

KARDAN N.V.
AMSTERDAM, THE NETHERLANDS

Condensed Interim Consolidated Financial Statements
As of June 30, 2016

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CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

A s s e t s

	Note	June 30, 2016	June 30, 2015	December 31, 2015
		Unaudited		Audited
		In €000		
Non-current assets				
Tangible fixed assets, net		11,329	21,788	24,161
Investment property	6	240,407	263,759	250,310
Investments in associates using the equity method		11,138	8,834	9,540
Investments in joint ventures accounted using the equity method	7	92,979	92,688	95,964
Loans to bank customers	8	-	68,688	83,143
Long-term loans and receivables		6,680	17,626	23,570
Intangible assets and goodwill, net		6,041	5,610	6,361
Deferred tax assets		2,310	3,233	3,065
Other financial assets		-	1,067	5,485
		<u>370,884</u>	<u>483,293</u>	<u>501,599</u>
Current assets				
Inventories, contract work, buildings and apartments inventory, and land bank		107,715	124,659	109,818
Current maturities of long-term loans and receivables	8	4,821	16,323	16,749
Loans to bank customers	8	-	51,566	55,112
Trade receivables		63,730	82,560	67,318
Current tax assets		1,096	1,112	1,155
Other receivables and prepayments		20,228	41,604	40,383
Short-term investments		2,863	7,557	7,787
Cash and cash equivalents		84,899	215,269	143,920
		<u>285,352</u>	<u>540,650</u>	<u>442,242</u>
Assets held for sale	8	<u>264,092</u>	<u>29,972</u>	<u>31,901</u>
Total current assets		<u>549,444</u>	<u>570,622</u>	<u>474,143</u>
Total assets		<u><u>920,328</u></u>	<u><u>1,053,915</u></u>	<u><u>975,742</u></u>

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

Equity and liabilities

	Note	June 30, 2016	June 30, 2015	December 31, 2015
		Unaudited		Audited
		In €000		
Equity attributable to equity holders of the parent company				
Issued and paid-in capital	5	25,276	23,041	25,276
Share premium		206,482	208,002	206,482
Foreign currency translation reserve		13,878	32,793	24,711
Property revaluation reserve		36,407	37,425	36,713
Revaluation reserve, other		7,455	8,860	8,144
Non-controlling interest holders transactions reserve		15,669	15,446	15,669
Treasury shares		-	(2,625)	-
Accumulated deficit		(251,098)	(232,513)	(245,534)
		54,069	90,429	71,461
Non-controlling interests		4,500	4,359	4,477
Total equity		58,569	94,788	75,938
Non-current liabilities				
Interest-bearing loans and borrowings		62,510	72,107	40,550
Banking customers accounts	8	-	256	129
Other long-term liabilities		3,860	2,559	2,544
Derivative financial instruments		2,552	471	2,495
Debentures		260,749	186,653	356,272
Deferred tax liabilities		7,110	14,890	13,909
Accrued severance pay, net		1,114	1,481	1,415
		337,895	278,417	417,314
Current liabilities				
Liability due to work in progress		37,140	65,397	47,709
Banking customers accounts	8	-	212,270	191,933
Trade payables		17,471	20,093	20,268
Current maturities of debentures		94,517	179,850	-
Interest-bearing loans and borrowings		49,641	71,471	68,448
Current tax liabilities		5,159	10,687	3,933
Advances from apartment buyers		33,519	978	34,263
Advance from customers		14,673	21,328	17,102
Other payables and accrued expenses		69,612	98,636	98,834
		321,732	680,710	482,490
Liabilities associated with assets held for sale	8	202,132	-	-
Total current liabilities		523,864	680,710	482,490
Total liabilities		861,759	959,127	899,804
Total equity and liabilities		920,328	1,053,915	975,742

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

KARDAN N.V., AMSTERDAM
CONDENSED INTERIM CONSOLIDATED INCOME STATEMENT

	Note	For the six months ended June 30		For the three months ended June 30		For the year ended December 31
		2016	2015	2016	2015	2015
		Unaudited				Audited
In €000						
Contract revenues	4A	59,377	87,953	29,738	50,192	167,861
Rental revenues		1,792	311	925	311	1,822
Revenues from sale of apartments		336	522	203	-	791
Management fees and other revenues		4,502	1,453	3,450	769	3,398
<i>Total revenues</i>		<u>66,007</u>	<u>90,239</u>	<u>34,316</u>	<u>51,272</u>	<u>173,872</u>
Contract costs		49,736	73,871	24,809	41,538	141,930
Cost of rental revenues		788	627	422	627	1,473
Cost of sale of apartments		310	491	191	19	889
Other expenses, net		2,952	1,479	1,306	755	7,078
<i>Total expenses</i>		<u>53,786</u>	<u>76,468</u>	<u>26,728</u>	<u>42,939</u>	<u>151,370</u>
Gross profit		<u>12,221</u>	<u>13,771</u>	<u>7,588</u>	<u>8,333</u>	<u>22,502</u>
Selling and marketing expenses		3,940	4,273	1,989	2,513	9,963
General and administration expenses		9,399	12,707	4,546	6,218	24,202
Profit (loss) from operations before fair value adjustments, disposal of assets and investment and other income		<u>(1,118)</u>	<u>(3,209)</u>	<u>1,053</u>	<u>(398)</u>	<u>(11,663)</u>
Adjustment to fair value of investment property		(408)	21,856	(408)	21,220	20,907
Gain (loss) on disposal of assets and other income, net		1,087	366	1,123	12	268
<i>Profit (loss) from fair value adjustments, disposal of assets and investments and other income</i>		<u>679</u>	<u>22,222</u>	<u>715</u>	<u>21,232</u>	<u>21,175</u>
Profit (loss) from operations		<u>(439)</u>	<u>19,013</u>	<u>1,768</u>	<u>20,834</u>	<u>9,512</u>
Financial income		2,089	15,467	1,825	14,240	1,518
Financial expenses		(15,177)	(63,177)	(12,221)	(33,026)	(66,431)
<i>Total financial income (expenses), net</i>		<u>(13,088)</u>	<u>(47,710)</u>	<u>(10,396)</u>	<u>(18,786)</u>	<u>(64,913)</u>
Profit (loss) before share of profit (loss) from investments accounted for using the equity method		<u>(13,527)</u>	<u>(28,697)</u>	<u>(8,628)</u>	<u>2,048</u>	<u>(55,401)</u>
Share of profit (loss) of investments accounted for using the equity method, net	7	24	(1,431)	(3,313)	(1,867)	2,683
Profit (loss) before income taxes		<u>(13,503)</u>	<u>(30,128)</u>	<u>(11,941)</u>	<u>181</u>	<u>(52,718)</u>
Income tax expenses (benefit)		(1,246)	6,308	(450)	5,599	6,493
Profit (loss) for the period from continuing operations		<u>(12,257)</u>	<u>(36,436)</u>	<u>(11,491)</u>	<u>(5,418)</u>	<u>(59,211)</u>
Net profit from discontinued operations	8	6,308	27,297	3,925	3,722	36,253
Net profit (loss) for the period		<u>(5,949)</u>	<u>(9,139)</u>	<u>(7,566)</u>	<u>(1,696)</u>	<u>(22,958)</u>
Attributable to:						
Equity holders		(5,870)	(9,182)	(7,782)	(1,532)	(22,915)
Non-controlling interest holders		(79)	43	216	(164)	(43)
		<u>(5,949)</u>	<u>(9,139)</u>	<u>(7,566)</u>	<u>(1,696)</u>	<u>(22,958)</u>
Earnings (loss) per share attributable to shareholders						
Basic from continuing operations		(0.10)	(0.33)	(0.09)	(0.05)	(0.51)
Basic from discontinued operations		0.05	0.24	0.03	0.03	0.31
		<u>(0.05)</u>	<u>(0.09)</u>	<u>(0.06)</u>	<u>(0.02)</u>	<u>(0.2)</u>
Diluted from continuing operations		(0.10)	(0.33)	(0.09)	(0.05)	(0.51)
Diluted from discontinued operations		0.05	0.24	0.03	0.03	0.31
		<u>(0.05)</u>	<u>(0.09)</u>	<u>(0.06)</u>	<u>(0.02)</u>	<u>(0.2)</u>

