

PRESS RELEASE

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FOURTH QUARTER AND 2017 RESULTS KARDAN N.V.
Highlights Q4 and 2017:

Following is a summary of net profit (loss) by activity. Management evaluates performance of main segments by their operational result. Further information that includes detailed segment analysis can be found further in this report.

| Net profit (loss) (In € millions) | 12M 2017 | 12M 2016 | Q4 2017 | Q4 2016 |
|--|---------------|---------------|--------------|---------------|
| Real Estate (development and investment property) | (14.6) | (15.2) | (5.1) | (4.4) |
| Water Infrastructure (discontinued operations) | 13.1 | 0.9 | 9.2 | (1.1) |
| Banking and Retail lending (discontinued operations) | - | 21.6 | - | - |
| Other | 1.7 | 1.4 | (0.3) | (0.1) |
| Total Operations | 0.2 | 8.7 | 3.8 | (5.6) |
| Holding (Corporate Finance and G&A) | (17.3) | (40.0) | (6.6) | (16.5) |
| Total | (17.1) | (31.3) | (2.8) | (22.1) |

Highlights Q4 and FY 2017
Kardan N.V.

- Q4 2017: €2.8 million net loss to equity holders (Q4 2016: loss of € 22.1 million), including gain on the sale of Pumped Storage partly off-set by a negative fair value adjustment of investment property. The results also include a minor negative currency impact on the Company's debentures of € 0.6 million (2016: negative €10.3 million).
- 12M 2017: The consolidated net loss decreased to € 17.1 million compared to a loss of € 31.3 million in 2016, as a result of the gain on the sale of Star Pumped Storage (€ 7.1 million, net) and positive currency impact of € 7.2 million (2016: € 13.9 million negative) on the Company's debentures.

Real Estate

- Q4 2017: net loss of € 5.1 million (Q4 2016: net loss of €4.4 million). Strong delivery of residential apartments in Q4 2017.
- 12M 2017: net loss of € 14.6 million (2016: €15.2 million) mainly due to high financing expenses, revaluation losses of the investment property and release of deferred tax assets, partly offset by the strong results of the joint ventures.

Water Infrastructure

- Q4 2017: € 9.2 million net profit as a result of the gain from the sale of the Star Pumped Storage project (2016: loss of € 1.1 million).
- 12M 2017: Net profit of € 13.1 million attributable to equity holders compared with € 0.9 million in 2016

Other

- Avis Ukraine continued to show good results and contributed equity earnings of € 2.4 million in 2017.

Ariel Hasson, CEO of Kardan NV:

“Both our real estate activities and water infrastructure activities both operationally performed positive in 2017. Our real estate activities in China, through our subsidiary KLC, is continuing to improve the performance of our mall in Dalian together with advancing the sale of the luxury residential units Europark Dalian. Also our water infrastructure activities, through our subsidiary Tahal, performed very well. Tahal won again many new multi-year projects, expanding its presence in Africa, Asia and Eastern Europe.

Monetizing assets to meet our debt repayment obligations was and is our highest priority. We managed to sell our 40.5% stake in Star Pumped Storage at the end of 2017 well above book value, resulting in a gain of € 7.1 million. We initiated the sale process of Tahal at the beginning of 2017. We did the utmost to close a transaction at the right conditions in time to repay our Feb 2018 obligation. However, early 2018 it became evident that we would not be able to complete the sale of Tahal in time to meet our payment date. Therefore in January 2018 we approached the debenture holders in order to negotiate the repayment schedule. In February 2018 we did not repay the scheduled payments to debenture holders. These negotiations are still ongoing and we are hopeful to come to an agreement soon. In parallel we continue our efforts to advance the transaction for the sale of Tahal.

The future is likely to continue to be challenging for Kardan. We continue to face the task of repaying a substantial amount of outstanding debentures. We also have to deal with the forex exposure risk they pose. Also our equity position was severely impacted by foreign currencies and turned, in combination with the loss in the period, negative as per year-end 2017. To meet our obligations, we will continue to do the utmost to divest assets in a manner that will allow us to maximize value and proceeds and will strengthen our equity.”

Condensed Interim Consolidated Income Statement Kardan N.V.

By quarter (in € millions)

| | Q1 2017 | Q2 - 2017 | Q3 - 2017 | Q4 - 2017 | 12M - 2017 | 12M - 2016 |
|---|---------------|---------------|--------------|---------------|---------------|---------------|
| Total revenues | 1.6 | 2.7 | 2.8 | 7.9 | 15.0 | 11.1 |
| Total expenses | 4.5 | 6.1 | 6.0 | 11.4 | 28.0 | 21.9 |
| Loss from operations before fair value adjustments, disposal of assets and financial expenses | (2.9) | (3.4) | (3.2) | (3.5) | (13.0) | (4.2) |
| Gain (loss) from fair value adjustments and disposal of assets and investments, net | - | - | - | (3.3) | (3.3) | - |
| Result from operations before finance expenses | (2.9) | (3.4) | (3.2) | (6.8) | (16.3) | (15.0) |
| Financing income (expenses), net | (19.9) | (4.7) | 5.3 | (8.2) | (27.5) | (47.4) |
| Equity earnings, net | 5.3 | 4.6 | 2.5 | 6.5 | 18.9 | 4.0 |
| Profit (loss) before income tax | (17.5) | (3.5) | 4.6 | (8.5) | (24.9) | (58.4) |
| Income tax expenses / (benefit) | 1.2 | - | 0.5 | 3.5 | 5.2 | (4.5) |
| Profit (loss) from continuing operations | (18.7) | (3.5) | 4.1) | (12.0) | (30.1) | (53.9) |
| Profit from discontinued operations | 1.1 | 1.4 | 1.0 | 9.2 | 12.7 | 22.6 |
| Profit (Loss) for the period | (17.6) | (2.1) | 5.1) | (2.8) | (17.4) | (31.3) |
| Attributable to: | | | | | | |
| Non-controlling interests | (0.3) | (0.4) | 0.4 | - | (0.3) | - |
| Net result for equity holders | (17.3) | (1.7) | 4.7) | (2.8) | (17.1) | (31.3) |
| | (17.6) | (2.1) | 5.1 | (2.8) | (17.4) | (31.3) |
| Other Comprehensive loss | (1.9) | (14.5) | (4.3) | (3.9) | (24.6) | (2.5) |
| Total Comprehensive loss attributable to Kardan equity holders | (19.2) | (16.2) | 0.4) | (6.7) | (41.7) | (33.8) |

Overall summarized review of Q4 and yearly 2017 results

Kardan recognized a consolidated net loss attributable to equity holders of € 17.1 million in 2017 compared to a net loss of € 31.3 million in 2016. The 2017 result includes a gain of € 7.1 million on the sale of TGI's holding in Star Pumped Storage, while in 2016 the result included a € 15.2 million gain on the sale of TBIF.

The net loss in the fourth quarter of 2017 amounted to € 2.8 million (Q4 2016: € 22.1 million net loss, mainly due to foreign currency losses).

The financing expenses in 2017 include a positive impact of € 7.2 million net due to the strengthening of the EUR versus the NIS and the change in Israeli CPI on the Company's debentures (2016: € 13.9 million negative).

The Real Estate activities showed an improvement in revenue from the delivery of units in Europark Dalian project to € 8.6 million in 2017 (2016: € 0.8 million). Galleria Dalian gradually further improved its rental revenues. This resulted in total revenues of the Real Estate activities of € 15.0 million in 2017, an increase compared to revenues of € 8.5 million in 2016.

Equity earnings from joint venture residential projects increased substantially to € 16.4 million (€ 2.4 million in 2016) as a result of the delivery of residential units and a significant increase in gross profitability.

The interest expenses primarily related to the Europark Dalian loan which heavily impacted the net results. Together with the revaluation losses of the investment property and high tax expenses as a result of release of a deferred tax asset, this resulted in a net loss of € 14.6 million for the Real Estate activities. The net loss in 2016 (€ 15.2 million) included a deferred tax benefit of € 4.9 million.

