

**PRESS RELEASE**

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**FIRST QUARTER 2017 RESULTS KARDAN N.V.**
*Highlights Q1 2017:*

- Net profit (loss) per activities:

In € millions	Q1 2017	Q1 2016
Real Estate	(1.9)	(2.0)
Water Infrastructure (discontinued operations)	0.9	(0.3)
Banking and Retail lending (discontinued operations)	-	3.9
Other – banking and retail lending - continuing operations	0.7	-
<b>Total Operations</b>	<b>(0.3)</b>	<b>1.6</b>
Holding (Corporate Finance and G&A)	(17.5)	0.3
<b>Total</b>	<b>(17.8)</b>	<b>1.9</b>

- Q1 2017: € 17.8 mn loss to equity holders (Q1 2016: net profit of € 1.9 mn) predominantly due to significant negative foreign exchange impact of € 11.5 mn of the Euro versus the NIS on the Company's debentures
- Real estate generated a net loss of € 1.9 mn in Q1 2017 (Q1 2016: € 2.0 mn loss)
- Water Infrastructure (presented as discontinued activities) contributed a net profit of € 0.9 mn in Q1 2017 (Q1 2016 € 0.3 mn net loss)

**Ariel Hasson, CEO of Kardan NV:** "Kardan's real estate and water infrastructure activities showed a positive operational performance in Q1 2017, which was unfortunately more than offset by the severe adverse impact of currency movements and high interest expenses, resulting in a net loss of € 17.8 million for Kardan N.V. In Real Estate, our shopping mall Galleria Dalian saw a further increase in its opening rate to 75% as of April 2017, following the opening of the food market, which is also beneficial to the continually growing footfall. Furthermore, the joint venture residential projects delivered better results in terms both of sales of units and prices. In Water Infrastructure, we were recently awarded another project in the field of water infrastructure in Romania together with good progress in materializing business development opportunities for new projects.

Our focus remains on generating the funds to meet our debt repayment obligations in 2018, while strengthening the performance of our operating subsidiaries. The company has initiated the preparations required to promote the sale process of Tahal. Therefore, in line with IFRS, the water infrastructure activity is reported as discontinued operations.

We believe that the sale of Tahal will enable us to meet our 2018 debt repayment obligations as well as to strengthen our equity. We will continue to do the utmost to divest assets in a manner that will allow us to maximize value and proceeds, in the interest of all of Kardan's stakeholders."

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

For the first three months ended March 31, 2017 (in € million)

	Total Q1 - 2017	Total Q1 - 2016	Total 12M - 2016
In € millions			
Total revenues	1.6	2.0	11.1
Total expenses	4.5	5.4	21.8
Loss from operations before fair value adjustments, disposal of assets and financial expenses	(2.9)	(3.4)	(10.7)
Loss from fair value adjustments and disposal of assets and investments	-	-	(4.2)
<b>Result from operations before finance expenses</b>	<b>(2.9)</b>	<b>(3.4)</b>	<b>(14.9)</b>
Financing expenses, net	(19.9)	(3.3)	(47.3)
Equity earnings	5.3	3.4	3.9
Loss before income tax	(17.5)	(3.3)	(58.3)
Income tax (expenses)/benefit	(1.2)	1.5	4.5
<b>Loss from continuing operations</b>	<b>(18.7)</b>	<b>(1.8)</b>	<b>(53.8)</b>
Profit from discontinued operations *)	0.9	3.7	22.5
<b>Profit (loss) for the period attributable to Kardan equity holder</b>	<b>(17.8)</b>	<b>1.9</b>	<b>(31.3)</b>
Other comprehensive income (loss)	(1.8)	(9.9)	(2.5)
<b>Total Comprehensive Income / (Loss) attributable to Kardan equity holders</b>	<b>(19.6)</b>	<b>(8.0)</b>	<b>(33.8)</b>

\*) Loss from discontinued operations attributable to non-controlling interest holders during the three months ended March 31, 2017 amounted to € 0.3 million.

### Overall summarized review of Q1 2017 results

**Kardan** recognized a consolidated net loss attributable to equity holders of € 17.8 million for Q1 2017 (Q1 2016: € 1.9 million net profit) mainly due to higher financing costs (€ 19.9 million) compared with Q1 2016 (€ 3.3 million).

The financing costs included a negative impact of foreign exchange differences of € 11.5 million compared with a positive foreign exchange impact in Q1 2016.

The Real Estate activities showed a gradual improvement in rental revenues from Galleria Dalian in China. As per 1 January 2017, the management contract of Galleria Chengdu expired, which led to a decrease in management fee revenues resulting in a net decrease in total revenue compared with Q1 2016. Equity earnings from joint venture residential projects increased substantially to € 4.5 million (€ 2.9 million in Q1 2016), offset by high financing costs and tax expenses resulting in a total net loss of € 1.9 million in Q1 2017 (Q1 2016: loss of € 2.0 million).

The Water Infrastructure activities showed stable operational results compared to Q1 2016. Together with G&A efficiencies and deferred tax asset recognized, it contributed a net profit of € 0.9 million.

