

**PRESS RELEASE**

Amsterdam/Tel Aviv, May 26, 2016

Number of pages: 10

**FIRST QUARTER 2016 RESULTS KARDAN N.V.**

“Overall, in the first quarter of 2016 a net profit of EUR 1.9 mn was realized compared to a loss of EUR 7.6 mn in the first quarter last year.

Our real estate activities in China showed an improved operational performance during Q1 2016. The occupancy rate in our shopping mall in Dalian, opened in August 2015, shows an increasing trend. We welcomed new tenants and we witness an increase in footfall, all translating in increasing revenues. In our residential business there are good signs of increased sales. However financing costs and the devaluation of the RMB (severely) impacted the financial performance of this segment.

Our water infrastructure business Tahal had a stable quarter and was able to capitalize on its improved cost structure and steady backlog of projects. Tahal showed a stable operating profit. With respect to the sale of the remaining 25% share in KWIG, we remain confident that this transaction will be finalized in the coming few months.

In February this year, we have signed an agreement to sell TBIF, the subsidiary holding our banking and retail lending activities. We hope to be able to complete this transaction in the third quarter of this year. The operations of TBIF continue to show strong profitability on the back of increased lending volumes and good risk management parameters.

Our focus remains on generating liquidity to meet our repayment obligation at the same time with continuing the strengthening of our operating subsidiaries.

As this is my first quarter as CEO of Kardan, I would like to take this opportunity to thank Shouky Oren, my predecessor, for all his contribution in the past years as CEO of Kardan” states Ariel Hasson, CEO of Kardan NV.

*Highlights Q1 2016:*Kardan N.V.

- **EUR 1.9 mn net profit** (Q1 2015: EUR 7.6 mn net loss) predominantly due to significantly lower financing expenses following the weakening of the NIS against the EUR;

Real Estate Asia

- EUR 2.0 mn net loss (Q1 2015: EUR 8.9 mn net profit); mainly due to higher financing expenses in relation to the devaluation of the RMB;

Water Infrastructure

- EUR 0.3 mn net loss (Q1 2015: EUR 17.8 mn net profit, including EUR 20 mn profit on the sale of KWIG);

Other

- TBIF contributed net profit of EUR 3.9 mn (Q1 2015: EUR 3.6 mn); Given the sale agreement, the banking and retail lending activities, TBIF is being reported as discontinued operations under the segment ‘Other’;
- Finance expenses amounted to EUR 1.3 mn profit (Q1 2015: EUR 36.1 mn loss) mainly due to exchange rate differences.

The Q1 2016 condensed interim consolidated income statements split into the different segments of Kardan N.V. is shown in the table below.

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

For the first three months ended March 31, 2016 (in EUR million)

	Real Estate Asia	Water Infrastructure	Other	Total Q1 - 2016	Total Q1 - 2015	Total 12M- 2015
In EUR millions						
Total revenues	1.9	29.6	0.1	31.6	39.0	173.9
Total expenses	4.1	28.5	1.3	33.9	41.8	185.5
Profit (loss) from operation before fair value adjustments, disposal of assets and financial expenses	(2.2)	1.1	(1.2)	(2.3)	(2.8)	(11.6)
Profit (loss) from fair value adjustments and disposal of assets and investments	-	-	-	-	1.0	21.1
<b>Result from operations before finance expenses</b>	<b>(2.2)</b>	<b>1.1</b>	<b>(1.2)</b>	<b>(2.3)</b>	<b>(1.8)</b>	<b>9.5</b>
Financing income (expenses), net	(4.6)	0.7	1.3	(2.6)	(28.9)	(64.9)
Equity Earnings (losses)	2.9	(0.1)	0.5	3.3	0.4	2.7
Profit (Loss) before income tax	(3.9)	1.7	0.6	(1.6)	(30.3)	(52.7)
Income tax (expenses)/benefit	1.9	(0.8)	(0.3)	0.8	(0.7)	(6.5)
<b>Profit (Loss) from continuing operations</b>	<b>(2.0)</b>	<b>0.9</b>	<b>0.3</b>	<b>(0.8)</b>	<b>(31.0)</b>	<b>(59.2)</b>
Profit (Loss) from discontinued operations	-	(1.5)	3.9*)	2.4	23.6	36.3
Profit (Loss) for the period	(2.0)	(0.6)	4.2	1.6	(7.4)	(22.9)
Attributable to:						
Non-controlling interest	-	(0.3)	-	(0.3)	0.2	-
<b>Net result for equity holders</b>	<b>(2.0)</b>	<b>(0.3)</b>	<b>4.2</b>	<b>1.9</b>	<b>(7.6)</b>	<b>(22.9)</b>
Other comprehensive income (loss)				(9.9)	15.5	(2.0)
<b>Total Comprehensive Income / (Loss) to Kardan equity holders</b>				<b>(8.0)</b>	<b>7.9</b>	<b>(24.9)</b>

\*) Given the anticipated sale, TBIF is being reported as discontinued operations as part of 'Other' and 'banking and retail lending' is no longer presented as a reportable segment.

### Overall summarized review of Q1 2016

**Kardan** recognized a consolidated net profit of EUR 1.9 mn (Q1 2015: EUR 7.6 mn net loss), mainly due to significantly lower financing costs (EUR 2.6 mn) compared with Q1 2015 (EUR 28.9 mn).

The segment Real Estate Asia contributed positively to the result from operations, but this was significantly offset by financing costs which were negatively impacted by currencies, leading to a net loss of EUR 2.0 mn. Water Infrastructure showed a stable operational result. However, this segment contributed a loss of EUR 0.3 mn in Q1 2016 compared with a profit of EUR 17.8 mn in Q1 2015, including a EUR 20.0 mn profit from the sale of KWIG. The largest contribution to the net profit came from 'Other' (EUR 4.2 mn compared with a net loss of EUR 34.3 mn in Q1 2015): First, as a result of lower financing costs (financing income of EUR 1.3 mn in Q1 2016 versus financing costs of EUR 36.1 mn in Q1 2015). Furthermore, 'Other' includes now the results of TBIF which improved and contributed EUR 3.9 mn to the net profit (Q1 2015: EUR 3.6 mn).

Taking into account the direct equity impact of foreign currency translation differences and changes in the hedge reserves combined with the net result, the total comprehensive loss to Kardan NV's shareholders amounted to EUR 8.0 mn in Q1 2016 compared to a comprehensive income of EUR 7.9 mn in Q1 2015.

## Equity

<b>Kardan N.V.</b> (company only, in EUR million)	<b>March 31, 2016</b>	<b>December 31, 2015</b>
Total Assets	535.5	574.3
Total Equity	63.3	71.5
Equity/Total assets (%)	12%	12%

The shareholders' equity of Kardan N.V. decreased from EUR 71.5 mn as of December 31, 2015 to EUR 63.3 mn as of March 31, 2016 mainly as the result of the substantial negative foreign exchange revaluation due to the weakening of the RMB versus the EUR. For further details, reference is made to the statement of changes in equity in the Q1 2016 consolidated condensed interim financial statements.