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

KARDAN N.V., AMSTERDAM

CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended June 30,		For the three months ended June 30,		For the year ended December 31,
	2016	2015	2016	2015	2015
	Unaudited				Audited
	In €000				
Net profit (loss) for the period	(5,949)	(9,139)	(7,566)	(1,696)	(22,958)
Foreign currency translation differences (1)	(10,402)	9,215	(262)	(8,540)	1,100
Change in hedge reserve, net of tax (2)	(517)	(1,959)	(300)	155	(2,784)
Other comprehensive income (expense) for the period to be reclassified to profit or loss in subsequent periods (3)	(10,919)	7,256	(562)	(8,385)	(1,684)
Total comprehensive income (expenses)	<u>(16,868)</u>	<u>(1,883)</u>	<u>(8,128)</u>	<u>(10,081)</u>	<u>(24,642)</u>
Attributable to:					
Equity holders	(17,220)	(2,291)	(9,211)	(10,177)	(24,931)
Non-controlling interests holders	352	408	1,083	96	289
	<u>(16,868)</u>	<u>(1,883)</u>	<u>(8,128)</u>	<u>(10,081)</u>	<u>(24,642)</u>

(1) In 2015 including an amount of €3,287 thousand related to reclassification of translation funds due to the sale of KWIG (see also Note 8).

(2) Including reclassification of unwinding of hedge reserve of €756 thousand and €668 thousand for the six months ended June 30, 2016 and 2015, respectively, €378 thousand and €334 thousand for the three months period ended June 30, 2016 and 2015, respectively and €(1,431) thousand for the year ended December 31, 2015.

The amounts presented are net of tax amounting to €252 thousand and €23 thousand for the six months ended June 30, 2016 and 2015, respectively, €126 thousand and €111 thousand for the three months period ended June 30, 2016 and 2015, respectively, and €477 thousand for the year ended December 31, 2015.

(3) Including impact from associates and joint ventures of €(3,440) thousand and €5,815 thousand for the six months ended June 30, 2016 and 2015, respectively, €(790) thousand and €(9,872) thousand for the three months ended June 30, 2016 and 2015, respectively, and €4,721 thousand for the year 2015.

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CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent						Total	Non-controlling Interests	Total equity	
	Issued and paid-in capital	Share premium	Foreign currency translation reserve (*)	Property revaluation reserve (*)	Revaluation reserve, other reserve (*)	Non-controlling interest holders transactions reserve				Accumulated deficit
	In €000									
Balance as of January 1, 2016 (audited)	25,276	206,482	24,711	36,713	8,144	15,669	(245,534)	71,461	4,477	75,938
Other comprehensive income (loss)	-	-	(10,833)	-	(517)	-	-	(11,350)	431	(10,919)
Loss for the period	-	-	-	-	-	-	(5,870)	(5,870)	(79)	(5,949)
Total comprehensive income (loss)	-	-	(10,833)	-	(517)	-	(5,870)	(17,220)	352	(16,868)
Share-based payment	-	-	-	-	(172)	-	-	(172)	50	(122)
Dividend distributed to non-controlling shareholders	-	-	-	-	-	-	-	-	(379)	(379)
Reclassification according to the Netherlands civil code requirements (*)	-	-	-	(306)	-	-	306	-	-	-
Balance as of June 30, 2016 (unaudited)	25,276	206,482	13,878	36,407	7,455	15,669	(251,098)	54,069	4,500	58,569

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

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CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Attributable to equity holders of the parent										
	Issued and paid-in capital	Share premium	Foreign currency translation reserve (*)	Property revaluation reserve (*)	Revaluation reserve, other (*)	Non-controlling interest holders transactions reserve	Treasury shares	Accumulated deficit	Total	Non-controlling interests	Total equity
	In €000										
Balance as of January 1, 2015 (audited)	23,041	208,002	23,943	21,033	10,765	15,178	(2,625)	(206,939)	92,398	5,362	97,760
Other comprehensive income (loss)	-	-	8,850	-	(1,959)	-	-	-	6,891	365	7,256
Profit (loss) for the period	-	-	-	-	-	-	-	(9,182)	(9,182)	43	(9,139)
Total comprehensive income (loss)	-	-	8,850	-	(1,959)	-	-	(9,182)	(2,291)	408	(1,883)
Share-based payment	-	-	-	-	54	-	-	-	54	800	854
Dividend distributed to minority shareholders	-	-	-	-	-	-	-	-	-	(780)	(780)
Transactions with non-controlling interest holders	-	-	-	-	-	268	-	-	268	-	268
Deconsolidation of subsidiary (See to Note 8A)	-	-	-	-	-	-	-	-	-	(1,431)	(1,431)
Reclassification according to the Netherlands civil code requirements (*)	-	-	-	16,392	-	-	-	(16,392)	-	-	-
Balance as of June 30, 2015 (unaudited)	23,041	208,002	32,793	37,425	8,860	15,446	(2,625)	(232,513)	90,429	4,359	94,788

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

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CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Attributable to equity holders of the parent									
	Issued and paid-in capital	Share premium	Foreign currency translation reserve (*)	Property revaluation reserve (*)	Revaluation reserve, other (*)	Non-controlling interest holders transactions reserve	Accumulated deficit	Total	Non-controlling interests	Total equity
	In €000									
Balance as of April 1, 2016 (unaudited)	25,276	206,482	15,007	36,713	7,731	15,669	(243,622)	63,256	3,718	66,974
Other comprehensive income (loss)	-	-	(1,129)	-	(300)	-	-	(1,429)	867	(562)
Profit (loss) for the period	-	-	-	-	-	-	(7,782)	(7,782)	216	(7,566)
Total comprehensive income (loss)	-	-	(1,129)	-	(300)	-	(7,782)	(9,211)	1,083	(8,128)
Share-based payment	-	-	-	-	24	-	-	24	78	102
Dividend distributed to minority shareholders	-	-	-	-	-	-	-	-	(379)	(379)
Reclassification according to the Netherlands civil code requirements (*)	-	-	-	(306)	-	-	306	-	-	-
Balance as of June 30, 2016 (unaudited)	25,276	206,482	13,878	36,407	7,455	15,669	(251,098)	54,069	4,500	58,569

