

KARDAN N.V.
AMSTERDAM, THE NETHERLANDS

Condensed Interim Consolidated Financial Statements
As of September 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	September 30, 2016	September 30, 2015	December 31, 2015
		Unaudited		Audited
		In €000		
Non-current assets				
Tangible fixed assets, net		11,533	22,198	24,161
Investment property	6	236,779	252,067	250,310
Investments in associates accounted using the equity		11,805	8,652	9,540
Investments in joint ventures accounted using the equity method	7	92,788	91,908	95,964
Loans to bank customers	8	-	75,522	83,143
Long-term loans and receivables		11,640	23,701	23,570
Intangible assets and goodwill, net		5,912	5,626	6,361
Deferred tax assets		2,332	2,874	3,065
Other financial assets	8	-	1,067	5,485
		<u>372,789</u>	<u>483,615</u>	<u>501,599</u>
Current assets				
Inventories, contract work, buildings and apartments inventory, and land bank		109,324	115,763	109,818
Current maturities of long-term loans and receivables	8	-	17,875	16,749
Loans to bank customers	8	-	51,051	55,112
Trade receivables		68,099	58,325	67,318
Current tax assets		972	1,171	1,155
Other receivables and prepayments		36,657	39,048	40,383
Short-term investments		5,348	6,775	7,787
Cash and cash equivalents		54,265	223,588	143,920
		<u>274,665</u>	<u>513,596</u>	<u>442,242</u>
Assets held for sale	10b	<u>1,785</u>	<u>30,653</u>	<u>31,901</u>
Total current assets		<u>276,450</u>	<u>544,249</u>	<u>474,143</u>
Total assets		<u><u>649,239</u></u>	<u><u>1,027,864</u></u>	<u><u>975,742</u></u>

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

E q u i t y a n d l i a b i l i t i e s

	Note	September 30, 2016	September 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	25,276	25,276
Share premium		206,482	206,482	206,482
Foreign currency translation reserve		14,405	20,782	24,711
Property revaluation reserve		36,407	37,302	36,713
Revaluation reserve, other		7,101	8,347	8,144
Non-controlling interest holders transactions reserve		15,669	15,446	15,669
Accumulated deficit		(254,447)	(228,065)	(245,534)
		50,893	85,570	71,461
Non-controlling interests		4,317	4,285	4,477
Total equity		55,210	89,855	75,938
Non-current liabilities				
Interest-bearing loans and borrowings		61,544	69,061	40,550
Banking customers accounts	8	-	225	129
Other long-term liabilities		3,858	3,297	2,544
Derivative financial instruments		2,542	2,416	2,495
Debentures		271,963	339,267	356,272
Deferred tax liabilities		5,716	14,297	13,909
Accrued severance pay, net		1,079	1,346	1,415
		346,702	429,909	417,314
Current liabilities				
Liability due to work in progress		33,139	62,375	47,709
Banking customers accounts	8	-	222,749	191,933
Trade payables		21,518	18,908	20,268
Current maturities of debentures		17,750	-	-
Interest-bearing loans and borrowings		57,853	68,247	68,448
Current tax liabilities		5,595	9,217	3,933
Advances from apartment buyers		32,499	6,932	34,263
Advance from customers		15,638	16,015	17,102
Other payables and accrued expenses		61,550	103,657	98,834
		245,542	508,100	482,490
Liabilities associated with assets held for sale	10b	1,785	-	-
Total current liabilities		247,327	508,100	482,490
Total liabilities		594,029	938,009	899,804
Total equity and liabilities		649,239	1,027,864	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 nine months ended September 30		For the three months ended September 30		For the year ended December 31
		2016	2015	2016	2015	2015
		Unaudited				Audited
In €000						
Contract revenues		87,287	129,772	27,910	41,819	167,861
Rental revenues		2,770	996	978	685	1,822
Revenues from sale of apartments		632	520	296	-	791
Management fees and other revenues		5,567	1,773	1,065	318	3,398
Total revenues	4	96,256	133,061	30,249	42,822	173,872
Contract costs		72,949	109,554	23,213	35,683	141,930
Cost of rental revenues		1,289	905	501	278	1,473
Cost of sale of apartments		583	446	273	-	889
Other expenses, net		4,228	4,230	1,276	2,706	7,078
Total expenses		79,049	115,135	25,263	38,667	151,370
Gross profit		17,207	17,926	4,986	4,155	22,502
Selling and marketing expenses		6,326	6,867	2,386	2,594	9,963
General and administration expenses		14,551	18,100	5,152	5,393	24,202
Profit (loss) from operations before fair value adjustments, disposal of assets and investment and other income		(3,670)	(7,041)	(2,552)	(3,832)	(11,663)
Adjustment to fair value of investment property		(408)	21,693	-	(163)	20,907
Gain (loss) on disposal of assets and other income, net		(579)	675	(1,666)	308	268
<i>Profit (loss) from fair value adjustments, disposal of assets and investments and other income</i>		<i>(987)</i>	<i>22,368</i>	<i>(1,666)</i>	<i>145</i>	<i>21,175</i>
Profit (loss) from operations		(4,657)	15,327	(4,218)	(3,687)	9,512
Financial income		4,266	16,415	2,177	2,932	1,518
Financial expenses		(34,277)	(63,251)	(19,100)	(2,057)	(66,431)
Total financial income (expenses), net		(30,011)	(46,836)	(16,923)	875	(64,913)
Profit (loss) before share of profit (loss) from investments accounted for using the equity method		(34,668)	(31,509)	(21,141)	(2,812)	(55,401)
Share of profit (loss) of investments accounted for using the equity method, net	7	2,229	225	2,205	1,656	2,683
Profit (loss) before income taxes		(32,439)	(31,284)	(18,936)	(1,156)	(52,718)
Income tax expenses (benefit)		(1,723)	6,240	(477)	(68)	6,493
Profit (loss) for the period from continuing operations		(30,716)	(37,524)	(18,459)	(1,088)	(59,211)
Net profit from discontinued operations	8	21,487	32,661	15,179	5,364	36,253
Net profit (loss) for the period		(9,229)	(4,863)	(3,280)	4,276	(22,958)
Attributable to:						
Equity holders		(9,219)	(4,857)	(3,349)	4,325	(22,915)
Non-controlling interest holders		(10)	(6)	69	(49)	(43)
		(9,229)	(4,863)	(3,280)	4,276	(22,958)
Earnings (loss) per share attributable to shareholders						
Basic from continuing operations		(0.25)	(0.33)	(0.15)	(0.01)	(0.51)
Basic from discontinued operations		0.17	0.29	0.12	0.04	0.31
		(0.08)	(0.04)	(0.03)	0.03	(0.20)
Diluted from continuing operations		(0.25)	(0.33)	(0.15)	(0.01)	(0.51)
Diluted from discontinued operations		0.17	0.29	0.12	0.04	0.31
		(0.08)	(0.04)	(0.03)	0.03	(0.20)

