

KARDAN N.V.
AMSTERDAM, THE NETHERLANDS

Condensed Interim Consolidated Financial Statements
As of March 31, 2017

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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	March 31, 2017	March 31, 2016	December 31, 2016
		Unaudited		Audited
		In €000		
Non-current assets				
Tangible fixed assets, net		2,428	13,092	13,689
Investment property	5	238,331	242,252	240,461
Investments in associates accounted using the equity method		-	9,474	12,888
Investments in joint ventures accounted using the equity method	6	82,911	95,699	96,039
Long-term loans and receivables		8,993	6,702	11,695
Intangible assets and goodwill, net		115	6,071	6,156
Deferred tax assets		536	2,989	2,452
		<u>333,314</u>	<u>376,279</u>	<u>383,380</u>
Current assets				
Inventories, contract work, buildings and apartments inventory, and land bank		104,122	107,824	119,421
Current maturities of long-term loans and receivables		-	2,693	-
Trade receivables		5,657	66,508	66,447
Current tax assets		1,335	990	1,345
Other receivables and prepayments		20,337	23,986	26,773
Short-term investments		6,451	3,721	10,218
Cash and cash equivalents		25,377	65,926	57,783
		<u>163,279</u>	<u>271,648</u>	<u>281,987</u>
Assets held for sale	7	<u>163,341</u>	<u>295,353</u>	<u>-</u>
Total current assets		<u>326,620</u>	<u>567,001</u>	<u>281,987</u>
Total assets		<u><u>659,934</u></u>	<u><u>943,280</u></u>	<u><u>665,367</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	March 31, 2017	March 31, 2016	December 31, 2016
		Unaudited		Audited
		In €000		
Equity attributable to equity holders of the parent company				
Issued and paid-in capital	4	25,276	25,276	25,276
Share premium		206,482	206,482	206,482
Foreign currency translation reserve		21,985	15,007	23,590
Property revaluation reserve		34,772	36,713	34,772
Revaluation reserve, other		6,490	7,731	6,633
Accumulated deficit		(277,223)	(227,953)	(259,420)
		17,782	63,256	37,333
Non-controlling interests		3,711	3,718	3,850
Total equity		21,493	66,974	41,183
Non-current liabilities				
Interest-bearing loans and borrowings		-	62,965	419
Other long-term liabilities		819	3,895	4,004
Derivative financial instruments		999	2,473	3,966
Debentures		189,984	254,576	288,978
Deferred tax liabilities		3,505	12,659	4,763
Accrued severance pay, net		-	1,310	1,090
		195,307	337,878	303,220
Current liabilities				
Liability due to work in progress		-	41,689	38,889
Trade payables		3,748	20,587	20,440
Current maturities of debentures		108,517	98,191	-
Interest-bearing loans and borrowings		110,849	50,113	126,816
Current tax liabilities		2,410	4,394	6,734
Advances from apartment buyers		49,604	33,189	50,011
Advance from customers		-	11,871	15,814
Other payables and accrued expenses		47,485	66,207	62,260
		322,613	326,241	320,964
Liabilities associated with assets held for sale	7	120,521	212,187	-
Total current liabilities		443,134	538,428	320,964
Total liabilities		638,441	876,306	624,184
Total equity and liabilities		659,934	943,280	665,367