## Covenants

As at March 31, 2016, the Company and its subsidiaries were not in breach of any covenants.

**Highlights per segment:**

The result from operations before finance expenses of each segment is presented in note 4 of the condensed Q1 2016 interim consolidated financial statements called "Segment result". In this press release, additional segment information is provided for information purposes.

**REAL ESTATE**

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

**Results Real Estate Asia**

	For the three months ended March 31		Full year
	2016	2015	2015
	In EUR millions		
Delivery of units	0.1	0.5	0.8
Rental revenues	0.9	-	1.8
Management fee and other revenues	0.9	0.9	4.1
<b>Total revenues</b>	<b>1.9</b>	<b>1.4</b>	<b>6.7</b>
Cost of sales	0.1	0.5	0.9
Cost of rental revenues	0.4	-	1.5
Cost of management fee and other revenues	1.3	0.3	3.2
<i>Gross profit</i>	0.1	0.6	1.1
SG&A expenses	2.3	2.6	11.4
Adjustment to fair value (impairment) of investment property	-	0.6	20.9
Gain on disposal of assets and other income	-	0.1	0.4
Equity earnings (losses)	2.9	0.6	2.6
<b>Result from operations before finance expenses</b>	<b>0.7</b>	<b>(0.7)</b>	<b>13.6</b>
Financing income (expenses), net	(4.6)	9.6	(1.6)
Income tax (expenses) / benefit	1.9	-	(3.1)
<b>Profit (loss) from continuing operations</b>	<b>(2.0)</b>	<b>8.9</b>	<b>8.9</b>
<b>Net profit (loss) for the period</b>	<b>(2.0)</b>	<b>8.9</b>	<b>8.9</b>
Attributable to:			
<b>Equity holders (Kardan N.V.)</b>	<b>(2.0)</b>	<b>8.9</b>	<b>8.9</b>

<b>Residential projects Kardan Land China</b>			
Units sold in the period			
	<b>Q1/16</b>	<b>Q1/15</b>	<b>2015</b>
<b>Joint Venture projects*</b>			
Olympic Garden	131	106	563
Suzy	-	6	64
Palm Garden	27	15	70
City Dream	229	44	423
	<b>387</b>	<b>171</b>	<b>1,120</b>
<b>100% owned</b>			
Dalian	-	-	269
<b>Total</b>	<b>387</b>	<b>171</b>	<b>1,389</b>

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

<b>Additional information Kardan Land China</b>	<b>2016 (31.03)</b>	<b>2015 (31.12)</b>	
<b>Balance sheet (in EUR millions)</b>			
Share of investment in JVs	69.3	69.6	
Investment Property	242.3	250.3	
Inventory	96.8	99.7	
Cash & short term investments	34.6	43.0	
<b>Total Assets</b>	<b>516.3</b>	<b>523.2</b>	
Loans and Borrowings	111.0	100.7	
Advance payments from buyers	33.2	34.3	
<b>Total Equity</b>	<b>314.1</b>	<b>324.5</b>	
<b>Operational Information Residential</b>			
Revenue Residential - JV (in EUR million)	13.2	23.8	69.6
Gross profit residential - JV (in EUR million)	3.9	7.2	16.0
Apartments sold in period (a)	387	171	1,389
Apartments delivered in period	386(b)	744	2,012
Total apartments sold, not yet delivered	2,208(c)	2,267	2,208

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

(b) Includes 1 apartment delivered in the Dalian project in Q1 2016 (Q1 2015 – 2 apartments).

(c) Includes approximately EUR 22 mn gross profit (Kardan Land China share) as of March 31, 2016.

### Result analysis first quarter 2016

The Real Estate Asia segment, fully comprising Kardan Land China, contributed a loss of EUR 2.0 mn compared with a net profit of EUR 8.9 mn in Q1 2015, mainly on the back of negative exchange rate differences in Q1 2016 compared with a substantial positive foreign exchange revaluation in Q1 2015. Excluding the impact of exchange rate differences, the Q1 2016 net result amounted to a loss of EUR 0.4 mn compared with a loss of EUR 0.2 mn in Q1 2015.

During Q1 2016 the total revenues increased to EUR 1.9 million compared with EUR 1.4 mn during Q1 2015:

- 'Delivery of units' relates to the revenue resulting from the handover of apartments of the Europark Dalian project.
- 'Management fee and other revenues' predominantly relates to the asset management activities of Galleria Chengdu and Galleria Dalian and the residential joint venture projects. The results of the asset management activities were negative in Q1 2016 compared with a positive result in the same period last year mainly due to start-up costs related to the Dalian shopping mall.
- 'Rental revenues' relates to the Galleria Dalian shopping mall which was opened in August 2015, therefore no rent income was recognized in Q1 2015.

A slight decrease was recognized in SG&A expenses mainly due to decrease in staff costs.

'Equity earnings', comprises the result the residential activities from joint venture projects, which were higher in Q1 2016 than in the comparable period last year, despite lower deliveries of apartments. This was mainly due to foreign currency gains in Q1 2016 related to USD loans, compared with foreign currency losses in Q1 2015. The gross margin on these residential apartments was 30%, in line with Q1 2015.

'Financing income (expenses), net', which include the net exchange rate differences, was significantly impacted by the devaluation of the RMB versus the Euro in Q1 2016, which contributed a loss of EUR 1.6 mn compared with the substantial appreciation of the RMB during Q1 2015 which contributed a gain of EUR 9.0 mn. Furthermore, the financing expenses were impacted by the interest expenses related to the Europark Dalian project loan, which could no longer be capitalized since the shopping mall went into operation.

#### Additional Information

Investment property fully relates to the Galleria Dalian shopping mall, of which the value decreased by 3% (from December 31, 2015) due to the depreciation of the RMB versus the Euro. The signing rate of the shopping mall is around 70% now similar to December 31, 2015. The opening rate of shops in the mall is gradually increasing and currently stands at 57% (December 31, 2015- 43%).

The rate of unsold completed units in inventory (including the inventory of joint venture projects) remained stable at 10% compared with December 31, 2015. The sale of apartments increased (387 apartments) in Q1 2016 compared with Q1 2015 (171 apartments),

'Loans and borrowings', which predominantly relates mostly to the use of a construction loan for Europark Dalian, increased by 10% as at March 31, 2016 compared to year end 2015, as the result of an additional withdrawal in February 2016 amounting to RMB 100 mn.

The decrease in equity in the reporting period by 3% (y-o-y) is attributable to the loss in the period combined with the foreign currency effect.

