KARDAN N.V.
AMSTERDAM, THE NETHERLANDS

Condensed Interim Consolidated Financial Statements (unaudited)
As at September 30, 2018

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CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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	Note	September 30, 2018	September 30, 2017	December 31, 2017
		Unaudited		Audited
		In €'000		
Non-current assets				
Deferred tax assets		452	505	464
Tangible fixed assets, net		577	698	627
Investment property		213,329	223,820	221,089
Investments in joint ventures	7	32,462	36,554	49,889
Loans to joint ventures		18,369	38,805	25,432
Long-term loans and receivables		4,500	5,321	8,123
		269,689	305,703	305,624
Current assets				
Apartments inventory		60,685	109,947	117,900
Trade receivables		7,304	5,722	5,401
Current tax assets		688	1,305	1,502
Other receivables and prepayments		3,608	5,212	5,686
Short-term investments		14,036	9,906	11,969
Cash and cash equivalents		44,689	23,361	37,140
		131,010	155,453	179,598
Assets held for sale	8	235,552	182,129	183,354
Total current assets		366,562	337,582	362,952
Total assets		636,251	643,285	668,576

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

Equity and liabilities

	Note	September 30, 2018	September 30, 2017	December 31, 2017
		Unaudited		Audited
		In €'000		
Equity (deficit) attributable to equity holders of the parent company				
Issued and paid-in capital	5	25,276	25,276	25,276
Share premium		206,482	206,482	206,482
Foreign currency translation reserve		(14,313)	3,769	37
Property revaluation reserve		30,058	34,183	31,637
Revaluation reserve, other		5,018	5,846	5,586
Accumulated deficit		(302,346)	(274,597)	(273,386)
		(49,825)	959	(4,368)
Non-controlling interests		1,932	3,460	3,542
Total equity (deficit)		(47,893)	4,419	(826)
Non-current liabilities				
Interest-bearing loans and borrowings		85,420	2,506	104,933
Other long-term liabilities		997	928	1,054
Financial instruments		666	1,306	1,306
Debentures	2	-	184,836	188,708
Deferred tax liabilities		5,690	3,111	6,355
		92,773	192,687	302,356
Current liabilities				
Trade payables		3,454	2,624	2,294
Current maturities of debentures	2	290,625	98,128	95,452
Interest-bearing loans and borrowings		2,421	102,259	-
Current tax liabilities		1,288	1,347	1,342
Advances from apartment buyers		31,796	51,296	61,208
Other payables and accrued expenses		85,700	53,769	73,952
		415,284	309,423	234,248
Liabilities associated with assets held for sale	8	176,087	136,756	132,798
Total current liabilities		591,371	446,179	367,046
Total liabilities		684,144	638,866	669,402
Total equity and liabilities		636,251	643,285	668,576

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

CONDENSED INTERIM CONSOLIDATED INCOME STATEMENT

	Note	For the nine months ended September 30, 2018	For the nine months ended September 30, 2017	For the three months ended September 30, 2018	For the three months ended September 30, 2017	For the year ended December 31, 2017
		Unaudited				Audited
		In €'000				
Revenues from sale of apartments		69,171	2,288	3,780	1,200	8,556
Rental revenues		2,858	2,910	956	977	3,883
Management fees and other revenues		2,047	1,924	732	623	2,584
Total revenues		74,076	7,122	5,468	2,800	15,023
Cost of apartment sold		66,547	1,887	2,771	893	7,993
Rental cost		790	1,069	157	290	1,346
Other expenses, net		1,966	1,843	293	619	2,847
Total expenses		69,303	4,799	3,221	1,802	12,186
Gross profit		4,773	2,323	2,247	998	2,837
Selling and marketing expenses		3,233	4,261	1,057	1,666	5,668
General and administration expenses		6,637	7,627	2,638	2,545	10,180
Loss from operations before fair value adjustments, disposal of assets and investment and other income		(5,097)	(9,565)	(1,448)	(3,213)	(13,011)
Adjustment to fair value of investment properties		(2,105)	(785)	-	-	(4,181)
Gain on disposal of assets and other income, net		-	793	-	-	836
Gain (loss) from fair value adjustments, disposal of assets and investments and other income		(2,105)	8	-	-	(3,345)
Loss from operations		(7,202)	(9,557)	(1,448)	(3,213)	(16,356)
Financial income		6,406	6,311	135	6,080	6,845
Financial expenses		(26,086)	(25,587)	(12,040)	(759)	(34,321)
Total financial expenses, net		(19,680)	(19,276)	(11,905)	5,321	(27,476)
Profit (Loss) before share of profit from investments accounted for using the equity method		(26,882)	(28,833)	(13,353)	2,108	(43,832)
Share of profit (loss) of investments accounted for using	7	1,860	10,224	(66)	1,855	16,424
Profit (Loss) before income taxes		(25,022)	(18,609)	(13,419)	3,963	(27,408)
Income tax expense (benefit)		1,658	1,660	406	474	5,180
Profit (Loss) for the period from continuing operations		(26,680)	(20,269)	(13,825)	3,489	(32,588)
Net profit from discontinued operations	8	4,926	4,172	1,413	1,130	15,212
Profit (Loss) for the period		(21,754)	(16,097)	(12,412)	4,619	(17,376)
Attributable to:						
Equity holders		(23,988)	(15,766)	(12,914)	4,215	(17,101)
Non-controlling interest holders		2,234	(331)	502	404	(275)
		(21,754)	(16,097)	(12,412)	4,619	(17,376)
Earnings (loss) per share attributable to						
Basic and diluted from continuing operations		(0.22)	(0.15)	(0.12)	0.03	(0.25)
Basic and diluted from discontinued operations		0.04	0.02	0.02	-	0.10
		(0.18)	(0.13)	(0.10)	0.03	(0.15)

