liability as of September 30, 2015 was estimated at €2.4 million (USD 2.7 million), (see also Note 7B above). The valuation of the liability was based on the estimates of management with regards to the probability of an exit event and value.

(3) Grant of options to executive employees 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 CEO of TGI. The option have a 4 years graded vesting period. The total benefit of the grant is valued at approximately USD 1 million (approximately €0.9 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>

(1) Claw back liability

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 the first of the said targets. The Company is in discussions with the buyer regarding the said demand (see also Note 7 and Note 5C to the 2014 consolidated annual financial statements).

Subsequent to the balance sheet date, in October 2015 the Company learned that a writ of summons was submitted by the buyer on October 23, 2015, according to which the buyer demands that the Company (as a guarantor to GTC RE's liability) will pay the first claw back amount of €3.15 million. The Company and GTC RE have different claims against the buyer's demand in the said writ of summons, and are working with its legal advisors to use up all its rights and claims in relation to the said writ.

(2) Senior Executive plan – Kardan Land China

Further to Note 19B(2)A to the 2014 annual financial statements, in August 2015, KLC and the senior executive agreed on the consideration to repurchase the last tranche of the options to be approximately €6,803 thousand and the exercise price of the last tranche of options reflecting the pro-rata cost of GTC RE's investment in Kardan Land China (approximately €2,830 thousand).
Following the above, the last tranche was exercised and as of September 30, 2015 the liability has been settled in full.

D. KFS

Sale of TBI Credit EAD

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 nine month period ended September 30, 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 financial information of Kardan N.V., Amsterdam, which comprises the condensed interim consolidated statement of financial position as at 30 September 2015, the condensed interim consolidated income statement, the condensed interim consolidated statement of comprehensive income, the condensed interim consolidated statement of changes in equity, the condensed interim consolidated statement of cash flows and the selected explanatory notes for the three and nine month period then ended. Management is responsible for the preparation and presentation of this (condensed) interim financial information in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information as at 30 September 2015 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union.

Emphasis of matter with respect to the financial position of the company

We draw attention to Note 2 'Financial position of the Company' to the condensed interim consolidated financial information, which describes management's analysis with respect to the financial position of the Company and its ability to repay its liabilities. Our conclusion is not qualified in respect of this matter.

Amsterdam, 25 November 2015
PricewaterhouseCoopers Accountants N.V.

Original has been signed by E. Hartkamp RA

ADDITIONAL INFORMATION

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

KARDAN N.V.

Presentation of separate financial data included annexed to the

Consolidated financial statements related to the Company

As of September 30, 2015

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

	September 30,		December
	2015	2014	31, 2014
	€ in thousand		
Assets			
Non-current assets			
Property and equipment	110	131	127
Financial fixed assets			
Investments in consolidated subsidiaries	540,924	439,789	456,880
Loans to consolidated subsidiaries	22	20	20
	540,946	439,809	456,900
Current assets			
Cash and cash equivalents	23,164	232	605
Short-term investments	276	277	796
Other receivables and derivatives	670	543	536
	24,110	1,052	1,937
Total assets	565,166	440,992	458,964
Equity and liabilities			
Equity attributable to equity shareholders			
Issued and paid-in capital	25,276	23,041	23,041
Share premium	206,482	208,002	208,002
Foreign currency translation reserve	20,782	21,961	23,943
Property revaluation reserve	37,302	37,525	21,033
Other reserves	8,347	9,713	10,765
Non-controlling interest holders transactions reserve	15,446	15,968	15,178
Treasury shares	-	(2,625)	(2,625)
Accumulated deficit	(228,065)	(239,972)	(206,939)
	85,570	73,613	92,398
Long-term liabilities			
Long term liability	1,972	-	-
Debentures	446,655	262,856	258,226
	448,627	262,856	258,226
Current liabilities			
Current maturities of long term loans and debentures	29,173	92,293	90,630
Other payables	1,796	12,230	17,710
	30,969	104,523	108,340
Total equity and liabilities	565,166	440,992	458,964