## WATER INFRASTRUCTURE

Tahal Group International B.V. ('TGI'), Kardan's water infrastructure company, focuses on executing water related projects worldwide through its subsidiary Tahal, which is active in Africa, Central and Eastern Europe, India and in other regions and countries, such as Israel.

### Results Water Infrastructure

	For the three months ended March 31,		Full Year
	2016	2015	2015
	In EUR millions		
Contract revenues	29.6	37.8	167.9
Contract cost	24.9	32.2	142.9
<i>Gross profit</i>	4.7	5.6	25.0
SG&A expenses	3.6	4.3	17.4
Equity earnings / (losses)	(0.1)	(0.3)	(1.5)
Gain on disposal of assets and other income	-	-	0.3
<b>Result from operations before financing expenses</b>	<b>1.0</b>	<b>1.0</b>	<b>6.4</b>
Financing income (expenses), net	0.7	(2.4)	(2.1)
Income tax (expenses) / benefits	(0.8)	(0.6)	(2.9)
<b>Profit (loss) from continuing operations</b>	<b>0.9</b>	<b>(2.0)</b>	<b>1.4</b>
Net profit (loss) from discontinued operations	(1.5)	20.0	20.1
Net profit (loss)	(0.6)	18.0	21.5
Attributable to:			
Non-controlling interest holders	(0.3)	0.2	-
<b>Equity holders (Kardan N.V.)</b>	<b>(0.3)</b>	<b>17.8</b>	<b>21.5</b>

<b>Additional Information Water Infrastructure*</b>	<b>2016 (31.03)</b>	<b>2015 (31.12)</b>
<i>Balance sheet (in EUR million)</i>		
Cash & short term investments	15.7	24.0
Total Assets	165.2	171.2
Net debt	(13.6)	(21.9)
Equity	63.8	64.8
Equity / Assets	38.6%	37.9%
<i>Other (in USD million)</i>		
Backlog	296	311

## Result analysis first quarter 2016

Water Infrastructure contributed a loss of EUR 0.3 mn in Q1 2016 compared with a profit of EUR 17.8 mn in Q1 2015, which included a EUR 20.0 mn profit on the sale of KWIG. The water infrastructure segment contributed a profit from continuing operations of EUR 0.9 mn compared with a loss of EUR 2.0 mn in Q1 2015.

Revenue decreased by 22% y-o-y in Q1 2016 mainly due to being close to finalizing a large project. Due to the phasing of the project and the related recognition of results, the contribution of this project was approx. USD 10 mn lower in Q1 2016 compared with Q1 2015. Furthermore, revenue was impacted by delays in the progress of several projects and in receiving certain permits. Generally speaking, the low oil prices impact the willingness and ability of entities which rely on the oil industry to initiate or extend projects.

The gross margin remained stable at 16% in Q1 2016 compared Q1 2015 (15%).

SG&A expenses in Q1 2016 decreased as a result of an improved operational efficiency and as a result of one offs in Q1 2015. This reduction was slightly offset by an increase in S&M expenses as a result of a large number of new tenders compared with Q1 2015.

Financing income (expenses) amounted to an income of EUR 0.7 mn compared with an expense of EUR 2.4 mn in Q1 2015. This is mainly due to an early repayment of a loan during Q1 2015 which resulted in a one-off charge of EUR 3 mn.

In Q1 2016 the net loss from discontinued operations relates primarily to the weakening of the USD versus the EUR (as the remaining consideration from the sale of KWIG is denominated in USD) and also due to additional tax expenses which are attributed to the sale. In the comparable period the net profit from discontinued operations reflects the capital gain from the sale.

### Additional information

TGI's former subsidiary KWIG, which focuses on developing water assets (e.g. wastewater, water treatment and water supply plants) in China was sold at the beginning of 2015 and the first phase of the sale (75%) was completed in March 2015. The completion of the second phase (25%) is expected to take place in the coming months. Results related to the remaining part of KWIG (25%) is presented as discontinued operations.

In Q2 2016 Tahal won two projects in Russia and Romania amounting to USD 35 mn which are expected to be added to the backlog.

**Other**

	For the three months ended March 31		Full Year
	2016	2015	2015
In EUR millions			
<u>Corporate expenses:</u>			
General and administration expenses	(0.9)	(1.4)	(5.1)
Financing income (expense), net	1.5	(35.9)	(60.1)
Other expenses	-	-	(0.8)
Equity earnings (losses)	-	(0.1)	(0.1)
Income tax expenses (benefit)	(0.3)	(0.1)	(0.5)
	0.3	(37.5)	(66.6)
<u>Continuing operations of the former 'banking and retail lending' segment:</u>			
General and administration expenses	-	-	(0.2)
Other expenses	(0.3)	(0.7)	(2.8)
Gain on disposal of assets and other income	-	0.3	(0.5)
Financing income (expense), net	(0.2)	(0.2)	(1.1)
Equity earnings (losses)	0.5	0.2	1.7
	-	(0.4)	(2.9)
Profit (loss) from continuing operations	0.3	(37.9)	(69.5)
Profit (loss) from discontinuing operations	3.9	3.6	16.2
<b>Net profit (loss)</b>	<b>4.2</b>	<b>(34.3)</b>	<b>(53.3)</b>
Attributable to:			
Equity holders (Kardan NV)	<b>4.2</b>	<b>(34.3)</b>	<b>(53.3)</b>

As a result of signing the agreement to sell TBIF (refer also to events in the period), its results were reclassified as discontinued operations and are now presented under `Other`.

Results under `Profit (loss) from continuing operations` relate to the holding and finance expenses of Kardan N.V. and its direct subsidiary GTC Real Estate Holding BV (GTC RE) and the results of the assets which were part of the TBIF group, but are not being sold as part of the sale of TBIF. These assets are mainly Avis Ukraine and the mortgage activities, which are reported under `Equity earnings (losses)`.

Corporate expenses

The decrease in `General and administration expenses` in Q1 2016 compared with Q1 2015 relates primarily to the expected forfeiture of the former CEO's options.

The decrease in `Financing income (expenses)` in Q1 2016 compared with Q1 2015 can be attributed to the Company's debentures which are denominated in NIS and are linked to the CPI. In Q1 2016 an income of EUR 7 mn was recognized from the decrease in CPI and the weakening of the NIS against the EUR while in Q1 2015 an expense of EUR 30 mn was recognized.

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

Continuing operations of the former 'banking and retail lending' segment

The increase in `Equity earnings` relates mainly to AVIS Ukraine that reported a profit of EUR 0.5 mn in the first quarter of 2016 compared with a profit of EUR 0.2 mn in the comparative period mainly due to lower tax expenses.

Discontinued operations

Results under `Profit (loss) from discontinuing operations` relate to the activities of TBIF (banking and retail lending) in Bulgaria and Romania, which improved as a result of increased lending volumes and good risk management parameters.

