

**PRESS RELEASE**

Amsterdam/Tel Aviv, May 30, 2018

Number of pages: 9

**FIRST QUARTER OF 2018 RESULTS KARDAN N.V.****Highlights Q1 2018:**

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)	3M 2018	3M 2017
Real Estate (development and investment property)	(3.2)	(1.9)
Water Infrastructure (discontinued operations)	(0.3)	0.9
Other	0.5	0.7
<b>Total Operations</b>	<b>(3.0)</b>	<b>(0.3)</b>
Holding (Corporate Finance and G&A)	7.3	(17.5)
<b>Total attributed to the equity holders</b>	<b>4.3</b>	<b>(17.8)</b>

**Kardan N.V.**

- Q1 2018: €4.3 million net profit to equity holders (Q1 2017: loss of €17.8 million), mostly due to a positive currency impact on the Company's debentures of €12.7 million (2017: €11.5 million negative).

**Real Estate**

- Q1 2018: net loss of €3.2 million (Q1 2017: net loss of €1.9 million).

**Water Infrastructure**

- Q1 2018: loss of €0.3 million attributable to equity holders compared with a profit of €0.9 million in Q1 2017, mainly due to higher financing expenses and a provision. (Q1 2017 included a tax benefit).

**Other**

- Avis Ukraine continued to show good results and contributed equity earnings of €0.5 million in Q1 2018.
- The February 2018 scheduled payment of principal and interest to the Company's debenture holders (series A and B) amounting to approximately €110 million were not repaid up to and including today. The Company is currently negotiating with the debenture holders.

**Ariel Hasson, CEO of Kardan NV:** "The operational performance of our real estate and water infrastructure activities continued positively in the 1<sup>st</sup> quarter of 2018. Our real estate activities in China, through our subsidiary KLC, was especially successful in selling and delivering residential units. Our water infrastructure activities, through our subsidiary Tahal, again won new projects, expanding its activities in Russia and India.

In January 2018 we commenced negotiations with our debenture holders in order to come to a new debt settlement. As of today, these negotiations are still ongoing, and although there is no certainty about the outcome of these negotiations, we are fully committed to reach an agreed settlement in the interests of all stakeholders. In parallel, we will continue to advance asset divestments in a manner that will allow us to maximize proceeds in order to meet our repayment obligations and to restore our equity position."

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

For the first three months ended March 31, 2018 (in € million)

	Q1 - 2018	Q1 - 2017	12M - 2017
Total revenues	63.1	1.6	15.0
Total expenses	64.9	4.5	28.0
Loss from operations before fair value adjustments, disposal of assets and financial expenses	(1.8)	(2.9)	(13.0)
Gain (loss) from fair value adjustments and disposal of assets and investments, net	-	-	(3.3)
<b>Result from operations before finance expenses</b>	<b>(1.8)</b>	<b>(2.9)</b>	<b>(16.3)</b>
Financing income (expenses), net	6.3	(19.9)	(27.5)
Equity earnings, net	1.7	5.3	18.9
Profit (loss) before income tax	6.2	(17.5)	(24.9)
Income tax expenses / (benefit)	1.6	1.2	5.2
<b>Profit (loss) from continuing operations</b>	<b>4.6</b>	<b>(18.7)</b>	<b>(30.1)</b>
Profit from discontinued operations	0.2	0.6	12.7
Profit (loss) for the period	<b>4.8</b>	<b>(18.1)</b>	<b>(17.4)</b>
Attributable to:			
Non-controlling interests	0.5	(0.3)	(0.3)
<b>Profit (loss) for the period attributable to Kardan equity holder</b>	<b>4.3</b>	<b>(17.8)</b>	<b>(17.1)</b>
Other comprehensive income (expense)	(6.1)	(1.8)	(24.6)
<b>Total comprehensive expense attributable to Kardan equity holders</b>	<b>(1.8)</b>	<b>(19.6)</b>	<b>(41.7)</b>

**Overall summarized review of Q1 2018 results**

**Kardan** recognized a consolidated net profit of € 4.3 million attributable to equity holders in the first three months of 2018 compared to a net loss of € 17.8 million in the first three months of 2017.

The financing income included a significant positive impact of € 12.7 million due to the strengthening of the EUR versus the NIS and the change in Israeli CPI on the Company's debentures in Q1 2018, compared with the significant net negative foreign exchange and Israeli CPI impact of € 11.5 million in Q1 2017.

The Real Estate activities showed an improvement in revenue from the delivery of units in Europark Dalian project, mainly due to the delivery of building B and additional apartments in building A, totaling €61.8 million in Q1 2018 (Q1 2017: €0.2 million). Galleria Dalian rental revenues remained rather stable in Q1 2018 compare to Q1 2017.

Equity earnings from joint venture residential projects decreased as a result of delivering lower number of residential units and amounted to € 1.2 million (€ 4.6 million in Q1 2017). Finance expenses were high and included mostly interest expenses related to the Europark Dalian loan. The net loss contributed by the Real Estate activities amounted to € 3.2 million in Q1 2018 compared to a loss of € 1.9 million in Q1 2017.

Revenue of the water infrastructure activities remained stable in Q1 2018 at € 31.6 million compared to Q1 2017 (€ 31.2 million). In Q1 2018 a net loss of € 0.3 million was reported, including a relatively higher provision for doubtful debts and a one-time recognition of tender expenses in the amount of € 0.7 million.

Avis Ukraine continued to show strong results and contributed a net profit of approximately € 0.5 million in the first three months of 2018.