(*) In accordance with the Netherlands civil code, 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 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 interests	Total equity
	In €000										
Balance as of April 1, 2015 (unaudited)	23,041	208,002	41,593	21,510	8,677	15,078	(2,625)	(215,066)	100,210	3,954	104,164
Other comprehensive (loss) income	-	-	(8,800)	-	155	-	-	-	(8,645)	260	(8,385)
Profit (loss) for the period	-	-	-	-	-	-	-	(1,532)	(1,532)	(164)	(1,696)
Total comprehensive income (loss)	-	-	(8,800)	-	155	-	-	(1,532)	(10,177)	96	(10,081)
Share-based payment	-	-	-	-	28	-	-	-	28	309	337
Transactions with non-controlling interest holders	-	-	-	-	-	368	-	-	368	-	368
Reclassification according to the Netherlands civil code requirements (*)	-	-	-	15,915	-	-	-	(15,915)	-	-	-
Balance as of June 30, 2015 (unaudited)	23,041	208,002	32,793	37,425	8,860	15,446	(2,625)	(232,513)	90,429	4,359	94,788

(*) In accordance with the Netherlands civil code, 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 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, 2015 (audited)	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	-	-	768	-	(2,784)	-	-	-	(2,016)	332	(1,684)
Profit (loss) for the period	-	-	-	-	-	-	-	(22,915)	(22,915)	(43)	(22,958)
Total comprehensive income (expense)	-	-	768	-	(2,784)	-	-	(22,915)	(24,931)	289	(24,642)
Issuance of shares	2,235	789	-	-	-	-	-	-	3,024	-	3,024
Release of treasury shares	-	(2,309)	-	-	-	-	2,625	-	316	-	316
Share-based payment	-	-	-	-	163	-	-	-	163	918	1,081
Dividend distributed to non-controlling shareholders	-	-	-	-	-	-	-	-	-	(780)	(780)
Transaction with non-controlling interest	-	-	-	-	-	491	-	-	491	119	610
Deconsolidation of subsidiary	-	-	-	-	-	-	-	-	-	(1,431)	(1,431)
Reclassification according to the Netherlands civil code requirements (*)	-	-	-	15,680	-	-	-	(15,680)	-	-	-
Balance as of December 31, 2015 (audited)	<u>25,276</u>	<u>206,482</u>	<u>24,711</u>	<u>36,713</u>	<u>8,144</u>	<u>15,669</u>	<u>-</u>	<u>(245,534)</u>	<u>71,461</u>	<u>4,477</u>	<u>75,938</u>

(*) In accordance with the Netherlands civil code, 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 six months period ended June 30		For the three months period ended June 30		For the year ended December 31
	2016	2015	2016	2015	2015
	Unaudited				Audited
	In €000				
Cash flow from operating activities					
Profit (loss) from continuing operations before taxes	(13,503)	(30,128)	(11,941)	181	(52,718)
Profit from discontinued operations before taxes on income	7,929	29,466	4,662	4,077	40,115
Adjustments to reconcile net profit (loss) to net cash (see A below)	(26,847)	(11,944)	11,266	10,765	16,469
Net cash provided by (used in) operating activities	(32,421)	(12,606)	3,987	15,023	3,866
Cash flow from investing activities					
Acquisition of tangible fixed assets and investment properties	(4,474)	(31,648)	(2,699)	(26,472)	(33,276)
Investments and collection (granting) loans from (to) companies accounted for using the equity method, net	(1,624)	(1,244)	(1,624)	(1,210)	(2,489)
Proceeds from sale of assets and investments	2,814	322	2,516	141	488
Change in loans to bank customers, net	(6,404)	8,408	(6,603)	4,211	(11,220)
Change in long-term loans and receivables	(282)	(9,875)	411	(8,101)	(15,612)
Change in short-term investments	(900)	(65)	(1,000)	-	(4,322)
Proceeds from sale of subsidiaries (see B below), net of tax	21,856	119,048	21,856	-	119,086
Proceeds from sale of a company accounted for using the equity method	-	331	-	-	331
Net cash provided by (used in) investing activities	10,986	85,277	12,857	(31,431)	52,986

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

CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

	For the six months period ended June 30,		For the three months period ended June 30,		For the year ended December 31,
	2016	2015	2016	2015	2015
	Unaudited				Audited
	In €000				
Cash flow from financing activities					
Repayment and repurchase of debentures	-	(6,725)	-	-	(6,725)
Change in loans from bank customers	(6,112)	23,056	(9,929)	(6,088)	2,593
Proceeds from long-term loans	14,805	2,841	597	406	105,004
Repayment of long-term loans	(1,404)	(29,889)	(784)	(903)	(162,546)
Change in short-term loans and borrowings	5	-	12	-	239
Release (increase) of pledged deposit	-	(2,317)	-	(2,317)	(2,317)
Debentures settlement payment	-	-	-	-	(750)
Change in other long term liabilities	(3)	10	(64)	(53)	65
Dividend to Non-Controlling interest holders of a subsidiary	-	(780)	-	(780)	(780)
Transactions with non-controlling interest holders	-	-	-	-	(4,006)
Net cash provided by (used in) financing activities	<u>7,291</u>	<u>(13,804)</u>	<u>(10,168)</u>	<u>(9,735)</u>	<u>(69,223)</u>
Increase (decrease) in cash and cash equivalents	<u>(14,144)</u>	<u>58,867</u>	<u>6,676</u>	<u>(26,143)</u>	<u>(12,371)</u>
Cash relating to assets held for sale (see Note 8C)	<u>(40,542)</u>	<u>-</u>	<u>13,375</u>	<u>-</u>	<u>-</u>
Foreign exchange differences relating to cash and cash equivalents	<u>(4,335)</u>	<u>7,857</u>	<u>(1,078)</u>	<u>(3,794)</u>	<u>7,746</u>
Cash and cash equivalents at the beginning of the period	<u>143,920</u>	<u>148,545</u>	<u>65,926</u>	<u>245,206</u>	<u>148,545</u>
Cash and cash equivalents at the end of the period	<u>84,899</u>	<u>215,269</u>	<u>84,899</u>	<u>215,269</u>	<u>143,920</u>