## DISCLAIMER

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

**About Kardan**

Kardan identifies and develops assets in promising emerging markets, mainly in Asia (predominantly China), Africa and selected CEE and CIS countries.

Its activities are mainly focused on three sectors that benefit from the rising middle class: Real Estate, Water Infrastructure and Banking & Retail Lending. Company headquarters are in the Netherlands. Kardan aims at holding controlling interests in its investments and is actively involved in the definition and implementation of their strategy through its local business platforms. Total assets as of March 31, 2016 amounted to EUR 943 mn; revenues totaled EUR 31 mn in the first quarter of 2016.

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

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

**The investor relation presentation will be published on the corporate site, [www.kardan.nl](http://www.kardan.nl), close to the publication of this release.**

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

**Director's Report and Financial Statements Kardan N.V. First Quarter 2016****Amsterdam/Tel Aviv, May 26, 2016****Number of pages: 20****FINANCIAL REPORTS  
FOR THE 3 MONTHS PERIOD ENDED MARCH 31, 2016**

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The Financial Reports contain the following sections:

**PART 1    ADDITIONAL INFORMATION FOR Q1 2016**

1. Main events in the period
2. Subsequent events
3. Book Value of investments of Kardan as of March 31, 2016
4. Financial position of Kardan Group as of March 31, 2016
5. Risk Management

**PART 2    ADDITIONAL INFORMATION**

1. Financial analysis of consolidated balance sheet and cash-flow statement
2. Fair Value disclosure
3. Issuance of debentures
4. Directors with accounting and financial expertise
5. Financial Statement Approval Procedure

**PART 3    FINANCIAL STATEMENTS INCLUDING INDEPENDENT AUDITOR'S REVIEW REPORT  
(PUBLISHED ON THE WEBSITE OF KARDAN N.V. ([WWW.KARDAN.NL](http://WWW.KARDAN.NL)))**

## 1. ADDITIONAL INFORMATION FOR Q1 2016

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### 1.1. Main events in the first quarter of 2016

#### Kardan

- In March 2016 Mr. Shouky Oren had informed the Board of Directors of Kardan N.V. of his intention to leave the Company, after four years as CEO and member of the Board of Directors. The Board has appointed Mr. Ariel Hasson, CEO of Kardan Financial Services, as the new CEO of Kardan N.V. to replace Mr. Oren who relinquished his duties on April 15, 2016. Mr. Hasson is expected to be nominated as an Executive Board Member at the Company's Annual General Meeting on May 26, 2016.

#### Real estate (GTC Real Estate)

- In January 2016 Kardan received EUR 13.2 million (the 'Dalian Deposit'). Following the release of the pledges which were registered to secure the previous Dalian project loan.
- In February 2016 the Company, GTC RE and Lone Star Real Estate Fund III ('the Buyer') signed a settlement agreement, according to which GTC RE would pay the Buyer an amount of EUR 4 million in exchange for a final and absolute waiver by the Buyer of all its existing and future claims and demands towards the Company and GTC RE in relation to the Buyer's demands according to the Claw Back mechanism, and of mutual cancellation and deletion of all proceedings taken in this matter. The settlement agreement did not impact the Q1 2016 results.
- In February 2016 Kardan Land Dalian Ltd. withdrew an additional amount of RMB 100 million (EUR 14 million) from its RMB 1 billion credit facility from Ping An Trust, which was announced by the Company on October 27 and November 30, 2015.

#### Financial Services

- In March 2016, the Company announced that its wholly owned subsidiary Kardan Financial Services B.V. ('KFS') had signed an agreement ('the Agreement') to sell its 100% holding in the subsidiary TBIF ('the Transaction'), comprising the banking and retail lending activities of the Kardan Group for a total consideration ('the Consideration') to be paid in two parts. On the completion date ('the Completion date') the buyer will pay KFS an amount of approximately EUR 69 mn. Subsequently, following the Completion date, the Consideration will be adjusted to take into account the audited result of the sold asset in the period January 1, 2016 until the Completion date ('the Adjustment'). The Transaction is subject to certain conditions precedent, mainly the receipt of regulatory approvals. The Company notes that there is no certainty that the Transaction will be completed.

## 1.2. Subsequent Events

- In April 2016 Star Pumped Storage Ltd., in which Kardan's subsidiary Tahal Consulting Engineers Ltd. ('TCE') holds a 40.5% stake, has signed a principle construction agreement ('the Agreement') with a joint consortium, comprising Sinohydro Corporation (a subsidiary of Power China, one of the leading energy companies in China) and Alstom Hydro France (which was acquired by GE).

The Agreement encompasses a full EPC (engineering, construction and procurement) turn-key assignment for the Project, representing a total amount of NIS 1.7 billion (approximately EUR 394 million). In addition, an operating and maintenance agreement was signed with GE Renewable Energy Ltd. only, in the amount of NIS 16 million (approximately EUR 3.7 million) per year, for a period of up to 18 years, including possibilities to end earlier as stipulated in the agreement. The terms of the two agreements are subject to the approvals of the banks financing the Project. In addition, the completion of both agreements is subject to completion of the financial closing for the entire project (which is expected in the third quarter of 2016). In addition, the board of directors of TCE has decided that TCE should sell part of its holdings in the project.

### 1.3. Book value of investments Kardan N.V.

The following table summarizes the book value of the companies held directly by Kardan as of March 31, 2016 and December 31, 2015 (amounts in EUR millions):

Holding Company	Name of subsidiary	Share in subsidiary	Consolidated equity	Share holders consolidated equity	Adjustments of Kardan NV	Book Value in Kardan NV	Share holders Loans*	Total Investment in books 31.03.16	Total Investment in books 31.12.15
Kardan NV	GTC RE (**)	100%	291.3	291.3	3.5	294.8	(13.9)	280.9	301.4
	KFS	100%	55.4	55.4	-	55.4	32.8	88.2	84.5
	TGI	98.43%	63.1	63.8	(4.4)	59.4	-	59.4	60.4
	Emerging Investments XII (***)(*)	100%	116.7	116.7	-	116.7	-	116.7	130.5

Holding Company	Name of subsidiary	Share in subsidiary	Consolidated equity	Share holders console dated equity	Adjustments of GTC RE	KLC Book Value	Shareholders Loans	Total Investment in books 31.03.16	Total Investment in books 31.12.15
GTC RE	Kardan Land China	100%	314.1	314.1	2.7	316.8	(50.2)	266.6	290.1

Holding Company	Name of subsidiary	Share in subsidiary	Consolidated equity	Share holders console dated equity	Adjustments of KFS	TBIF Book Value	Loans granted by KFS	Total Investment in books 31.03.16	Total Investment in books 31.12.15
KFS	TBIF	100%	85.1	85.1	-	85.1	-	85.1	81.4

Holding Company	Name of subsidiary	Share in subsidiary	Consolidated equity	Share holders console dated equity	Adjustments of TGI	Book Value	Loans granted by TGI	Total Investment in books 31.03.16	Total Investment in books 31.12.15
TGI	Tahal Group Assets B.V.	100%	23.4	26.9	-	26.9	(3.2)	23.7	24.8
	Tahal Group B.V.	100%	38.1	35.3	-	35.3	6.1	41.4	41.4

(\*) The shareholder's loans were granted through the Company's 100% subsidiary, Emerging Investments XII B.V. For convenience, the shareholder's loans are presented as part of the investments in subsidiaries.