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 expense to Kardan NV's shareholders amounted to € 1.8 million in Q1 2018 compared to a comprehensive expense of € 19.6 million in Q1 2017. The other comprehensive expense was mainly a result of changes in foreign exchange rates.

## Equity

<b>Kardan N.V.</b> (company only, in € million)	<b>March 31, 2018</b>	<b>December 31, 2017</b>
Total Assets	369.1	380.0
Total Equity (deficit)	(12.7)	(4.4)
Equity/Total assets (%)	(3.4%)	(1.2%)

The shareholders' equity of Kardan N.V. decreased from €4.4 million negative as of December 31, 2017 to a deficit €12.7 million as of March 31, 2018, mainly due to first implementation of two new accounting standards (IFRS 9 and IFRS 15 –see also note 3 to the interim consolidated financial statements) which was reflected in a retrospective adjustment of €6.6 million, net to the opening balance of shareholders' equity. Equity was also negatively affected by a foreign exchange net impact of €5.8 million, mainly due to the erosion of the Angolan currency against the Euro, with respect to TGI's investment in a subsidiary in Angola.

## 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 March 31, 2018 and December 31, 2017 the Company does not meet the debt coverage ratio financial covenant. Accordingly, the debenture holders have the right to call the debentures for immediate repayment.

As at March 31, 2018, the Company's subsidiaries met their financial covenants.  
For additional information see section 12.1 of chapter A to the annual report.

## Financial position and going concern

In their review report as of March 31, 2018, the auditors draw the attention to the existence of a material uncertainty which may cast significant doubts about the Company's ability to continue as a going concern, due to - among others - the Company inability to meet the February 2018 payment to the debenture holders. As at the date of this report, the Company is in discussion with the debenture holders to reschedule the payments. However, there is no certainty as to the results of these discussions. For additional information see section 3 below regarding the cash flow forecast and note 2 to the interim consolidated 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 Ltd. ('KLC'). In order to better reflect the underlying activities, the Company presents the results of the Real Estate activity as two operational segments: Real Estate - Development and Real Estate - Investment Property. As of March 31, 2018, 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 three months ended March 31,		For the year ended December 31,
	2018	2017	2017
<b>Real Estate - Development</b>			
Sale of apartments	61.8	0.2	9.2
Cost of sales	(60.5)	-	(8.1)
<b>Gross Profit</b>	<b>1.3</b>	<b>0.2</b>	<b>1.1</b>
SG&A expenses	(0.6)	(0.4)	(3.1)
Gain from sale of fixed assets	-	-	0.8
Equity earnings	1.2	4.6	16.4
<b>Operational profit - Real Estate Development segment</b>	<b>1.9</b>	<b>4.4</b>	<b>15.2</b>
<b>Real Estate - Investment Property</b>			
Rental revenues	1.3	1.5	5.8
Cost of rental revenues	(0.9)	(1.0)	(4.1)
<b>Gross Profit</b>	<b>0.4</b>	<b>0.5</b>	<b>1.7</b>
SG&A expenses	(1.0)	(1.3)	(4.9)
Adjustment to fair value (impairment) of investment property	-	-	(4.1)
<b>Operational loss - Real Estate Investment Property segment</b>	<b>(0.6)</b>	<b>(0.8)</b>	<b>(7.3)</b>
<b>Total operational profit (loss) - Real Estate</b>	<b>1.3</b>	<b>3.6</b>	<b>7.9</b>
Other unallocated expense	(0.6)	(0.8)	(2.7)
<b>Profit (loss) before finance expenses and income tax</b>	<b>0.7</b>	<b>2.8</b>	<b>5.2</b>
Finance expenses, net	(2.4)	(3.6)	(14.9)
Tax benefits (expenses)	(1.5)	(1.1)	(4.9)
<b>Loss for the period – attributed to Company's shareholders</b>	<b>(3.2)</b>	<b>(1.9)</b>	<b>(14.6)</b>

### Additional information - Kardan Land China

	For the three months ended March 31,		For the year ended December 31
	2018	2017	2017
<b>Operational Information</b>			
Revenue Residential - JV (in € million) *	5.1	27.6	80.0
Gross profit residential - JV (in € million) *	2.1	8.2	25
Apartments sold in period (a)	247	455	1,232
Apartments delivered in period (b)	313	616	1,397
Total apartments sold, not yet delivered (c)	1,647	1,918	1,703

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

(b) In Q1 2018 278 apartments were delivered in the Dalian project compared to nil in Q1 2017.

(c) KLC's share in the estimated gross profit from apartments sold is €18.9 million as of 31 March 2018.

Units sold in the period	For the three months ended March 31,		For the year ended, December 31
	2018	2017	2017
<b>100% owned</b>			
Europark Dalian	22	12	124
<b>Joint Venture projects*</b>			
Olympic Garden	127	387	688
Suzy	91	-	332
Palm Garden	7	16	47
City Dream	-	40	51
	225	443	1,118
<b>Total</b>	<b>247</b>	<b>455</b>	<b>1,242</b>

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

### **Real Estate – Development**

The Real Estate Development segment relates to the residential projects of Europark Dalian and the joint venture residential projects. The result from operations of this segment decreased to €1.9 million profit in Q1 2018 compared with €4.4 million profit in Q1 2017 mainly due to the decrease in the contribution of the joint ventures, due to the delivery of a small number of apartments, since as of reporting date, most of the inventory is under construction.