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

CONDENSED INTERIM CONSOLIDATED INCOME STATEMENT

	For the three months ended		For the year ended
	March 31,		December 31,
	2017	2016	2016
	Unaudited		Audited
Note	In €000		
Rental revenues	992	867	3,732
Revenues from sale of apartments	-	133	761
Management fees and other revenues	650	1,052	6,615
<i>Total revenues</i>	<u>1,642</u>	<u>2,052</u>	<u>11,108</u>
Costs of rental revenues	415	366	1,493
Cost of sale of apartments	-	119	676
Other expenses, net	644	1,643	5,521
<i>Total expenses</i>	<u>1,059</u>	<u>2,128</u>	<u>7,690</u>
Gross profit (loss)	583	(76)	3,418
Selling and marketing expenses	1,029	747	3,760
General and administration expenses	2,485	2,538	10,501
Loss from operations before fair value adjustments, disposal of assets and investment and other income	(2,931)	(3,361)	(10,843)
Adjustment to fair value of investment properties	-	-	(2,588)
Gain (loss) on disposal of assets and other income, net	-	33	(1,580)
<i>Profit (loss) from fair value adjustments, disposal of assets and investments and other income</i>	<u>-</u>	<u>33</u>	<u>(4,168)</u>
Loss from operations	(2,931)	(3,328)	(15,011)
Financial income	122	92	475
Financial expenses	(20,029)	(3,441)	(47,843)
<i>Total financial expenses, net</i>	<u>(19,907)</u>	<u>(3,349)</u>	<u>(47,368)</u>
Loss before share of profit (loss) from investments accounted for using the equity method	(22,838)	(6,677)	(62,379)
Share of profit of investments accounted for using the equity method, net	6 5,362	3,433	3,996
Loss before income taxes	<u>(17,476)</u>	<u>(3,244)</u>	<u>(58,383)</u>
Income tax expenses (benefit)	1,221	(1,492)	(4,504)
Loss for the period from continuing operations	(18,697)	(1,752)	(53,879)
Net profit from discontinued operations	7 574	3,369	22,553
Net profit (loss) for the period	<u>(18,123)</u>	<u>1,617</u>	<u>(31,326)</u>
Attributable to:			
Equity holders	(17,803)	1,912	(31,330)
Non-controlling interest holders	(320)	(295)	4
	<u>(18,123)</u>	<u>1,617</u>	<u>(31,326)</u>
Earnings (loss) per share attributable to shareholders			
Basic and diluted from continuing operations	(0.15)	(0.01)	(0.44)
Basic and diluted from discontinued operations	-	0.02	0.18
	<u>(0.15)</u>	<u>0.01</u>	<u>(0.26)</u>

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

CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the three months ended March 31,		For the year ended December 31,
	2017	2016	2016
	Unaudited		Audited
	In €000		
Net profit (loss) for the period	<u>(18,123)</u>	<u>1,617</u>	<u>(31,326)</u>
Foreign currency translation differences	(1,451)	(10,140)	(941)
Change in hedge reserve, net of tax (1)	<u>(133)</u>	<u>(217)</u>	<u>(1,362)</u>
Other comprehensive expense for the period to be reclassified to profit or loss in subsequent periods (2)	<u>(1,584)</u>	<u>(10,357)</u>	<u>(2,303)</u>
Total comprehensive expenses	<u><u>(19,707)</u></u>	<u><u>(8,740)</u></u>	<u><u>(33,629)</u></u>
Attributable to:			
Equity holders	(19,552)	(8,009)	(33,816)
Non-controlling interests holders	<u>(155)</u>	<u>(731)</u>	<u>187</u>
	<u><u>(19,707)</u></u>	<u><u>(8,740)</u></u>	<u><u>(33,629)</u></u>

(1) Including reclassification of unwinding of hedges reserve of €(256) thousand for the three months ended March 31, 2017, €(378) thousand for the three months period ended March 31, 2016 and €(1,565) thousand for the year ended December 31, 2016.

The amounts presented are net of tax amounting to €85 thousand for the three months ended March 31, 2017, €126 thousand for the three months ended March 31, 2016 and €22 thousand for the year ended December 31, 2016.

(2) Including impact resulted from associates and joint ventures of €(144) thousand and €(2,650) thousand for the three months ended March 31, 2017 and March 31, 2016, respectively, and €(579) thousand for the year ended December 31, 2016.

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CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent						Non-controlling interest	Total equity	
	Issued and paid-in capital	Share premium	Foreign currency translation reserve (*)	Property revaluation reserve (*)	Revaluation reserve, other (*)	Accumulated deficit			Total
	In €000								
Balance as of January 1, 2017	25,276	206,482	23,590	34,772	6,633	(259,420)	37,333	3,850	41,183
Other comprehensive loss	-	-	(1,605)	-	(144)	-	(1,749)	165	(1,584)
Loss for the period	-	-	-	-	-	(17,803)	(17,803)	(320)	(18,123)
Total comprehensive loss	-	-	(1,605)	-	(144)	(17,803)	(19,552)	(155)	(19,707)
Share-based payment	-	-	-	-	1	-	1	16	17
Balance as of March 31, 2017	<u>25,276</u>	<u>206,482</u>	<u>21,985</u>	<u>34,772</u>	<u>6,490</u>	<u>(277,223)</u>	<u>17,782</u>	<u>3,711</u>	<u>21,493</u>