In the Water Infrastructure activities, the acceleration of new projects and the progress in existing projects were the key drivers of the 27% increase in revenue compared to 2016. Water Infrastructure contributed a net profit of € 13.1 million in 2017 (2016: € 0.9 million). In 2017 the Company signed approximately USD 600 million worth of contracts out of which USD 467 million will be added to the existing order backlog of USD 672.1 million upon fulfillment of conditions precedent, mainly related to financial closing.

As of Q1 2017, as a result of the process to sell the Company's holdings in TGI (Kardan NV's water infrastructure subsidiary), this subsidiary is presented as Held-For-Sale, and its results as discontinued operations. Therefore the Company does not present the water infrastructure activities as a segment in its consolidated financial statements.

Avis Ukraine continued to show strong results and accordingly contributed a net profit of approximately € 2.4 million in 2017 (2016: €1.5 million).

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 € 41.7 million in 2017 compared to a comprehensive loss of € 33.8 million in 2016. The other comprehensive loss was primarily a result of the impact of changes in foreign exchange rates, mainly the strengthening of the EUR vs the RMB.

Equity

| Kardan N.V. (company only, in € million) | December 31, 2017 | December 31, 2016 |
|--|------------------------------|------------------------------|
| Total Assets | 380.0 | 409.7 |
| Total Equity | (4.4) | 37.3 |
| Equity/Total assets (%) | (1.2%) | 9.1% |

The shareholders' equity of Kardan N.V. decreased from € 37.3 million as of December 31, 2016 to € 4.4 million negative as of December 31, 2017 mainly due to the loss of € 17.1 million in 2017 and the strengthening of the EUR versus the RMB, which resulted in a decrease in equity of € 23.6 million in the period.

The equity position will be discussed in the upcoming AGM in May 2018.

Covenants

The Company's financial covenants as defined in the Deeds of Trust relate to the debt coverage ratio of the Company. A breach of this covenant was defined as non-compliance with the debt coverage ratio for two consecutive quarters. As at December 31, 2017, the Company does not meet the debt coverage ratio for the first time. Accordingly, as of December 31, 2017, the Company is not in breach of the aforesaid financial covenant. For additional information regarding the covenants see Note 25 to the consolidated financial statements.

As at December 31, 2017, all of the Company's subsidiaries met their financial covenants.

Financial position and going concern

In their audit opinion as of December 31, 2017, the auditors draw the attention to the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern, due to - among others - the uncertainty that transactions will be completed at all or that the discussions with the Debenture Holders will result in rescheduling of payments. For additional information regarding the Company's financial position, see Note 1 to the consolidated financial statements.

Outlook

The Company intends to continue the negotiations with the Debenture holders with the aim to come to an agreement soon, while continuing its efforts to advance the transaction for the sale of Tahal at the same time.

Kardan will fully focus on generating liquidity through asset transactions required to repay its outstanding debentures. In parallel, Kardan's Executive Management works on further improving its business operations, in order to optimise their value.

It is noted that Kardan is exposed to currency movements of the NIS and the RMB versus the Euro – as its liabilities are in NIS while its assets are predominantly in RMB and it reports in Euro – consequently, the Company's results are to a large extent dependent on these currency movements and therefore the Company cannot give guidance on its results.

A cash flow forecast for the coming two years, including accompanying assumptions and notes, can be found in the Directors' Report.

Highlights per activity:

The following is an analysis of the results of the different activities for the year 2017. A separate analysis of the fourth quarter 2017 results is presented if there are significant differences between developments between that quarter and overall 2017.

REAL ESTATE

Kardan is active in development and management of Real Estate in China through its 100% subsidiary Kardan Land China Ltd. ('KLC'). In order to better reflect the underlying activities, the Company decided to present the results of the Real Estate activity as two operational segments: Real Estate - Development and Real Estate - Investment Property. As of December 31, 2017, the Real Estate - Investment Property segment only includes the results of operation of the Galleria Dalian shopping mall; the Real Estate - Development segment includes the results of the residential development of the Europark Dalian project as well as the results of residential real estate projects under joint control.

Results

| In millions of Euro | For the year ended December 31, | | For the 3 months ended December 31, | |
|---|------------------------------------|---------------|--|--------------|
| | 2017 | 2016 | 2017 | 2016 |
| Real Estate - Development | | | | |
| Sale of apartments | 9.2 | 1.7 | 6.4 | 0.4 |
| Cost of sales | (8.1) | (1.0) | (6.1) | (0.1) |
| Gross Profit | 1.1 | 0.7 | 0.3 | 0.3 |
| SG&A expenses | (3.1) | (1.6) | (0.8) | (0.3) |
| Gain from sale of fixed assets | 0.8 | - | - | - |
| Equity earnings | 16.4 | 2.4 | 6.2 | 1.0 |
| Operational profit - Real Estate Development segment | 15.2 | 1.5 | 5.7 | 1.0 |
| Real Estate - investment Property | | | | |
| Rental revenues | 5.8 | 6.8 | 1.5 | 1.7 |
| Cost of rental revenues | (4.1) | (6.3) | (1.3) | (1.6) |
| Gross Profit | 1.7 | 0.5 | 0.2 | 0.1 |
| SG&A expenses | (4.9) | (4.1) | (1.0) | (1.2) |
| Adjustment to fair value (impairment) of investment property | (4.1) | (2.6) | (3.4) | (2.2) |
| Operational loss - Real Estate Investment Property segment | (7.3) | (6.2) | (4.2) | (3.3) |
| Total operational profit (loss) - Real Estate | 7.9 | (4.7) | 1.5 | (2.3) |
| Other unallocated expense | (2.7) | (3.2) | (0.6) | (0.7) |
| Profit (loss) before finance expenses and income tax | 5.2 | (7.9) | 0.9 | (3.0) |
| Finance expenses, net | (14.9) | (12.4) | (2.6) | (1.6) |
| Tax benefits (expenses) | (4.9) | 5.1 | (3.4) | 0.2 |
| Loss for the period – attributed to Company's shareholders | (14.6) | (15.2) | (5.1) | (4.4) |

| | For the year ended December 31 | | For the three months ended December 31 | |
|--|-----------------------------------|-------|--|-------|
| | 2017 | 2016 | 2017 | 2016 |
| Operational Information | | | | |
| Revenue Residential - JV (in € million) * | 80.0 | 57.5 | 29 | 11.4 |
| Gross profit residential - JV (in € million) * | 25 | 15.7 | 9 | 6.1 |
| Apartments sold in period (a) | 1,232 | 1,323 | 240 | 255 |
| Apartments delivered in period (b) | 1,397 | 1,417 | 340 | 210 |
| Total apartments sold, not yet delivered (c) | 1,703 | 2,114 | 1,703 | 2,114 |

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

(b) In 2017 42 apartments were delivered in the Dalian project compared to 4 apartments in 2016.

(c) KLC part in the gross profit from apartments sold is € 25.2 million as of 31 December 2017.

| Units sold in the period | For the year ended December 31, | | For the three months ended, December 31 | |
|--------------------------------|------------------------------------|--------------|---|------------|
| | 2017 | 2016 | 2017 | 2016 |
| 100% owned | | | | |
| Europark Dalian | 114 | 14 | 42 | 12 |
| Joint Venture projects* | | | | |
| Olympic Garden | 688 | 593 | (4) | 156 |
| Suzy | 332 | 10 | 195 | 3 |
| Palm Garden | 47 | 88 | 7 | 20 |
| City Dream | 51 | 618 | - | 64 |
| | 1,118 | 1,309 | 198 | 243 |
| Total | 1,232 | 1,323 | 240 | 255 |

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

Real Estate – Development

Real Estate Development relates to the residential projects of Europark Dalian and the joint venture residential projects. The Real Estate Development segment increased its result from operations significantly to € 15.2 million profit in 2017 compared with € 1.5 million profit in 2016 mainly due to the contribution of the joint venture activities.