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 nine months ended September 30,		For the three months ended September 30,		For the year ended December 31,
	2016	2015	2016	2015	2015
	Unaudited				Audited
	In €000				
Net profit (loss) for the period	(9,229)	(4,863)	(3,280)	4,276	(22,958)
Foreign currency translation differences (1)	(10,193)	(2,955)	209	(12,170)	1,100
Change in hedge reserve, net of tax (2)	(889)	(2,523)	(372)	(564)	(2,784)
Other comprehensive income (expense) for the period to be reclassified to profit or loss in subsequent periods (3)	(11,082)	(5,478)	(163)	(12,734)	(1,684)
Total comprehensive income (expenses)	(20,311)	(10,341)	(3,443)	(8,458)	(24,642)
Attributable to:					
Equity holders	(20,420)	(10,541)	(3,200)	(8,250)	(24,931)
Non-controlling interests holders	109	200	(243)	(208)	289
	(20,311)	(10,341)	(3,443)	(8,458)	(24,642)

(1) In 2016 including an amount of €4,137 thousands related to reclassification of translation funds due to the sale of TBIF and 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 €1,282 thousand and €1,049 thousand for the nine months ended September 30, 2016 and 2015, respectively, €26 thousand and €82 thousand for the three months ended September 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 €427 thousand and €350 thousand for the nine months ended September 30, 2016 and 2015, respectively, €175 thousand and €127 thousand for the three months ended September 30, 2016 and 2015, respectively, and €477 thousand for the year ended December 31, 2015.

(3) Including impact from associates and joint ventures of €(4,855) thousand and €3,077 thousand for the nine months ended September 30, 2016 and 2015, respectively, €(1,415) thousand and €(2,738) thousand for the three months ended September 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)	-	-	(10,306)	-	(895)	-	-	(11,201)	119	(11,082)
Loss for the period	-	-	-	-	-	-	(9,219)	(9,219)	(10)	(9,229)
Total comprehensive income (loss)	-	-	(10,306)	-	(895)	-	(9,219)	(20,420)	109	(20,311)
Share-based payment	-	-	-	-	(148)	-	-	(148)	110	(38)
Dividend distributed to non-controlling shareholders	-	-	-	-	-	-	-	-	(379)	(379)
Reclassification according to the Netherlands civil code requirements (*)	-	-	-	(306)	-	-	306	-	-	-
Balance as of September 30, 2016 (unaudited)	25,276	206,482	14,405	36,407	7,101	15,669	(254,447)	50,893	4,317	55,210