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

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

	Attributable to equity holders of the parent						Total	Non-controlling interest	Total equity
	Issued and paid-in capital	Share premium	Foreign currency translation reserve (*)	Property revaluation reserve (*)	Revaluation reserve, other (*)	Accumulated deficit			
	In €000								
Balance as of January 1, 2016	25,276	206,482	24,711	36,713	8,144	(229,865)	71,461	4,477	75,938
Other comprehensive loss	-	-	(9,704)	-	(217)	-	(9,921)	(436)	(10,357)
Profit (loss) for the period	-	-	-	-	-	1,912	1,912	(295)	1,617
Total comprehensive income (loss)	-	-	(9,704)	-	(217)	1,912	(8,009)	(731)	(8,740)
Share-based payment	-	-	-	-	(196)	-	(196)	(28)	(224)
Balance as of March 31, 2016	<u>25,276</u>	<u>206,482</u>	<u>15,007</u>	<u>36,713</u>	<u>7,731</u>	<u>(227,953)</u>	<u>63,256</u>	<u>3,718</u>	<u>66,974</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)

KARDAN N.V., AMSTERDAM

	Attributable to equity holders of the parent						Total	Non-controlling interest	Total equity
	Issued and paid-in capital	Share premium	Foreign currency translation reserve (*)	Property revaluation reserve (*)	Revaluation reserve, other (*)	Accumulated deficit			
	In €000								
Balance as of January 1, 2016	25,276	206,482	24,711	36,713	8,144	(229,865)	71,461	4,477	75,938
Other comprehensive income (expense)	-	-	(1,121)	-	(1,365)	-	(2,486)	183	(2,303)
Profit (loss) for the period	-	-	-	-	-	(31,330)	(31,330)	4	(31,326)
Total comprehensive income (expense)	-	-	(1,121)	-	(1,365)	(31,330)	(33,816)	187	(33,629)
Share-based payment	-	-	-	-	(146)	-	(146)	(527)	(673)
Dividend distributed to minority shareholders	-	-	-	-	-	-	-	(379)	(379)
Disposal of a subsidiary	-	-	-	-	-	-	-	92	92
Transaction with non-controlling interest	-	-	-	-	-	(166)	(166)	-	(166)
Reclassification according to the Netherlands civil code requirements (*)	-	-	-	(1,941)	-	1,941	-	-	-
Balance as of December 31, 2016	<u>25,276</u>	<u>206,482</u>	<u>23,590</u>	<u>34,772</u>	<u>6,633</u>	<u>(259,420)</u>	<u>37,333</u>	<u>3,850</u>	<u>41,183</u>

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

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CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT

	For the three months period ended March 31,		For the year ended December 31,
	2017	2016	2016
	Unaudited		Audited
	In €000		
Cash flow from operating activities			
Loss from continuing operations before taxes on income	(17,476)	(3,244)	(58,383)
Profit from discontinued operations before taxes on income	254	4,949	27,618
Adjustments to reconcile net loss to net cash (see A below)	(8,040)	(38,113)	(21,179)
Net cash used in operating activities	(25,262)	(36,408)	(51,944)
Cash flow from investing activities			
Acquisition of tangible fixed assets and investment properties	(2,576)	(1,775)	(7,764)
Investments and collection (granting) loans from (to) companies accounted for using the equity method, net	(1,160)	-	(2,381)
Proceeds from sale of assets and investments	-	298	2,813
Change in loans to bank customers, net	-	199	(6,404)
Change in long-term loans and receivables	-	(693)	(6,517)
Change in short-term investments	1,031	100	(8,925)
Sale of subsidiaries, net of tax (see B below)	(386)	-	103,670
Proceeds from deposit release	386	-	-
Net cash provided by (used in) investing activities	(2,705)	(1,871)	74,492