(\*\*) GTC RE holds NIS 51,366,250.76 par value debentures (Series A) of the Company having a liability value of EUR 14.2 million.

(\*\*\*) Emerging Investment XII holds the following Kardan N.V Debentures as of March 31, 2016:

	Nominal Value In NIS	Liability Value including accrued interest In EUR millions
Series A	211,576,523.75	58.4
Series B	142,681,737.39	39.4

#### 1.4. Financial Position of holding companies of the Kardan Group as of March 31, 2016

- **Net debt**

The following table summarizes the net debt of Kardan N.V. and, if applicable, of its directly held subsidiaries (company only) as of March 31, 2016:

Company	Net Debt* (in EUR million)	
<b>Kardan NV / GTC RE / Emerging Investments XII</b>	<b>Liabilities:</b>	
	Debentures**	(362.7)
	LT Liability	(2.0)
	<b>Assets:</b>	
Loan to KFS	32.8	
Cash and short term investments	7.1	
	<b>Net debt</b>	<b>(324.8)</b>
<b>KFS / TBIF</b>	<b>Liabilities:</b>	
	Loans from Kardan NV	(32.8)
	<b>Assets:</b>	
	Cash and short term investments	11.3
	Loans to others	7.6
Loans to subsidiaries and other receivables	5.4	
	<b>Net debt</b>	<b>(8.5)</b>
<b>TGI/TG/TGA</b>	<b>Liabilities:</b>	
	LT Liability	(0.5)
	<b>Assets:</b>	
Cash and short term investments	1.1	
	<b>Net cash</b>	<b>0.6</b>

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

(\*\*) The balance is presented net of debentures held by subsidiaries, see section 1.3 above.

## 1.5. Risk Management

During Q1 2016, no material change has occurred with regard to the risks to which the Company is exposed nor the way these risks are being managed.

For an overview of the main risk categories which the Group is exposed to, reference is made to the 2015 Annual Report (which can be found on the corporate site).

In addition, reference is made to the 2015 consolidated financial statements as well as to the 2015 Israeli Annual Report (Barnea), which can also be found on the corporate site. It should be noted that there may be other significant risks Kardan has not yet identified or that have not been assessed as having a significant potential impact on the business but which in a later stage could materialize as such.

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## 2. PART 2 ADDITIONAL INFORMATION

### 2.1. Financial analysis

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

	March 31, 2016	March 31, 2015	December 31, 2015	Notes
<b>Total balance sheet</b>	943,280	1,016,672	975,742	The decrease in total balance sheet compared to December 31, 2015 is mainly due to the weakening of the RMB and repayment of interest related to the debentures.
<b>Current assets</b>	567,001	597,171	474,143	The increase in current assets compared to December 31, 2015, is mainly due to the classification of the assets of TBIF as held for sale.
<b>Non-current assets</b>	376,279	419,501	501,599	The decrease in non-current assets compared to December 31, 2015, is mainly due the classification of the non-current assets of TBIF as held for sale.
<b>Current liabilities</b>	538,428	640,395	482,490	The increase in current liabilities compared to December 31, 2015, is mainly due to classification of the TBIF liabilities as held for sale and the presentation of current maturities on the Company's debentures.
<b>Debentures</b>	254,576	181,699	356,272	The decrease in long term debentures compared to December 31, 2015, is mainly due to classification of current maturities relating to the February 2017 payment to short term.
<b>Long term interest-bearing loans and borrowings</b>	62,965	74,787	40,550	Long term loan relates mainly to the Europark Dalian project loan.
<b>Equity attributable to equity holders of the parent</b>	63,256	100,210	71,461	The decrease in equity compared to December 31, 2015, is mainly due to negative currency impact as a result of the weakening of the RMB in Q1-2016.

**2.1.2 Cash Flow Statement analysis (in EUR thousands)**

	<b>Q1 2016</b>	<b>Q1 2015</b>	<b>FY 2015</b>	<b>Notes</b>
<b>Net cash provided by (used in) operating activities</b>	(36,408)	(26,642)	3,866	-
<b>Net cash provided by (used in) investing activities</b>	(1,871)	116,708	52,986	<p>In Q1 2016 EUR 1.8 million were used for the purchase of fixed assets.</p> <p>In Q1 2015, EUR 119 million were provided from proceeds from sale of a subsidiary, and EUR 5.2 million were used for the acquisition of tangible fixed assets and investment properties.</p>
<b>Net cash provided by (used in) financing activities</b>	17,459	(5,056)	(69,223)	<p>In Q1 2016 EUR 14.2 million were provided from long term loans.</p> <p>In Q1 2015, EUR 30 million were used for repayment of loans, and EUR 29.1 million were provided from loans from bank customers.</p>

### 2.1.3 Cash Flow Forecast and source of funding

The review opinion of the external auditors as of March 31, 2016, includes a voluntary emphasis of matter referring to the financial position of the Company as described in Note 1 to the Q1 2016 financial statements. In addition, the Company presents a negative working capital in the stand-alone financial statements. These are "warning signs" as defined in Regulation 10 (b) (14) of the Israeli Securities Authority regulations.

Therefore, the Company provides a cash flow forecast for a period of two years as of March 31, 2016.

Forecast cash flow	April 1, 2016 – December 31, 2016	January 1, 2017 - December 31, 2017	January 1, 2018 – March 31, 2018
	<b>in €millions</b>		
<b>Cash and cash equivalents at the beginning of the period – Kardan NV*</b>	<b>7.1</b>	<b>108.3</b>	<b>118.7</b>
<b>Cash and cash equivalents at the beginning of the period – GTC RE</b>			
<b><u>Company only resources</u></b>			
<b>From operating activities</b>			
General and administration expenses	(3.4)	(4.5)	(1.1)
<b>From investing activities</b>			
Sale of assets	104.3	122.4	-
<b><u>Resources from investee companies</u></b>			
From operating activities in investments – Management fees	0.3	0.4	0.1
<b>Total Resources</b>	<b>108.3</b>	<b>226.6</b>	<b>117.7</b>
<b><u>Expected Uses</u></b>			
<b>From financing activities</b>			
Interest payment of debentures – Series A	-	5.4	2.8
Interest payment of debentures – Series B	-	18.5	15.6
Principal payment of debentures – Series A	-	41.3	44.6
Principal payment of debentures – Series B	-	42.7	46.1
<b>Total Uses</b>	<b>-</b>	<b>107.9</b>	<b>109.1</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>108.3</b>	<b>118.7</b>	<b>8.6</b>