Revenue from sale of apartments relates to the handover of apartments of the Europark Dalian project and management fees from joint ventures. During 2017 37 units were sold in Europark Dalian project building A, compared with 14 units in 2016. The sold units also include 8 units that were previously recorded as fixed assets and which were sold and delivered in Q2 2017, contributing a gain of € 0.8 million. As of December 31, 2017 only 17 unsold units remain in building A.

In the second half of the year, KLC started the sales of the new C tower of the Europark Dalian project. In 2017 77 apartments were sold.

SG&A showed an increase compared to the corresponding period in 2016, primarily due to marketing activities of the new C towers in Europark Dalian project.

'Equity earnings', comprises the result of the residential activities from joint venture projects, which contributed a profit of € 16.4 million in 2017 compared with a profit of € 2.4 million in 2016, as a result of an increase in revenues from delivery of apartments amounting to €63.2 million in 2017 compared to €57.5 million in 2016, and an improved gross margin.

Real Estate – Investment Property

Total revenues of the Investment Property segment decreased from € 6.8 million in 2016 to € 5.8 million in 2017, mainly due to the decrease in revenues from management fees that reflects the expiry of the management contract of Galleria Chengdu on January 1, 2017. Rental revenues which were generated from Galleria Dalian shopping mall, remained stable in 2017 compared with 2016.

The gross profit of the Investment Property segment increased to 29% compared to 7% in 2016 mostly due to high start-up costs in 2016 related to the Galleria Dalian shopping mall which opened in August 2015.

SG&A showed an increase compared to the corresponding period in 2016, due to marketing activities of the food market in Galleria Dalian shopping mall.

The adjustment to fair value (impairment) of investment property relates to a negative revaluation of Galleria Dalian of € 4.1 million (2016: € 2.6 million negative) following a valuation report. This resulted in an operational loss of € 7.3 million for this segment

Real Estate - Total

The above resulted in an operational profit of the Real Estate operations of € 7.9 million in 2017 compared to € 4.7 million operational loss for the full year 2016.

'Financing expenses, net, amounted to € 14.9 million, compared with € 12.4 million in 2016. The financing expenses mainly include interest expenses related to the Europark Dalian project loan. Financing expenses also included a negative impact of € 3.6 million due to the devaluation of the RMB and the USD versus the EUR, compared with a positive foreign exchange impact of € 0.4 million in 2016.

Income tax expenses of € 4.9 million in 2017 are mostly related to the release of deferred tax assets. In 2016 a deferred tax benefit of € 5.1 million was recognized on taxable losses.

Net loss of € 14.6 million in 2017 is mainly due to high financing expenses, the devaluation of the investment property and the tax expenses. The loss in 2016 (€ 15.2 million) included a deferred tax benefit of € 5.1 million.

Additional balance sheet information - Kardan Land China

| | 2017 (31.12) | 2016 (31.12) |
|---|-----------------|-----------------|
| <i>(in € millions)</i> | | |
| Real Estate – Development | | |
| Share of investment in JVs | 56.4 | 69.2 |
| Inventory | 116.4 | 101.5 |
| Real Estate – Investment Property | | |
| Investment Property | 221.1 | 240.5 |
| Cash & short term investments | 37.0 | 33.5 |
| Total Assets | 502.6 | 518.2 |
| Loans and Borrowings | 115.1 | 111.2 |
| Advance payments from buyers (Real Estate – Development) | 61.2 | 50.0 |
| Total Equity | 270.1 | 302.5 |

In 2017 total 1,232 units were sold, compared with 1,323 units sold in 2016. The sale of apartments in the new C tower in the Dalian project commenced in July 2017 and started off strongly with the sale of 77 units in H2 2017.

Inventory

The number of unsold units in inventory (including the inventory of joint venture projects) increased to 1,478 (vs 494 end of 2016), as a result of new units the construction of which started during the period. The percentage of unsold units for which construction was completed decreased to 9% compared with 17% at 31 December, 2016.

Investment property solely represents Galleria Dalian shopping mall, the value of which decreased by approximately 8% compared to December 31, 2016, mainly due to the depreciation of the RMB versus the EUR and a negative fair value adjustment of € 4.1 million. 2016 was the first full year of operation of Galleria Dalian shopping mall.

The occupancy level rose to approximately 81% as of 31 December 2017 (31 December 2016 – 78%).

'Loans and borrowings', predominantly relate to the use of a construction loan for Europark Dalian, for an amount of € 112.6 million as at 31 December, 2017. In October 2017 Kardan Land Dalian signed a credit facility of RMB 900 million (€ 115 million). The credit facility was primarily used to refinance the outstanding debt of the Ping An loan and to finance the additional funding requirement of Europark Dalian project. During Q4 KLC received the entire facility amount and the Ping An Loan was fully repaid.

The decrease in equity in the reporting year by 11% is attributable to foreign currency effect and the loss for the year.

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 year ended December 31, | | For the three months ended December 31, | |
|---|------------------------------------|-------------|--|--------------|
| | 2017 | 2016 | 2017 | 2016 |
| Contract revenues | 176.4 | 138.5* | 59.9 | 44.9* |
| Contract cost | 152.8 | 117.4* | 52.7 | 38.1* |
| Gross profit | 23.6 | 21.1 | 7.2 | 6.8 |
| SG&A expenses | (12.9) | (14.2) | (4.1) | (3.5) |
| Equity losses | (1.1) | (1.1) | (0.3) | (0.8) |
| Gain (loss) on disposal of assets and other income | 7.8 | 0.5 | 7.8 | (0.5) |
| Result from operations before financing expenses | 17.4 | 6.3 | 10.6 | 2.0 |
| Financing income (expenses), net | 0.4 | (1.9) | (0.1) | (2.4) |
| Income tax expenses | (5.0) | (3.4) | (1.3) | (0.7) |
| Profit from continuing operations | 12.8 | 1.0 | 9.2 | (1.1) |
| Loss from discontinued operations - KWIG | - | (0.1) | - | - |
| Net profit | 12.8 | 0.9 | 9.2 | (1.1) |
| Attributable to: | | | | |
| Non-controlling interest holders | (0.3) | - | - | - |
| Equity holders (Kardan N.V.) | 13.1 | 0.9 | 9.2 | (1.1) |
| | 12.8 | 0.9 | 9.2 | (1.1) |

* 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.

| Additional Information Water Infrastructure | 2017 (31.12) | 2016 (31.12) |
|--|-------------------------|-------------------------|
| <i>Balance sheet (in € million)</i> | | |
| Cash & short term investments | 9.3 | 19.2 |
| Total Assets | 183.4 | 159.7 |
| Net debt | (13.2) | (3.1) |
| Equity | 50.9 | 43.7 |
| Equity / Assets | 27.7% | 27.4% |
| <i>Other (in USD million)</i> | | |
| Backlog | 672 | 606 |

TGI operations contributed a total profit of € 13.1 million attributable to equity holders in 2017, including a net gain of € 7.1 million on the sale of Star Pumped Storage, compared with € 0.9 million in 2016. During 2017 water infrastructure activities reported a net profit of € 12.8 million compared to a net profit of € 1.0 in 2016.

Revenues increased to € 176.4 million in 2017 compared to € 138.5 million in 2016 as a result of the start of new projects as well as progress in the execution of existing projects.

The gross margin decreased from 15.2% in 2016 to 13.4% in 2017 due to high costs of the new agricultural project Quiminha in Angola, a long-term large scale agricultural project which commenced at the end of 2016. This was partially offset by a ramp-up in other projects.

Financing income (expenses) amounted to €0.4 million positive in 2017 compared to €1.9 million negative in 2016 mostly due to exchange rates.

The increase in income tax expenses from € 3.4 million in 2016 to € 5.0 million in 2017 is mainly related to a tax provision recognized due to a tax assessment in respect of prior years and tax expenses related to the sale of Star Pumped Storage offset by a deferred tax in Angola.

In December 2017 the sale of the holding of TGI (40.5%) in Star Pumped Storage to Noy Fund was completed. Proceeds from the sale amounted to NIS 81 million (€ 19 million) and TGI recognized a profit of approximately € 8.4 million (before tax).