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

CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the nine months ended September 30,		For the three months ended September 30,		For the year ended December 31,
	2018	2017	**2018**	2017	2017
	Unaudited				Audited
	In €'000				
Profit (Loss) for the period	(21,754)	(16,097)	(12,412)	4,619	(17,376)
Foreign currency translation differences	(17,531)	(11,394)	(9,759)	(2,188)	(15,202)
Change in hedge reserve, net of tax (1)	(570)	(790)	(182)	(262)	(1,051)
Share of other comprehensive income (expense) of associates and joint venture accounted for using the equity method	(1,147)	(8,581)	(2,544)	(2,029)	(8,498)
Other comprehensive expense for the period to be reclassified to profit or loss in subsequent periods	(19,248)	(20,765)	(12,485)	(4,479)	(24,751)
Total comprehensive income (expense)	(41,002)	(36,862)	(24,897)	140	(42,127)
Attributable to:					
Equity holders	(38,908)	(36,377)	(24,036)	(118)	(41,705)
Non-controlling interest holders	(2,094)	(485)	(861)	258	(422)
	(41,002)	(36,862)	(24,897)	140	(42,127)

(1) Mainly relates to unwinding of hedge transactions in prior periods. The amounts are presented net of tax amounting to €190 thousand and €259 thousand for the nine months period ended September 30, 2018 and September 30, 2017, respectivly, €61 thousand and €87 thousand for the three months period ended September 30, 2018 and September 30, 2017, respectively, and €346 thousand for the year ended December 31, 2017.

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CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent								
	Issued and paid-in capital	Share premium	Foreign currency translation reserve (*)	Property revaluation reserve (*)	Revaluation reserve, other (*)	Accumulated deficit	Total	Non-controlling interest	Total equity
					In €'000				
Balance as of January 1, 2018 (Audited)	25,276	206,482	37	31,637	5,586	(273,386)	(4,368)	3,542	(826)
Adjustments on adoption of IFRS 15	-	-	-	-	-	688	688	-	688
Adjustments on adoption of IFRS 9	-	-	-	-	-	(7,246)	(7,246)	-	(7,246)
Balance as of January 1, 2018 (after adjustments on the adoption of IFRS 15 and IFRS 9)	25,276	206,482	37	31,637	5,586	(279,944)	(10,926)	3,542	(7,384)
Other comprehensive loss	-	-	(14,350)	-	(570)	-	(14,920)	(4,328)	(19,248)
Profit (loss) for the period	-	-	-	-	-	(23,988)	(23,988)	2,234	(21,754)
Total comprehensive loss	-	-	(14,350)	-	(570)	(23,988)	(38,908)	(2,094)	(41,002)
Transaction with non controlling interest holders	-	-	-	-	-	7	7	-	7
Share-based payment	-	-	-	-	2	-	2	484	486
Reclassification according to the Netherlands civil code requirements (*)	-	-	-	(1,579)	-	1,579	-	-	-
Balance as of September 30, 2018 (Unaudited)	25,276	206,482	(14,313)	30,058	5,018	(302,346)	(49,825)	1,932	(47,893)