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

CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

	For the three months period ended March 31,		For the year ended December 31,
	2017	2016	2016
	Unaudited		Audited
	In €000		
Cash flows from financing activities			
Repayment of debentures	-	-	(86,458)
Change in loans from bank customers	-	3,817	(6,117)
Proceeds from long-term loans	-	14,208	14,481
Repayment of long-term loans	(1,776)	(620)	(1,391)
Change in short-term loans and borrowings	8,268	(7)	13,582
Change in other long term liabilities	24	61	(64)
Dividend to non-controlling interest holders of a subsidiary	-	-	(379)
Decrease in pledge deposit	2,162	-	-
Net cash provided by (used in) financing activities	<u>8,678</u>	<u>17,459</u>	<u>(66,346)</u>
Decrease in cash and cash equivalents	<u>(19,289)</u>	<u>(20,820)</u>	<u>(43,798)</u>
Cash relating to assets held for sale	<u>(12,542)</u>	<u>(53,917)</u>	<u>(40,542)</u>
Foreign exchange differences relating to cash and cash equivalents	<u>(575)</u>	<u>(3,257)</u>	<u>(1,797)</u>
Cash and cash equivalents at the beginning of the period	<u>57,783</u>	<u>143,920</u>	<u>143,920</u>
Cash and cash equivalents at the end of the period	<u><u>25,377</u></u>	<u><u>65,926</u></u>	<u><u>57,783</u></u>

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

CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

	For the three months period		For the year
	ended March 31,		ended
	2017	2016	December 31,
	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 investments in subsidiary, net	-	747	(15,861)
Share of profit of companies accounted for using the equity method	(5,044)	(3,337)	(2,869)
Share-based payment	49	(11)	594
Depreciation and amortization	604	1,248	3,538
Fair value adjustments of investment property	-	-	2,588
Financial expense and exchange differences, net	20,265	3,384	54,637
(Gain)/loss from sale of property plant and equipment	-	(31)	(451)
Increase in provision for bad debts in the financial services segment	-	1,921	1,914
Changes in operating assets and liabilities:			
Change in trade and other receivables	(8,195)	(16,490)	(17,892)
Change in inventories and in contract work in progress, net of advances from customers	(5,478)	(9,917)	(8,305)
Change in trade and other payables	(1,276)	2,729	(2,422)
Movement in pledged time deposit	-	715	-
Interest paid	(7,837)	(30,049)	(56,565)
Interest received	96	11,303	22,464
Income taxes paid	(1,224)	(325)	(2,549)
	(8,040)	(38,113)	(21,179)

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

CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

	For three months period ended March 31,		For the year ended December 31,
	2017	2016	2016
	Unaudited		Audited
	In €000		
B. Proceeds from sale of subsidiaries			
Working capital (excluding cash and cash equivalents)	-	-	(68,489)
Non-current assets (excluding fixed assets and concession assets)	-	-	121,864
Fixed assets	-	-	11,231
Long-term liabilities	-	-	(2,108)
Release of currency translation reserves	-	-	4,137
Gain on disposal of investment, net of tax	-	-	15,179
Asset classified as held for sale (*)	(386)	-	21,856
	<u>(386)</u>	<u>-</u>	<u>103,670</u>

(*) During the first quarter of 2017 the Company transferred a tax amount of €0.4 million to the PRC tax authorities for the remaining 25% of KWIG shares sold.

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

KARDAN N.V., AMSTERDAM

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS
March 31, 2017**

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 (discontinued operations, see Note 3B), through its subsidiaries, joint ventures and associated companies.

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 May 23, 2017.

2. Financial Position and Going Concern

As at March 31, 2017 the Company had, on a stand-alone basis and on a consolidated basis, a working capital deficit of €107 million and €117 million, respectively (excluding debentures held by subsidiaries).

In 2016 the Company completed the sale of TBIF and the sale of the remaining 25% in KWIG. The Company early repaid in full the principal amount of the debentures that was payable in February 2017 using the proceeds from these transactions. The remaining interest of approximately €4 million was paid in February 2017. The next debenture repayment is in February 2018 and amounts to €21 million as at March 31, 2017.

Management 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 the Company's debentures and all other liabilities in the year 2017 and onwards and to finance its operating activities. Included in this analysis are, among others, the current cash balances and the projected cash from future operations and transactions. The Company is currently conducting processes, directly or through its subsidiaries, and negotiating transactions to sell assets and refinancing of loans with a number of prominent parties which, it is confident will generate adequate resources to meet future liabilities in the next 12 months, as well as strengthening its financial position. These assets may include the subsidiaries KLC and/or TGI and/or part of their assets. In that respect, refer to Note 3B regarding the classification of TGI as held for sale.