Revenue from sale of apartments relates to the handover of apartments in the Europark Dalian project. During Q1 2018 building B in Europark Dalian project, which was sold as one unit to a client and will serve as an apartment hotel, was delivered, as well as 16 units in project building A, compared to no deliveries in Q1 2017. As of March 31, 2018 only 12 unsold units remain in building A.

In the second half of 2017, KLC started the sales of the new C2 tower of the Europark Dalian project. In Q1 2018 15 apartments were sold which accumulated to 131 apartments sold till May 2018.

SG&A showed an increase compared to the corresponding period in 2017, primarily due to marketing activities of the new C towers in Europark Dalian project and sales commissions paid relating to the Europark Dalian.

'Equity earnings', comprises the result of the residential activities from joint venture projects, which contributed a profit of €1.2 million in Q1 2018 compared with a profit of €4.6 million in Q1 2017, as a result of a decrease in revenues from delivery of apartments. Revenue from the residential joint venture projects amounted to €5.1 million in Q1 2018 compared to €27.6 million in Q1 2017.

### **Real Estate – Investment Property**

Total revenues of the Investment Property segment decreased from €1.5 million in Q1 2017 to €1.3 million in Q1 2018, mainly due to a onetime adjustment of a rental contract in Galleria Dalian shopping mall, while the positive trend (in increasing footfall and occupancy) continues.

Accordingly, the gross profit of the Investment Property segment slightly decreased to 31% compared to 33% in Q1 2017.

SG&A showed a decrease compared to the corresponding period in 2017, mostly due to savings and a decrease in marketing costs.

### **Real Estate - Total**

The above resulted in an operational profit of the Real Estate operations of € 1.3 million in Q1 2018 compared to € 3.6 million operational profit for Q1 2017.

'Financing expenses, net, amounted to € 2.4 million, compared with € 3.6 million in Q1 2017. The financing expenses mainly include interest expenses related to the Europark Dalian project loan. Financing expenses also included a positive impact of € 0.3 million due to the appreciation of the RMB and the USD versus the EUR, compared with a negative foreign exchange impact of € 0.4 million in Q1 2017.

Tax expenses in Q1 2018 amounted to € 1.5 million and mostly related to land value added tax for building B (Q1 2017 € 1.1 million tax expense).

Net loss of € 3.2 million in Q1 2018 is mainly due to lower deliveries in the JV's, high financing expenses, and the tax expenses.

#### **Additional balance sheet information - Kardan Land China**

	<b>2018</b>	<b>2017</b>
	<b>(31.3)</b>	<b>(31.12)</b>
<i>(in € millions)</i>		
<b>Real Estate – Development</b>		
Share of investment in JVs	53.7	56.4
Inventory	60.4	116.4
<b>Real Estate – Investment Property</b>		
Investment Property	222.9	221.1
Cash & short term investments	48.8	37.0
Total Assets	459.1	502.6
Loans and Borrowings	116.8	115.1
Advance payments from buyers ( <b>Real Estate – Development</b> )	18.1	61.2
Total Equity	269.0	270.1

In Q1 2018 total 247 units were sold, compared with 455 units sold in Q1 2017. 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 102 units till March 31 2018.

#### **Inventory**

Total number of units in the inventory decreased from 3,412 at December 31, 2017 to 2,882 as at March 31, 2018 mostly due to the delivery of building B. The number of unsold units in inventory (including the inventory of joint venture projects) decrease to 1,225 as at March 31, 2018 (vs 1,478 as of December 31, 2017). The rate of unsold units for which construction was completed slightly increased to 11% compared with 9% at 31 December, 2017.

Investment property solely represents Galleria Dalian shopping mall, the value of which decreased by approximately 1% compared to December 31, 2017, mainly due to the depreciation of the RMB versus the EUR.

The occupancy level rose to approximately 84% as of 31 March 2018 (31 December 2017: 81%).

'Loans and borrowings', predominantly relate to the use of a construction loan for Europark Dalian, for an amount of € 114.3 million as at 31 March, 2018.

The decrease in equity in the reporting year is attributable to 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.

In millions of Euro	For the three months ended		Full Year
	2018	2017	2017
	March 31,		
Contract revenues	31.6	31.2	176.4
Contract cost	26.2	27.0	152.8
<b>Gross profit</b>	<b>5.4</b>	<b>4.2</b>	<b>23.6</b>
SG&A expenses	(4.7)	(3.4)	(12.9)
Equity losses	(0.1)	(0.3)	(1.1)
Gain on disposal of assets and other income	-	-	7.8
<b>Result from operations before financing expenses</b>	<b>0.6</b>	<b>0.5</b>	<b>17.4</b>
Financing income (expenses), net	(0.5)	(0.2)	0.4
Income tax (expenses) benefit	0.1	0.3	(5.0)
<b>Net Profit from continuing operations</b>	<b>0.2</b>	<b>0.6</b>	<b>12.8</b>
Attributable to:			
Non-controlling interest holders	0.5	(0.3)	(0.3)
<b>Equity holders (Kardan N.V.)</b>	<b>(0.3)</b>	<b>0.9</b>	<b>13.1</b>

<b>Additional Information Water Infrastructure</b>	<b>2018</b>	<b>2017</b>
	<b>(31.3)</b>	<b>(31.12)</b>
<i>Balance sheet (in € million)</i>		
Cash & short term investments	20.9	9.3
Total Assets	188.6	183.4
Net debt	(14.8)	(13.2)
Equity	43.9	50.9
Equity / Assets	23.3%	27.7%
<i>Other (in USD million)</i>		
Backlog	763	672

During Q1 2018 water infrastructure activities reported a loss of €0.3 million, compared to a net profit of €0.9 million in Q1 2017. The loss for the period including a relatively higher provision for doubtful debts and a one-time recognition of €0.7 million tender expenses.