ADDITIONAL INFORMATION FROM THE COMPANY'S INCOME STATEMENT

	For the nine months ended September 30,		For the three months ended September 30,		For the year ended December 31,
	2015	2014	**2015**	2014	2014
	€ in thousand				
Net result from investments for the period	40,688	15,252	(2,805)	2,362	31,079
General and administrative expenses, net	3,478	3,506	1,128	1,153	5,508
Profit (loss) from operations before financing expenses	37,210	11,746	(3,933)	1,209	25,571
Financing expenses, net	(41,717)	(22,858)	8,385	(8,617)	(20,146)
Profit (loss) before tax expenses (benefit)	(4,507)	(11,112)	4,452	(7,408)	5,425
Income tax expense (	350	338	127	112	334
Net Profit (loss) for the period	(4,857)	(11,450)	4,325	(7,520)	5,091

ADDITIONAL INFORMATION FROM THE COMPANY'S STATEMENT OF COMPREHENSIVE INCOME

	For the nine months ended September 30,		For the three months ended September 30,		For the year ended December 31,
	2015	2014	**2015**	2014	2014
	€ in thousand				
Net result for the period	(4,857)	(11,450)	4,325	(7,520)	5,091
Foreign currency translation differences (*)	(3,161)	26,641	(12,011)	25,303	30,701
Change in hedge reserve, net	(2,523)	(2,684)	(564)	(1,986)	(3,754)
Other comprehensive income (loss) for the period	(5,684)	23,957	(12,575)	23,317	26,947
Total comprehensive income (loss)	(10,541)	12,507	(8,250)	15,797	32,038

***** For the first nine months of 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 nine months ended September 30,		For the three months ended September 30,		For the year ended December 31,
	2015	2014	2015	2014	2014
	€ in thousand				
Cash flow from operating activities of the Company					
Profit (loss) for the period	(4,857)	(11,450)	4,325	(7,520)	5,091
Adjustments to reconcile net profit to net cash of the Company					
Charges to net loss not affecting operating cash flows:					
Financial expenses	41,163	26,154	(9,740)	8,718	23,561
Share-based payment	105	147	51	41	191
Equity earnings	(40,688)	(15,252)	2,805	(2,362)	(31,079)
Dividend received from consolidated companies	53,742	75,452	-	880	78,557
Changes in working capital of the Company					
Change in receivables	(119)	(152)	133	((351)	(730)
Change in payables	(1,032)	368	(50)	627	1,474
Cash amounts paid and received during the period					
Interest received	14	10	1	-	10
Interest paid	(18,676)	(2,997)	-	-	(2,997)
Net cash provided by (used in) operating activities of the Company	**29,652**	**72,280**	**(2,475)**	**33**	**74,078**
Cash flow from investing activities of the Company					
Short term investments, net	520	576	22	26	57
Investments in subsidiaries	(138)	(21,059)	(7)	-	(21,966)
Net cash provided by (used in) investing activities of the Company	**382**	**(20,483)**	**15**	**26**	**(21,909)**
Cash flow from financing activities					
Debt settlement payment	(750)	-	(750)	-	-
Repayment of long-term debt	(6,725)	(67,789)	-	-	(67,788)
Net cash used in financing activities of the Company	**(7,475)**	**(67,789)**	**(750)**	**-**	**(67,788)**
Increase (decrease) in cash and cash equivalents of the Company	22,559	(15,992)	(3,210)	59	(15,619)
Cash and cash equivalents of the Company at beginning of the period	605	16,224	26,374	173	16,224
Cash and cash equivalents of the Company at end of the period	**23,164**	**232**	**23,164**	**232**	**605**

ADDITIONAL INFORMATION

1. General

This condensed interim separate financial information is presented in accordance to rule 38(D) of the Israeli Securities 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 nine months ended September 30, 2015.

2. Financial Position

In January 2015, the Company reached an interim arrangement with its Debentures Holders with respect to payment of the Company's debentures series A and B. In June 2015 the final settlement was approved by a special majority of the Debentures Holders, and the amended Deeds of Trust were signed in the beginning of July 2015. The principles of the Debt Settlement are outlined in Note 3 below.

In accordance with the final Debt Settlement, as described in Note 3 below, the next payment is in February 2016 of accrued interest amounting to €23.0 million; and the next principal and interest repayment of €106.8 million is in February 2017.