### Assumptions and Notes to the cash flow forecast

1. The cash flow forecast has been jointly prepared for Kardan NV (company-only) and its wholly owned subsidiaries GTC Real Estate Holding BV and Emerging Investments XII BV, as the treasury of these companies is centralized. With respect to limitations regarding the transfer of funds between Kardan NV and GTC RE please see under point 8 below.
  2. The cash flow forecast was prepared based on the provisions of the Amended Deeds of Trust which became effective on July 3, 2015. However, for conservative reasons, it does not (yet) include mandatory early repayments according to the debt settlement upon sale of certain agreed assets. Details about such sale processes is described in 4 below.
  3. The forecasted General and administration expenses are based on estimates of the Company according to its past experience.
  4. With respect to sale of assets in 2016 and 2017, the Company is conducting processes through its subsidiaries to sell a part or the total of their significant assets. The proceeds to be received from sale of such assets, both as dividend as well as repayment of shareholder's loans, would be used for (early) repayment of the Company's Debentures in accordance with the provisions of the Amended Deeds of Trust. The main processes are as follows:
    - During Q1 2015 Tahal Assets completed the first phase (75%) of the sale of its shares in KWIG including repayment of all shareholder loans which were provided by Group companies to KWIG. The second phase (25%) of the sale of the shares in KWIG is expected to be completed in the coming months and is expected to generate approximately USD 23-27 million to Kardan NV.
    - In February 2016 KFS has signed an agreement to sell TBIF for an amount of EUR 69 million and an additional adjustment based on actual results from January 1 until the completion date.
    - Additional proceeds in 2016 and 2017 are expected to be received from capital reductions, future sale of real estate and / or sale of shares in subsidiaries.
- The amount of Management fees from investee companies is based on existing agreements between the Company and its subsidiaries as of the balance sheet date.
5. The interest calculations are based on Israeli CPI, exchange rates and interest rates which are applicable as of March 31, 2016. The principal and interest payments for the debentures are presented on the net outstanding balance, excluding the debentures held by GTC RE and Emerging Investment XII BV.
  6. The cash flow forecast does not include any additional investments which the Company will make once those will be approved by the appropriate bodies in the Company. As of the date of approval of these financial statements, the Company did not resolve to make any new investments. In addition, according to the Amended Deeds of Trust there are limitations on new investments.
  7. Restriction on transferring funds:
    - Transfer of funds between Kardan NV and GTC RE is done through a loan. As of March 31, 2016 GTC RE is not subject to any financial covenants.
    - Transfer of funds from Emerging Investments XII to the Company is done as dividend distribution.
    - Transfer of funds between from TGI to Kardan N.Vis done as dividend distribution.
    - Breakdown of distributable reserves and intercompany loans:

Subsidiary	Distributable reserves (EUR million) as of 31.3.16	Intercompany loan (EUR million) as of 31.3.16
TGI	57.7	-
GTC RE	201.7	(13.9)
KFS	55.4	32.8
Emerging	116.7	-

8. This estimate is forward looking information based on management assumptions and expectations. The aforesaid may not materialize completely or part thereof, or materialize in a different manner, including materially different from what is expected as a result of changes in the state of the market, difficulties in raising credit, decrease in value of investments and change in cash amounts expected to be received from affiliated companies.

## 2.2 Fair Value Disclosure

### Galleria Dalian

Country	City	Project name	Use of asset	KNV share of the asset	Right on the asset	Estimated NRV SQM	Value of the project in the Financial Statements (in €mn)	Valuation gain recorded in the period (in €mn)	Discount rate (%)	Exit rate (%)	Rent per SQM assumed in the valuation	Valuation Method	External value	Date of the last valuation
China	Dalian	Galleria Dalian	Investment Property	100%	Lease	65,584	242.3	-	10.5%	5.5%	EUR 23 per Sqm	Direct Comparison Approach and DCF for the retail portion;	external valuation – DTZ C&W	31.12.2015

## 2.3 Issuance of debentures (\*)

The following are details regarding the marketable debentures of Kardan NV as of March 31, 2016:

	Debenture series A	Debenture series B
<b>Issuance date</b>	20.2.2007, 13.8.2007, 16.2.2008	16.2.2008
<b>Par value of issued debentures</b>	EUR 277.7 million (NIS 1,190,000,000)	EUR 311.3 million (NIS 1,333,967,977)
<b>Linkage basis</b>	Principal and interest linked to Israeli CPI (CPI of January 2007)	Principal and interest linked to Israeli CPI (CPI of December 2006)
<b>Par value of debentures as of March 31, 2016</b>	EUR 133.7 million (NIS 573,054,735 par value)	EUR 263.5 million (NIS 1,129,343,960 par value)
<b>Debentures held by subsidiaries</b>	NIS 262,942,774.51 par value	NIS 142,681,737.39 par value
<b>Interest rate (per annum)</b>	6.325%	6.775%
<b>Principal repayment</b>	Two installments one in February 2017 and the second in February 2018.	Four installments from February 2017 to February 2020.
<b>Interest payment dates</b>	3 annual installments from February 2016 to February 2018	5 annual installments from February 2016 to February 2020
<b>Total debt up to the date of the balance sheet (including interest and Israeli CPI linkage) *</b>	EUR 86.5 million (net of debentures held by subsidiaries)	EUR 276.2 million (net of debentures held by subsidiaries)
<b>Market capitalization as of March 31, 2016*</b>	EUR 64.4 million (net of debentures held by subsidiaries)	EUR 177.6 million (net of debentures held by subsidiaries)
<b>The trustee</b>	Aurora Fidelity Trust Co. Ltd (CPA Iris Shlevin)	Hermetic Trust (1975) (Adv. Dan Avnon )
<b>Rated by</b>	S&P Maalot	S&P Maalot
<b>Rating at the time of issuance</b>	AA - (February 2007)	AA - (February 2007)
<b>Updated rating</b>	B (July 2015)	B (July 2015)
<b>Right of early repayment</b>	In accordance with the amended deeds of trust, the Company is eligible to announce on a partial or full early repayment throughout the entire term of the debentures. Such early repayment will be carried out without any compensation and in accordance to the full liability value of the debentures.	
<b>Pledged Assets as of March 31, 2016</b>	According to the Amended Deeds of Trust, 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. A primary exclusive pledges with no limitations of amounts over the bank accounts of the Company. Pledge on all the Company's debentures held by the Group. Additional negative pledges. As of March 31, 2016 not all pledges have been established.	
<b>Guarantee to secure the obligations of Kardan NV</b>	A limited guarantee in the amount of EUR 100 million by Kardan Land China.	