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

(*) 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 July 1, 2016 (unaudited)	25,276	206,482	13,878	36,407	7,455	15,669	(251,098)	54,069	4,500	58,569
Other comprehensive income (loss)	-	-	527	-	(378)	-	-	149	(312)	(163)
Profit (loss) for the period	-	-	-	-	-	-	(3,349)	(3,349)	69	(3,280)
Total comprehensive income (loss)	-	-	527	-	(378)	-	(3,349)	(3,200)	(243)	(3,443)
Share-based payment	-	-	-	-	24	-	-	24	60	84
Balance as of September 30, 2016 (unaudited)	<u>25,276</u>	<u>206,482</u>	<u>14,405</u>	<u>36,407</u>	<u>7,101</u>	<u>15,669</u>	<u>(254,447)</u>	<u>50,893</u>	<u>4,317</u>	<u>55,210</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 STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Attributable to equity holders of the parent										
	Issued and paid-in capital	Share premium	Foreign currency Translation (*)	Property revaluation reserve (*)	Revaluation reserve, other (*)	Non-controlling interest holders transactions reserve	Treasury shares	Accumulated deficit (*)	Total	Non-controlling Interests	Total equity
	In €000										
Balance as of July 1, 2015 (unaudited)	23,041	208,002	32,793	37,425	8,860	15,446	(2,625)	(232,513)	90,429	4,359	94,788
Other comprehensive (loss) income	-	-	(12,011)	-	(564)	-	-	-	(12,575)	(159)	(12,734)
Profit (loss) for the period	-	-	-	-	-	-	-	4,325	4,325	(49)	4,276
Total comprehensive income (loss)	-	-	(12,011)	-	(564)	-	-	4,325	(8,250)	(208)	(8,458)
Issuance of shares	2,235	789	-	-	-	-	-	-	3,024	-	3,024
Release of treasury shares	-	(2,309)	-	-	-	-	2,625	-	316	-	316
Share-based payment	-	-	-	-	51	-	-	-	51	134	185
Reclassification according to the Netherlands civil code requirements law (*)	-	-	-	(123)	-	-	-	123	-	-	-
Balance as of September 30, 2015 (unaudited)	<u>25,276</u>	<u>206,482</u>	<u>20,782</u>	<u>37,302</u>	<u>8,347</u>	<u>15,446</u>	<u>-</u>	<u>(228,065)</u>	<u>85,570</u>	<u>4,285</u>	<u>89,855</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 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 (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 nine months period ended September 30		For the three months period ended September 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	(32,439)	(31,284)	(18,936)	(1,156)	(52,718)
Profit from discontinued operations before taxes on income	23,108	35,651	15,179	6,353	40,115
Adjustments to reconcile net profit (loss) to net cash (see A below)	(47,380)	4,302	(20,533)	16,078	16,469
Net cash provided by (used in) operating activities	(56,711)	8,669	(24,290)	21,275	3,866
Cash flow from investing activities					
Acquisition of tangible fixed assets and investment properties	(5,303)	(33,644)	(829)	(1,996)	(33,276)
Investments and collection (granting) loans from (to) companies accounted for using the equity method, net	(1,605)	(1,460)	19	(216)	(2,489)
Proceeds from sale of assets and investments	2,826	452	12	130	488
Change in loans to bank customers, net	(6,404)	1,367	-	(7,041)	(11,220)
Change in long-term loans and receivables	(5,394)	(15,409)	(5,112)	(5,534)	(15,612)
Change in short-term investments	(3,549)	743	(2,649)	808	(4,322)
Proceeds from sale of subsidiaries, net of tax (see B below)	90,656	119,048	68,800	-	119,086
Proceeds from sale of a company accounted for using the equity method	-	331	-	-	331
Net cash provided by (used in) investing activities	71,227	71,428	60,241	(13,849)	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 nine months period ended September 30,		For the three months period ended September 30,		For the year ended December 31,
	2016	2015	2016	2015	2015
	Unaudited				Audited
	In €000				
Cash flow from financing activities					
Repayment of debentures	(74,986)	(6,725)	(74,986)	-	(6,725)
Change in loans from bank customers	(6,117)	33,505	(5)	10,449	2,593
Proceeds from long-term loans	15,858	3,224	1,053	383	105,004
Repayment of long-term loans	(1,479)	(30,834)	(75)	(945)	(162,546)
Change in short-term loans and borrowings	8,078	(129)	8,073	(129)	239
Release (increase) of pledged deposit	(3)	(2,317)	-	-	(2,317)
Debentures settlement payment	-	(750)	-	(750)	(750)
Change in other long term liabilities	(88)	(50)	(88)	(60)	65
Proceeds from exercise of warrants to issuance of Company's shares	203	-	203	-	-
Dividend to Non-controlling interest holders of a subsidiary	(379)	(780)	(379)	-	(780)
Transactions with non-controlling interest holders	-	(5,337)	-	(5,337)	(4,006)
Net cash provided by (used in) financing activities	(58,913)	(10,193)	(66,204)	3,611	(69,223)
Increase (decrease) in cash and cash equivalents	(44,397)	69,904	(30,253)	11,037	(12,371)
Change in cash of assets held for sale	(40,542)	-	-	-	-
Foreign exchange differences relating to cash and cash equivalents	(4,716)	5,139	(381)	(2,718)	7,746
Cash and cash equivalents at the beginning of the period	143,920	148,545	84,899	215,269	148,545
Cash and cash equivalents at the end of the period	54,265	223,588	54,265	223,588	143,920

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

CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

	For the nine months period ended September 30,		For the three months period ended September 30,		For the year ended December 31,
	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)	(15,861)	(20,842)	(15,179)	(227)	(21,969)
Share of profit of companies accounted for using the equity method	(2,229)	(225)	(2,205)	(1,656)	(2,683)
Share-based payment	175	762	84	183	1,039
Depreciation and amortization	3,056	3,536	575	1,247	4,755
Fair value adjustments of investment property	408	(21,693)	-	163	(20,907)
Financial expense and exchange differences, net	32,637	43,649	18,041	(3,776)	65,004
(Gain)/loss from sale of property plant and equipment	(455)	(241)	4	(61)	26
Increase (decrease) in provision for bad debts in the financial services segment	1,914	5,308	-	1,575	6,553
Changes in operating assets and liabilities:					
Change in trade and other receivables	(28,835)	(34,206)	(10,160)	14,839	(52,195)
Change in inventories and in contract work in progress, net of advances from customers	(22,422)	13,578	(9,396)	5,107	27,585
Change in trade and other payables	12,310	16,624	16,112	(7,901)	11,954
Movement in pledged time deposit	-	(26)	-	29	-
Interest paid	(48,538)	(29,588)	(17,114)	(4,024)	(35,076)
Interest received	22,180	30,713	65	11,057	42,509
Income taxes paid	(1,156)	(3,041)	(111)	(471)	(9,434)
Other	(564)	(6)	(1,249)	(6)	(692)
	<u>(47,380)</u>	<u>4,302</u>	<u>(20,533)</u>	<u>16,078</u>	<u>16,469</u>