New projects awarded

In August 2017 TGI has signed, together with its 50% partner in Angola and Zambia, a USD 176 million contract for a multipurpose agricultural and water project in Zambia and three agricultural projects in Angola, totaling USD 291 million. According to these contracts, the companies that engaged in the execution of the projects will commence the works once (and if) the conditions precedent are fulfilled. These new large agricultural projects clearly strengthen the international positioning of TGI in this sector.

Upon fulfillment of the conditions precedent, mainly related to financial closing, this pipeline of USD 467 million signed contracts will be added to the existing order backlog of USD 672.1 million as of December 31, 2017 (December 31 2016: USD 606 million).

In September 2017 TGI was awarded two turn-key water infrastructure design-build projects in the city of Nirsa in India. The two projects consist of survey and planning services, as well as the construction of water supply and treatment systems for a total amount of approximately USD 80 million.

In November 2017 TGI was awarded another turn-key water infrastructure design-build project in the Indian city Nagercoil. The project consists of the construction of water supply and treatment systems, water pumping stations and various operational facilities for a total amount of approximately USD 29 million.

In November 28, 2017 TGI was awarded its first water infrastructure project in Georgia for a total amount of approximately USD 26.3 million (€22.2 million). The project consists of the construction of sewerage systems in Poti, Georgia.

CORPORATE HOLDING AND OTHER

| | For the year ended December 31, | | For the three months ended December 31, | |
|--|------------------------------------|---------------|--|---------------|
| | 2017 | 2016 | 2017 | 2016 |
| Corporate expenses: | | | | |
| General and administration expenses | (4.0) | (3.7) | (1.0) | (1.1) |
| Financing income (expense), net | (12.6) | (35.7) | (5.6) | (15.3) |
| Fair value loss on derivatives | (0.4) | - | - | - |
| Income tax expenses | (0.3) | (0.6) | - | (0.1) |
| | (17.3) | (40.0) | (6.6) | (16.5) |
| Other activities: | | | | |
| Gain (loss) on disposal of assets and other income | - | (1.6) | - | - |
| Financing income (expense), net | 0.1 | - | 0.1 | - |
| Equity earnings (Avis Ukraine) | 2.4 | 1.5 | 0.2 | 0.4 |
| Other income (expenses), net | (0.8) | 1.5 | (0.6) | (0.5) |
| | 1.7 | 1.4 | (0.3) | (0.1) |

Corporate expenses:

Financing expenses decreased significantly in the full year 2017 compared to the corresponding period in 2016, mainly due to the positive impact of foreign currency exchange differences. The net positive impact of foreign exchange differences and the Israeli CPI on the Company's debentures, which are denominated in NIS, was € 7.2 million in 2017 (2016: € 13.9 million negative). As a result of the appreciation of the NIS versus the EUR in Q4 2017, there was a limited negative impact of € 0.6 million in Q4 2017 (Q4 2016: € 10.3 million negative).

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

Other activities consisted in 2017 mainly of equity earnings from the Company's holding in Avis Ukraine joint venture, which continued to show strong results and contributed a net profit of € 2.4 million as part of the Company's equity earnings in 2017.

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 repay its debts, grow, execute its business model, and generate future financial returns (ii) from concentration of its business in Central Eastern Europe, Africa, India 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 to be published in April and in the related “Periodic Report” (published by Kardan N.V. in Israel), 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 December 31, 2017 amounted to € 669 million. 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.

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

Part B – Report of the Board of Directors

Financial position

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

| | December 31, 2017 | December 31, 2016 | Notes |
|--|----------------------|----------------------|--|
| Total balance sheet | 668,576 | 665,637 | No material change compared to December 31, 2016. |
| Current assets | 362,952 | 281,987 | The increase as of December 31, 2017 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. |
| Non-current assets | 305,624 | 383,380 | The decrease as of December 31, 2017 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 and due to the decrease in value of investment property, mainly as a result of foreign exchange differences. |
| Current liabilities | 367,046 | 320,964 | The increase as of December 31, 2017 in current liabilities compared to December 31, 2016, is mainly due to the classification of the current maturities of the debentures as current liabilities and to the classification of all TGI liabilities as current liabilities related to assets held for sale. The increase was partially set off by the repayment of the Dalian loan (Ping-An) in Q4 2017 |
| Debentures | 188,708 | 288,978 | The decrease as of December 31, 2017 compared to December 31, 2016, is mainly due to the classification of the current maturities of the debentures as current liabilities. |
| Long term Interest-bearing loans and borrowings | 104,933 | 419 | The increase as of December 31, 2017 compared to December 31, 2016 is due to the new refinancing loan granted by HuaRong to the Europark Dalian projects |
| Equity attributable to equity holders of the parent | (4,368) | 37,333 | The decrease as of December 31, 2017 in equity compared to December 31, 2016, is mainly due to the loss for the period and currency translation differences (other comprehensive expense). |

1. The average balance of long-term and short-term loans is not significantly different than their book value as at December 31, 2017.
2. The average balance of trade receivables and trade payables is €4.9 million and €2.8 million, respectively.

2. Cash Flow Statement analysis (in EUR thousands)

| | FY 2017 | FY 2016 | FY 2015 | Notes |
|--|----------|----------|----------|--|
| Net cash provided by (used in) operating activities | (50,196) | (51,944) | 3,866 | <p>The Company's cash flow from operating activities is significantly influenced by interest payments and currency translation differences.</p> <p>In 2017 and 2016, most of the deficit is related to the operational activities of the Company's subsidiaries. In addition, the Company paid approximately € 4 mn of remaining interest on its debentures which fell due in February 2017.</p> |
| Net cash provided by (used in) investing activities | 11,594 | 74,492 | 52,986 | <p>In 2017, approximately €20 mn generated from the sale of Star Pumped Storage, and were partially offset by investments in fixed assets in the water infrastructure activities.</p> <p>In the year 2016 € 103.7 mn were generated from the sale of TBIF and € 2.8 mn were proceeds from the sale of assets, mainly the assets of Foodyard Bulgaria. € 7.7 mn were used for investment in fixed assets and investment properties.</p> |
| Net cash provided by (used in) financing activities | 25,098 | (66,346) | (69,223) | <p>In 2017 €11.2 mn net were proceeds from long term loan in the real estate Asia activity and €8.2 mn were proceeds from short term credit provided to the water infrastructure activity.</p> <p>In 2016 €86.5 mn were used for the early repayment of debentures and €28 mn were provided by short and long term loans.</p> |

Kardan finances its operations by the Company's debentures, the sale of assets and dividend receipts from subsidiaries (for details, see also section 3 below regarding cash flow forecast). The subsidiaries' activities are being financed by equity, credit provided by banks and other financial institutions, loans from the parent company, proceeds from the sale of apartments in the Real Estate activities and from cash surplus in projects in the Water Infrastructure activities. For details regarding material credit in the Group see Part A to the Israeli Annual Report 2017. For details regarding credit balances as of the balance sheet date refer to Section 1 above.

3. Cash Flow Forecast

The audit opinion of the external auditors as of December 31 2017, includes a mandatory emphasis of matter regarding the ability of the Company to continue as going concern (see also Note 1B to the financial statements). In addition, the Company has a negative working capital on a stand-alone basis and has recorded a loss for the period. These are considered "warning signs" as defined in Regulation 10 (b) (14) of the Israeli Securities Authority regulations. Therefore, the Company provides a cash-flow forecast (stand-alone) for a period of two years commencing on January 1, 2018.