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

CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

	For the six months period ended June 30,		For the three months period ended June 30,		For the year ended December 31,
	2016	2015	2016	2015	2015
	Unaudited				Audited
	In €000				
A. Adjustments to reconcile net profit (loss) to net cash					
charges / (credits) to profit (loss) not affecting operating cash flows:					
Loss (gain) from disposal of assets and investment, net (See note 8A)	(682)	(20,615)	(1,429)	962	(21,969)
Share of profit of companies accounted for using the equity method	(24)	1,431	3,313	1,867	(2,683)
Share-based payment	91	579	102	7	1,039
Depreciation and amortization	2,481	2,289	1,233	1,061	4,755
Fair value adjustments of investment property	408	(21,856)	408	(21,220)	(20,907)
Financial expense and exchange differences, net	14,596	47,257	11,212	18,524	65,004
(Gain)/loss from sale of property plant and equipment	(459)	(180)	(428)	(71)	26
Increase (decrease) in provision for bad debts in the financial services segment	1,914	3,733	(7)	1,730	6,553
Changes in operating assets and liabilities:					
Change in trade and other receivables	(18,675)	(49,045)	(2,185)	(27,160)	(52,195)
Change in inventories and in contract work in progress, net of advances from customers	(13,026)	8,471	(3,109)	3,565	27,585
Change in trade and other payables	(3,802)	24,525	(6,531)	27,184	11,954
Movement in pledged time deposit	685	(55)	(30)	21	-
Interest paid	(31,424)	(25,564)	(1,375)	(4,130)	(35,076)
Interest received	22,115	19,656	10,812	9,657	42,509
Income taxes paid	(1,045)	(2,570)	(720)	(1,232)	(9,434)
Other	-	-	-	-	(692)
	<u>(26,847)</u>	<u>(11,944)</u>	<u>11,266</u>	<u>10,765</u>	<u>16,469</u>

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

CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

	For the six months period ended June 30,		For the three months period ended June 30,		For the year ended December 31,
	2016	2015	2016	2015	2015
	Unaudited				Audited
	In €000				
B. Proceeds from sale of subsidiaries					
Working capital (excluding cash and cash equivalents)	-	13,040	-	269	13,488
Non-current assets (excluding fixed assets and concession assets)	-	14,006	-	-	14,006
Fixed assets	-	39,165	-	-	39,165
Concession assets	-	86,637	-	-	86,637
Non-controlling interests	-	(1,431)	-	-	(1,431)
Long-term liabilities	-	(14,773)	-	-	(14,773)
Release of currency translation reserves	-	(13,287)	-	-	(13,287)
Gain on disposal of investment, net of tax	-	19,136	-	(962)	18,965
Asset classified as held for sale, net of tax	21,856	(23,445)	21,856	693	(23,684)
	21,856	119,048	21,856	-	119,086
	For the six months period ended June 30,		For the three months period ended June 30,		For the year ended December 31,
	2016	2015	2016	2015	2015
	Unaudited				Audited
	In €000				
C. Material non cash transaction					
Liability to repurchase shares from non-controlling interest holders	-	4,022	-	4,022	-
Issuance of shares and treasury shares	-	-	-	-	3,340
Dividend payable to non-controlling interest holders of a subsidiary	379	-	379	-	-

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

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2016

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 and assets (see Note 4) and banking and retail lending (discontinued operation) through its subsidiaries, joint ventures and associates

The Company and its subsidiaries are referred to as 'the Group'.

These condensed interim consolidated financial statements were approved by the Board of Directors on August 24, 2016.

2. Financial Position

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 repay interest and principal of its debentures in February 2017 and February 2018 and all its other liabilities and to finance its operating activities. Included in this analysis are, among others, the current cash balances and cash from future operations and transactions.

As at June 30, 2016 the Company had, on a stand-alone basis a working capital deficit of €75 million (excluding debentures held by subsidiaries).

In June 2016 the sale of KWIG was completed (see Note 8A below) generating to the Company approximately USD 27.7 million (€25 million), which allowed the Company to make an early repayment of interest and principal of its debentures of approximately €26 million in July 2016. In August 2016, the Company completed the sale of TBIF (see Note 8C below) generating at first phase approximately €69 million. An additional adjustment (second phase) amount will be received in the coming weeks. Kardan will use the net consideration, amounting to €62 million, for an additional early repayment of its debentures in September 2016. With those transactions (the sale of KWIG and TBIF), the repayment obligations of the debentures are secured until February 2018 repayment (i.e. excluding the February 2018 payment).

These two early repayments are in addition to interest of €3.3 million paid by the Company in February 2016 using its cash balances.

The Company is currently exploring different avenues for the realization of cash to meet its future liabilities (in February 2018 and onwards).

The realization of some of the Company's plans depends on factors that are not wholly within the Company's control, and therefore there is no certainty that transactions will be completed, however the Company believes that given the status of the deals and other options it will be able to generate enough funds to repay its liabilities as they mature in the foreseeable future.

The Board and management believe that there is no material uncertainty which may cast significant doubt regarding the Company's ability to repay its liabilities when they become due and its ability to continue as a going concern. The Company's condensed interim consolidated financial

statements as at June 30, 2016 have therefore been prepared on the assumption the Company will continue as a going concern.

3. Basis of presentation and preparation

A. Basis of preparation

The condensed interim consolidated financial statements as at June 30, 2016 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, 2015.

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, 2015.

B. Foreign currency translation

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

	<u>USD</u>	<u>NIS</u>	<u>RMB</u>	<u>CPI (in Israel)</u>
June 30, 2016	0.90	0.23	0.14	131.1
June 30, 2015	0.89	0.24	0.15	132.1
December 31, 2015	0.92	0.24	0.14	131.6
			<u>%</u>	
Change in 2016 (6 months)	(2.3)	(0.9)	(3.8)	(0.4)
Change in 2016 (3 months)	2.2	0.0	(0.6)	0.5
Change in 2015 (6 months)	8.5	12.0	8.2	(0.5)
Change in 2015 (3 months)	(4.1)	1.3	(3.3)	1.1
Change in 2015 (12 months)	11.6	11.2	5.1	(0.9)

4. Segment information

A. Segments results:

In February 2016, KFS signed an agreement to sell its holding in TBIF, the holding company of the Banking and Retail Lending segment. The results of TBIF represent the main activities of the 'Banking and Retail lending' segment. As a result, the Company's CODM re-examined the composition of the Company's operating segments, and, starting the first quarter of 2016 the results of TBIF are presented as discontinued operation. Therefore, these activities no longer form a reportable operating segment and the Company now presents 2 operating segments. The comparative figures were adjusted to conform with the current presentation. Following the completion of the sale, subsequent to the balance sheet date, the Company is substantially no longer active in the 'Banking and Retail lending' segment and the activities which were not sold are now presented under 'Other'.

(1) For the six months ended June 30, 2016:

	Real Estate Asia	Water Infrastructure	Other	Total
	In €000			
Revenue (**)	4,066	59,377	2,564	66,007
Other income (expense) (*)	(692)	995	400	703
Total Income	<u>3,374</u>	<u>60,372</u>	<u>2,964</u>	<u>66,710</u>
Segment result	<u>(4,685)</u>	<u>3,545</u>	<u>2,455</u>	<u>1,315</u>
Unallocated expenses				<u>(1,730)</u>
Loss from operations and share in profit of investment accounted using the equity method before finance expenses, net				(415)
Finance expenses, net				<u>(13,088)</u>
Loss before income tax				(13,503)
Income tax benefit				<u>1,246</u>
Loss from continuing operations				<u>(12,257)</u>
Profit from discontinued operations				<u>6,308</u>
Loss for the period				<u>(5,949)</u>

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

(**) Revenue of the Water Infrastructure segment have decreased mainly due to two large projects which are close to being finalized and are at their final phase as of June 30, 2016. Furthermore, revenue was impacted by delays in several projects' progress and also by delays in receiving certain needed permits to carry out project work.