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

KARDAN N.V., AMSTERDAM

CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

	For the nine months period ended September 30,		For the three months period ended September 30,		For the year ended December 31,
	2016	2015	2016	2015	2015
	Unaudited				Audited
	In €000				
B. Proceeds from sale of subsidiaries					
Working capital (excluding cash and cash equivalents)	(68,489)	13,450	(68,489)	410	13,488
Non-current assets (excluding fixed assets and concession assets)	121,864	14,006	121,864	-	14,006
Fixed assets	11,231	39,165	11,231	-	39,165
Concession assets	-	86,637	-	-	86,637
Non-controlling interests	-	(1,431)	-	-	(1,431)
Long-term liabilities	(2,108)	(14,773)	(2,108)	-	(14,773)
Release of currency translation reserves	4,137	(13,287)	4,137	-	(13,287)
Gain on disposal of investment, net of tax	15,179	18,965	15,179	(171)	18,965
Cash Receivable on account of sale	(13,014)	-	(13,014)	-	-
Asset classified as held for sale, net of tax	21,856	(23,684)	-	(239)	(23,684)
	<u>90,656</u>	<u>119,048</u>	<u>68,800</u>	<u>-</u>	<u>119,086</u>
	For the nine months period ended September 30,		For the three months period ended September 30,		For the year ended December 31,
	2016	2015	2016	2015	2015
	Unaudited				Audited
	In €000				
C. Material non cash transaction					
Receivables from sale of a subsidiary	13,014	-	13,014	-	-
Issuance of shares and treasury shares	-	3,340	-	3,340	3,340

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

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

September 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 and (water) infrastructure projects 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 November 23, 2016.

2. Financial Position

As at September 30, 2016 the Company had, on a stand-alone basis a working capital deficit of €15 million (excluding debentures held by subsidiaries).

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.

In August 2016, the Company completed the sale of TBIF, generating a total of €2 million (see Note 8D). The Company used the net consideration of the first phase of the transaction, amounting to €2 million, for an early repayment of its debentures in September 2016, and used the adjustment amount received in October 2016, for an additional early repayment in the amount of €15 million in November 2016. These repayments are in addition to the early repayment of €26 million in July 2016 from the proceeds of the sale of KWIG (see Note 8B below). With those early repayments the Company completed the payment of February 2017 principal amount. Interest of approximately €4 million is to be paid in February 2017, for which the Company has sufficient funds.

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 transactions 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 September 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 September 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>
September 30, 2016	0.89	0.24	0.13	131.5
September 30, 2015	0.89	0.23	0.14	132.5
December 31, 2015	0.92	0.24	0.14	131.6
			<u>%</u>	
Change in 2016 (9 months)	(2.7)	1.0	(4.7)	(0.1)
Change in 2016 (3 months)	(0.4)	1.9	(13.8)	0.3
Change in 2015 (9 months)	8.2	7.3	4.1	(0.2)
Change in 2015 (3 months)	(0.3)	(4.2)	(3.8)	0.3
Change in 2015 (12 months)	11.6	11.2	5.1	(0.9)

4. Segment information

A. Segments results:

In August 2016, KFS completed the sale of TBIF, the holding company of the Banking and Retail Lending segment. The results of TBIF represented the main activities of the 'Banking and Retail lending' segment. 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 presents 2 operating segments. The comparative figures were adjusted to conform with the current presentation. Following the completion of the sale, the Company is substantially no longer active in the 'Banking and Retail lending' segment and the activities which were not sold (mainly Avis Ukraine) are now presented under 'Other' (see note 8D).

(1) For the nine months ended September 30, 2016:

	Real Estate Asia	Water Infrastructure	Other	Total
	In €000			
Revenue (**)	6,377	87,307	2,572	96,256
Other income (expense) (*)	1,046	655	(459)	1,242
Total Income	<u>7,423</u>	<u>87,962</u>	<u>2,113</u>	<u>97,498</u>
Segment result	<u>(4,857)</u>	<u>4,150</u>	<u>826</u>	<u>119</u>
Unallocated expenses				<u>(2,547)</u>
Loss from operations and share in profit of investment accounted using the equity method before finance expenses, net				(2,428)
Finance expenses, net				<u>(30,011)</u>
Loss before income tax				(32,439)
Income tax benefit				<u>1,723</u>
Loss from continuing operations				<u>(30,716)</u>
Profit from discontinued operations				<u>21,487</u>
Loss for the period				<u><u>(9,229)</u></u>

(*) Other income/expense includes fair value adjustments of investment property, 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 September 30, 2016 compared to previous period. Furthermore, revenue was negative impacted by delays in several projects' progress and also by delays in receiving certain needed permits to carry out project work.