As of Q1 2017, TGI (Kardan NV's water infrastructure subsidiary) is presented as Held-For-Sale, its results as discontinued operations, and is no longer presented as a segment in the Company's consolidated financial statements.

Taking into account the direct equity impact of foreign currency translation differences and changes in the hedge reserves combined with the net result, the total comprehensive loss to Kardan NV's shareholders amounted to € 19.6 million in Q1 2017 compared to a comprehensive loss of € 8.0 million in Q1 2016.

## Equity

<b>Kardan N.V.</b> (company only, in € million)	<b>March 31, 2017</b>	<b>December 31, 2016</b>
Total Assets	405.6	409.7
Total Equity	17.8	37.3
Equity/Total assets (%)	4%	9%

The shareholders' equity of Kardan N.V. decreased from €37.3 million as of December 31, 2016 to €17.8 million as of March 31, 2017 mainly due to the loss in the period of €17.8 million.

## Covenants

As at March 31, 2017, the Company and its subsidiaries were not in breach of any covenants.

## Financial position

For further information on the Company's financial position please refer to Note 2 in the financial statements.

**Highlights per activity:**
**REAL ESTATE**

Kardan is active in development and management of Real Estate in China through its 100% subsidiary Kardan Land China ('KLC').

**Results**

	For the three months ended March 31		Full year
	2017	2016	2016
In € millions			
Delivery of units	-	0.1	0.8
Rental revenues	1.0	0.9	3.7
Management fee and other revenues	0.6	0.9	4.0
<b>Total revenues</b>	<b>1.6</b>	<b>1.9</b>	<b>8.5</b>
Cost of sales	-	0.1	0.7
Cost of rental revenues	0.4	0.4	1.5
Cost of management fee and other revenues	0.6	1.3	5.1
<b>Gross profit</b>	<b>0.6</b>	<b>0.1</b>	<b>1.2</b>
SG&A expenses	2.4	2.3	8.9
Adjustment to fair value (impairment) of investment property	-	-	(2.6)
Equity earnings	4.5	2.9	2.4
<b>Result from operations before finance expenses</b>	<b>2.7</b>	<b>0.7</b>	<b>(7.9)</b>
Financing expenses, net	(3.5)	(4.6)	(12.4)
Income tax (expenses) / benefit	(1.1)	1.9	5.1
<b>Loss for the period attributable to Kardan equity holders</b>	<b>(1.9)</b>	<b>(2.0)</b>	<b>(15.2)</b>

<b>Residential projects Kardan Land China</b>			
Units sold in the period			
	Q1/17	Q1/16	FY 2016
<b>Joint Venture projects*</b>			
Olympic Garden	387	131	593
Suzy	-	-	10
Palm Garden	16	27	88
City Dream	40	229	618
	<b>443</b>	<b>387</b>	<b>1,309</b>
<b>100% owned</b>			
Dalian	12	-	14
<b>Total</b>	<b>455</b>	<b>387</b>	<b>1,323</b>

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

**Additional information - Kardan Land China**

	<b>2017</b>	<b>2016</b>
	<b>(31.3)</b>	<b>(31.12)</b>
<b>Balance sheet (in € millions)</b>		
Share of investment in JVs	63.9	69.2
Investment Property	238.3	240.5
Inventory	102.6	101.5
Cash & short term investments	22.5	33.5
Total Assets	510.8	518.2
Loans and Borrowings	108.5	111.2
Advance payments from buyers	49.6	50.0
Total Equity	298.6	302.5

	<b>Q1/17</b>	<b>Q1/16</b>	<b>FY 2016</b>
<b>Operational Information Residential</b>			
Revenue Residential - JV (in € million)	27.6	13.2	57.5
Gross profit residential - JV (in € million)	8.2	3.9	15.7
Apartments sold in period (a)	455	387	1,323
Apartments delivered in period (b)	616	386	1,417
Total apartments sold, not yet delivered (c)	1,918	2,207	2,114

- (a) All residential apartments, incl. Dalian (100%).  
 (b) No apartments delivered in the Dalian project in Q1 2017 (Q1 2016 – 1 apartment, FY 2016 – 3 apartments).  
 (c) Includes approximately €23.8 mn gross profit (Kardan Land China share) as of March 31, 2017.

The Real Estate activity improved its result from operations to € 2.7 million in Q1 2017 compared with € 0.7 million in Q1 2016, resulting in net loss of € 1.9 million in Q1 2017 due to high financing expenses (loss of € 2.0 million in Q1 2016).

The continuous increase in rental revenue to € 1.0 million compared with € 0.9 million in Q1 2016 was offset by the decrease in revenues from sales of apartments and management fees in Q1 2017, bringing the total revenues to € 1.6 million compared with € 1.9 million in Q1 2016.

Delivery of units relates to the revenue resulting from the handover of apartments of the Europark Dalian project. No handover of apartments took place in Q1 2017.

Management fee and other revenues predominantly relates to the asset management activities of Galleria Chengdu and Galleria Dalian and the residential joint venture projects. These revenues decreased to € 0.6 million, compared with € 0.9 million in Q1 2016 due to the expiry of the management contract of Galleria Chengdu as of January 1, 2017.

The above resulted in a decrease of the loss from operations before fair value adjustments, disposal of assets and financial expenses from € 2.2 million in Q1 2016 to € 1.8 million in Q1 2017.