It should be stressed that the payments to the Debenture Holders scheduled in February 2018 and specified in the cash flow forecast below were not paid on time, as announced by the Company on January 31, 2018. The Company, as aforementioned, is negotiating with the Debenture Holders in order to restructure the payment schedule. Since the terms of a debt settlement have not yet been agreed upon, the Company presents in the cash flow forecast below the dates of repayments to the Debenture Holders in accordance with its existing contractual obligations, without taking into consideration a debt settlement, if and when agreed (not including interest on arrears). Therefore, the Company emphasizes that the assumptions used by the Company in deriving the cash flow forecast should be read carefully.

| Forecast cash flow (EUR million) | January 1, 2018 - December 31, 2018 | January 1, 2019 – December 31, 2019 |
|--|--|--|
| | | |
| Cash and cash equivalents at the beginning of the period | 7.1 | 5.8 |
| From operating activities | | |
| General and administrative expenses | (3.6) | (3.6) |
| From investing activities | | |
| Sale of shares and holdings in a subsidiary - negotiations for its sale have already begun (2) – (5) | 98.0 | - |
| Sale of shares and holdings in subsidiaries - negotiations for their sale have not yet begun (2) | 12.0 | 27 |
| Loan repayment and dividends (8) | 6.0 | - |
| Total Resources | 119.5 | 29.2 |
| | | |
| From financing activities (6) – (10) | | |
| Principal and interest payment of debentures – Series A | 49.4 | - |
| Principal and interest payment of debentures – Series B | 64.3 | 109.0 |
| Total Uses | 113.7 | 109.0 |
| Cash and cash equivalents at the end of the period | 5.8 | (79.8) |

Main Assumptions 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, Kardan Financial Services BV, and Emerging Investments XII BV, as the treasury of these companies is centralized. With respect to limitations regarding the transfer of funds between the companies, see note 13 below.
2. The cash flows from investing activities in 2018 and 2019 refer to the consideration from the expected sale of TGI, taking into account the assumptions, comments and reservations detailed

below, and to transactions in the other assets of the Company - KLC and Avis Ukraine. As of the date of this report, negotiations regarding the sale of the Company's holdings in TGI are in an advanced stage. Negotiations regarding the sale of the Company's holdings in KLC and Avis Ukraine, an investment or the sale of any of their assets, have not yet begun.

3. In regards to the sale of the Company's holdings in TGI –as of the date of this report **the Company does not have accurate information regarding the net consideration which would be received from the transaction** and which would be used for repayment to the Debenture Holders. **As aforesaid, as of the date of this report, the negotiations regarding the sale of TGI were not yet completed, and accordingly, it is not certain that a sale agreement will be signed, that the expected consideration will equal the consideration included in the cash flow forecast or the date on which the consideration would be received by the Company.**
4. It is noted, that according to the negotiations for the sale of TGI, the Company expects to receive the majority of the consideration upon completion of the sale transaction, if completed, and that it could be used to make payment to the Debenture Holders (assuming that there will be no other restrictions from making such payments). The remaining part of the consideration is expected to be deposited in escrow for a certain period to secure certain representations given by the Company. In the preparation of the cash flow forecast, it was assumed that all of the expected consideration from the sale of TGI, could be used by the Company for the repayment to the Debenture Holders, however, as stated above, this is a mere assumption and there is no certainty that it would materialize.
5. Generally, uncertainty is inherent in a forecast of sales of assets, mainly due to dependence on third parties, inter alia, due to: the need to find potential buyers and to reach agreements with them regarding the terms of the transaction, the need to receive relevant approvals, the Company's need to obtain the approval of the debenture holders to some of the transactions, and the need of potential buyers to reach agreements with financing parties in order to obtain funding for such acquisitions.
6. As detailed in the press release issued by the Company on November 23, 2017, the Company approached the trustees of the Debenture Holders ('the Trustees') requesting them to conduct negotiations in relation to rescheduling the payments to the Debenture Holders (series A and B) ('the Debenture Holders') due to reasonable possibility of delays in the sale process of TGI which may prevent the Company from meeting the coming payment due in February 2018. On January 11, 2018, the Company announced it was unable to complete the sale transaction of its holdings in TGI in a manner that will allow it to meet the payments to the Debenture Holders set for February 2018. On January 31, 2018, the Company issued an announcement clarifying and emphasizing that the Company will not be able to execute the payments to the Debenture Holders scheduled for February 2018, on time.
7. The cash flow forecast in respect to the debentures principal repayment is based on the payment schedule as stated in the Deeds of Trust, including linkage to the Israeli CPI and interest at the rate specified in the deed (without interest on arrears), including the principal and interest payment dates scheduled for February 2018, in light of the Company's inability to postpone the payment date as mentioned.
8. **The cash flow forecast does not include interest on arrears resulting from failure to meet the repayment dates set out in the Deeds of Trust and deferment of payments to the Debenture Holders, in light of the Company approaching the Trustees as mentioned above, and as of the date of approval of this report, the Company does not have information regarding the date of actual payment to the Debenture Holders. Readers of the cash flow forecast should take these facts into consideration, with all that it might entail or imply.**
9. **In addition, the cash flow forecast does not include the balance payment to debenture holders series B as defined in article 43 to the Deed of Trust, as a result of the Company's request to negotiate a restructuring of the debt.**
10. Loan repayment and dividends include the estimated dividend amounts that the Company could receive from Avis Ukraine as well as the release of €5 million deposit which is pledged to secure

various representations made by the Company in respect to the sale of the subsidiary TBIF in 2016. According to the sale agreement the deposit would be released in August 2018.

11. The interest calculations are based on the Israeli CPI, exchange rates and interest rates which are applicable as of December 31, 2017, and as aforesaid, were calculated on the assumption that the total payments (including interest) were paid on time (an assumption that did not materialize). 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.
12. Restrictions on transferring funds:
Transfer of funds between Kardan NV, GTC RE, Emerging Investments XII, and KFS is mostly done through intercompany loans or distribution of dividend or capital reserves as permitted by Dutch law¹. Breakdown of distributable reserves according to Dutch law and intercompany loans balances is as follows:

| Subsidiary | Distributable reserves as of 31.12.17 | Intercompany loan as of 31.12.17 |
|---------------|---------------------------------------|----------------------------------|
| (EUR million) | | |
| GTC RE | 169.4 | 4.8 |
| KFS | 7.9 | - |
| Emerging | 65.2 | - |

13. This estimate regarding the sources of cash in this forecast 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 market changes (including changes in foreign currencies and CPI), difficulties in raising credit, decrease in value of investments, changes in the transactions terms of the sale of TGI, difficulties in reaching an agreement with the buyers of TGI, delays or lack of completion of the conditions precedent to the sale transaction to the extent an agreement will be signed and change in cash amounts expected to be received from affiliated companies. The Company, being a holding company, is generating cash flows from its investee companies mainly through dividend distributions and repayments of shareholder loans or through the realization (in part or in full) of its stakes in the investee companies. The generation of such cash flows may at times be subject to factors which are out of the control of the Company (such as the need to obtain third parties consent, foreign currency exchange, market prices of assets, risk factors of the company and more). It may also be the case – as it is with the distribution of dividends – that such cash flows sources are dependent on resolutions to be taken by the relevant organs in those companies. For details regarding the risk factors which are relevant to the cash flow forecast, refer to sections 7.24, 8.18, 9.25 and 21 of part 1 of the 2017 Israeli Annual Report. Due attention should be given to the risk factors, which should be read together with the cash flow forecast. It should be noted that in case one or more of the underlying assumptions upon which the cash flow forecast was based fail to materialize, it might result in the inability of the Company to fulfill its obligations in accordance with the Debt Settlement.
14. Comparison table and explanations for material deviations between the Company's estimates as included in the cash flow forecast presented in the Directors' report as of December 31, 2016, and the actual results:

¹ For details regarding restrictions of transferring funds by TGI, refer to section 8.17.6 to the 2017 Israeli Annual Report.

| Cash flow Forecast | January 1, 2017 - December 31, 2017 (projected) | January 1, 2017 - December 31, 2017 (actual) | Comments |
|----------------------------------|---|--|----------|
| Sources | in EUR millions | | |
| From investing activities | | | |
| Sale of assets | 126.3 | 11.5 | 1 |

The cash flow forecast presented in the financial statements as of December 31, 2016 assumed the Company would receive cash from the realization of certain assets. Those plans were dependent on factors not under the Company's complete control and therefore there was uncertainty whether those plans would be completed on time. The major sale contemplated, the sale of the Company's investment in TGI, was not concluded by 31 December 2017.