(2) For the nine months ended September 30, 2015:

	Real Estate Asia	Water Infrastructure	Other	Total
	In €000			
Revenue	4,150	129,772	(861)	133,061
Other income (expense) (*)	22,287	(1,484)	1,790	22,593
Total Income	26,437	128,288	929	155,654
Segment result	14,443	6,233	(1,371)	19,305
Unallocated expenses				(3,753)
Gain from operations and share in profit of investment accounted using the equity method before finance expenses, net				15,552
Finance expenses, net				(46,836)
Loss before income tax				(31,284)
Income tax expenses				(6,240)
Loss from continuing operations				(37,524)
Profit from discontinued operations				32,661
Loss for the period				(4,863)

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

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

	Real Estate Asia	Water Infrastructure	Other	Total
	In €000			
Revenue	2,311	27,930	8	30,249
Other income (expense) (*)	1,738	(340)	(859)	539
Total Income	4,049	27,590	(851)	30,788
Segment result	(172)	604	(1,629)	(1,197)
Unallocated expenses				(816)
Gain from operations and share in profit of investment accounted using the equity method before finance expenses, net				(2,013)
Finance expenses, net				(16,923)
Loss before income tax				(18,936)
Income tax benefit				477
Loss from continuing operations				(18,459)
Profit from discontinued operations				15,179
Loss for the period				(3,280)

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

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

	Real Estate Asia	Water Infrastructure	Other	Total
	In €000			
Revenue	1,610	41,819	(607)	42,822
Other income (expense) (*)	1,288	(144)	657	1,801
Total Income	2,898	41,675	50	44,623
Segment result	(1,839)	2,275	(1,247)	(811)
Unallocated expenses				(1,220)
Gain from operations and share in profit of investment accounted using the equity method before finance expenses, net				(2,031)
Finance expenses, net				875
Profit (loss) before income tax				(1,156)
Income tax expenses				68
Loss from continuing operations				(1,088)
Profit from discontinued operations				5,364
Net profit				4,276

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

B. Segments assets

	September 30,	December 31,
	2016	2015
	In €000	
Real estate - Asia	445,870	488,944
Water Infrastructure	143,777	143,504
	589,647	632,448
Unallocated assets	57,807	24,152
Discontinued operations (*)	1,785	319,142
	<u>649,239</u>	<u>1,027,864</u>
	<u>1,027,864</u>	<u>975,742</u>

C. Segments liabilities

	September 30,	December 31,
	2016	2015
	In €000	
Real estate - Asia	193,367	198,651
Water Infrastructure	100,990	102,156
	294,357	300,807
Unallocated liabilities (**)	297,887	388,182
Discontinued operations (*)	1,785	210,815
	<u>594,029</u>	<u>938,009</u>
	<u>938,009</u>	<u>899,804</u>

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

(**) Most unallocated liabilities relate to financing at the level of the holding companies. Refer to note 8 and note 10.

5. Share capital

Composition

	<u>September 30, 2016</u>		<u>December 31, 2015</u>	
	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	September 30, 2016		September 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	291,225	226,475	361,683	245,448	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 September 30, 2016
In €000					
Warrants and call options	(2,495)	(47)	-	-	(2,542)
Other liabilities	(4,000)	-	-	4,000	-
Total liabilities	(6,495)	(47)	-	4,000	(2,542)

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 property 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 September 30, 2016 there were no material changes to the significant assumptions used in valuations.

D. Risk management following 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, 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:

	September 30, 2016	September 30, 2015	December 31, 2015
	In €000		
Current assets (not including cash and cash equivalent)	102,478	144,922	120,234
Cash and cash equivalent	6,744	5,396	5,352
Non-current assets	19,408	15,708	20,248
Current liabilities	(78,074)	(81,344)	(95,700)
Current financial liabilities	(6,457)	(44,262)	(6,810)
Non-current liabilities	-	(330)	-
Total equity attributed to the owners	44,099	40,090	43,324
% held in the joint venture	50	50	50
Total investment in joint ventures	<u>22,050</u>	<u>20,045</u>	<u>21,662</u>

Summary of financial data from the income statement:

	For the nine months period ended September 30		For the three months period ended September 30		For the year ended December 31,
	2016	2015	2016	2015	2015
	In €000				
Revenues from operations	29,486	40,272	2,878	2,002	71,316
Cost of operations	(20,912)	(26,400)	(3,116)	(574)	(49,574)
Selling and marketing, other (income) expenses, and administrative expenses	3,998	4,496	1,104	(1,058)	8,542
Interest income	8	24	8	6	26
Profit before tax	4,584	9,400	(1,334)	376	13,226
Income tax expenses (income)	1,384	2,378	(228)	100	3,310
Profit for the period attributed to equity holders	3,200	7,022	(1,106)	276	9,916
% held of the joint venture	50	50	50	50	50
Group's share of profit for the period	1,600	3,511	(553)	138	4,958
Realizing of deemed cost on projects	-	-	-	-	(121)
Group's share of profit for the period	<u>1,600</u>	<u>3,511</u>	<u>(553)</u>	<u>138</u>	<u>4,837</u>
Total other comprehensive income (expenses) attributed to equity holders	(2,418)	1,020	(688)	(1,696)	1,360
% held of the joint venture	50	50	50	50	50
Group's share of the total other comprehensive income (expenses)	<u>(1,209)</u>	<u>510</u>	<u>(344)</u>	<u>(848)</u>	<u>680</u>

2) Green Power Development Ltd.