'Equity earnings', comprises the result of the residential activities from joint venture projects, which contributed a profit of € 4.5 million in Q1 2017 compared with a profit of € 2.9 million in Q1 2016, as a result of a considerable increase in delivery of apartments and related revenues (€ 27.6 million in Q1 2017 compared to € 13.2 million in Q1 2016), while the gross margin remained stable at approximately 30%.

'Financing expenses, net', amounted to € 3.5 million, compared with € 4.6 million in Q1 2016. The financing expenses mainly include interest expenses related to the Europark Dalian project loan. A negative impact of € 0.4 million was due to the devaluation of the RMB versus the Euro, compared with a negative foreign exchange expenses of € 1.6 million in Q1 2016.

Income tax expenses of € 1.1 is mostly related to a tax provision in respect of a dividend compared with a deferred tax benefit of € 1.9 recognized in Q1 2016 on taxable losses.

Additional Information

Investment property fully relates to Galleria Dalian shopping mall, of which the value decreased by approximately 1% (from December 31, 2016) due to the depreciation of the RMB versus the EUR. 2016 was the first full year in operation for Galleria Dalian.

Subsequent to the balance sheet date – in April 2017, the food market was opened which increased the opening rate from 67% at 31 March 2017 to approximately 75%.

Number of units sold in Q1 2017 increased to 455, compared with 387 units sold in Q1 2016 and 255 in Q4 2016. The number of unsold units in inventory (including the inventory of joint venture projects) increased to 718 (vs 477 end of last year) – most of this increase is related to units which construction has started during Q1 2017. The rate of unsold units which construction was completed decreased to 15% compared with 17% on December 31, 2016.

'Loans and borrowings', which predominantly relate to the use of a construction loan for Europark Dalian, decreased to €108.5 million as at March 31, 2017 compared to year end 2016 (€111.2 million), mainly as a result of repayment of a loan during Q1 2017. KLC works diligently on its refinancing requirements and is in constructive negotiations with its financing partners to extend the €108.5 million loan, which is due in November 2017. The management of KLC is confident regarding its ability to reach agreement on this refinancing.

The decrease in equity in the reporting period by 1% (y-o-y) is attributable to foreign currency effect and the loss for the period.

## **WATER INFRASTRUCTURE (TGI) - Discontinued operations**

Results under 'Profit (loss) from discontinued operations - TGI' relate to Tahal Group International B.V. ('TGI'), Kardan's water infrastructure company.

TGI focuses on executing water related projects worldwide in Africa, Central and Eastern Europe, India and in other regions and other countries, such as Israel.

	For the three months ended March 31,		Full Year
	2017	2016	2016
	In € millions		
Contract revenues	31.2	31.5 *	138.5 *
Contract cost	27.0	26.8 *	117.4 *
<b>Gross profit</b>	<b>4.2</b>	<b>4.7</b>	<b>21.1</b>
SG&A expenses	3.4	3.6	14.2
Equity earnings / (losses)	(0.3)	(0.1)	(1.1)
Gain on disposal of assets and other income	-	-	0.5
<b>Result from operations before financing expenses</b>	<b>0.5</b>	<b>1.0</b>	<b>6.3</b>
Financing income (expenses), net	(0.2)	0.7	(1.9)
Income tax (expenses) / benefits	0.3	(0.8)	(3.4)
<b>Profit (loss) from continuing operations</b>	<b>0.6</b>	<b>0.9</b>	<b>1.0</b>
Net profit (loss) from discontinued operations - KWIG	-	(1.5)	(0.1)
Net profit (loss)	0.6	(0.6)	0.9
Attributable to:			
Non-controlling interest holders	(0.3)	(0.3)	-
<b>Equity holders (Kardan N.V.)</b>	<b>0.9</b>	<b>(0.3)</b>	<b>0.9</b>

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

<b>Additional Information Water Infrastructure*</b>	<b>2017 (31.3)</b>	<b>2016 (31.12)</b>
<i>Balance sheet (in € million)</i>		
Cash & short term investments	13.0	19.2
Total Assets	167.1	159.7
Net debt	11.2	(3.1)
Equity	45.5	43.8
Equity / Assets	27.2%	27.4%
<i>Other (in USD million)</i>		
Backlog	608	606

TGI operations contributed a total profit of €0.9 million attributed to equity holders in Q1 2017 compared with a loss of €0.3 million in Q1 2016.

Revenue remained stable in Q1 2017 at €31.2 million compared to Q1 2016 (€31.5 million).

The gross margin decreased from 14.9% in Q1 2016 to 13.5% in Q1 2017, mainly as a result of initial high costs of the new agriculture project Quiminha in Angola (a 7 year large scale agricultural project which commenced at the beginning of this year).

Income tax benefit of €0.3 million in Q1 2017 is mainly related to deferred taxes in respect of the loss incurred from the project in Angola, compared to tax expenses of €0.8 million in Q1 2016.