The directors are confident that, taking into account their plans to realize the transactions and the progress which has been made in that respect, the Company has the ability to obtain the required resources for repaying its obligations and continue its business operations in the future. Accordingly, the directors are satisfied that it is appropriate to prepare these condensed interim consolidated financial statements on a going concern basis.

However, the directors are aware that the realization of the Company's plans depends on factors that are not wholly within the Company's control, and therefore there is uncertainty that such transactions will be completed or will generate sufficient resources to meet its liabilities according to their contractual maturities. According to established guidelines, these conditions indicate the existence of a material uncertainty which casts significant doubt regarding the Company's ability to repay its liabilities when they become due and its ability to continue as a going concern.

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

3. Basis of presentation and preparation

A. General

The condensed interim consolidated financial statements as at March 31, 2017 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, 2016.

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, 2016.

B. Segment information

Further to Note 2 above, due to the various processes conducted by the Company, as of March 31, 2017 the terms of classifying the investment in TGI (Tahal Group International B.V., - Kardan's water infrastructure company) as Held-For-Sale and its results as discontinued operations, in accordance with IFRS 5, were met.

Accordingly, as of March 31, 2017 the Company's sole operating segment is real estate Asia. Therefore, these financial statements do not include further disclosure regarding operating segments, as the Company's operating results solely consist of its real estate activities. For the financial results of TGI, refer to Note 7.

4. Share capital

Composition

	March 31, 2017		December 31, 2016	
	Unaudited		Audited	
	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

5. Financial Instruments and Risk Management

Further to Note 35 to the 2016 annual consolidated financial statements, set out below is additional information regarding financial instruments and risk management:

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

Fair value schedule

Level	March 31, 2017		March 31, 2016		December 31, 2016		
	Unaudited				Audited		
	€000'						
	Carrying amount(*)	Fair value(**)	Carrying amount(*)	Fair value(**)	Carrying amount(*)	Fair value(**)	
Liabilities							
Debentures issued by the Company	1	303,875	189,309	356,215	241,999	291,509	213,056

(*) 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, 2017 (*)	Translations recorded in P&L	Investment in a subsidiary	Disposal	As of March 31, 2017
	Unaudited				
	In €000				
Put and phantom options	1,220	(16)	34	(239)	999

(*) Not including a balance of €2,746 thousand which is presented as a liability associated with assets held for sale as of March 31, 2017 (refer to Note 7).

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 35 in the 2016 annual financial statements.

- C. Further to Note 7 to the 2016 annual financial statements, as of March 31, 2017 there was no external valuation obtained for the Company's investment property, and therefore there are no changes to the significant assumptions used in the valuation.

6. Joint Ventures

A. The composition of the investment in joint ventures is as follows:

	March 31, 2017	March 31, 2016	December 31, 2016
	Unaudited		Audited
	In €000		
Investments	41,794	52,533	56,286
Loans and other long-term receivables	41,117	43,166	39,753
Total investment in joint ventures	<u>82,911</u>	<u>95,699</u>	<u>96,039</u>

B. Summary of financial information of a material joint venture accounted for using the equity method

Green Power Development Ltd. (a joint venture of KLC)

	March 31, 2017	March 31, 2016	December 31, 2016
	Unaudited		Audited
	In €000		
Current assets (not including cash and cash equivalent)	71,524	166,128	110,717
Cash and cash equivalent	31,405	8,527	30,647
Non-current assets	5,521	2,048	3,585
Current liabilities	(44,845)	(128,669)	(90,463)
Current financial liabilities	(37,994)	(34,255)	(38,468)
Non controlling interest holders	<u>(4,336)</u>	<u>(3,260)</u>	<u>(3,626)</u>
Total equity attributed to the owners	21,275	10,519	12,392
% held in the joint venture	50%	50%	50
Total investment in joint ventures	<u>10,637</u>	<u>5,260</u>	<u>6,196</u>
Deemed cost on projects	229	596	384
Total investment in joint ventures	<u>10,867</u>	<u>5,856</u>	<u>6,580</u>