Summary of financial data from the statement of financial position:

	September 30, 2016	September 30, 2015	December 31, 2015
	In €000		
Current assets (not including cash and cash equivalent)	135,194	173,213	148,035
Cash and cash equivalent	23,086	5,190	7,081
Non-current assets	2,612	10,627	8,648
Current liabilities	(144,032)	(178,218)	(114,151)
Current financial liabilities	-	-	(36,024)
Non-controlling interest holders	(3,205)	(3,073)	(3,353)
Total equity attributed to the owners	13,655	7,739	10,236
% held in the joint venture	50	50	50
Total investment in joint ventures	6,828	3,869	5,118
Deemed cost on projects	427	678	606
Total investment in joint ventures	7,255	4,547	5,724

Summary of financial data from the income statement:

	For the nine months period ended September 30,		For the three months period ended September 30,		For the year ended December 31,
	2016	2015	2016	2015	2015
	In €000				
Revenues from operations	50,583	6,201	41,827	1,658	28,865
Cost of operations	(40,423)	(2,791)	(33,611)	161	(24,656)
Selling and marketing, other income (expenses), and administrative expenses	(2,664)	(9,121)	(1,776)	(622)	(4,618)
Other financial income (expenses), net	872	(2,441)	223	46	(3,353)
Profit (loss) before tax	8,368	(8,152)	6,663	1,243	(3,762)
Income tax expenses (income)	(2,619)	(852)	(2,039)	318	(972)
Profit for the period	5,749	(7,300)	4,624	925	(4,734)
Profit for the period attributed to equity holders	5,704	(6,936)	4,624	853	(4,734)
% held of the joint venture	50	50	50	50	50
Group's share of profit for the period	2,852	(3,468)	2,312	426	(2,367)
Realizing of deemed cost on projects	(179)	(104)	(159)	(96)	(185)
Group's share of profit for the period	2,673	(3,572)	2,153	330	(2,552)
Total other comprehensive income (expenses) attributed to equity holders	(2,422)	1,967	(656)	(1,954)	2,338
% held of the joint venture	50	50	50	50	50
Group share of the total other comprehensive income (expenses)	(1,211)	984	(328)	(977)	1,169

3) VIP Rent (Avis Ukraine)

Summary of financial data from the statement of financial position:

	September 30, 2016	September 30, 2015	December 31, 2015
	In €000		
Current assets (not including cash and cash equivalent)	9,025	8,973	9,979
Cash and cash equivalent	2,961	4,267	2,879
Non-current assets	28,376	22,392	25,103
Current liabilities	(3,344)	(3,596)	(2,754)
Current financial liabilities	(2,515)	(2,728)	(3,853)
Non-current liabilities	(18,163)	(16,018)	(17,280)
Total equity attributed to the owners	16,340	13,290	14,074
% held in the joint venture	66	66	66
Total investment in joint ventures	10,784	8,771	9,289

Summary of financial data from the income statement:

	For the nine months period ended September 30,		For the three months period ended September 30,		For the year ended December 31,
	2016	2015	2016	2015	2015
	In €000				
Revenues from operations	6,896	7,079	2,392	2,456	9,161
Cost of operations	(5,358)	(5,380)	(1,858)	(1,745)	(7,292)
Selling and marketing, other income (expenses), and administrative expenses	2,025	1,906	609	670	2,591
Other financial expenses	(56)	(15)	(36)	(29)	(246)
Profit before tax	3,507	3,590	1,107	1,352	4,214
Income tax expenses	(742)	(915)	(279)	(229)	(1,172)
Profit for the period attributed to equity holders	2,765	2,675	828	1,123	3,042
% held of the joint venture	66	66	66	66	66
Profit for the period	1,825	1,765	546	741	2,007
Adjustments on the level of parent company	426	-	426	-	-
Group's share of profit for the period	2,252	1,765	972	741	2,007
Total other comprehensive income (expenses) attributed to equity holders	(499)	1,111	(239)	(24)	1,545
% held of the joint venture	66	66	66	66	66
Group's share of the total other comprehensive income (expenses)	(329)	733	(158)	(16)	1,020

- 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. Kardan N.V.

Early repayment of debentures series A and series B

On July 24 and September 2, 2016 the Company early repaid principal amounting to approximately €75 million to Debenture Holders series A and series B, and accumulated interest of approximately €13.8 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 €88.8 million (approximately NIS 375 million). Regarding additional early repayment subsequent to the balance sheet date, see Note 10.

B. TGI

Sale of KWIG

As described in Note 5B(3) to the 2015 annual 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 nine months ended		For the three months		For the year
	September 30		ended September 30		ended
	2016	2015	2016	2015	December
					31
					2015
			€'000		
<i>Discontinued operation items related to the sale of KWIG:</i>					
Capital gain*) **)	(144)	5,736	-	(3)	6,812
Release of capital reserves due to sale, net of tax *)	-	13,287	-	-	13,287
Net profit (loss) from discontinued operations	(144)	19,023	-	(3)	20,099
Net profit (loss) from discontinued operations attributed to Non-controlling	(2)	299	-	(3)	316
Net profit (loss) from discontinued operations attributed to Equity holders	(142)	18,724	-	-	19,783

*) Net of tax expenses for the nine months period ended September 30, 2016 and 2015 amounting to €25 thousand and €1,890 thousand respectively, for the three months period ended September 30, 2016 and 2015 and for the year ended December 31, 2015 amounting to nil, €79 thousand 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:

	Nine months ended		Three months ended		Year ended
	September 30,		September 30,		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	-	-	110,148
Net cash used in financing activities	-	-	-	-	-

There was no OCI impact in all presented periods.