**CORPORATE HOLDING AND OTHER**

	For the three months ended March 31		Full Year
	2017	2016	2016
	In € millions		
<b>Corporate expenses:</b>			
General and administration expenses	(1.0)	(0.9)	(3.7)
Financing income (expense), net	(16.4)	1.5	(35.7)
Income tax expenses	(0.1)	(0.3)	(0.6)
	<b>(17.5)</b>	<b>0.3</b>	<b>(40.0)</b>
<b>Continuing operations of the former 'banking and retail lending' segment:</b>			
Gain on disposal of assets and other income	-	-	(1.6)
Financing income (expense), net	-	(0.2)	-
Equity earnings	0.8	0.5	1.5
Other expenses, net	(0.1)	(0.3)	1.5
	<b>0.7</b>	<b>-</b>	<b>1.4</b>

**Corporate expenses:**

`Financing income (expenses)` increased significantly in Q1 2017 compared with Q1 2016, mainly attributable to foreign exchange differences. The Company's debentures are denominated in NIS, which revaluated significantly versus the EUR, and are linked to the CPI. In Q1 2017 an expense of € 11.5 million was recognized from the strengthening of the NIS against the EUR, net of the impact of the decrease in the Israeli CPI, while an income of € 7 million was recognized in Q1 2016.

`General and administration expenses` in Q1 2017 remained stable at € 1.0 million compared with € 0.9 millions in Q1 2016.

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

**Continuing operations** of the former 'banking and retail lending' segment consisted in Q1 2017 mainly of equity earnings from the Company's holding in Avis Ukraine joint venture.



## DISCLAIMER

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

## About Kardan

Kardan identifies and develops assets in promising emerging markets, mainly in Asia (predominantly China), Africa and selected CEE and CIS countries. Its activities are mainly focused on two sectors that benefit from the rising middle class: Real Estate and Water Infrastructure. Company headquarters are in the Netherlands. Kardan aims at holding controlling interests in its investments and is actively involved in the definition and implementation of their strategy through its local business platforms. Total assets as of March 31, 2017 amounted to € 660 million; revenues totaled € 1.6 million in the first three months of 2017.

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

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

**For further information please contact:**

**For further information please contact:**

Floor van Maaren / Eva Lindner

+31 (0)6 2959 7746 / +31 (0) 6 3422 2831

Investor@kardan.nl

www.kardan.nl

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

**Financial position**
**1. Following is a summary of Kardan N.V.'s consolidated balance sheet  
(in EUR thousands)**

	March 31, 2017	March 31, 2016	December 31, 2016	Notes
<b>Total balance sheet</b>	659,934	943,280	665,367	No material change compared to December 31, 2016.
<b>Current assets</b>	326,620	567,001	281,987	The increase in current assets compared to December 31, 2016, is mainly due to the presentation of TGI's assets as held for sale under current assets.
<b>Non-current assets</b>	333,314	376,279	383,380	The decrease in non-current assets compared to December 31, 2016, is mainly due to the presentation of TGI's assets as held for sale under current assets.
<b>Current liabilities</b>	443,134	538,428	320,964	The increase in current liabilities compared to December 31, 2016, is mainly due to the classification of part of the debentures payable in February 2018 to current maturities.
<b>Debentures</b>	189,984	254,576	288,978	The decrease compared to December 31, 2016, is mainly due to the classification of part of the debentures payable in February 2018 to current maturities.
<b>Long term Interest-bearing loans and borrowings</b>	-	62,965	419	As of March 31, 2016, the part of a long term loan that was related to inventory, was classified to current liabilities. As of March 31, 2017 and December 31, 2016 – the full loan balance was classified as current liability (maturities).
<b>Equity attributable to equity holders of the parent</b>	17,782	63,256	37,333	The decrease in equity compared to December 31, 2016, is mainly due to the loss for the period.

## 2. Cash Flow Statement analysis (in EUR thousands)

	Q1 2017	Q1 2016	FY 2016	Notes
<b>Net cash used in operating activities</b>	(25,262)	(36,408)	(51,944)	The Company's cash flow from operating activities is significantly influenced by interest payments and currency translation differences.
<b>Net cash provided by (used in) investing activities</b>	(2,705)	(1,871)	74,492	<p>Cash in Q1 2017 was mainly used for the acquisition of tangible fixed assets and for the investment in associated companies and grant of loans to associated companies.</p> <p>In Q1 2016 €1.8 mn were used for the acquisition of tangible fixed assets and investment properties.</p> <p>In 2016 €103.7 mn were proceeds from the sale of TBIF and the remaining 25% of KWIG shares; And €2.8 mn were proceed from the sale of assets mainly the assets of Foodyard Bulgaria. On the other hand, €7.7 mn were used for investment in fixed assets and investment properties.</p>
<b>Net cash provided by (used in) financing activities</b>	8,678	17,459	(66,346)	<p>In Q1 2017 €8.3 mn were proceeds from short term credit providers.</p> <p>In Q1 2016 €14.2 mn were proceeds from loans.</p> <p>In 2016 €86.5 mn were used for the early repayment of the debenture liabilities and €28 mn were provided from short and long term loans.</p>