	For the three months period ended March 31,		For the year ended December 31,
	2017	2016	2016
	Unaudited		Audited
	In €000		
Revenues from operations	51,410	3,936	71,002
Cost of operations	(35,929)	(3,158)	(52,138)
Selling and marketing, other (income) expenses, and administrative expenses	(2,145)	363	4,160
Other financial income (expenses)	531	1,436	(947)
Profit (loss) before tax	13,867	1,851	13,757
Income tax expenses	3,796	166	4,780
Profit for the year attributed to equity holders	10,071	1,685	8,977
% held of the joint venture	50	50	50
Group's share of profit (loss) for the year	5,036	843	4,489
Realizing of deemed cost on projects	(155)	(10)	(222)
Group's share of profit (loss) for the year	4,881	833	4,267
Total other comprehensive income (expenses) attributed to equity holders	(444)	(1,498)	(1,262)
% held of the joint venture	50	50	50
Group share of the total other comprehensive income (expenses)	(222)	(749)	(631)

7. Discontinued operations and assets held for sale

- A. Following the sales of TBIF in 2016 and KWIG in 2015, which were the main activities included in 'Banking and Retail lending' and 'Infrastructure - Assets' segments, respectively, the Group is substantially no longer active in these segments. The results of TBIF and KWIG are presented as discontinued operations (for more information regarding these transactions refer to Note 5b to the Company's 2016 annual financial statements).

Regarding the presentation of TGI as discontinued operations and asset held for sale, please refer to Note 3B.

- B. Assets held for sale and liabilities associated with assets held for sale

	March 31,	March 31, 2016		
	2017	KWIG	TBIF	Total
	TGI			
	Unaudited			
	€'000			
Assets				
Assets held for sale	-	24,012	7,880	31,892
Other non-current assets	46,596	-	18,252	18,252
Loans to bank customers	-	-	137,189	137,189
Other current assets	104,203	-	54,103	54,103
Cash and cash equivalents	12,542	-	53,917	53,917
Total assets	163,341	24,012	271,341	295,353
Liabilities				
Banking customers accounts	-	-	195,764	195,764
Interest bearing loans and	23,707	-	-	-
Advances from customers	38,745	-	-	-
Other liabilities	58,069	-	16,423	16,423
Total liabilities	120,521	-	212,187	212,187
Net asset value	42,820	24,012	59,154	83,166

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

As of December 31, 2016, the Company did not present assets held for sale or liabilities associated with assets held.

C. Net profit from discontinued operations:

	For the three months ended March 31,			For the year ended December 31,			
	2017	2016		2016			
	TGI	TGI	TBIF	Total	TGI	TBIF	Total
	Unaudited			Audited			
	€'000						
Income	31,159	*31,519	10,237	41,756	*138,455	20,545	159,000
Expenses	30,905	*29,837	6,223	36,060	*133,945	13,297	147,242
Profit before tax	254	1,682	4,014	5,696	4,510	7,248	11,758
Income tax expenses (benefit), net	(320)	696	162	858	3,444	796	4,240
Profit (loss) from discontinued operations	574	986	3,852	4,838	1,066	6,452	7,518
<i>Discontinued operation items related to the sales transactions:</i>							
Net loss from devaluation of investment - KWIG	-	(1,469)	-	(1,469)	(144)	-	(144)
Capital gain	-	-	-	-	-	19,316	19,316
Release of capital reserves due to sale	-	-	-	-	-	(4,137)	(4,137)
Net profit (loss) from discontinued operations	574	(483)	3,852	3,369	922	21,631	22,553
Attributable to:							
Equity holders	894	(188)	3,852	3,664	918	21,631	22,549
Non-controlling interest holders	(320)	(295)	-	(295)	4	-	4
	574	(483)	3,852	3,369	922	21,631	22,553

* TGI reclassified its 2016 contract revenue and cost in relation to accounting treatment of landfill levies according to IAS 18. The reclassification did not impact the net results.