C. 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.

D. KFS**1. 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')). 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. Subsequent to the balance sheet date, in October 2016 the Consideration was adjusted to take into account the reviewed result of the sold asset in the period January 1, 2016 until the Completion date ('the Adjustment'), and the Company received the Adjustment amounting to €13 million.

According to the agreement, TBIF transferred certain non-lending assets including the investment in Avis Ukraine, with a net value of approximately €32 million to KFS before the Completion date.

KFS undertook 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.

As a result of the transaction, the Company recorded a profit of approximately €15 million.

Since TBIF was 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.

Discontinued operations related to the sale of TBIF:

	For the period of January 1 2016 till August 11, 2016 (*)	For the nine months ended September 30, 2015	For the period of July 1, 2016 till August 11, 2016 (*)	For the three months ended September 30, 2015	For the year ended December 31, 2015
	€'000				
Income	20,545	31,187	-	11,371	42,177
Expenses	(13,297)	(16,449)	-	(5,594)	(24,050)
Profit before tax	7,248	14,738	-	5,777	18,127
Income tax expenses, net	796	1,100	-	410	1,973
Profit (loss) from discontinued operations before revaluation and release of capital reserves	6,452	13,638	-	5,367	-
<i>Discontinued operation items related to the sale of TIBF:</i>					
Capital gain	19,316	-	19,316	-	-
Reclassification of capital reserves due to sale to Other comprehensive income	(4,137)	-	(4,137)	-	-
Profit (loss) from discontinued operations attributed to Equity holders	21,631	13,638	15,179	5,367	16,154

Composition of the cash flow statements related to discontinued operations:

	For the period of January 1 2016 till August 11, 2016 (*)	For the nine months ended September 30, 2015	For the period of July 1, 2016 till August 11, 2016 (*)	For the three months ended September 30, 2015	For the year ended December 31, 2015
	€'000				
Net cash provided by (used in) operating activities	(3,672)	29,247	-	5,378	(11,666)
Net cash provided by (used in) investing activities	25,700	4,653	28,258	(1,871)	(1,679)
Net cash used in financing activities	(138)	(87)	-	(607)	(764)

Composition of other comprehensive income items related to discontinued operations:

	For the period of January 1 till August 11, 2016 (*)	For the nine months ended September 30, 2015	For the period of July 1, 2016 till August 11, 2016 (*)	For the three months ended September 30, 2015	For the year ended December 31, 2015
	€000'				
Adjustments arising from translating financial statements of foreign operations	4,135	741	4,137	727	(86)

(*) The results of TBIF for the period July 1st till August 11th were immaterial for the company therefore the figures presented are as on June 30, 2016 and include only the result of the sale.

9. Financial Commitments and Covenants

During the nine months period ended September 30, 2016 and as of September 30, 2016 all Group companies met their financial covenants.

10. Subsequent events

- a. On November 14, 2016 the Company early repaid principal amounting to approximately €1.4 million to Debenture Holders series A and series B, and accumulated interest of approximately €3.9 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 €5.3 million (approximately NIS 64 million).
- b. In October 2016, KFS signed an agreement to sell its investment in TBIF BG. As a result KFS in the third quarter recorded an impairment in the amount of €1.7 million.

Review report

To: the shareholders of Kardan N.V.

Introduction

We have reviewed the accompanying condensed interim consolidated interim financial information of Kardan N.V., Amsterdam, which comprises the condensed interim consolidated statement of financial position as at 30 September 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 nine month period then ended. Management is responsible for the preparation and presentation of this (condensed) interim financial information in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated interim financial information as at 30 September 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, 23 November 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 annexed to the
Consolidated financial statements related to the Company
As of September 30, 2016

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

September 30, 2016

	September 30, 2016	September 30, 2015	December 31, 2015
	€in thousand		
A s s e t s			
Non-current assets			
Property and equipment	102	110	114
Financial fixed assets			
Investments in consolidated subsidiaries	418,527	540,924	550,493
Loans to consolidated subsidiaries	23	22	22
	<u>418,652</u>	<u>541,056</u>	<u>550,629</u>
Current assets			
Cash and cash equivalents	4,293	23,164	22,867
Short-term investments	131	276	137
Other receivables and derivatives	996	670	687
	<u>5,420</u>	<u>24,110</u>	<u>23,691</u>
Total assets	<u>424,072</u>	<u>565,166</u>	<u>574,320</u>
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	25,276	25,276
Share premium	206,482	206,482	206,482
Foreign currency translation reserve	14,405	20,782	36,713
Property revaluation reserve	36,407	37,302	8,144
Other reserves	7,101	8,347	24,711
Non-controlling interest holders transactions reserve	15,669	15,446	15,669
Accumulated deficit	(254,447)	(228,065)	(245,534)
	<u>50,893</u>	<u>85,570</u>	<u>71,461</u>
Long-term liabilities			
Debentures	342,697	446,655	468,407
Option liability	2,103	1,972	2,035
	<u>344,800</u>	<u>448,627</u>	<u>470,442</u>
Current liabilities			
Current maturities of debentures	25,030	29,173	-
Other payables	3,349	1,796	32,417
	<u>28,379</u>	<u>30,969</u>	<u>32,417</u>
Total equity and liabilities	<u>424,072</u>	<u>565,166</u>	<u>574,320</u>