### 3. Cash Flow Forecast

The review opinion of the external auditors as of March 31 2017, includes a mandatory emphasis of matter regarding the ability of the Company to continue as going concern (see also Note 1 to the financial statements). In addition, the Company has a negative working capital on a consolidated and stand-alone basis, and recorded a loss for the period. These are "warning signs" as defined in Regulation 10 (b) (14) of the Israeli Securities Authority regulations. Therefore, the Company provides a cash-flow forecast for a period of two years as of March 31, 2017:

Forecast cash flow	April 1, 2017 – December 31, 2017	January 1, 2018 - December 31, 2018	January 1, 2019 – March 31, 2019
	<b>in €millions</b>		
<b>Cash and cash equivalents at the beginning of the period</b>	<b>7.9</b>	<b>126.2</b>	<b>121.5</b>
<b><u>Company only resources</u></b>			
<b>From operating activities</b>			
General and administration expenses	(2.9)	(3.8)	(0.9)
<b>From investing activities</b>			
Sale of assets	120.4	120.0	-
<b><u>Resources from investee companies</u></b>			
From investing activities– collection of Loan to subsidiary	0.6	-	-
From operating activities in investments – Management fees	0.2	0.1	-
<b>Total Resources</b>	<b>126.2</b>	<b>242.5</b>	<b>120.6</b>
<b><u>Expected Uses</u></b>			
<b>From financing activities</b>			
Interest payment of debentures – Series A	-	3.1	-
Interest payment of debentures – Series B	-	17.3	13.8
Principal payment of debentures – Series A	-	49.5	-
Principal payment of debentures – Series B	-	51.1	102.2
<b>Total Uses</b>	<b>-</b>	<b>121.0</b>	<b>116.0</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>126.2</b>	<b>121.5</b>	<b>4.6</b>

#### Assumptions and Notes to the cash flow forecast

1. The cash flow forecast has been jointly prepared for Kardan NV (company-only) and its wholly owned subsidiaries GTC Real Estate Holding BV and Emerging Investments XII BV, as the treasury of these companies is centralized. With respect to limitations regarding the transfer of funds between Kardan NV and GTC RE please see under point 9 below.
2. The cash flow forecast was prepared based on the provisions of the Amended Deeds of Trust which became effective on July 3, 2015 (the 'Deeds of Trust').
3. The forecasted General and administration expenses are based on estimates of the Company according to its past experience.
4. With respect to sale of assets in 2017 and 2018 - the Company is conducting processes, directly or through its subsidiaries, to sell any of its assets in order to be able to complete February 2018 debenture repayment. These assets may include the subsidiaries Kardan Land China and/or Tahal Group International B.V. and/or part of their assets.

5. In this cash flow forecast, cash provided from the sale of assets in 2017 and 2018 will be used to repay principal and interest of the debentures which are due in February 2018 and 2019, respectively, in accordance with the Deeds of Trust. Should the Company obtain funds prior to the expected repayment dates, the Company will make early repayments, as required in the Deeds of Trust.
6. The amount of Management fees from investee companies is based on existing agreements between the Company and its subsidiaries as of the balance sheet date.
7. The interest calculations are based on Israeli CPI, exchange rates and interest rates which are applicable as of March 31, 2017. The principal and interest payments for the debentures are presented on the net outstanding balance, excluding the debentures held by GTC RE and Emerging Investment XII BV. A change of 5% in the Euro/NIS rate will lead to a change of approximately € 6 million in the amount of principal and interest payment in each of the years 2018 and 2019.
8. The cash flow forecast does not include any additional investments which the Company will make once those will be approved by the appropriate bodies in the Company. As of the date of approval of these financial statements, the Company did not resolve to make any new investments. In addition, according to the Amended Deeds of Trust there are limitations on new investments.
9. Restriction on transferring funds:  
Transfer of funds between Kardan NV, GTC RE, Emerging Investments XII, TGI and KFS is mostly done through intercompany loans or distribution of dividend or capital reserves as permitted by Dutch law. Breakdown of distributable reserves according to Dutch law and intercompany loans balances is as follows:

<b>Subsidiary</b>	<b>Distributable reserves (EUR million) as of 31.3.17</b>	<b>Intercompany loan (EUR million) as of 31.3.17</b>
TGI	35.5	-
GTC RE	181.5	(12.2)
KFS	23.0	-
Emerging	52.3	-

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

#### 4. Financial Position of holding companies of the Kardan Group as of March 31, 2017

- **Net debt (\*)**

The following table summarizes the net debt of Kardan N.V. and, if applicable and of its directly held subsidiaries (company only) as of March 31, 2017:

Company	Net Debt (in EUR million)	
<b>Kardan NV / GTC RE / Emerging Investments XII</b>	<b>Liabilities:</b>	
	Debentures**	(308.0)
	LT Liability	(2.2)
	<b>Assets:</b>	
	Cash and short term investments	7.8
	<b>Net debt</b>	<b>(302.4)</b>
<b>KFS</b>	<b>Assets:</b>	
	Cash and short term investments	6.5
	Loans to related parties	6.6
	<b>Net cash</b>	<b>13.1</b>
<b>TGI/TG/TGA***</b>	<b>Liabilities:</b>	
	LT Liability	(0.5)
	<b>Assets:</b>	
	Cash and short term investments	0.9
	<b>Net cash</b>	<b>0.4</b>

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

(\*\*) The balance is presented net of debentures held by subsidiaries, see section 1.2 above.