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

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

(\*\*\*) During and at the end of the year 2015 the Company met the terms of the Amended Deeds of Trust.

## 2.4 Directors with accounting and financial expertise

Kardan N.V. is a company incorporated in the Netherlands and consequently the Israeli Companies Law 5759-1999 does not apply to it, so that, among other things, it does not have to appoint external directors and is not required to appoint directors with accounting and financial expertise.

However, in accordance with Kardan's articles of association, there are decisions that the Board has to take according to a special approval procedure which requires, among other things, the consent of the independent directors who attend the Board meetings, as defined in Company's Articles of Association and Corporate Governance Code.

In addition, in accordance with the Netherlands Corporate Governance Code ("The Code"), Kardan N.V. has adopted the duty whereby at least one of the independent non-executive members of the Board, has knowledge of financial management and accounting. It is further noted that as of reporting date, the majority of Kardan's directors who serve on the Board are independent directors (five out of eight directors).

The directors with financial and accounting knowledge currently serving on the Board are: Peter Sheldon, Cor van den Bos, Albert May, Eytan Rechter and Bouke Marsman.

Members of management with accounting and finance experience who are members of the Executive Management are: Einat Oz-Gabber and Ariel Hasson.

For further information regarding education and experience, reference is made to the corporate site and to the part 4 of the IL Periodic report.

## 2.5 Financial Statement Approval Procedure

Kardan N.V.'s Board decided that the members of the Audit Committee (comprising 3 non-executive independent directors) also serve as the 'Financial Statements Review Committee'. In addition, the Company's CEO and CFO participate in those meetings on a regular basis. The external auditor (PwC) of Kardan N.V., as well as other financial functionaries at the Company, are invited and participate in the Company's Financial Statement Review Committee sessions as well as in the Board meetings in which financial statements are discussed.

The Board Members in the Financial Statement Review Committee, are:

**Cor van den Bos** - Chairman of the Audit Committee, holds university degrees in Economics and in Accounting and Business Administration and serves as a consultant and director of various companies. Cor van den Bos has management and financial experience through his positions in various Insurance corporations. Accordingly, Mr. van den Bos has the ability to read and understand financial statements.

**Peter Sheldon** – Chairman of the Board, Member of the Audit committee and of the Remuneration, Appointment and Selection committee. Peter Sheldon is an FCA and was a partner in an audit & accounting firm in England. Peter Sheldon has management and financial experience through the various positions he held as a member of Boards of Directors in a wide range of international listed and private companies, including Banking and High Tech companies. Based on his experience and positions, as detailed above, Mr. Sheldon has the ability to read and understand financial statements.

**Albert May** – Chairman of the Remuneration, Appointment and Selection committee and serves as a member of the Audit committee. Albert May holds a university degree in Applied Economics and has management and financial experience through serving as a director of international banks. Based on his experience and positions, as detailed above, Mr. May has the ability to read and understand financial statements.

For additional information regarding the committee members reference is made to the corporate website.

The approval of the Q1 2016 financial statements included, inter-alia the following sessions:

A meeting of the Audit Committee (Financial Statement Review Committee) included a comprehensive principle discussion on the material accounting and auditing issues and a preliminary discussion in order to form its recommendations to the Board in relation to the approval of the Q1 2016 financial statements. All committee members attended this meeting of May 24, 2016, including the external auditors, the CEO and the CFO of the Company, the Controller and General Counsel of the Company as well as other relevant position holders at the Company. The committee examined, by means of a detailed presentation by the various financial bodies of the Company and by means of the external auditors' presentation, the Q1 2016 operational result as well as the material issues in the Financial Statements, critical estimations and assumptions that were implemented, reasonableness of information, transactions that are not in the ordinary course of business, proper disclosure and the valuations including the underlying assumptions. In addition, the meeting included a comprehensive discussion on the Company's financial position, considering the Company's results and liquidity analysis in light of the expected maturities of the debentures. The Company presented the cash flow forecast for the next two years and explained why the Company believes it would be able to repay its liabilities. The recommendation of the Financial Statement Review Committee was presented to the Board after the aforesaid meeting on May 24, 2016. The date is consistent with the Board requirement.

On May 25, 2016 the Board discussed the recommendation of the 'Financial Statement Review Committee' with respect to the approval of the Financial Statements as of March 31, 2016. The Board members, Executive Management, the external auditors, the Company's Controller and General Counsel and various other relevant position holders at the Company attended the meeting. During the meeting the Financial Statements were presented to the Board, as well as a comprehensive review of the issues discussed at the prior meeting of the Financial Statement Review Committee following which the Board approved the Q1 2016 financial statements.

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May 25, 2016

*P. Sheldon (Chairman of the Board)*  
*A. Hasson (CEO)*

#### DISCLAIMER

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

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

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

For this matter, the Management consists of:

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

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

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

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

In the annual report on the effectiveness of the internal control over financial reporting and disclosure, which is attached to the Israeli periodic report for the period ended December 31, 2015 (hereinafter – the "latest annual report on internal control"), the internal control is effective.

As of the date of the report, no event or matter came to the attention of the Board of Directors, nor to the Management, that would change the assessment of the effectiveness of the internal control as presented as part of the latest annual report on internal control.

As of the reporting date, based on the assessment of the effectiveness of the internal control in the latest quarterly report on internal control and based on the information brought to the attention of the Board and the management, as above, the internal control is effective.

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

I, A. Hasson, certify that:

1. I have reviewed the periodic report of Kardan NV ("the corporation") for the first quarter of 2016 ("the report").
2. To the best of my knowledge, the report is free of any misrepresentation of material fact and is not lacking any representation of material fact required for the representations made there in, under the circumstances in which they were made, to not be misleading in reference to the period covered by the report.
3. To the best of my knowledge, the financial statements and other financial information included in the report properly reflect, in all material aspects, the financial standing, operating results and cash flows of the corporation as of the dates and for the periods to which the report refers.
4. I have disclosed to the corporation's Independent Auditor, Board and Audit Committee and the Financial Statement Review Committee of the corporation, based on my most current assessment of the internal control over financial reporting and disclosure:
  - a. All significant faults and material weaknesses in specification of operation of internal control over financial reporting and disclosure which may reasonably impact the corporation's capacity to collect, process, summarize or report financial information in a manner which may cast doubt over the reliability of financial reporting and preparation of financial statements pursuant to statutory provisions; and –
  - b. Any fraud, whether or not material, involving the Chief Executive Officer or any of the direct reports thereof, or involving any other employees having a significant capacity in internal control over financial reporting and disclosure;
5. I, on my own or with others at the corporation:
  - a. Have set controls and procedures and/or verified that controls and procedures have been specified and maintained under our supervision, designed to ensure that material information with regard to the corporation, including subsidiaries thereof, as defined in Securities Regulations (Annual financial statements), 2010, is brought to my attention by others at the corporation and its subsidiaries, specifically during preparation of the report; and –
  - b. Have set controls and procedures and/or verified that controls and procedures have been specified and maintained under my supervision, designed to reasonably ensure the reliability of financial reporting and preparation of the financial statements pursuant to statutory provisions, including pursuant to generally-accepted accounting principles;
  - c. No event or issue came to my attention in the period between the last periodic report and the date of this report that may change the conclusion of the Management or Board with respect to the effectiveness on the internal control over financial reporting and disclosure.