ADDITIONAL INFORMATION FROM THE COMPANY'S INCOME STATEMENT

	For the nine months ended September 30,		For the three months ended September 30,		For the year ended December 31,
	2016	2015	2016	2015	2015
	€in thousand				
Net result from investments for the period	21,525	40,688	15,756	(2,805)	45,827
General and administrative expenses, net	(2,298)	(3,478)	(692)	(1,128)	(4,585)
Income from operations before financing expenses	19,227	37,210	15,064	(3,933)	41,242
Financing expenses, net	(27,967)	(41,717)	(18,237)	8,385	(63,680)
Profit (loss) before tax expenses (benefit)	(8,740)	(4,507)	(3,173)	4,452	(22,438)
Income tax expense	(479)	(350)	(176)	(127)	(477)
Profit (loss) for the period	(9,219)	(4,857)	(3,349)	4,325	(22,915)

ADDITIONAL INFORMATION FROM THE COMPANY'S STATEMENT OF COMPREHENSIVE INCOME

	For the nine months ended		For the three months ended		For the year ended
	September 30,		September 30,		December 31,
	2016	2015	2016	2015	2015
	€in thousand				
Net result for the period	<u>(9,219)</u>	<u>(4,857)</u>	<u>(3,349)</u>	<u>4,325</u>	<u>(22,915)</u>
Foreign currency translation differences*	<u>(10,306)</u>	<u>(3,161)</u>	<u>527</u>	<u>(12,011)</u>	<u>768</u>
Change in hedge reserve, net	<u>(895)</u>	<u>(2,523)</u>	<u>(378)</u>	<u>(564)</u>	<u>(2,784)</u>
Other comprehensive income (loss) for the period	<u>(11,201)</u>	<u>(5,684)</u>	<u>149</u>	<u>(12,575)</u>	<u>(2,016)</u>
Total comprehensive loss	<u>(20,420)</u>	<u>(10,541)</u>	<u>(3,200)</u>	<u>(8,250)</u>	<u>(24,931)</u>

* In 2016 including an amount of €4,137 thousand related to reclassification of translation funds due to the sale of TBIF. 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 nine months ended		For the three months ended		For the year ended
	September 30,		September 30,		December 31,
	2016	2015	2016	2015	2015
€in thousand					
Cash flow from operating activities of the Company					
Profit (loss) for the period	(9,219)	(4,857)	(3,349)	4,325	(22,915)
Adjustments to reconcile net profit to net cash of the Company					
Charges to net loss not affecting operating cash flows:					
Financial expenses	29,819	41,163	19,546	(9,740)	64,013
Share-based payment	(148)	105	24	51	163
Equity earnings	(21,525)	(40,688)	(15,756)	2,805	(45,827)
Dividend received from consolidated companies	99,783	53,742	64,131	-	53,742
Changes in working capital of the Company					
Change in receivables	(804)	(119)	(237)	133	(138)
Change in payables	(374)	(1,032)	21	(50)	(1,154)
Cash amounts paid and received during the period					
Interest received	6	14	1	1	20
Interest paid	(37,129)	(18,676)	(13,803)	-	(18,676)
Net cash provided by (used in) operating activities of the Company	60,409	29,652	50,578	(2,475)	29,228
Cash flow from investing activities of the Company					
Short term investments, net	6	520	-	22	659
Investments in subsidiaries	(4,003)	(138)	-	(7)	(150)
Net cash provided by (used in) investing activities of the Company	(3,997)	382	-	15	509
Cash flow from financing activities					
Debentures settlement payment	-	(750)	-	(750)	(750)
Repayment of debentures	(74,986)	(6,725)	(74,986)	-	(6,725)
Net cash used in financing activities of the Company	(74,986)	(7,475)	(74,986)	(750)	(7,475)
Increase (decrease) in cash and cash equivalents of the Company	(18,574)	22,559	(24,408)	(3,210)	22,262
Cash and cash equivalents at beginning of the period of the Company	22,867	605	28,701	26,374	605
Cash and cash equivalents at end of the period of the Company	4,293	23,164	4,293	23,164	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 nine and three months ended September 30, 2016.

2. FINANCIAL POSITION

As at September 30, 2016 the Company had, on a stand-alone basis a working capital deficit of €15 million (excluding debentures held by subsidiaries).

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.

In August 2016, the Company completed the sale of TBIF, generating a total of €2 million (see Note 8D). The Company used the net consideration of the first phase of the transaction, amounting to €2 million, for an early repayment of its debentures in September 2016, and used the adjustment amount received in October 2016, for an additional early repayment in the amount of €15 million in November 2016. These repayments are in addition to the early repayment of €6 million in July 2016 from the proceeds of the sale of KWIG (see Note 8B below). With those early repayments the Company completed the payment of February 2017 principal amount. Interest of approximately € million is to be paid in February 2017, for which the Company has sufficient funds.

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 transactions 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 September 30, 2016 have therefore been prepared on the assumption the Company will continue as a going concern.