(\*\*\*) These assets and liabilities are presented as held for sale in the consolidated financial statements as of March 31, 2017.

#### 5. Main events in the first quarter of 2017 and subsequent events

None

### Market risk exposure and management

#### 6. Risk Management

During the first 3 month of 2017 no significant change in risk exposure or risk management was identified.

Reference is made to the 2016 consolidated financial statements as well as to section 1.4 to the 2016 Israeli Annual Report, which can also be found on the corporate site. In addition, It should be noted that there may be other significant risks Kardan has not yet identified or that have not been assessed as having a significant potential impact on the business but which could materialize as such at a later stage.

## **Corporate governance**

### **7. Directors with accounting and financial expertise**

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

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

In addition, in accordance with the Netherlands Corporate Governance Code ("The Code"), Kardan N.V. has adopted the duty whereby at least one of the independent non-executive members of the Board, has knowledge of financial management and accounting.

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

All members of the Executive Management have accounting and finance experience.

For further information regarding education and experience, reference is made to the corporate site and to the part 4 of the 2016 Israeli Annual Report.

#### Independent Directors

According to the Corporate Governance Code, the majority of the board members must be independent. As of March 31, 2017 and the date of this report, five of the nine board members are independent.

For further information regarding the Corporate Governance Code refer to section 15 of part 1 of 2016 Israeli Annual Report.

## **Additional information**

### **8. Fair Value Disclosure**

#### **Galleria Dalian shopping mall – China, Dalian**

Identification of the property subject of the valuation	Shopping mall in Dalian, China, having net leasable area of 64,834 sqm.
Date of the valuation	31.12.2016
External valuer	DTZ /C&W
Value of the property in the financial statements prior to the valuation	€ 238.3 million
Key parameters used in the valuation	<ul style="list-style-type: none"> <li>• Discount rate – 10.5%</li> <li>• Terminal capitalization rate – 5.5%</li> <li>• Rent per sqm – 167 RMB</li> <li>• Price per sqm for comparison approach – 17,200 RMB</li> </ul>
Valuation Method	The average of Direct Comparison Approach and DCF methods

For additional information please refer to the valuation report which was attached to financial statements as of December 31, 2016.

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

The following table summarizes the book value of the companies held directly by Kardan as of March 31, 2017 and December 31, 2016 (amounts in EUR millions):

Holding Company	Name of subsidiary	Share in subsidiary	Consolidated equity	Share holders consolidated equity	Adjustments of Kardan NV	Book Value in Kardan NV	Share holders Loans (*)	Total Investment in books 31.03.17	Total Investment in books 31.12.16
Kardan NV	GTC RE	100%	268.0	268.0	2.4	270.4	(12.2)	258.2	261.9
	KFS	100%	25.6	25.6	-	25.6	-	25.6	36.6
	TGI	98.43%	45.7	45.5	(3.5)	42.0	-	42.0	40.2
	Emerging Investments XII	100%	58.5	58.5	-	58.5	-	58.5	53.5

Holding Company	Name of subsidiary	Share in subsidiary	Consolidated equity	Share holders consolidated equity	Adjustments of GTC RE	KLC Book Value	Shareholders Loans	Total Investment in books 31.03.17	Total Investment in books 31.12.16
GTC RE Holding	Kardan Land China	100%	298.6	298.6	1.8	300.4	(**)(50.2)	250.2	254.2

Holding Company	Name of subsidiary	Share in subsidiary	Consolidated equity	Share holders consolidated equity	Adjustments of TGI	Book Value	Loans granted by TGI	Total Investment in books 31.03.17	Total Investment in books 31.12.16
TGI	Tahal Group Assets B.V.	100%	5.3	8.8	-	8.8	(3.3)	5.5	5.4
	Tahal Group B.V.	100%	45.8	42.1	-	42.1	0.1	42.2	40.5

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

(\*\*) The loan is considered a capital loan and is expected to be written off from KLC's equity.

(\*\*\*) GTC RE held NIS 26,666,667 par value debentures (Series A) of the Company having a liability value of EUR 8.2 million as of March 31, 2017.

(\*\*\*\*) Emerging Investment XII held the following Kardan N.V Debentures as of March 31, 2017:

	Nominal Value In NIS	Liability Value including accrued interest In EUR millions
Series A	109,839,448	34.0
Series B	120,381,450	37.3



## 10. Issuance of debentures

The following are details regarding the marketable debentures of Kardan NV as of March 31, 2017:

	Debenture series A	Debenture series B
<b>Issuance date</b>	20.2.2007, 13.8.2007, 16.2.2008	16.2.2008
<b>Par value of issued debentures</b>	EUR 294.3 million (NIS 1,190,000,000)	EUR 329.9 million (NIS 1,333,967,977)
<b>Linkage basis</b>	Principal and interest linked to Israeli CPI (CPI of January 2007)	Principal and interest linked to Israeli CPI (CPI of December 2006)
<b>Par value of debentures as of March 31, 2017</b>	EUR 76.6 million (NIS 297,500,000 par value)	EUR 245.4 million (NIS 952,834,318 par value)
<b>Debentures held by subsidiaries</b>	NIS 136,506,115 par value	NIS 120,381,386 par value
<b>Interest rate (per annum)</b>	6.325%	6.775%
<b>Principal repayment</b>	Two installments one in February 2017 and the second in February 2018.	Four installments from February 2017 to February 2020.
<b>Interest payment dates</b>	3 annual installments on 25 February in the years 2016 - 2018	5 annual installments on 1 February in the years 2016-2020
<b>Total debt up to the date of the balance sheet (including interest and Israeli CPI linkage) (*)</b>	EUR 49.5 million	EUR 254.4 million
<b>Market capitalization as of March 31, 2017(*)</b>	EUR 34.8 million	EUR 154.5 million
<b>The trustee</b>	Aurora Fidelity Trust Co. Ltd (CPA Iris Shlevin)	Hermetic Trust (1975) (Adv. Dan Avnon )
<b>Rated by</b>	S&P Maalot	S&P Maalot
<b>Rating at the time of issuance</b>	AA - (February 2007)	AA - (February 2007)
<b>Updated rating</b>	B (August 2016)	B (August 2016)
<b>Right of early repayment</b>	In accordance with the amended deeds of trust, the Company is eligible to announce on a partial or full early repayment throughout the entire term of the debentures. Such early repayment will be carried out without any compensation and in accordance to the full liability value of the debentures.	
<b>Pledged Assets</b>	According to the Deeds of Trust, the Company established and registered primary, exclusive pledges with no limitations of amounts over all of the Group's interests in GTC RE, KFS, TGI, EMERGING (the 'Pledged Subsidiaries'), including all benefits which will emanate from these interests and all the rights of the Group in loans granted to the Pledged Subsidiaries. The Company has to establish such pledge on its rights in KLC. A primary exclusive pledge with no limitation of amounts over all the rights of EMERGING for the repayments of loans it has granted to any of the corporations in Kardan Group. A primary exclusive pledges with no limitations of amounts over the bank accounts of the Company. Pledge on all the Company's debentures held by the Group. Additional negative pledges.	
<b>Guarantee to secure the obligations of Kardan NV</b>	A limited guarantee in the amount of EUR 100 million by Kardan Land China.	

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

Debentures (Series A and B) are material to the Company. During and at the end of 3M 2017 the Company met the terms of the Amended Deeds of Trust. The detailed presented above are in accordance with the Dead of Trust of July 3, 2015. For additional information regarding the terms of the debentures and the related restrictions apply to the Company, see section 12.1.3 of the corporate description chapter in the 2016 periodical report.

## DISCLAIMER

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

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

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

For this matter, the Management consists of:

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

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

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

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

In the quarterly report on the effectiveness of the internal control over financial reporting and disclosure, which is attached to the Israeli periodic report for the period ended March 31, 2017 (hereinafter – the "latest interim report on internal control"), the internal control is effective.

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

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

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

I, A. Hasson, certify that:

1. I have reviewed the periodic report of Kardan NV ("the corporation") for the first quarter of 2017 ("the report").
2. To the best of my knowledge, the report is free of any misrepresentation of material fact and is not lacking any representation of material fact required for the representations made there in, under the circumstances in which they were made, to not be misleading in reference to the period covered by the report.
3. To the best of my knowledge, the financial statements and other financial information included in the report properly reflect, in all material aspects, the financial standing, operating results and cash flows of the corporation as of the dates and for the periods to which the report refers.
4. I have disclosed to the corporation's Independent Auditor, Board and Audit Committee and the Financial Statement Review Committee of the corporation, based on my most current assessment of the internal control over financial reporting and disclosure:
  - a. All significant faults and material weaknesses in specification of operation of internal control over financial reporting and disclosure which may reasonably impact the corporation's capacity to collect, process, summarize or report financial information in a manner which may cast doubt over the reliability of financial reporting and preparation of financial statements pursuant to statutory provisions; and –
  - b. Any fraud, whether or not material, involving the Chief Executive Officer or any of the direct reports thereof, or involving any other employees having a significant capacity in internal control over financial reporting and disclosure;
5. I, on my own or with others at the corporation:
  - a. Have set controls and procedures and/or verified that controls and procedures have been specified and maintained under our supervision, designed to ensure that material information with regard to the corporation, including subsidiaries thereof, as defined in Securities Regulations (Annual financial statements), 2010, is brought to my attention by others at the corporation and its subsidiaries, specifically during preparation of the report; and –
  - b. Have set controls and procedures and/or verified that controls and procedures have been specified and maintained under my supervision, designed to reasonably ensure the reliability of financial reporting and preparation of the financial statements pursuant to statutory provisions, including pursuant to generally-accepted accounting principles;
  - c. No event or issue came to my attention in the period between the last periodic report and the date of this report that may change the conclusion of the Management or Board with respect to the effectiveness on the internal control over financial reporting and disclosure.

