



KARDAN N.V.

Q1 2018

30 May 2018



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# Financial Highlights Q1 2018

Net profit (loss) in € millions	Q1-2018	Q1-2017
Real Estate	(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</b>	<b>4.3</b>	<b>(17.8)</b>
Other comprehensive income (expense)	(6.1)	(1.8)
<b>Total comprehensive income (expense)</b>	<b>(1.8)</b>	<b>(19.6)</b>



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

- The shareholders' equity of Kardan N.V. decreased to € 12.7 mn negative due to first implementation of two new accounting standard (IFRS 9 and IFRS 15), reflected in a retrospective adjustment of the shareholders equity opening balance of € 6.6 mn net. Equity was also negatively affected by a foreign exchange impact of € 5.8 mn mainly due to the erosion of the Angolan currency against the euro, with respect to TGI's investment in a subsidiary in Angola.
- As at 31 March 31 2018, the Company does not meet its financial covenants with respect to the debentures.



- Positive operational performance real estate and water infrastructure activities continued
- **Real estate operations** generated a net loss of € 3.2 mn in Q1 2018 (Q1 2017: € 1.9 mn loss), reflecting:
  - Strong sales and deliveries of residential units
  - Lower equity earnings due to less deliveries in joint venture products
- **Water Infrastructure operations** generated a net loss of € 0.3 (Q1 2017: € 0.9 mn net profit) including a one-time recognition of tender expenses
- Profit to equity holders amounted to € 4.3 mn (Q1 2017: net loss of € 17.8 mn), including a positive impact of € 12.7 mn vs a negative impact in Q1 2017 (€ 11.5 mn) from forex (strengthening EUR vs NIS) and Israeli CPI on the debentures



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|--|--|
| <b>Result from operations</b>          | <ul style="list-style-type: none"><li>• Amounted to € 1.9 mn profit (Q1 2017: € 4.4 mn profit), mainly due to less contribution from joint venture activities</li></ul>  |
| <b>Revenue from sale of apartments</b> | <ul style="list-style-type: none"><li>• Amounted to € 61.8 mn (Q1 2017: € 0.2 mn) as delivery of building B in Europark Dalian project was completed (sold as one unit), and delivery of 16 units building A (no deliveries in Q1 2017)</li><li>• 15 apartments were sold in building C2, totaling apartments sold in this project to 131 (till May 2018).</li></ul> |
| <b>SG&amp;A costs</b>                  | <ul style="list-style-type: none"><li>• Amounted to € 0.6 mn (Q1 2017: € 0.4 mn) due to marketing activities of the new C towers and sales commissions.</li></ul>  |
| <b>Equity earnings</b>                 | <ul style="list-style-type: none"><li>• contributed a profit of € 1.2 mn (Q1 2017: € 4.6 mn), as a result of less deliveries of apartments</li></ul>   |



## Real Estate Highlights – Development (continued)

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	<b>Q1 2018</b>	<b>Q1 2017</b>	<b>FY 2017</b>
Total apartments sold in period	247	455	1,242
Total apartments delivered in period	313	616	1,397
Apartments Dalian sold in period	22	12	124
Apartments Dalian delivered in period	-	-	42
Total apartments sold, not yet delivered	1,647	1,918	1,703



### **Result from operations**

- Operational loss of € 0.6 mn (2017 € 0.8 mn loss)

### **Total revenues**

- Amounted to € 1.3 mn (Q1 2017: € 1.5 mn) due to a one-time adjustment of a rental contract in Galleria Dalian shopping mall
- Positive trend in increasing footfall and occupancy continues.
  - The occupancy rate rose to approximately 84% (31 December 2017 – 81%).

### **SG&A costs**

- Decreased to € 1.0 mn (Q1 2017: € 1.3 mn) due to savings, mainly in marketing costs



### **Net Result:**

- Net loss of € 3.2 mn (Q1 2017: € 1.9 mn) mainly due to lower deliveries in the JV's, high financing expenses, and tax expenses.
- Operational profit of € 1.3 mn (Q1 2017 € 3.6 mn)

### **Financing expenses (net):**

- Amounted to € 2.4 mn (Q1 2017: € 3.6 mn), including a positive forex impact of € 0.3 mn versus a negative forex impact of € 0.4 mn in Q1 2017

### **Income tax expenses :**

- Amounted to € 1.5 mn, mostly related to land value added tax for building B (Q1 2017 € 1.1 mn)





- Revenue remained stable
- Gross margin increased to 17% (Q1 2017 13.4%) due to improved profitability in number of projects.
- Financing expenses amounted to € 0.5 mn (Q1 2017 € 0.2 mn) mostly due to utilization of a credit line.
- Income tax benefit € 0.1 mn (Q1 2017 € 0.3 mn expense), mainly related to deferred tax assets on carry forward losses.
- Total loss attributable to equity holders amounted to € 0.3 mn (Q1 2017 € 0.9 mn profit), including a relatively higher provision for doubtful debts and a one-time recognition of € 0.7 million tender expenses



- In total, new orders of USD 127 mn were recorded in Q1 2018, bringing the order backlog to USD 763.1 mn (31 December 2017: USD 672.1 mn).
  - Tahal India was awarded a project in the city of Bangalore for a total amount of approx. USD 28 mn, consisting of renewal, expansion, upgrading and operation of a water supply network, to which 42,000 households will be connected.
  - Tahal was awarded a 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.
- Upon fulfillment of conditions, mainly related to financial closing, signed contracts amounting to US\$ 473 million will be added to the existing backlog.



- Avis Ukraine continued to show good results and contributed equity earnings of € 0.5 mn
- Financing expenses included a positive impact of € 12.7 mn due to foreign exchange differences and the Israeli CPI on the Company's debentures, which are denominated in NIS (Q1 2017: € 11.5 mn negative), resulting in a financing income of € 8.7 mn versus a financing expense of € 16.4 mn in Q1 2017.



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## *Q1 2018 financials*



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	.946	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>



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	(.605)	-	(8.1)
<b>Gross Profit</b>	<b>.13</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>



# Water Infrastructure (discontinued operations)

In millions of Euro	For the three months ended March 31,		Full Year
	2018	2017	2017
Contract revenues	31.6	31.2	176.4
Contract cost	26.2	27.0	152.8
<i>Gross profit</i>	5.4	4.2	23.6
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>





	For the three months ended March 31,		For the year ended December 31,
	2018	2017	2017
<u>Corporate expenses:</u>			
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>
<u>Other activities:</u>			
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>