4. Financial situation Kardan Group as of December 31, 2017

Net debt

| The Company | Financial debt net | |
|--|---------------------------------|-----------------------|
| Kardan NV/ GTC RE/ Emerging Investments XII | Liabilities: | |
| | Debentures (**) | (303.8) |
| | Liabilities long term | (2.0) |
| | Assets: | |
| | Cash and short-term investments | 6.2 |
| | <u>Net debt</u> | <u>(299.6)</u> |
| KFS | Assets: | |
| | Cash and short-term investments | 5.8 |
| | Loans to related parties | 6.6 |
| | Net cash | 12.4 |
| TGI/TG/TGA(***) | Liabilities | |
| | Liability long term | (0.4) |
| | Assets: | |
| Cash and short-term investments | 0.3 | |
| | Net debt | (0.1) |

(*) net financial debt includes liabilities for interest bearing loans and debentures net of cash and cash equivalents and interest bearing loan receivables.

(**) Net balance after compensating debenture balances held by subsidiaries, see section 12 below.

(***) Assets and liabilities shown as held for sale in the consolidated financial statements of Kardan NV as of 31.12.2017.

5. Main events in the period and subsequent events

Kardan NV

- On July 3, 2017, Maalot, the Israeli subsidiary of Standard & Poor's ("S&P"), affirmed the rating of iIB for Kardan and for its Debentures Series A and Series B. In addition, S&P has put the Company and the Debentures on CreditWatch with negative implications.
- On October 3, 2017 Maalot, the Israeli subsidiary of Standard & Poor's ("S&P"), adjusted the rating from iIB to iLCCC with negative outlook, for Kardan and for its Debentures Series A and Series B due to lack of secured sources to repay significant debt maturities in February 2018. In addition, S&P removed the Company and the Debentures from CreditWatch with negative implications to which it was added on July 3, 2017. For additional information, refer to the announcement issued by the Company on October 3, 2017.
- On January 18, 2018, Maalot, the Israeli subsidiary of Standard & Poor's ("S&P"), adjusted the rating from iLCCC to iLCC with negative outlook, for Kardan and for its Debentures Series A and Series B due to the assessment that the Company will fail to meet the upcoming debentures maturities in February 2018 in light of its inability to complete the sale transaction of its holdings in TGI and in parallel, its intention to approach the debenture holders to negotiate a new debt settlement. For additional information, refer to the announcement issued by the Company on January 18, 2018.
- On February 8, 2018, Maalot, the Israeli subsidiary of Standard & Poor's ("S&P"), adjusted the rating from iLCC to D, for Kardan and for its Debentures Series A and Series B due to the fact that the Company did not pay its obligations to debentures Series B (due on February 1, 2018) on time, and following its announcement on January 31, 2018, Kardan is also not expected to pay the upcoming repayment to debentures Series A. . For additional information, refer to the announcement issued by the Company on February 8, 2018.
- On November 1, 2017 the Company approached the trustees of debenture holders Series A and B ('the Debenture Holders') to enter into discussions with the Company with a view to reach certain agreements required for the terms of the intended sale of the Company's entire holdings in Tahal Group International B.V. ('TGI') in relation to the timetable of such transaction, and the implications of the terms of the intended sale for the timing of the upcoming payment to the Debenture Holders, due in February 2018. It should be noted that as of the date of approval of this report, no agreement had been signed and it is not certain that such an agreement will be signed or completed in the future.
- On November 20, 2017 the Company received a letter from the representatives of the trustee of debenture holders series B ('the Trustee'). In this letter, the debenture holders of series B claim that the financial situation of the Company has deteriorated since the date of signing the deeds of trust of the debentures in July 2015 ('the Deeds of Trust' and 'the 2015 Debt Settlement'), which, in their view, places the Company in breach based on the terms and definitions of article 43 to the Deeds of Trust. Therefore series B debenture holders claim that the balance payments between the debentures of series A and series B, as defined in article 43 to the Deeds of Trust, should be implemented and that the Company should be making payments to repay debentures series B before making any payments to debenture holders of series A, due to an expected immediate repayment and the implication of the said article 43. Under these circumstances, the Trustee claims that according to the Deeds of Trust, Debenture Holders B have the right to call the debt for immediate repayment.

On November 23, 2017 the Company has replied to the Trustee's Letter. In its response, the Company clarified that so far it has fulfilled all its obligations stemming from the 2015 Debt Settlement

and substantiated that most of the reasons detailed by the Trustee in its letter as support to its claim regarding the deterioration in the financial position of the Company were incorrect. In relation to this, the Company noted that the complexity of the negotiations and the complexity of TGI as well as other circumstances not within the Company's control, resulted recently to a change in its estimated date of completion of the sale of TGI and consequently the payment of the consideration to the Debenture Holders. The Company also noted that it faces a challenge in meeting the upcoming repayment to its debenture holders and therefore it has approached the trustees. However, this challenge cannot be considered as a significant deterioration of the financial position of the Company. For additional information, refer to the announcement issued by the Company on November 21, 2017 and November 24, 2017.

- On November 23, 2017, the Company announced that it has approached the Debenture Holders requesting them to conduct negotiations in relation to rescheduling the payments to the Debenture Holders. This request is related to a reasonable possibility of delays in the sale process of TGI which may prevent the Company from meeting the coming payment due in February 2018. It is noted that the Company is in advanced negotiations for the sale of TGI, and in parallel, the Company continues its efforts to complete the sale of TGI as soon as possible. For additional information, refer to the announcement issued by the Company on November 23, 2017.
- On January 7, 2018, the Company announced that it is in advanced negotiations with several entities, including the Fortissimo Fund, for the sale of its holdings in Tahal. Should such transaction be completed, the Company will be able to meet the upcoming payments to the debenture holders on time, or on terms to be agreed with the debenture holders, or any of them. On January 11, 2018 the Company announced that according to updated information received, it will not be able to complete a transaction for the sale of its holdings in TGI in a manner that will enable the Company to meet the upcoming payments to the debenture holders in February 2018 and that intends to approach the debenture holders in order to negotiate a new debt settlement under the given circumstances. For additional information, refer to the announcement issued by the Company on January 7, 2018 and January 11, 2018.
- On January 31, 2018, the Company announced that it will not be able to meet the upcoming payments to the debenture holders in February 2018, and for avoidance of doubt, the Company wishes to clarify that it will not pay the upcoming repayments to the debenture holders, due in February 2018. The Company continues to operate in the ordinary course of business. For additional information, refer to the announcement issued by the Company on 31 January 2018.

Real Estate

- On October 24, 2017 Kardan Land Dalian Ltd. (the project company) which is indirectly wholly owned by the company (through GTC Real Estate Holding B.V., Kardan Land China Ltd. ("KLC") and Kardan Land Dalian (HK) Ltd (the direct parent of the project company - "KLD")) KLD (as a pledgee) and KLC (as a guarantor) have entered into the agreement with two subsidiaries of the investment fund China Hua Rong International Holding Ltd.: Hua Rong (China) Investment Management Ltd ('HR Beijing') and Hua Rong Holdings (Shenzhen) Equity Investment Fund Management Ltd. ('HR Shenzhen') in China regarding a credit facility of RMB 900 million (€ 115 million). The credit facility will primarily be used to refinance the outstanding debt of the current loan received from Shenzhen Ping An Da Hua Huitong Wealth Management Co., amounting to RMB 800 million as at September 30, 2017, and remaining RMB 100 million, will be used to finance the additional funding requirement of Europark Dalian project. As of November 15, 2017 KLC received the entire facility amount. For additional information, refer to the announcements issued by the Company on October 24, 2017 and November 15, 2017.

Water Infrastructure (discontinued operation)

- On June 7, 2017, Water Planning for Israel Ltd. ('WPI'), an indirectly owned subsidiary of the Company, signed an agreement for the sale of its entire holdings (40.5%) in Star Pumped Storage Ltd. to Noy Fund, for a total consideration of NIS 81 million (approximately € 19.5 million) in a two-part transaction. For additional information, refer to Note 6 to the Interim Financial Statements and to the announcements made by the Company on June 7, 2017, July 13, 2017 and August 9, 2017.