(2) For the six months ended June 30, 2015:

	Real Estate Asia	Water Infrastructure	Other	Total
	In €000			
Revenue	2,540	87,953	(254)	90,239
Other income (expense) (*)	20,999	(1,340)	1,132	20,791
Total Income	23,539	86,613	878	111,030
Segment result	16,283	3,958	(125)	20,116
Unallocated expenses				(2,534)
Gain from operations and share in profit of investment accounted using the equity method before finance expenses, net				17,582
Finance expenses, net				(47,710)
Loss before income tax				(30,128)
Income tax expenses				(6,308)
Loss from continuing operations				(36,436)
Profit from discontinued operations				27,297
Loss for the period				(9,139)

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

(3) For the three months ended June 30, 2016:

	Real Estate Asia	Water Infrastructure	Other	Total
	In €000			
Revenue	2,123	29,738	2,455	34,316
Other income (expense) (*)	(3,630)	1,160	(128)	(2,598)
Total Income	(1,507)	30,898	2,327	31,718
Segment result	(5,470)	2,570	2,240	(660)
Unallocated expenses				(885)
Gain from operations and share in profit of investment accounted using the equity method before finance expenses, net				(1,545)
Finance expenses, net				(10,396)
Loss before income tax				(11,941)
Income tax benefit				450
Loss from continuing operations				(11,491)
Profit from discontinued operations				3,925
Loss for the period				(7,566)

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

(4) For the three months ended June 30, 2015:

	Real Estate Asia	Water Infrastructure	Other	Total
In €000				
Revenue	1,210	50,192	(130)	51,272
Other income (expense) (*)	19,689	(1,067)	743	19,365
Total Income	20,899	49,125	613	70,637
Segment result	16,950	3,036	171	20,157
Unallocated expenses				(1,190)
Gain from operations and share in profit of investment accounted using the equity method before finance expenses, net				18,967
Finance expenses, net				(18,786)
Profit (loss) before income tax				181
Income tax expenses				(5,599)
Loss from continuing operations				(5,418)
Profit from discontinued operations				3,722
Loss for the period				(1,696)

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

(5) For the year ended December 31, 2015:

	Real Estate Asia	Water Infrastructure	Other	Total
In €000				
Revenue	6,726	167,861	(715)	173,872
Other income (expense) (*)	23,954	(1,241)	1,145	23,858
Total Income	30,680	166,620	430	197,730
Segment result	13,648	6,378	(2,749)	17,277
Unallocated expenses				(5,082)
Gain from operations and share in profit of investment accounted using the equity method before finance expenses, net				12,195
Finance expenses, net				(64,913)
Loss before income tax				(52,718)
Income tax expenses				(6,493)
Loss from continuing operations				(59,211)
Profit from discontinued operations				36,253
Loss for the period				(22,958)

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

B. Segments assets

	June 30,		December 31,
	2016	2015	2015
	In €000		
Real estate - Asia	456,994	524,563	488,944
Water Infrastructure	134,065	192,069	143,504
	591,059	716,632	632,448
Unallocated assets	65,177	27,327	24,152
Discontinued operations (**)	264,092	309,956	319,142
	920,328	1,053,915	975,742

C. Segments liabilities

	June 30,		December 31,
	2016	2015	2015
	In €000		
Real estate - Asia	198,282	217,461	198,651
Water Infrastructure	92,347	130,272	102,156
	290,629	347,733	300,807
Unallocated liabilities (*)	368,998	379,693	388,182
Discontinued operations (**)	202,132	231,701	210,815
	861,759	959,127	899,804

(*) Most unallocated liabilities relate to financing at the level of the holding companies.

(**) Discontinued operations assets and liabilities in the comparative were reclassified to align with current period presentation.

5. Share capital

Composition

	June 30, 2016		December 31, 2015	
	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	123,022,256

6. Financial Instruments and Risk Management

Further to Note 38 to the 2015 annual 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	June 30, 2016		June 30, 2015		December 31, 2015		
	€000'						
	Carrying amount(*)	Fair value(**)	Carrying amount(*)	Fair value(**)	Carrying amount(*)	Fair value(**)	
Liabilities							
Debentures issued by the Company	1	364,737	276,959	374,055	260,696	379,767	250,542

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

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

B. Level 3 financial assets and liabilities reconciliation

Level 3 reconciliation:

	As of January 1, 2016	Fair Value gain (loss) recorded in P&L	Fair value gain in OCI	Settlements	As of June 30, 2016
In €000					
Warrants and call options	(2,495)	(57)	-	-	(2,552)
Other liabilities	(4,000)	-	-	4,000	-
Total liabilities	(6,495)	(57)	-	4,000	(2,552)

There were no material changes in the valuation processes, the valuation methods used, and the assumptions applied and (narrative) sensitivities, for recurring fair value measurements of investment properties and the above mentioned financial assets and liabilities. For additional information on fair value refer to Note 38 in the 2015 annual financial statements.

- C. Further to Note 7 to the 2015 annual financial statements, as of June 30, 2016 there were no material changes to the significant assumptions used in valuations.

D. Risk management following the completion of the sale of TBIF

Further to Note 38C to the 2015 annual financial statements, the Company is exposed to a variety of risks. The Group's financial services sector (TBIF) was exposed to risks inherent in the business including financial risk, market risk, credit risk, excessive risk concentration and regulatory capital requirements for which the company focused large rescored to mitigate including keeping capital adequacy and the use of regulatory required capital, analysis of the structure of its portfolios in order to mitigate excessive risk, established a credit quality review process, receiving collaterals and more. Following the completion of the sale of TBIF subsequent to the balance sheet date the Company is no longer materially exposed to those risks.

7. Joint Ventures

A. Below is presented a summary of financial information of the material joint venture companies, Shanxi GTC Lucky Hope Real Estate Development Ltd., Green Power Development Ltd. and VIP Rent (Avis Ukraine):

1) Shanxi GTC Lucky Hope Real Estate Development Ltd.