Revenue remained stable in Q1 2018 at €31.6 million compared to Q1 2017 (€31.2 million).

The gross margin increased from 13.4% in Q1 2017 to 17% in Q1 2018 due to improved profitability in number of projects.

Financing expenses amounted to €0.5 million in Q1 2018 compared to €0.2 million in Q1 2017 mostly due to interest expenses on utilization of credit line.

The income tax benefit €0.1 million in Q1 2018 (compared to €0.3 million expense in Q1 2017) is mainly related to deferred tax assets on carry forward losses.

Equity of TGI decreased mainly due to negative impact of foreign exchange on TGI's subsidiary in Angola.

In February 2018, Tahal India was awarded a project in the city of Bangalore for a total amount of approximately USD 28 million (€22.8 million). The project consists of the renewal, expansion, upgrading and operation of a water supply network, to which 42,000 households will be connected. Furthermore, Tahal was awarded another project in the city of Ivanovo, Russia, which is a continuation of the project executed and successfully completed by Tahal. The project consists of the renovation of biological facility of waste water treatment.

In total, new orders of US\$ 127 million were recorded in the first quarter of 2018, bringing the order backlog to US\$ 763.1 million (December 31, 2017 US\$ 672.1 million).

It should be noted that in addition, companies in the TGI group have received notices regarding the winning of additional projects in the amount of US\$ 473 million. Upon fulfillment of conditions related mainly to financial closing, signed contracts amounting to US\$ 473 million will be added to the existing backlog.

## CORPORATE HOLDING AND OTHER

	For the three months ended March 31,		For the year ended December 31,
	2018	2017	2017
<b>Corporate expenses:</b>			
General and administration expenses	(1.3)	(1.0)	(4.0)
Financing income (expense), net	8.7	(16.4)	(12.6)
Fair value loss on derivatives	-	-	(0.4)
Income tax expenses	(0.1)	(0.1)	(0.3)
	<b>7.3</b>	<b>(17.5)</b>	<b>(17.3)</b>
<b>Other activities:</b>			
Financing income (expense), net	-	-	0.1
Equity earnings (Avis Ukraine)	0.5	0.8	2.4
Other income (expenses), net	-	(0.1)	(0.8)
	<b>0.5</b>	<b>0.7</b>	<b>1.7</b>

### **Corporate expenses:**

Financing expenses decreased significantly in Q1 2018 compared to the corresponding period in 2017, 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 € 12.7 million in Q1 2018 (Q1 2017: € 11.5 million negative).

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

**Other activities** consisted in 2018 of equity earnings from the Company's holding in Avis Ukraine joint venture, which continued to show good results and contributed a net profit of €0.5 million as part of the Company's equity earnings in Q1 2018.

## 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, 2018 amounted to € 628.0 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.**

## 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, 2018	March 31, 2017	December 31, 2017	Notes
<b>Total balance sheet</b>	628,038	659,934	668,576	The decrease in total balance sheet compared to December 31 2017, is mainly due to the decrease in apartment inventory.
<b>Current assets</b>	324,452	326,620	362,952	The decrease in current assets compared to December 31, 2017, is mainly due to the decrease in apartment inventory following the delivery of building B.
<b>Non-current assets</b>	303,586	333,314	305,624	No material change compared to December 31, 2017.
<b>Current maturities of debentures</b>	278,639	110,849	95,452	In February 2018 the Company did not make the scheduled payments to the Debenture Holders series A and B, and therefore the Company classified the entire outstanding debt as current liability.
<b>Other current liabilities</b>	245,476	332,285	271,594	The decrease in the other current liabilities compared to December 31, 2017 is mainly due to the decrease in the advances from apartment buyers following the delivery of building B in Europark Dalian.  As of March 31, 2017 the loan for the Dalian project was classified as current liabilities. Following the refinancing agreement of the loan signed in November 2017 the loan is now presented as non-current liabilities.
<b>Debentures</b>	-	189,984	188,708	The decrease compared to December 31, 2017 and March 31 2017, is due to the classification of the entire debentures balance to current maturities as of March 31 2018.
<b>Long term Interest-bearing loans and borrowings</b>	105,820	-	104,933	As of March 31, 2017 the said loan for the Dalian project was classified as current maturities.
<b>Equity attributable to equity holders of the parent</b>	(12,739)	17,782	(4,368)	The decrease in equity compared to December 31, 2017, is mainly due to the impact of the adoption of new accounting standards (IFRS 9) for the first time, as described in note 3 to the financial statements, and due to foreign currency translation differences (other comprehensive expense).