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

May 23, 2017

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A. Hasson – CEO and Director

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

I, E.Oz-Gabber, certify that:

1. I have reviewed the financial statements and other financial information which is included in the report of Kardan NV ("the corporation") for the first quarter of 2017 ("the report").
2. To the best of my knowledge, the report is free of any misrepresentation of material fact and is not lacking any representation of material fact required for the representations made there in, under the circumstances in which they were made, to not be misleading in reference to the period covered by the report.
3. To the best of my knowledge, the financial statements and other financial information included in the report properly reflect, in all material aspects, the financial standing, operating results and cash flows of the corporation as of the dates and for the periods to which the report refers.
4. I have disclosed to the corporation's Independent Auditor, Board and Audit Committee and the Financial Statement Review Committee of the corporation, based on my most current assessment of the internal control over financial reporting and disclosure:
  - a. All significant faults and material weaknesses in specification of operation of internal control over financial reporting and disclosure as long as it relates to the financial statements and other financial information in the report, which may reasonably impact the corporation's capacity to collect, process, summarize or report financial information in a manner which may cast doubt over the reliability of financial reporting and preparation of financial statements pursuant to statutory provisions; and –
  - b. Any fraud, whether or not material, involving the Chief Executive Officer or any of the direct reports thereof, or involving any other employees having a significant capacity in internal control over financial reporting and disclosure;
5. I, on my own or with others at the corporation:
  - a. Have set controls and procedures and/or verified that controls and procedures have been specified and maintained under our supervision, designed to ensure that material information with regard to the corporation, including subsidiaries thereof, as defined in Securities Regulations (Annual financial statements), 2010, as long as it relates to the financial statements and other financial information in the report, is brought to my attention by others at the corporation and subsidiaries, specifically during preparation of the report; and –
  - b. Have set controls and procedures and/or verified that controls and procedures have been specified and maintained under our supervision, designed to reasonably ensure the reliability of financial reporting and preparation of the financial statements pursuant to statutory provisions, including pursuant to generally-accepted accounting principles;
  - c. No event or issue relating to the interim financial statements or any other financial information which is included in the interim financial reports came to my attention in the period between the last periodic report and the date of this report that may change the conclusion of the Management or Board with respect to the effectiveness on the internal control over financial reporting and disclosure.

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

May 23, 2017

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E.Oz-Gabber, CFO

**Kardan N.V.**  
**(the “Company”)**  
**Substantial events and developments**  
**Filings pursuant to Israeli Law**  
**May 23, 2017**

In accordance with Regulation 39 (a) of the Israeli Securities Regulations (Periodic and Immediate Reports) - 1970, all the Events and Developments as described in the 2016 annual financial statement published by the Company on March 23, 2017 are deemed included by reference.

For details regarding the material events that occurred in the first quarter 2017 up to March 23, 2017, reference is made to the annual report.

**Real Estate segment**

1. In addition to the disclosure of the very material projects in the 2016 annual report, below is a disclosure table with respect to the Company’s very material investment property as of March 31, 2017:

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

<b>(Data according to 100%; Kardan N.V. indirect share in the Property: 100%)</b>	<b>First quarter 2017</b>	<b>2016</b>
Fair value at the end of the period (€ in millions) (*)	238.33	240.46
NOI (€ in millions)	(0.8)	(3)
Valuation gains (losses) for the period (€ in millions)	-	(2.59)
Average occupancy rate in the period	77.49%	71.57%
Average rental rate per sqm. (in €) (***)	11.45	12.30
Part of the constructed area for which rental agreements were signed during the period, net (%)	5.9%	1.0%
Part of the constructed area for which rental agreements were signed accumulated (%)	77.41%	71.51%
Average rent per sqm in contracts signed during the Period, gross (per month) (RMB) (**)	140	99

(\*) The asset functional currency is the RMB. The change in March 2017 compared to December 2016 is related to exchange rate differences.

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

(\*\*\*) Average rental rate relates to rented areas (mainly anchor tenants with turnover based contracts), in respect of which rental income was not yet recognized.

**Financing**

2. The following are updates concerning the material credit agreements of the Company and its subsidiaries:

<i>Name of the Loan and the article in the annual report which refers to the loan</i>	<i>Update information</i>	<i>Calculation of financial covenants</i>
Debentures series A section 12.1.2(1) of the annual report	-	The coverage ratio of Kardan NV according to financial statements as of 31.3.2017 was 105.9%.
Debentures series B section 12.1.2(2) of the annual report		
Credit facility amounting up to RMB 1 billion (approximately EUR136 million) taken by Kardan Land Dalian Ltd from the investment fund Shenzhen Ping An Da Hua Huitong Wealth Management Co., (‘the Fund’) in China, article 7.19.1.5 of the annual report	-	Total debt to total assets ratio shall be no more than 50%. As of 31.3.2017 the ratio was 30.7%.

**General**

3. On April 12, 2017 the Company issued a notice of an annual general meeting of shareholders, the agenda of which includes the approval of amendment to the services agreement with Kardan Israel Ltd (a company owned by holders of controlling interest in Kardan N.V.) , the re-appointment of Mr. C. van den Bos, Mr. Y. Grunfeld and Mr. E. Rechter as non-executive members of the Board and their remuneration as non-executive members of the Board.

4. On April 12, 2017 Mr. Asaf Shani was appointed as controller of the Company and Mr. Yossi Ginosar ceased to serve as internal auditor of the Company.

5. On April 4, 2017 50,365 stock options of an employee had expired upon termination of employment.