The Company's condensed interim consolidated financial statements as at September 30, 2015 have been prepared on the assumption the Company will continue as a going concern. This is based, among others, on the current cash balances and its available assets as well as considering cash from future operations and transactions.
In accordance with the provisions of the Debt Settlement, as described below, the Company already retained the funds required to repay the next interest in February 2016. The subsequent repayments will be funded through existing cash balances and cash generated from the repayment of certain shareholder's loans by some of the Company's subsidiaries. In addition, management is considering the possibility of selling certain assets. The Company prepared a two year liquidity analysis as part of its normal course of business which addresses the required liquidity to be able to pay interest on the debentures in February 2016 and pay interest and to repay debentures in February 2017 and all its other liabilities and to finance its operating activities. The realization of some the Company's plans depends on factors that are not wholly within the Company's control, however the Company believes that it will be able to generate enough funds to repay its liabilities as they mature in the foreseeable future.

As the amended Deeds of Trust with the Debenture Holders of the Company have been signed on July 3, 2015, management believes that there is no longer 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.

3. Debt settlement between the Company and its Debenture Holders

The interim arrangement which was approved on January 6, 2015, included 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. On July 3, 2015 the conditions precedent of the final debt settlement were met.

Interim debt settlement - 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.

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.

The postponed interest and the additional interest as described above 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.

<u>Final debt settlement main principles</u>

The final debt settlement ('the Final Settlement'), dated July 3, 2015 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 was approved by the general meetings of the debenture holders of each series ('the Amended Deeds of Trust') in mid June 2015.

<u>Principal and interest payments according to the Final Settlement</u>

<u>Series A:</u>

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.

<u>Series B:</u>

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.

<u>Issuance of shares and a onetime payment to the debenture holders</u>

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. Subsequent to the balance sheet date, on July 15, 2015, the Company allocated to the Debenture Holders the shares and made the cash payment of €750 thousand. Refer also to Note 6 of the Condensed Interim Consolidated Financial Statements for further details regarding the issuance of shares.

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.

The aforesaid pledges were not yet registered, even though the agreed period to register them has passed, due to delays concerning the negotiation between the parties regarding the wording of the pledge documents which are not fundamental disagreements between the parties. The Company is working on completing the registration of the pledges in the near future, and as of the date of approving these financial statements it does not expect the delays to result in immediate repayment.

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 provided 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 as of July 3, 2015 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. The effective interest of the series A debentures and the series B debentures post settlement amounts to 7.05% and 7.64% respectively.

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 (3.9% of the outstanding series A principal) and approximately €3.4 million of principal to Debenture Holders series B (1.23% of the outstanding series B principal). The total repayment amounted to approximately €25.4 million.

5. Amendment to the service agreement with Kardan Israel

In May 2015 the services agreement between the Company and Kardan Israel Ltd. (a related party and former subsidiary) has been amended. According to the amended agreement, effective March 1, 2015, the scope of services will be reduced and accordingly, the corresponding service fees would be reduced to a total of approximately €212 thousand per year (compared to €474 thousand under the original terms of the agreement), linked to Israeli CPI. This agreement is effective for three years.

6. Offset of financial instruments and capitalization of loan to Emerging Investments XII

With the signing of the Final Settlement, the Company can no longer offset the loan to Emerging Investment XII (‘EI XII’)with the debenture liability and present it on a net basis. The balance of the loan as of July 3, 2015 (including accumulated interest) amounted to €103.6 million. In addition, on the same date the Company decided to capitalize the entire loan to the equity of EI XII as share premium.

7. CEO and management stock options modification

In August 2015, the General Meeting of Shareholders of the Company approved a modification to the option plan of the Company’s CEO, which would replace the current option plan (for additional information see 2014 annual financial statements Note 19B(1)A).

According to the new plan, the CEO is entitled to 2,282,624 options exercisable to 2,282,624 shares of the Company, approximately 2% of the outstanding share capital of the Company (prior to the shares issued to the debenture holders as part of the Final Settlement agreement (see also Note 3 to the Condensed Interim Consolidated Financial Statements). According to the modified plan, the exercise price would be €0.2807 or NIS 1.191. The options will vest in two equal tranches, 50% of the options would be exercisable from December 31, 2016 and 50% of the options will be exercisable from June 30, 2018. The modification was accounted for under the requirements of IFRS 2.

The total benefit of the grant is valued at approximately €0.2 million and was calculated using the Black & Scholes model, based on the following assumptions:

Expected volatility (%)	63%-67%
Risk-free interest rate (%)	2.56%-2.73
Expected term of options (years)	3

Senior management outstanding stock options were modified in line with the above modification. In addition, 100,000 new options were granted and 50,000 options expired. The total additional expense relating to the management stock option plan is less than €0.1 million.