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

	Q1 2018	Q1 2017	FY 2017	Notes
<b>Net cash provided by (used in) operating activities</b>	3,709	(25,262)	(50,196)	<p>In Q1 2018, €11 million were provided for changes in payables and receivables which were partially offset by exchange rates and finance expenses.</p> <p>In Q1 2017 cash was mainly used to changes in payables and receivables in the amount of €15 million as well as exchange rates and finance expenses. In addition, In February 2017 the Company repaid the remaining interest on the debentures in the amount of €4 million.</p> <p>In 2017, approximately €27 million were used for payment of interest and taxes as well as decrease in payables and receivables.</p>
<b>Net cash provided by (used in) investing activities</b>	(6,890)	(2,705)	11,594	<p>In Q1 2018, €12 million were used for investments in short term deposits and were partially offset by approximately €6 million generated from the collection of loans to companies accounted for using the equity method.</p> <p>In Q1 2017 cash 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 2017, approximately €20 million generated from the sale of Star Pumped Storage, and were partially offset by investments in fixed assets in the water infrastructure activities.</p>
<b>Net cash provided by (used in) financing activities</b>	13,469	8,678	25,098	<p>In Q1 2018 €13.7 million were proceeds from short term credit provided to the water infrastructure activity.</p> <p>In Q1 2017 €8.3 million were proceeds from short-term loans.</p> <p>In 2017 €11.2 million net were proceeds from long term loan in the real estate activity and €8.2 million were proceeds from short term credit provided to the water infrastructure activity.</p>

Kardan finances its operations by the Company's debentures, the sale of assets and dividend received 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 section 2 of the "Significant Events and Developments" part below. For details regarding credit balances as of the balance sheet date refer to section 1 above.

The average balance of long-term and short-term loans for the period is not significantly different than their book value as at March 31, 2018.

The average balance of trade receivables and trade payables for the period is €8 million and €2 million, respectively.

### 3. Cash Flow Forecast

The review report of the external auditors as of March 31 2018, includes a mandatory emphasis of matter regarding the ability of the Company to continue as going concern (see also Note 2 to the condensed interim consolidated financial statements). In addition, the Company has a negative working capital on a consolidated and stand-alone basis. 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 as starting April 1, 2018.

**As announced by the Company, payments to the debenture holders that were scheduled for February 2018 were not executed on time and were not carried out by the date of this report. As of the date of this report, the Company is negotiating with the debenture holders for rescheduling the payments.**

**In view of the fact that the date for making the payments to debenture holders that were scheduled for February 2018 passed without the Company having repaid these payment, and that the terms of a debt settlement have not yet been agreed with the debenture holders, the Company cannot estimate the date on which such payments will be made. Accordingly, the cash flow forecast below includes, inter alia, the payments to the debenture holders that were scheduled for February 2018, as well as the other payments to the debenture holders for the next two years in accordance with their existing contractual obligations, without consideration of 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	April 1, 2018 – December 31, 2018	January 1, 2019 - December 31, 2019	January 1, 2020 – March 31, 2020
	in €millions		
<b>Cash and cash equivalents at the beginning of the period</b>	<b>6.5</b>	<b>9.9</b>	<b>(71.3)</b>
<b>From operating activities</b>			
General and administrative expenses	(2.7)	(3.6)	(0.9)
<b>From investing activities</b>			
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	27.0	-
<b>Resources from investee companies</b>			
Loan repayment and dividends (8)	5.0	-	-
<b>Total Resources</b>	<b>118.8</b>	<b>33.3</b>	<b>(72.2)</b>
<b>From financing activities (6) - (11)</b>			
Principal and interest payment of debentures – Series A	47.2	-	-
Principal and interest payment of debentures – Series B	61.7	104.6	98.3
<b>Total Uses</b>	<b>108.9</b>	<b>104.6</b>	<b>98.3</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>9.9</b>	<b>(71.3)</b>	<b>(170.5)</b>

#### Main Assumptions to the Cash Flow Forecast

- 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 12 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. In addition, as of the date of this report, the Company does not have any information regarding the nature of such future transaction (investment in shares, sale of shares or sale of operations).
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 finalized, and accordingly, there is no certainty 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 payments 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. The forecast readers must take these facts into account when assessing the Company's probability of meeting the cash flow forecast.**
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 includes the principal and interest payment that were scheduled for February 2018 and were not yet repaid, and is based on the repayment schedule included in the Deeds of Trust for the remaining payments, including CPI linkage and interest at the rate specified in the Deeds of Trust (without interest in arrears), in light of the Company's inability to estimate the payment dates, and considering that the Company has not yet repaid these payments and that according to the Company's estimate, these payments will be repaid from funds received by the Company during the cash flow forecast period.**

8. **The cash flow forecast includes accrued interest up to the original payment date, in respect of payments that were scheduled for February 2018 and does not include interest in arrears resulting from failure to meet the repayment dates set out in the Deeds of Trust and deferment of payments to the Debenture Holders, both in light of the Company's request to the Trustees as mentioned above, and the Company's estimates that the payments to the Debenture Holders that were scheduled for February 2018 will be repaid from the consideration received from the sale of TGI (if materialized), and that as of the date of this report, the Company is unable to estimate the closing date of the sale transaction, and therefore the Company has no information regarding the date of actual payment to the Debenture Holders and is unable to calculate the interest in arrears. Readers of the cash flow forecast should take these facts into consideration, with all that it might entail or imply.**
9. **In addition, as a result of the Company's request to negotiate the restructuring of the debt, 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.** It should be noted that article 43 to the Deed of Trust obliges the Company to make balance payments between the two series of debentures according to the mechanism specified in the article, in the event that the Company did not meet the payments according to the payment schedule specified in the Deed of Trust. According to this mechanism, all the funds received by the Company during the cash flow forecast period will be used to repay the payments to debenture holders (series B) so that no payment will be made to debenture holders (series A). In light of the negotiations between the Company and the debenture holders, it was decided at this stage not to include in the cash flow forecast the balance payments.
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 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 March 31, 2017, and as aforesaid, do not include interest on arrears. 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 law<sup>1</sup>. Breakdown of distributable reserves according to Dutch law and intercompany loans balances is as follows:

Subsidiary	Distributable reserves as of 31.3.2018	Intercompany loan as of 31.3.2018
	(EUR million)	
GTC RE	156.8	2.3
KFS	8.4	
Emerging	66.8	-

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

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

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 7.18, 8.25 and 20 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.