Summary of financial data from the statement of financial position:

	June 30, 2016	June 30, 2015	December 31, 2015
	In €000		
Current assets (not including cash and cash equivalent)	101,228	153,390	120,234
Cash and cash equivalent	7,438	12,930	5,352
Non-current assets	13,166	15,792	20,248
Current liabilities	(68,932)	(134,390)	(95,700)
Current financial liabilities	(6,972)	(5,968)	(6,810)
Non-current liabilities	(32)	(244)	-
Total equity attributed to the owners	45,896	41,510	43,324
% held in the joint venture	50	50	50
Total investment in joint ventures	<u>22,948</u>	<u>20,755</u>	<u>21,662</u>

Summary of financial data from the income statement:

	For the six months period ended June 30		For the three months period ended June 30		For the year ended December 31,
	2016	2015	2016	2015	2015
	In €000				
Revenues from operations	26,608	38,270	5,416	3,818	71,316
Cost of operations	(17,796)	(25,826)	(3,782)	(2,658)	(49,574)
Selling and marketing, other (income) expenses, and administrative	2,894	3,438	1,152	1,240	8,542
Interest income	-	18	-	10	26
Profit before tax	5,918	9,024	482	(70)	13,226
Income tax expenses (income)	1,612	2,278	132	(6)	3,310
Profit for the year attributed to equity holders	4,306	6,746	350	(64)	9,916
% held of the joint venture	50	50	50	50	50
Group's share of profit for the year	2,153	3,373	175	(32)	4,958
Realizing of deemed cost on projects	-	(121)	-	-	(121)
Group's share of profit for the year	<u>2,153</u>	<u>3,252</u>	<u>175</u>	<u>(32)</u>	<u>4,837</u>
Total other comprehensive income (expenses) attributed to equity holders	2,576	2,716	76	(1,280)	1,360
% held of the joint venture	50	50	50	50	50
Group share of the total other comprehensive income (expenses)	<u>1,288</u>	<u>1,358</u>	<u>38</u>	<u>(640)</u>	<u>680</u>

2) Green Power Development Ltd.

Summary of financial data from the statement of financial position:

	June 30, 2016	June 30, 2015	December 31, 2015
	<u>In €000</u>		
Current assets (not including cash and cash equivalent)	168,264	177,222	148,035
Cash and cash equivalent	15,336	4,292	7,081
Non-current assets	2,000	10,607	8,648
Current liabilities	(137,569)	(180,444)	(114,151)
Current financial liabilities	(35,085)	-	(36,024)
Non controlling interest holders	-	(3,141)	(3,353)
Total equity attributed to the owners	12,946	8,536	10,236
% held in the joint venture	50	50	50
Total investment in joint ventures	6,473	4,268	5,118
Deemed cost on projects	586	782	606
Total investment in joint ventures	7,059	5,050	5,724

Summary of financial data from the income statement:

	<u>For the six months period ended June 30</u>		<u>For the three months period ended June 30</u>		<u>For the year ended December 31,</u>
	2016	2015	2016	2015	2015
	<u>In €000</u>				
Revenues from operations	8,756	4,543	4,820	1,952	28,865
Cost of operations	(6,812)	(2,952)	(3,654)	(1,316)	(24,656)
Selling and marketing, other income (expenses), and administrative	(888)	(8,499)	(525)	(7,608)	(4,618)
Other financial income (expenses)	650	(2,487)	(786)	1,276	(3,353)
Profit (loss) before tax	1,706	(9,395)	(145)	(5,696)	(3,762)
Income tax expenses (benefit)	581	(1,170)	415	(1,698)	972
Profit for the year attributed to equity holders	1,125	(8,225)	(560)	(3,998)	(4,734)
% held of the joint venture	50	50	50	50	50
Group's share of profit (loss) for the year	563	(4,112)	(280)	(1,999)	(2,367)
Realizing of deemed cost on projects	(20)	(8)	(10)	(4)	(185)
Group's share of profit (loss) for the	543	(4,120)	(290)	(2,003)	(2,552)
Total other comprehensive income (expenses) attributed to equity holders	(1,766)	(4,171)	(268)	(1,344)	2,338
% held of the joint venture	50	50	50	50	50
Group share of the total other comprehensive income (expenses)	(883)	(2,085)	(134)	(672)	1,169

3) VIP Rent (Avis Ukraine)

Summary of financial data from the statement of financial position:

	June 30, 2016	June 30, 2015	December 31, 2015
	<u>In €000</u>		
Current assets (not including cash and cash equivalent)	10,007	8,808	9,979
Cash and cash equivalent	2,006	3,374	2,879
Non-current assets	26,789	20,869	25,103
Current liabilities	(3,447)	(3,440)	(2,754)
Current financial liabilities	(2,380)	(2,317)	(3,853)
Non-current liabilities	<u>(17,225)</u>	<u>(15,117)</u>	<u>(17,280)</u>
Total equity attributed to the owners	15,750	12,177	14,074
% held in the joint venture	<u>66</u>	<u>66</u>	<u>66</u>
Total investment in joint ventures	<u>10,395</u>	<u>8,037</u>	<u>9,289</u>

Summary of financial data from the income statement:

	<u>For the six months period ended June 30,</u>		<u>For the three months period ended June 30,</u>		For the year ended December 31,
	2016	2015	2016	2015	2015
	<u>In €000</u>				
Revenues from operations	4,504	4,623	2,308	2,597	9,161
Cost of operations	(3,500)	(3,635)	(1,723)	(1,863)	(7,292)
Selling and marketing, other income (expenses), and administrative	1,416	1,236	599	574	2,591
Other financial expenses	(20)	17	63	57	(246)
Profit before tax	<u>2,400</u>	<u>2,241</u>	<u>1,247</u>	<u>1,365</u>	<u>4,214</u>
Income tax expenses	<u>(463)</u>	<u>(686)</u>	<u>(136)</u>	<u>(160)</u>	<u>(1,172)</u>
Profit for the year attributed to equity holders	1,937	1,555	1,111	1,205	3,042
% held of the joint venture	<u>66</u>	<u>66</u>	<u>66</u>	<u>66</u>	<u>66</u>
Group's share of profit for the year	<u>1,278</u>	<u>1,026</u>	<u>733</u>	<u>795</u>	<u>2,007</u>
Total other comprehensive income (expenses) attributed to equity holders	(260)	1,135	411	(494)	1,545
% held of the joint venture	<u>66</u>	<u>66</u>	<u>66</u>	<u>66</u>	<u>66</u>
Group share of the total other comprehensive income (expenses)	<u>(172)</u>	<u>749</u>	<u>271</u>	<u>(326)</u>	<u>1,020</u>

B. In the second quarter of 2016, the company recorded an impairment on one of its immaterial joint venture. The impairment amounted to €3.2 million and was recorded in the profit and loss as part of the Company's 'Share of profit (loss) of investments accounted for using the equity method, net'.

8. Significant transactions

A. TGI

Sale of KWIG

As described in Note 5B(3) to the 2015 annual consolidated financial statements, on January 15 2015, TGA, an indirectly held subsidiary (98.43%) signed a share purchase agreement ('the Agreement') with China Gezhouba Group Investments Holding Co Ltd. ('the Purchaser'), to sell all of its holdings in KWIG.

The sale of KWIG took place in two phases: in March 2015 the first phase of the transaction in which 75% of KWIG shares were sold was completed; the Purchaser paid 75% of the consideration and all outstanding loans from Group companies were repaid.

On June 30, 2016 TGA completed the second phase of the transaction and sold the remaining 25% of its holding in KWIG for a total consideration of USD 27.7 million (approximately €25 million), including interest as detailed in the agreement.