D. Composition of the cash flow statements related to discontinued operations:

	Three months ended			For the year ended			
	March 31,			December 31,			
	2017	2016		2016			
TGI	TGI	TBIF	Total	TGI	TBIF	Total	
	Unaudited			Audited			
	€'000						
Net cash used in operating activities	(11,055)	(8,037)	(6,613)	(14,650)	(9,204)	(3,672)	(12,876)
Net cash provided by (used in) investing activities	(3,171)	(388)	(864)	(1,252)	16,919	38,714	55,633
Net cash provided by (used in) financing activities	8,252	15	(123)	(108)	12,876	(138)	12,738

E. Composition of other comprehensive income items related to discontinued operations:

	Three months ended			For the year ended December 31,			
	March 31,			2016			
	2017	2016					
TGI	TGI	TBIF	Total	TGI	TBIF	Total	
	Unaudited			Audited			
	€'000						
Adjustments arising from translating financial statements of foreign operations	909	(1,405)	76	(1,329)	1,903	4,135	6,038
Change in hedge reserve, net	114	164	-	164	203	-	203
Total other comprehensive income	<u>1,023</u>	<u>(1,241)</u>	<u>76</u>	<u>(1,165)</u>	<u>2,106</u>	<u>4,135</u>	<u>6,241</u>
Attributable to:							
Equity holders	858	(829)	76	(753)	1,897	4,135	6,032
Non-controlling interest holders	165	(412)	-	(412)	209	-	209
	<u>1,023</u>	<u>(1,241)</u>	<u>76</u>	<u>(1,165)</u>	<u>2,106</u>	<u>4,135</u>	<u>6,241</u>

8. Financial Covenants

During the first quarter of 2017 and as of March 31, 2017 all Group companies met their financial covenants.

Review report

To: the shareholders of Kardan N.V.

Introduction

We have reviewed the accompanying condensed interim consolidated financial information of Kardan N.V., Amsterdam, which comprises the condensed interim consolidated statement of financial position as at 31 March 2017, 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 months 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 31 March 2017 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union.

Material uncertainty related to going concern

We draw attention to the financial position and going concern paragraph in note 2 of the condensed interim consolidated financial information, which indicates that the Company is currently negotiating transactions (sale of assets and refinancing of loans) with a number of prominent parties which it is confident will generate adequate resources to meet future liabilities in the next 12 months. The realization of the Company's plans depends on factors that are not wholly within the Company's control. These conditions indicate the existence of a material uncertainty which casts significant doubt about the Company's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Amsterdam, 23 May 2017
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 March 31, 2017

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

	March 31,		December
	<u>2017</u>	<u>2016</u>	<u>31, 2016</u>
	€in thousand		
A s s e t s			
Non-current assets			
Property and equipment	89	107	95
Financial fixed assets			
Investments in consolidated subsidiaries	396,419	526,382	406,692
Loans to consolidated subsidiaries	24	22	23
	<u>396,443</u>	<u>526,404</u>	<u>406,715</u>
Current assets			
Cash and cash equivalents	7,668	6,970	1,754
Short-term investments	131	130	131
Other receivables and derivatives	1,266	1,886	1,005
	<u>9,065</u>	<u>8,986</u>	<u>2,890</u>
Total assets	<u><u>405,597</u></u>	<u><u>535,497</u></u>	<u><u>409,700</u></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	21,985	15,007	23,590
Property revaluation reserve	34,772	36,713	34,772
Other reserves	6,490	7,731	6,633
Accumulated deficit	(277,223)	(227,953)	(259,420)
	<u>17,782</u>	<u>63,256</u>	<u>37,333</u>
Long-term liabilities			
Debentures	217,607	320,969	364,159
Option liability	3,232	2,033	3,246
	<u>220,839</u>	<u>323,002</u>	<u>367,405</u>
Current liabilities			
Current maturities of debentures	161,457	142,966	-
Other payables	5,519	6,273	4,962
	<u>166,976</u>	<u>149,239</u>	<u>4,962</u>
Total equity and liabilities	<u><u>405,597</u></u>	<u><u>535,497</u></u>	<u><u>409,700</u></u>

ADDITIONAL INFORMATION FROM THE COMPANY'S INCOME STATEMENT

	For the three months ended March 31,	2017	2016		For the year ended December 31,	2016
				€in thousand		
Net result from investments for the period	3,883	1,658	20,049			
General and administrative expenses, net	880	808	3,379			
Income from operations before financing expenses	3,003	850	16,670			
Financing income (expenses), net	(20,721)	1,445	(47,426)			
Profit (loss) before tax expenses (benefit)	(17,718)	2,295	(30,756)			
Income tax expenses	(85)	(383)	(574)			
Profit (loss) for the period	(17,803)	1,912	(31,330)			