- As detailed in the water infrastructure's result analysis, during the reporting period, Tahal Group B.V. ('Tahal'), an indirectly owned subsidiary of the Company, signed several significant contracts:
 - (1) For a multipurpose agriculture and water project in Zambia for a total amount of USD 176 million for the completion of the entire project (Tahal's share – 50%). For additional details, refer to the press release issued by the Company on August 20, 2017;
 - (2) For the design and development of three large scale agriculture projects located in three different areas in Angola – Cabinda, Huambo and Lunda Sul totaling \$ 291 million (Tahal's share – 50%). For additional information, refer to the announcement issued by the Company on August 23, 2017;
 - (3) Two turn-key water infrastructure design-build projects in India, for a total amount of approximately USD 76 million. For additional information, refer to the announcement issued by the Company on September 13, 2017;
 - (4) For the construction of water supply and treatment systems, in India, for a total amount of approximately USD 29 million (€25 million). For additional information, refer to the announcement issued by the Company on November 19, 2017;
 - (5) For the construction of sewerage systems in Poti, Georgia for a total amount of approximately USD 26.3 million (€22.2 million). For additional information, refer to the announcement issued by the Company on November 29, 2017;
 - (6) For the renovation of a biological facility for wastewater treatment, in the city of Ivanovo in Russia for a total amount of approximately USD 37 million (€30 million). For additional information, refer to the announcement issued by the Company on February 6, 2018;
 - (7) For the renewal, expansion, upgrade and operation of a water supply network of which 42,000 households will be connected. The total compensation for the Project is approximately USD 28 million (€23 million). For additional information, refer to the announcement issued by the Company on February 26, 2018.

In addition Tahal entered into additional agreements which were not announced.

Corporate Governance Aspects

6. Directors with financial knowledge

Kardan NV is incorporated pursuant to the laws of the Netherlands and is not subject to the Israeli Companies Law. Therefore, it does not appoint external directors and is not committed to appoint directors who possess accounting and finance expertise. However in accordance with Kardan NV articles of association, there are decisions that the Board of Directors need to take in a special procedure that requires, among others, the agreement of the independent directors present, as defined in the articles of association of the Company and the Dutch corporate governance code. In addition, according to the said corporate governance code, the Company adopted the duty that at least one member of the Board of Directors would have financial management and accounting knowledge.

The directors having accounting and finance expertise (as acceptable in the Netherlands) currently serving in the Board of Directors are Peter Sheldon, Cor van Den Bos, Ariel Hasson and Eytan Rechter.

All members of Executive Management have accounting and finance expertise. For additional information about their education and experience see section 4 of the periodical report.

7. Directors with financial knowledge

The Corporate Governance code recommends that the majority of the non-executive board members would be independent. Insofar this recommendation is not met, the Company should disclose this fact in its annual report. However, failure to comply with this recommendation does not constitute a violation of the provisions of the law. As of December 31, 2017, five out of eight non-executive board members are independent. As of the date of this report, three out of the five non-executive members are independent.

For further information regarding the Corporate Governance Code refer to Section 15 of part 1 of this 2017 Israeli Annual Report.

8. Internal Audit at Kardan NV

Kardan NV is incorporated pursuant to the laws of the Netherlands and is not subject to the Israeli Companies Law. Therefore, the duty to appoint an internal auditor by virtue of the Companies Law 1999 does not apply to it. However, according to the Corporate Governance Code recommends appointing such a body.

Within the framework of adopting the Corporate Governance Code in this respect, Kardan N.V. further determined that the internal auditor's activity would be under the Kardan N.V. Management's responsibility and which would assist the internal auditor in examining the Risk Management structure and the controls system within the Company. The external auditor and the Audit Committee are involved in determining the internal auditor's tasks and they are informed on its findings.

In April 2017, CPA Yossi Ginosar stopped serving as the internal auditor of the Company. The Audit Committee and the Board of Directors of the Company are of the opinion that there is no room to continue appointing an internal auditor. The main reason are: Kardan is a holding company which focus on holding companies in different sectors of operations, and these subsidiaries are audited by their own internal auditors in an orderly manner, and because the Company has no extensive activity that justifies the engagement of an internal auditor and performing audits as an independent unit. Instead, the board of directors approved engaging with a different auditing source, EY Israel, that will provide advisory services in matters related to internal audit and will perform audits as and when required (ad-hoc).

Details regarding the internal audit:

| | |
|---|--|
| Appointing the internal audit: | The Company engaged EY Israel for providing internal audit services to the Company. |
| The internal audit firm: | EY Israel |
| The organ in charge of internal audit: | CFO |
| The audit plan: | In March 2018 the 3-year audit plan was approved. The plan was prepared based on risk assessment. The main considerations in determining the internal audit are: (a) the core business activity of the Company and its scope; (b) the exposure to risks; the audit plan and the internal audit recommendation of the annual audits are determined based on the ranking and importance of the various items in the risk assessment surveys, taking into consideration the management's recommendations. The audit plan is flexible and will allow for changes at the consideration of the internal audit. |
| Subsidiaries: | The audit plan does not include audit of subsidiaries. TGI Group and KLC have internal auditors, which are responsible for performing internal audits in these subsidiaries. |
| Professional Standards: | The internal audit informed that the audits are performed according to acceptable and international internal audit standards, as published from time to time by the IIA. Management and the audit committee estimate that the internal audit is performed according to acceptable professional internal audit standards. This estimate was made following discussions with the EY partner hat is in charge of internal audit in this firm as well as EY extensive experience in this field. |
| Access to information: | In order to perform its work, the internal audit has full access to documents, information, including financial information, and information systems of the Company. |
| Internal audit report: | In March 2018 the audit plan, which is based on risk assessment, was presented. In 2018, 1-2 audits are planned. |
| Fees: | The internal audit is remunerated according to the number of audit hours approved in the audit plan. |

| | |
|--|---|
| | In the opinion of the Company's Board of Directors, the scope, nature and continuity of the internal audit activity and the work plan are reasonable under the circumstances and may fulfill the purpose of the internal audit. |
|--|---|

9. Donations policy

Kardan NV does not have a donation policy, nor does it contribute significant amounts.

Additional information

10. 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 | 31.12.2017 |
| External valuer | Savills |
| Value of the property in the financial statements prior to the valuation | € 221.1 million |
| Key parameters used in the valuation | <ul style="list-style-type: none"> • Discount rate – 10.5% • Terminal capitalization rate – 5.5% • Rent per sqm/month – 162.4 RMB • Price per sqm for comparison approach – 16,587 RMB |
| Valuation Method | The average of Direct Comparison Approach and DCF methods |

For additional information regarding the valuation, see Section 7.6.8.8 in Part A to the Israeli Annual Report 2017.

11. Book value of investments Kardan N.V.

The following table summarizes the book value of the companies held directly by Kardan as of December 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 31.12.17 | Share holders Loans (*) | Total Investment in books 31.12.17 | Total Investment in books 31.12.16 |
|-----------------|--------------------------|---------------------|---------------------|-----------------------------------|--------------------------|----------------------------------|-------------------------|------------------------------------|------------------------------------|
| Kardan NV | GTC RE | 100% | 229.8 | 229.8 | 3.8 | 233.6 | (4.8) | 228.9 | 261.9 |
| | KFS | 100% | 23.9 | 23.9 | - | 23.9 | - | 23.9 | 36.6 |
| | TGI | 98.43% | 50.9 | 50.9 | (3.7) | 47.2 | - | 47.2 | 40.2 |
| | Emerging Investments XII | 100% | 65.2 | 65.2 | - | 65.2 | - | 65.2 | 53.5 |

| Holding Company | Name of subsidiary | Share in subsidiary | Consolidated equity | Share holders console -dated equity | Adjustments of GTC RE | Book value in TGI 30.12.17 | Shareholders Loans | Total Investment in books 31.12.17 | Total Investment in books 31.12.16 |
|-----------------|--------------------|---------------------|---------------------|-------------------------------------|-----------------------|----------------------------|--------------------|------------------------------------|------------------------------------|
| GTC RE Holding | Kardan Land China | 100% | 270.1 | 270.1 | 1.7 | 271.8 | (**)(50.2) | 221.6 | 254.2 |

| Holding Company | Name of subsidiary | Share in subsidiary | Consolidated equity | Share holders console -dated equity | Adjustments of TGI | Book value in TGI books 30.12.17 | Loans granted by TGI | Total Investment in books 31.12.17 | Total Investment in books 31.12.16 |
|-----------------|-------------------------|---------------------|---------------------|-------------------------------------|--------------------|----------------------------------|----------------------|------------------------------------|------------------------------------|
| TGI | Tahal Group Assets B.V. | 100% | 6.2 | 9.6 | - | 9.6 | (3.4) | 6.2 | 5.4 |
| | Tahal Group B.V. | 100% | 50.8 | 47.5 | - | 47.5 | (0.1) | 47.4 | 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 8.0 million.