#### 4. Financial Position of holding companies of the Kardan Group as of March 31, 2018

- **Net debt (\*)**

The following table summarizes the net debt of Kardan N.V. and of its directly held subsidiaries (company only) as of March 31, 2018:

Company	Net Debt (in EUR million)	
<b>Kardan NV / GTC RE / Emerging Investments XII</b>	<b>Liabilities:</b> Debentures** LT Liability	(308.7) (2.1)
	<b>Assets:</b> Cash and short term investments	5.2
	<b>Net debt</b>	<b>(305.6)</b>
<b>KFS</b>	<b>Assets:</b> Cash and short term investments Loans to related parties	6.4 4.9
	<b>Net cash</b>	<b>11.3</b>
	<b>TGI/TG/TGA***</b>	<b>Liabilities:</b> LT Liability
<b>Assets:</b> Cash and short term investments		0.6
<b>Net cash</b>		<b>0.2</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 10 below.

(\*\*\*) These assets and liabilities are presented as held for sale in the consolidated financial statements as of March 31, 2018.

## **5. Main events in the 3 months of 2018 and subsequent events**

See Section 5 of the Directors' Report attached to the annual financial statements for 2017, as well as the part on Significant Events and Developments in the period.

## **Corporate governance**

### **6. 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 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, as this term is defined in the Code.

The directors with financial and accounting knowledge currently serving on the Board are: Peter Sheldon, Cor van den Bos, Ariel Hasson and Eytan Rechter. For further information regarding education and experience, reference is made to the corporate site and to regulation 26 in part 4 of the 2017 Israeli Annual Report.

#### **Independent Directors**

As stated above, the Israeli Companies Law does not apply to Kardan NV. Accordingly, among other things, Kardan NV does not appoint external directors. Yet, according to the Corporate Governance Code, the majority of the Board members must be independent, as defined by Dutch law.

In addition, 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. As of March 31, 2018 and the date of this report, three out of the six Board members are independent. For further information regarding these directors, see Regulation 26 in Chapter D of the Periodic Report for 2017

It is noted that on May 30, 2018, a general meeting of the shareholders of the Company will be convened on whose agenda the appointment of an independent member of the Board of Directors (as this term is defined in the Company's Articles of Association), so that the majority of the members of the Board of Directors of the Company will be independent Board members (as this term is defined in the Company's Articles of Association).

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

## Additional information

### 7. 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"> <li>• Discount rate – 10.5%</li> <li>• Terminal capitalization rate – 5.5%</li> <li>• Rent per sqm/month – 162.4 RMB</li> <li>• Price per sqm for comparison approach – 16,587 RMB</li> </ul>
Valuation Method	The average of Direct Comparison Approach and DCF methods

The fair value of the property as at March 31, 2018 is based on the model which was used in the valuation report which was attached to financial statements as of December 31, 2017 (for details regarding this valuation, see section 7.6.8.8 in Part A to the 2017 Israeli Annual Report). As of March 31, 2018 there were no material changes to the significant assumptions that were used in the valuation of investment property.

Without detracting from the aforesaid, it should be noted that, the value of the investment property as at March 31, 2018 decreased in approximately € 1.8 million compared to its value as of December 31, 2017, due to the change in exchange rate of the EUR vs. RMB, since its value is denominated and evaluated in the local currency, while the financial statements of the Company are drawn in EUR. For additional information also refer to section 1 of the chapter “Significant Events and Developments” below.

## 8. 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, 2018 and December 31, 2017 (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 31.03.18	Total Investment in books 31.12.17
Kardan NV	GTC RE	100%	224.9	224.9	4.2	229.1	(2.4)	226.7	228.9
	KFS	100%	23.9	23.9	-	23.9	-	23.9	23.9
	TGI	98.43%	42.3	43.9	(1.4)	42.5	-	42.5	49.5
	Emerging Investments XII	100%	66.8	66.8	-	66.8	-	66.8	65.2

Holding Company	Name of subsidiary	Share in subsidiary	Consolidated equity	Share holders consolidated equity	Adjustments of GTC RE	KLC Book Value	Share holders Loans	Total Investment in books 31.03.18	Total Investment in books 31.12.17
GTC RE Holding	Kardan Land China	100%	269.0	269.0	1.0	270.0	(50.2)**	219.8	221.6

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 31.03.18	Total Investment in books 31.12.17
TGI	Tahal Group Assets B.V.	100%	6.0	9.4	-	9.4	(3.4)	6.0	6.2
	Tahal Group B.V.	100%	42.7	40.9	-	40.9	(0.3)	40.6	47.4

(\*) 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 7.9 million as of March 31, 2018.

(\*\*\*\*) Emerging Investment XII held the following Kardan N.V Debentures as of March 31, 2018:

	Nominal Value In NIS	Liability Value including accrued interest In EUR millions
Series A	109,839,448	32.2
Series B	120,381,450	38.3

## 9. Information to the Debenture Holders

The following are details regarding the marketable debentures of Kardan NV as of March 31, 2018:

	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 274.9 million (NIS 1,190,000,000)	EUR 308.2 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, 2018</b>	EUR 68.7 million (NIS 297,500,000 par value)	EUR 220.1 million (NIS 952,834,318 par value)
<b>Debentures held by subsidiaries</b>	NIS 136,506,115 par value	NIS 120,381,450 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 47.2 million	EUR 264.6 million
<b>Market capitalization as of March 31, 2018(*)</b>	EUR 22.6 million	EUR 150.5 million
<b>The trustee</b>	Aurora Fidelity Trust Co. Ltd	Hermetic Trust (1975)
<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>	D (February 2018)	D (February 2018)
<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 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.	
<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;

The Debentures (Series A and B) are material to the Company. As of March 31, 2018, the Company does not meet the financial covenants it has undertaken to comply with. In addition, in February 2018, the Company did not make the scheduled repayments to the debenture holders. Accordingly, as of the date of this report, the debenture holders have the right to call the debentures for immediate repayment.