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

May 25, 2016

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A. Hasson - CEO

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

I, E.Oz-Gabber, certify that:

1. I have reviewed the financial statements and other financial information which is included in the report of Kardan NV ("the corporation") for the first quarter of 2016 ("the report").
2. To the best of my knowledge, the report is free of any misrepresentation of material fact and is not lacking any representation of material fact required for the representations made there in, under the circumstances in which they were made, to not be misleading in reference to the period covered by the report.
3. To the best of my knowledge, the financial statements and other financial information included in the report properly reflect, in all material aspects, the financial standing, operating results and cash flows of the corporation as of the dates and for the periods to which the report refers.
4. I have disclosed to the corporation's Independent Auditor, Board and Audit Committee and the Financial Statement Review Committee of the corporation, based on my most current assessment of the internal control over financial reporting and disclosure:
  - a. All significant faults and material weaknesses in specification of operation of internal control over financial reporting and disclosure as long as it relates to the financial statements and other financial information in the report, which may reasonably impact the corporation's capacity to collect, process, summarize or report financial information in a manner which may cast doubt over the reliability of financial reporting and preparation of financial statements pursuant to statutory provisions; and –
  - b. Any fraud, whether or not material, involving the Chief Executive Officer or any of the direct reports thereof, or involving any other employees having a significant capacity in internal control over financial reporting and disclosure;
5. I, on my own or with others at the corporation:
  - a. Have set controls and procedures and/or verified that controls and procedures have been specified and maintained under our supervision, designed to ensure that material information with regard to the corporation, including subsidiaries thereof, as defined in Securities Regulations (Annual financial statements), 2010, as long as it relates to the financial statements and other financial information in the report, is brought to my attention by others at the corporation and subsidiaries, specifically during preparation of the report; and –
  - b. Have set controls and procedures and/or verified that controls and procedures have been specified and maintained under our supervision, designed to reasonably ensure the reliability of financial reporting and preparation of the financial statements pursuant to statutory provisions, including pursuant to generally-accepted accounting principles;
  - c. No event or issue relating to the interim financial statements or any other financial information which is included in the interim financial reports came to my attention in the period between the last periodic report and the date of this report that may change the conclusion of the Management or Board with respect to the effectiveness on the internal control over financial reporting and disclosure.

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

May 25, 2016

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E.Oz-Gabber, CFO

**Kardan N.V.**  
**(the “Company”)**

**Substantial events and developments**

**Filings pursuant to Israeli Law**

**May 25, 2016**

In accordance with Regulation 39 (a) of the Israeli Securities Regulations (Periodic and Immediate Reports) - 1970, all the Events and Developments as described in the 2015 annual financial statement published by the Company on March 24, 2016 are deemed included by reference.

For details regarding the material events that occurred in the first quarter 2016 up to March 24, 2016, reference is made to the annual report (subsequent events note).

**Real Estate**

In addition to the disclosure of the very material projects in the 2015 annual report, below are disclosure tables related to the Company's very material investment property as of March 31, 2016 are as follows:

**Shopping center – Galleria Dalian  
(Dalian, China)**

<b>(Data according to 100%; Kardan N.V. indirect share in the Property: 100%)</b>	<b>First quarter 2016</b>	<b>2015</b>
Fair value at the end of the period (€ in millions) (*)	242	250
NOI (€ in millions)	(0.7)	(0.9)
Valuation gains for the period (€ in millions)	-	20.9
Average occupancy rate in in the period	70.3%	66.2%
Average rental rate per sqm. (in €)	10.9	10.5
Part of the constructed area for which rental agreements were signed during the period, net (%)	(0.36)%	10.7%
Part of the constructed area for which rental agreements were signed accumulated (%)	70.14%	70.5%
Average rent per sqm in contracts signed during the Period, gross (per month) (RMB) (**)	84	74

(\*) The asset functional currency is the RMB .

(\*\*) Represents only basic rent, however, the rental agreements also include a turnover rent element.

### **Water Infrastructure**

In April 2016 Star Pumped Storage Ltd., in which Kardan's subsidiary Tahal Consulting Engineers Ltd. ('TCE') holds a 40.5% stake and holds the license to build and operate a 340 MW power plant in Kochav Hayarden, Israel ("the Project") based on the pump storage technology, has signed a principle construction agreement ('the Agreement') with contractor. The Agreement encompasses a full EPC (engineering, construction and procurement) turn-key assignment for the Project, representing a total amount of NIS 1.7 billion (approximately EUR 394 million). For additional information see press release published on April 8, 2016.

### **Material Financing**

**The following are updates concerning the fundamental credit agreements of the Company and its subsidiaries:**

<i>Name of the Loan and the article in the annual report which refers to the loan</i>	<i>Update information</i>	<i>Calculation of financial covenants</i>
Debentures series A section 13.1.4.1a of the annual report	-	The coverage ratio of Kardan NV according to financial statements as of 31.3.2016 was 118%.
Debentures series B section 13.1.4.1b of the annual report	-	
Credit facility amounting up to RMB 1 billion (approximately EUR142 million) taken by Kardan Land Dalian Ltd from the investment fund Shenzhen Ping An Da Hua Huitong Wealth Management Co., ('the Fund') in China, article 7.12.5 and 7.17.1.5 of the annual report	-	Total debt to total assets ratio shall be no more than 50%. As of 31.3.2016 the ratio was 32%.

### **General**

1. Further to paragraph 16 of part D of the annual report, in relation to directors and officers of the Company, and further to an immediate reports published on March 16, 2016 relating to the resignation of Mr. Shouky Oren as the CEO and director and the appointment of Mr. Ariel Hasson as the CEO, on April 15, 2016 the Company published an updated list of senior office holders. For additional information refer immediate report published on April 15, 2016.
2. On April 30, 2016 50,000 employee stock options had expired. For additional information refer to immediate report published on April 30, 2016.
3. Further to the immediate report which was published by the Company on March 15, 2016 with regards to the sale of the shares of TBIF and the estimated gain, the Company hereby updates that, as of the date of this report, it estimates that the total expected gain from the transaction, after the release of capital reserves and adjustments to the consideration, will amount to EUR 9 to 12 million. For additional information refer to the immediate report which was published by the Company on March 15, 2016.