As a result of the transaction, the Group recorded a net gain of approximately €20.1 million in 2015 mainly due to the release of equity reserves transferred to the statement of income following the sale.

Since KWIG was considered by management as a distinguishable major geographical and operating line of business, the results of the investment in KWIG (including the gain from the sale of the investment) in all represented periods were classified, in accordance with IFRS 5 to discontinued operations.

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

	For the six months ended June 30		For the three months ended June 30		For the year ended December 31
	2016	2015	2016	2015	2015
	€'000				
<i>Discontinued operation items related to the sale of KWIG:</i>					
Capital gain*) **)	(144)	5,739	1,325	(962)	6,812
Release of capital reserves due to sale, net of tax *)	-	13,287	-	-	13,287
Net profit (loss) from discontinued operations	(144)	19,026	1,325	(962)	20,099
Net profit (loss) from discontinued operations attributed to Non-controlling	(2)	299	21	(15)	316
Net profit (loss) from discontinued operations attributed to Equity holders	(142)	18,727	1,304	(947)	19,783

*) Net of tax expenses for the six months period ended June 30, 2016 and 2015 amounting to €25 thousand and €1,479 thousand respectively, for the three months period ended June 30, 2016 and 2015 and for the year ended December 31, 2015 amounting to €03 thousand, nil and €1,889 thousand, respectively.

**) In 2016 - mainly due to foreign exchange rate differences and additional tax provision.

Composition of the cash flow statements related to discontinued operations:

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2016	2015	2016	2015	2015
	€'000				
Net cash provided by (used in) operating activities	-	-	-	-	-
Net cash provided by (used in) investing activities	21,856	110,148	21,856	-	110,148
Net cash used in financing activities	-	-	-	-	-

There was no OCI impact in all presented periods.

B. GTC RE

Claw back liability re the sale of GTC SA

Further to Note 5 to 2015 annual financial statements, in February 2016, the Company, GTC RE and Lone Star Real Estate fund ('the Buyer') signed a settlement agreement, according to which GTC RE paid the Buyer an amount of €4 million, which has been fully provided for as at December 31, 2015, 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' clause, and of mutual cancellation and deletion of any proceedings taken in this matter. The settlement did not have an impact on the Company's income statement in 2016.

C. KFS

Sale of TBIF

On February 24, 2016, KFS has signed an agreement to sell its 100% holding in TBIF to a third party 4finance Holding S.A. ('the Buyer'). Subsequent to the balance sheet date, on August 11, 2016, the transaction was completed.

The total consideration for the transaction comprises two parts ('the Consideration'). On the completion date ('the Completion date') the Buyer paid KFS an amount of approximately €69 million. Subsequently, following the Completion date, the Consideration will be adjusted to take into account the reviewed result of the sold asset in the period January 1, 2016 until the Completion date ('the Adjustment'). To secure payment of the Adjustment, on the Completion date the Buyer pledged shares of TBIF in favor of KFS. According to the agreement, TBIF transferred certain non-lending assets including the investment in Avis Ukraine, with a net value of approximately €29 million to KFS before the Completion date.

KFS undertakes to indemnify the Buyer for costs and damages which might occur under circumstances which have been specifically detailed in the agreement, including a breach of the customary representations and warranties given by KFS. Accordingly, on the Completion date KFS deposited an amount of €6 million for a period of two years and pledge this in favor of the Buyer as collateral for the indemnification, which amount will be reduced to €5 million after one year. In addition, Kardan guaranteed KFS's obligation in this respect.

The Company estimates that the completion of the transaction would result in an increase in its equity of approximately €15 million through profits and release of capital reserves.

In accordance with IFRS 5, as of June 30 2016, the investment in TBIF is presented as ‘Assets held for sale’ and ‘Liabilities associated with assets held for sale’.

Since TBIF is considered by management as a distinguishable major geographical and operating line of business, the results of the sold investment in TBIF in all represented periods were classified, in accordance with IFRS 5, to discontinued operations.

Assets held for sale and liabilities associated with assets held for sale of TBIF

Assets and liabilities held for sale as of June 30, 2016 represent the assets and liabilities of TBIF in relation to the sale transactions:

	June 30, 2016
	€'000
Assets	
Assets held for sale	5,373
Other non-current assets	18,100
Loans to bank customers	144,626
Consumer finance	5,343
Financial leases	11,803
Other current assets	38,305
Cash and cash equivalents	40,542
Total assets	264,092
Liabilities	
Banking customers accounts	185,945
Other liabilities	16,187
Total liabilities	202,132
Net asset value	61,960

In accordance to IFRS 5, the net asset value of TBIF is presented as held for sale in its carrying amount which is lower than the fair value less costs to sell.

Discontinued operations related to the sale of TBIF:

	For the six months ended June 30,		For the three months ended June 30,		For the year ended December 31,
	2016	2015	2016	2015	2015
	€'000				
Income	20,545	19,816	10,308	10,282	42,177
Expenses	(13,297)	(10,855)	(7,074)	(5,243)	(24,050)
Profit before tax	7,248	8,961	3,234	5,039	18,127
Income tax expenses, net	796	690	634	355	1,973
Profit (loss) from discontinued operations attributed to Equity holders	6,452	8,271	2,600	4,684	16,154

Composition of the cash flow statements related to discontinued operations:

	For the six months ended June 30,		For the three months ended June 30,		For the year ended December 31,
	2016	2015	2016	2015	2015
			€'000		
Net cash provided by (used in) operating activities	(3,672)	23,869	2,941	216	(11,666)
Net cash provided by (used in) investing activities	(2,558)	6,524	(1,694)	(916)	(1,679)
Net cash used in financing activities	(138)	520	(15)	250	(764)

Composition of other comprehensive income items related to discontinued operations:

	For the six months ended June 30,		For the three months ended June 30,		For the year ended December 31,
	2016	2015	2016	2015	2015
			€000'		
Adjustments arising from translating financial statements of foreign operations	(2)	14	(78)	(143)	(86)

9. Financial Commitments and Covenants

During the six month period ended June 30, 2016 and as of June 30, 2016 all Group companies met their financial covenants.

10. Subsequent events

A. Early repayment of debentures series A and series B

On July 24, 2016 the Company early repaid principal amounting to approximately €15 million to Debenture Holders series A and series B, and accumulated interest of approximately €1.2 million to Debenture Holders series A and series B (net of the relative portion of debentures held by the Company's subsidiaries). The total repayment amounted to approximately €26.2 million (approximately NIS 111 million).

B. Subsequent to the balance sheet date, on August 11, 2016 the Company finalized the sale of its subsidiary TBIF. For additional information see Note 8C.

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 June 2016, 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 six 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 interim consolidated financial information as at 30 June 2016 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 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, 24 August 2016
PricewaterhouseCoopers Accountants N.V.