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. For details regarding the meetings of debenture holders convened during the reporting period, see the chapter "Significant Events and Developments" below.

## 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, 2018 (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 2018 ("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 30, 2018

---

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 2018 ("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 30, 2018

---

E.Oz-Gabber, CFO

**Kardan N.V.**  
**(the "Company")**  
**Significant events and developments**  
**Filings pursuant to Israeli Law**  
**May 30, 2018**

In accordance with Regulation 39 (a) of the Israeli Securities Regulations (Periodic and Immediate Reports) - 1970, below is a description of all events and significant updates in respect to the matters described in the 2017 annual financial statements published by the Company on March 28, 2018 ('the Annual Report').

For details regarding the material events that occurred in the first quarter 2018 up to March 28, 2018, reference is made to the Annual Report.

**Real Estate**

1. Detailed below is information regarding the most significant projects in the real estate development segment:

**Europark Dalian**

<b>Data per 100%, Kardan Land China share – 100%</b>		<b>Q1 - 2018</b>	<b>2017</b>
<b>Invested costs</b>	Cumulative costs for land at the end of the period	75.28	74.65
	Cumulative costs for development, taxes, and fees	3.23	2.76
	Cumulative costs for construction	109.44	103.08
	Cumulative costs in respect of financing (capitalized)	9.90	9.28
	<b>Total cumulative cost</b>	197.85	189.77
	<b>Total cumulative carrying costs</b>	197.85	189.77
<b>Costs yet to be invested and completion rate</b>	Costs in respect of land not yet invested (estimate)	1.39	1.38
	Development costs, taxes and fees not yet invested (estimated)	-	0
	Costs for construction not yet invested (estimated)	39.20	44.22
	Cumulative costs in respect of financing expected to be capitalized in the future (estimate)	3.35	3.85
	<b>Total costs remaining for completion</b>	43.94	50.01
	<b>Completion rate (excluding land) (%)</b>	74%	70%
	<b>Expected construction completion date</b>	2020	2020

		<b>Q1 - 2018</b>	<b>2017</b>
Agreements signed during the current period (not including apartment purchase orders)	Housing units (#)	26	111
	Housing units (sqm)	2,981	11,836
Average price per m <sup>2</sup> in agreements signed during the current period	Housing units	2,300	2,251
Cumulative agreements up to the end of the period:	Housing units (#)	780	754
	Housing units (sqm)	74,953	71,972
Cumulative average price per m <sup>2</sup> in agreements signed up to the end of the period (in euro)	Housing units	2,361	2,344
Marketing percentage of the project	Total expected income from the entire project (in millions of euros)	285	283
	Total cumulative expected income from signed agreements (EUR millions)	177	169
	Marketing rate as of the last day of the period (%)	62%	60%
Areas for which no agreement has been signed:	Housing units (#)	287	313
	Housing units (sqm)	35,031	38,012
<b>Total cumulative cost (remaining inventory) attributed to areas no binding agreements were signed for in the report of the financial situation (in millions of euros)</b>		55	57
<b>Exchange rate for this table</b>		7.738	7.802
*** **			
Number of agreements signed from the end of the period to the report date (#) / m <sup>2</sup>	Residential	14	
Average price per m <sup>2</sup> in agreements signed between the end of the period and the date of the report (EURO)	Residential	2,546	

**Suzy**

<b>Data per 100%, Kardan Land China share – 50%</b>		<b>Q1 - 2018</b>	<b>2017</b>
Invested costs	Cumulative costs for land at the end of the period	24	23
	Cumulative costs for development, taxes, and fees	5	5
	Cumulative costs for construction	4	3
	Cumulative costs in respect of financing (capitalized)	-	--
	Total cumulative cost	33	31
	Total cumulative carrying costs	33	31
Costs yet to be invested and completion rate	Costs in respect of land not yet invested (estimate)	8	7
	Development costs, taxes and fees not yet invested (estimated)	38	38
	Costs for construction not yet invested (estimated)	93	93
	Cumulative costs in respect of financing expected to be capitalized in the future (estimate)	-	--
	Total costs remaining for completion	139	139
	Completion rate (excluding land) (%)	6%	6%
	Expected construction completion date	Q4 2022	Q4 2022

		<b>Q1 - 2018</b>	<b>2017</b>
Agreements signed during the current period	Housing units (#)	77	318
	Housing units (sqm)	5,363	23,652
	Commercial areas (sqm)	-	-
Average price per m <sup>2</sup> in agreements signed during the current period	Housing units	683	656
	Commercial areas	-	-
Cumulative agreements up to the end of the period:	Housing units (#)	395	318
	Housing units (sqm)	29,015	23,652
	Commercial areas (sqm)	-	-
Cumulative average price per m <sup>2</sup> in agreements signed up to the end of the period (in euro)	Housing units	666	656
	Commercial areas	-	-
Marketing percentage of the period	Total expected income from the entire project (in commercial currency)	255	253
	Total cumulative expected income from signed agreements (EUR millions)	19	16
	Marketing rate as of the last day of the period (%)	8%	6%
Areas for which no agreement has been signed:	Housing units (#)	2,636	2,713
	Housing units (sqm)	244,350	249,713
	Commercial areas (sqm)	33,092	33,092
<b>Total cumulative cost (remaining inventory) attributed to areas no binding agreements were signed for in the report of the financial situation (in millions of euros)</b>		12	14
*** **			
Number of agreements signed from the end of the period to the report date (#) / m <sup>2</sup>	Residential	57	
	Commercial	-	
Average price per m <sup>2</sup> in agreements signed between the end of the period and the date of the report (EURO)	Residential	698	
	Commercial	-	