ADDITIONAL INFORMATION FROM THE COMPANY'S STATEMENT OF COMPREHENSIVE INCOME

	For the three months ended March 31,		For the year ended December 31,
	<u>2017</u>	<u>2016</u>	<u>2016</u>
	<u>€in thousand</u>		
Net result for the period	<u>(17,803)</u>	<u>1,912</u>	<u>(31,330)</u>
Foreign currency translation differences*	<u>(1,605)</u>	<u>(9,704)</u>	<u>(1,121)</u>
Change in hedge reserve, net	<u>(144)</u>	<u>(217)</u>	<u>(1,365)</u>
Other comprehensive loss for the period	<u>(1,749)</u>	<u>(9,921)</u>	<u>(2,486)</u>
Total comprehensive loss	<u><u>(19,552)</u></u>	<u><u>(8,009)</u></u>	<u><u>(33,816)</u></u>

* In 2016 including an amount of €4,137 thousand related to reclassification of translation funds due to the sale of TBIF.

ADDITIONAL INFORMATION FROM THE COMPANY'S CASH FLOW STATEMENT

	For the three months ended March 31,	For the year ended December 31,
	2017	2016
	€in thousand	
Cash flow from operating activities of the Company		
Profit (loss) for the period	(17,803)	1,912
Adjustments to reconcile net profit to net cash of the Company		
Charges to net loss not affecting operating cash flows:		
Financial expenses	20,836	(782)
Share-based payment	(1)	(196)
Equity earnings	(3,883)	(1,658)
Dividend received from consolidated companies	11,500	13,210
Changes in working capital of the Company		
Change in receivables	(255)	(1,222)
Change in payables	40	158
Cash amounts paid and received during the period		
Interest received	-	3
Interest paid	(4,457)	(23,326)
Net cash provided by (used in) operating activities of the Company	5,977	(13,813)
Cash flow from investing activities of the Company		
Short term investments, net	-	7
Investment in a subsidiary	(63)	-
Net cash provided by (used in) investing activities of the Company	(63)	7
Cash flow from financing activities		
Investment in shares of a subsidiary	-	(4,003)
Debentures settlement payment	-	-
Repayment of long term debt	-	(86,458)
Net cash used in financing activities of the Company	-	(4,003)
Increase (decrease) in cash and cash equivalents of the Company	5,914	(15,897)
Cash and cash equivalents at beginning of the period of the Company	1,754	22,867
Cash and cash equivalents at end of the period of the Company	7,668	6,970

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, 2016 and the accompanying notes, and in conjunction to the condensed interim consolidated financial statements for the three months ended March 31, 2017.

2. Financial position and going concern

As at March 31, 2017 the Company had, on a stand-alone basis and on a consolidated basis, a working capital deficit of €107 million and €117 million, respectively (excluding debentures held by subsidiaries).

In 2016 the Company completed the sale of TBIF and the sale of the remaining 25% in KWIG. The Company early repaid in full the principal amount of the debentures that was payable in February 2017 using the proceeds from these transactions. The remaining interest of approximately €4 million was paid in February 2017. The next debenture repayment is in February 2018 and currently amounts to €21 million.

Management 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 the Company's debentures and all other liabilities in the year 2017 and onwards and to finance its operating activities. Included in this analysis are, among others, the current cash balances and the projected cash from future operations and transactions. The Company is currently conducting processes, directly or through its subsidiaries, and negotiating transactions to sale assets and refinancing of loans with a number of prominent parties which, it is confident will generate adequate resources to meet future liabilities in the next 12 months, as well as strengthening its financial position. These as assets may include the subsidiaries KLC and/or TGI and/or part of their assets. In that respect, refer to Note 3B regarding the classification of TGI as held for sale.

The directors are confident that, taking into account their plans to realize the transactions and the progress which has been made in that respect, the Company has the ability to obtain the required resources for repaying its obligations and continue its business operations in the future. Accordingly, the directors are satisfied that it is appropriate to prepare these condensed interim consolidated financial statements on a going concern basis.

However, the directors are aware that the realization of the Company's plans depends on factors that are not wholly within the Company's control, and therefore there is uncertainty that such transactions will be completed or will generate sufficient resources to meet its liabilities according to their contractual maturities. According to established guidelines, these conditions indicate the existence of a material uncertainty which casts significant doubt regarding the Company's ability to repay its liabilities when they become due and its ability to continue as a going concern.

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