Original has been signed by drs. 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 June 30, 2016

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

June 30, 2016

	June 30,	December
	2016	2015
	€in thousand	
	2016	31, 2015
A s s e t s		
Non-current assets		
Property and equipment	106	114
	106	114
Financial fixed assets		
Investments in consolidated subsidiaries	505,670	453,317
Loans to consolidated subsidiaries	22	22
	505,692	453,339
	505,692	453,339
Current assets		
Cash and cash equivalents	28,701	26,374
Short-term investments	131	298
Other receivables and derivatives	2,290	796
	31,122	27,468
	31,122	27,468
Total assets	536,920	480,091
	536,920	480,091
E q u i t y a n d l i a b i l i t i e s		
Equity attributable to equity shareholders		
Issued and paid-in capital	25,276	23,041
Share premium	206,482	208,002
Foreign currency translation reserve	13,878	32,793
Property revaluation reserve	36,407	37,425
Other reserves	7,455	8,860
Non-controlling interest holders transactions reserve	15,669	15,446
Treasury shares	-	(2,625)
Accumulated deficit	(251,098)	(232,513)
	54,069	90,429
	54,069	90,429
Long-term liabilities		
Debentures	328,669	187,347
Option liability	2,103	-
	330,772	187,347
	330,772	187,347
Current liabilities		
Current maturities of debentures	138,501	201,589
Other payables	13,578	1,556
	152,079	203,145
	152,079	203,145
Total equity and liabilities	536,920	480,921
	536,920	480,921

ADDITIONAL INFORMATION FROM THE COMPANY'S INCOME STATEMENT

	For the six months ended June 30,		For the three months ended June 30,		For the year ended December 31,
	2016	2015	2016	2015	2015
	€in thousand				
Net result from investments for the period	5,769	43,493	4,111	13,227	45,827
General and administrative expenses, net	(1,606)	(2,350)	(4,585)	(1,113)	(4,585)
Income from operations before financing expenses	4,163	41,143	3,313	12,114	41,242
Financing expenses, net	(9,730)	(50,102)	(11,175)	(13,534)	(63,680)
Loss before tax expenses (benefit)	(5,567)	(8,959)	(7,862)	(1,420)	(22,438)
Income tax expense (benefit)	303	223	(80)	(112)	(477)
Loss for the period	(5,870)	(9,182)	(7,782)	(1,532)	(22,915)

ADDITIONAL INFORMATION FROM THE COMPANY'S STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended June 30,		For the three months ended June 30,		For the year ended December 31,
	2016	2015	2016	2015	2015
€in thousand					
Net result for the period	<u>(5,870)</u>	<u>(9,182)</u>	<u>(7,782)</u>	<u>(1,532)</u>	<u>(22,915)</u>
Foreign currency translation differences*	(10,833)	8,850	(1,129)	(8,800)	768
Change in hedge reserve, net	<u>(517)</u>	<u>(1,959)</u>	<u>(300)</u>	<u>155</u>	<u>(2,784)</u>
Other comprehensive income (loss) for the period	<u>(11,350)</u>	<u>6,891</u>	<u>(1,429)</u>	<u>(8,645)</u>	<u>(2,016)</u>
Total comprehensive loss	<u>(17,220)</u>	<u>(2,291)</u>	<u>(9,211)</u>	<u>(10,177)</u>	<u>(24,931)</u>

* In 2015 includes 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 six months ended June 30,		For the three months ended June 30,		For the year ended December 31,
	2016	2015	2016	2015	2015
€in thousand					
Cash flow from operating activities of the Company					
Loss for the period	(5,870)	(9,182)	(7,782)	(1,532)	(22,915)
Adjustments to reconcile net profit to net cash of the Company					
Charges to net loss not affecting operating cash flows:					
Financial expenses	10,273	50,903	11,055	13,935	64,013
Share-based payment	(172)	54	24	29	163
Equity earnings	(5,769)	(43,493)	(4,111)	(13,227)	(45,827)
Dividend received from consolidated companies	35,652	53,742	22,442	3,650	53,742
Changes in working capital of the Company					
Change in receivables	(567)	(252)	655	(134)	(138)
Change in payables	(395)	(982)	(553)	(965)	(1,154)
Cash amounts paid and received during the period					
Interest received	5	13	2	3	20
Interest paid	(23,326)	(18,676)	-	-	(18,676)
Net cash provided by (used in) operating activities of the Company	9,831	32,127	21,732	1,759	29,228
Cash flow from investing activities of the Company					
Short term investments, net	6	498	(1)	(8)	659
Investments in subsidiaries	(4,003)	(131)	-	-	(150)
Net cash provided by (used in) investing activities of the Company	(3,997)	367	(1)	(8)	509
Cash flow from financing activities					
Debentures settlement payment	-	-	-	-	(750)
Repayment of debentures	-	(6,725)	-	-	(6,725)
Net cash used in financing activities of the Company	-	(6,725)	-	-	(7,475)
Increase (decrease) in cash and cash equivalents of the Company	5,834	25,769	21,731	1,751	22,262
Cash and cash equivalents at beginning of the period of the Company	22,867	605	6,970	24,623	605
Cash and cash equivalents at end of the period of the Company	28,701	26,374	28,701	26,374	22,867

ADDITIONAL INFORMATION

1. General

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

This condensed interim separate financial information should be read in conjunction with the additional separate financial information for the year ended December 31, 2015 and the accompanying notes, and in conjunction to the condensed interim consolidated financial statements for the six and three months ended June 30, 2016.

2. FINANCIAL POSITION

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 repay interest and principal of its debentures in February 2017 and February 2018 and all its other liabilities and to finance its operating activities. Included in this analysis are, among others, the current cash balances and cash from future operations and transactions.

As at June 30, 2016 the Company had, on a stand-alone basis a working capital deficit of €75 million (excluding debentures held by subsidiaries).

In June 2016 the sale of KWIG was completed (see Note 8A to the interim consolidated financial statements) generating to the Company approximately USD 27.7 million (€25 million), which allowed the Company to make an early repayment of interest and principal of its debentures of approximately €26 million in July 2016.

In August 2016, the Company completed the sale of TBIF (see Note 8C to the interim consolidated financial statements) generating at first phase approximately €9 million. An additional adjustment (second phase) amount will be received in the coming weeks. Kardan will use the net consideration, amounting to €2 million, for an additional early repayment of its debentures in September 2016. With those transactions (the sale of KWIG and TBIF), the repayment obligations of the debentures are secured until February 2018 repayment (i.e. excluding the February 2018 repayment).

These two early repayments are in addition to interest of €23.3 million paid by the Company in February 2016 using its cash balances.

The Company is currently exploring different avenues for the realization of cash to meet its future liabilities (in February 2018 and onwards).

The realization of some of the Company's plans depends on factors that are not wholly within the Company's control, and therefore there is no certainty that transactions will be completed, however the Company believes that given the status of the deals and other options it will be able to generate enough funds to repay its liabilities as they mature in the foreseeable future.

The Board and management believe that there is no material uncertainty which may cast significant doubt regarding the Company's ability to repay its liabilities when they become due and its ability to continue as a going concern. The Company's condensed interim consolidated financial statements as at June 30, 2016 have therefore been prepared on the assumption the Company will continue as a going concern.