2. Detailed below is information regarding the projects which are not the most significant in the real estate development segment:

Project Name		Q1 - 2018	2017	
Olympic Garden	Agreements signed during the current period	Housing units (#)	45	709
		Housing units (sqm)	3,743	70,474
		Commercial areas (sqm)	21	1,963
	Average price per m <sup>2</sup> in agreements signed during the current period	Housing units	1,223	770
Commercial areas		2,755	2,408	
City Dream	Agreements signed during the current period	Housing units (#)	-	56
		Housing units (sqm)	-	16,387
		Commercial areas (sqm)	-	9,203
	Average price per m <sup>2</sup> in agreements signed during the current period	Housing units	-	774
Commercial areas		-	1,255	
Palm Garden	Agreements signed during the current period	Housing units (#)	2	-
		Housing units (sqm)	146	-
		Commercial areas (sqm)	-	-
	Average price per m <sup>2</sup> in agreements signed during the current period	Housing units	516	-
Commercial areas		-	-	

### **Shopping mall – Galleria Dalian (Dalian, China)**

<b>(Data according to 100%; Kardan N.V. indirect share in the property: 100%)</b>	<b>Q1 2018</b>	<b>Year 2017</b>
Fair value at the end of the period (€ in millions) (*)	222.9	221.1
NOI (€ in millions)	(0.5)	2.57
Valuation losses for the period (€ in millions)	-	(4.2)
Average occupancy rate in the period	82.2%	77.7%
Average rental rate per sqm. (in €) (**)	8.9	10.25
Part of the area for which rental agreements or letters of intent were signed during the period, net (%)	4.3%	7.8%
Part of the area for which rental agreements or letters of intent were signed accumulated (%)	83.6%	79.3%
Average monthly rent per sqm in contracts signed during the Period, gross (per month) (RMB) (***)	10.0	12.86

(\*) The asset functional currency is the RMB. The changes compared to the year 2017 are mainly due to the decrease in the exchange rate of the RMB versus the Euro.

(\*\*) Average rental rate per sqm includes leased areas (mainly anchor tenants with turnover based contracts), in respect of which rental income was not yet recognized.

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

### **Water Infrastructure**

3. Following the description of the Company's material customers in Water Infrastructure in section 8.7.5 to the Annual Report:

- 3.1. On May 23, Tahal Consulting Engineers Ltd. ('Tahal') won a tender (together with a partner who owns 5% of the project company) for the planning and execution of works for the reconstruction of two waste water and sludge treatment facilities in the city of Kharkiv, in the Ukraine. The total compensation for the Project is approximately USD 60 million.

## Financing

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

<b>Name of the Loan and the section in the Annual Report which refers to the loan</b>	<b>Update information</b>	<b>Calculation of financial covenants</b>
Debentures series A section 12.1.2 (1) to the Annual Report	-	See section 12.1.2 to the Annual Report. The coverage ratio of Kardan NV according to the financial statements as of 31.3.2018 is 95.7%; the coverage ratio of Kardan Land China according to the financial statements as of 31.3.2018 is 345%.
Debentures series B section 12.1.2 (2) to the Annual Report		
Credit facility amounting up to RMB 900 million (approximately €115 million at the date of the signing) taken by Kardan Land Dalian Ltd, section 7.6.8.6 to the Annual Report	-	See section 7.6.8.6 to the Annual Report. (1) The ratio between the balance of the loan, net of the cash balances and the value of the pledged properties is 37% (i.e. lower than 50%) (2) As of the report date, KLC signed guarantees at a total sum of 116 million euros, constituting 43% of its equity (i.e. lower than its shareholders' equity. (3) There was no material adverse change in the value of the shares of the Project Company, which affected the ability to repay the loan (4) As of the report date, KLD met the milestone set forth in the loan agreement in connection with construction progress

## General

5. For information regarding the convening of a meeting of the Debenture Holders Series B, refer to the announcement issued by the Trustee on April 8, 2018.
6. For information regarding the convening of an annual meeting of the Company's shareholders, to be held on Wednesday, May 30, 2018 and on the Company's Board of Directors decision not to put the approval of an annual bonus to the Company's CEO for 2018 up for vote, refer to the notices issued by the Company on April 17, 2018 and May 22, 2018.
7. For information regarding the announcement issued by the Trustee of Debenture Holders Series A regarding the postponement of the payment dates of the Debentures Series A, refer to the announcement issued on April 25, 2018 and May 7, 2018.
8. For information regarding the convening of a voting assembly of the Debenture Holders Series A on which agenda is the postponement of the final repayment date of the principal and interest of the Debentures Series A, from May 22, 2018 to July 24, 2018 or any other date that will be determined in coordination with the Tel Aviv Stock Exchange, refer to the announcement issued by the Trustee of the Debenture Holders Series A on April 8, 2018.