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

| | Nominal Value In NIS | Liability Value including accrued interest In EUR millions |
|----------|----------------------|--|
| Series A | 109,839,448 | 33.4 |
| Series B | 120,381,450 | 36.9 |

12. Information to the Debenture Holders

The following are details regarding the marketable debentures of Kardan NV as of September 30, 2017:

| | Debenture series A | Debenture series B |
|--|--|--|
| Issuance date | 20.2.2007, 13.8.2007, 16.2.2008 | 16.2.2008 |
| Par value of issued debentures | EUR 286.3 million (NIS 1,190,000,000) | EUR 320.9 million (NIS 1,333,967,977) |
| Linkage basis | Principal and interest linked to Israeli CPI (CPI of January 2007) | Principal and interest linked to Israeli CPI (CPI of December 2006) |
| Par value of debentures as of September 30, 2017 | EUR 71.6 million (NIS 297,500,000 par value) | EUR 229.2 million (NIS 952,834,318 par value) |
| Debentures held by subsidiaries | NIS 136,506,115 par value | NIS 120,381,450 par value |
| Interest rate (per annum) | 6.325% | 6.775% |
| Principal repayment | Two installments one in February 2017 and the second in February 2018. | Four installments from February 2017 to February 2020. |
| Interest payment dates | 3 annual installments on 25 February in the years 2016 - 2018 | 5 annual installments on 1 February in the years 2016-2020 |
| Indexed par value | EUR 356.7 million | EUR 1,140.9 million |
| Total debt up to the date of the balance sheet (including interest and Israeli CPI linkage) (*) | EUR 48.9 million | EUR 252.6 million |
| Market capitalization as of December 31, 2017(*) | EUR 25.4 million | EUR 152.5 million |
| The trustee | Aurora Fidelity Trust Co. Ltd | Hermetic Trust (1975) |
| Rated by | S&P Maalot | S&P Maalot |
| Rating at the time of issuance | AA - (February 2007) | AA - (February 2007) |
| Updated rating | D (February 2018) | D (February 2018) |
| Right of early repayment | 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. | |
| Pledged Assets | 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 and KLC (the 'Pledged Subsidiaries'), including all benefits which will emanate from these interests and all the rights of the Group in loans granted to the Pledged Subsidiaries. A primary exclusive 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. Commitment for certain negative pledges. | |
| Guarantee to secure the obligations of Kardan NV | A limited guarantee in the amount of EUR 100 million by Kardan Land China. | |

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

The Debentures (Series A and B) are material to the Company. During and at the end of 2017 the Company met the terms of the Deeds of Trust. However as at 31.12.2017 the Company does not meet the debt coverage ratio it has committed to meet. Failure to meet this covenant in two consecutive quarters constitute a breach of the Deeds of Trust. As of that date, this non-compliance is not a breach of a commitment towards the debenture holders. In addition, in February 2018 the Company did not make the scheduled repayments. The details presented above are in accordance with the Deed 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 12.2.3 in the 2017 Israeli Annual Report.

- On November 13, 2017 Hermetic Trust (1975) Ltd., the trustee of debenture holders Series B of the Company ('Hermetic') announced the results of the assembly of the debenture holders series B that was convened on November 6, 2017. The resolutions of the assembly were as follows: (1) to authorize the Trustee and he legal advisors to take actions – including legal actions in order to protect the debenture holders' rights; (2) to appoint an appraiser for the valuation of Galleria Dalian shopping mall. For additional information, refer to the announcement dated November 13, 2017.
- On November 28, 2017 Hermetic announced the results of the assembly of the debenture holders series B that was convened on November 27, 2017. The resolutions of the assembly were in respect to the appointment of the representatives of the Debenture holders and determining their mandate.
- On December 11, 2017 Hermetic announced the results of the assembly of the debenture holders series B that to appoint certain representatives (for no remuneration) of the Debenture holders series B.
- On January 7, 2018 Hermetic announced that an assembly of the debenture holders series B will be convened, on the agenda of which the following: the position of the Company, consultation regarding actions to be taken for protecting the rights of debenture holders series B.
- On January 10, 2018 Hermetic published a notice to a voting assembly of the debenture holders series B, on the agenda of which the following: instructions to the trustee to bring the debentures series B for immediate repayment and to take legal actions in Israel and/or abroad.
- On January 30, 2018 Hermetic announced the results of the assembly of the debenture holders series B dated January 30, 2018, in which it was resolved not to count the voting of the assembly of debenture holders series B which was convened on January 10, 2018.
- On February 18, 2018 Aurora Fidelity Trust Company Ltd., the trustee of debenture holders series A ('Aurora') announced the results of the assembly of the debenture holders series A from February 14, 2018, in which it was resolved to postpone the final repayment date of debentures series A to 25.3.2018.
- On March 19, 2018 Aurora published an announcement regarding postponing the final repayment date of debentures series A to 1.4.2018, in order to allow the debentures holders to instruct the trustee regarding the postponement of the final repayment date and the interest payment for a period of one month or any other period to be decided by the assembly.
- On March 26, 2018 Aurora announced the results of the assembly of the debenture holders series A of March 22, 2018 in which it was resolved to postpone the final repayment date of debentures series A to 1.5.2018.

For details regarding correspondence between the trustees of the debenture holders Series A and Series B and the Company in January and February 2018, refer to the Company's announcements dated 10 January, 29 January, 5 February and 13 February 2018.

13. Classification of negligible transactions

For information about a procedure to neglect adopted by Kardan NV see section D of the periodical report.

14. Critical accounting estimates

For information about critical accounting estimates see note 3 to the Consolidated Financial Statements.

15. Accounting Fees

Accounting fees for the Company and its material subsidiaries, including audit services, services related to audit and tax for 2017 and 2016 was as follows:

| 2017 | | | | | | | |
|--------------|-----------------|--------------------------------|--------------|---|--------------|------------------------------------|--------------|
| Company name | Accounting firm | Audit fees (thousands of Euro) | Hours worked | Tax advisory services (thousands of Euro) | Hours worked | Other services (thousands of Euro) | Hours worked |
| Kardan NV | PWC | 451 | 4,400 | 4 | 30 | - | - |
| Subsidiaries | PWC | 617 | 11,730 | 45 | 435 | - | - |

| 2016 | | | | | | | |
|--------------|-----------------|--------------------------------|--------------|---|--------------|------------------------------------|--------------|
| Company name | Accounting firm | Audit fees (thousands of Euro) | Hours worked | Tax advisory services (thousands of Euro) | Hours worked | Other services (thousands of Euro) | Hours worked |
| Kardan NV | PWC | 455 | 4,550 | 4 | 97 | - | - |
| Subsidiaries | PWC | 647 | 11,050 | 25 | 284 | - | - |
| | Others | 17 | 1,126 | - | - | - | - |

Date of signature: 28 March 2018

Peter Sheldon

Chairman of the Board

Ariel Hasson

CEO and Director

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.