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

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

	Attributable to equity holders of the parent								
	Issued and paid-in capital	Share premium	Foreign currency translation reserve (*)	Property revaluation reserve (*)	Revaluation reserve, other (*)	Accumulated deficit	Total	Non-controlling interest	Total equity
	In €'000								
Balance as of January 1, 2017 (audited)	25,276	206,482	23,590	34,772	6,633	(259,420)	37,333	3,850	41,183
Other comprehensive expense	-	-	(19,821)	-	(790)	-	(20,611)	(154)	(20,765)
Loss for the period	-	-	-	-	-	(15,766)	(15,766)	(331)	(16,097)
Total comprehensive expense	-	-	(19,821)	-	(790)	(15,766)	(36,377)	(485)	(36,862)
Share-based payment	-	-	-	-	3	-	3	58	61
Transaction with non controlling interest	-	-	-	-	-	-	-	37	37
Reclassification according to the Netherlands civil code requirements (*)	-	-	-	(589)	-	589	-	-	-
Balance as of September 30, 2017 (unaudited)	25,276	206,482	3,769	34,183	5,846	(274,597)	959	3,460	4,419

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

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CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Attributable to equity holders of the parent								
	Issued and paid-in capital	Share premium	Foreign currency translation reserve (*)	Property revaluation reserve (*)	Revaluation reserve, other (*)	Accumulated deficit	Total	Non-controlling interest	Total equity
					In €'000				
Balance as of July 1, 2018 (unaudited)	25,276	206,482	(3,373)	30,058	5,200	(289,432)	(25,789)	2,788	(23,001)
Other comprehensive income (expense)	-	-	(10,940)	-	(182)	-	(11,122)	(1,363)	(12,485)
Profit (loss) for the period	-	-	-	-	-	(12,914)	(12,914)	502	(12,412)
Total comprehensive income (expense)	-	-	(10,940)	-	(182)	(12,914)	(24,036)	(861)	(24,897)
Share-based payment	-	-	-	-	-	-	-	5	5
Balance as of September 30, 2018 (unaudited)	25,276	206,482	(14,313)	30,058	5,018	(302,346)	(49,825)	1,932	(47,893)

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

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CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Attributable to equity holders of the parent								
	Issued and paid-in capital	Share premium	Foreign currency translation reserve (*)	Property revaluation reserve (*)	Revaluation reserve, other (*)	Accumulated deficit	Total	Non-controlling interest	Total equity
	In €'000								
Balance as of July 1, 2017 (unadited)	25,276	206,482	7,840	34,183	6,107	(278,812)	1,076	4,327	5,403
Other comprehensive expense	-	-	(4,071)	-	(262)	-	(4,333)	(146)	(4,479)
Profit for the period	-	-	-	-	-	4,215	4,215	404	4,619
Total comprehensive income (expense)	-	-	(4,071)	-	(262)	4,215	(118)	258	140
Share-based payment	-	-	-	-	1	-	1	20	21
Transaction with non controlling interest	-	-	-	-	-	-	-	(1,145)	(1,145)
Balance as of September 30, 2017 (unaudited)	25,276	206,482	3,769	34,183	5,846	(274,597)	959	3,460	4,419

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

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CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Attributable to equity holders of the parent								
	Issued and paid-in capital	Share premium	Foreign currency translation reserve (*)	Property revaluation reserve (*)	Revaluation reserve, other (*)	Accumulated deficit (*)	Total	Non-controlling interest	Total equity
	In €'000								
Balance as of January 1, 2017 (Audited)	25,276	206,482	23,590	34,772	6,633	(259,420)	37,333	3,850	41,183
Other comprehensive expense	-	-	(23,553)	-	(1,051)	-	(24,604)	(147)	(24,751)
Loss for the year	-	-	-	-	-	(17,101)	(17,101)	(275)	(17,376)
Total comprehensive expense	-	-	(23,553)	-	(1,051)	(17,101)	(41,705)	(422)	(42,127)
Share-based payment	-	-	-	-	4	-	4	77	81
Transaction with non-controlling interest holders	-	-	-	-	-	-	-	37	37
Reclassification according to the Netherlands civil code requirements (*)	-	-	-	(3,135)	-	3,135	-	-	-
Balance as of December 31, 2017 (Audited)	25,276	206,482	37	31,637	5,586	(273,386)	(4,368)	3,542	(826)

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

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CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT

	For the nine months period ended September 30, 2018	For the nine months period ended September 30, 2017	For the three months period ended September 30, 2018	For the three months period ended September 30, 2017	For the year ended December 31, 2017
	Unaudited				Audited
	In €'000				
Cash flow from operating activities					
Profit (loss) from continuing operations before taxes on income	(25,022)	(18,609)	(13,419)	3,963	(27,408)
Profit from discontinued operations before taxes on income	6,050	7,898	2,234	4,688	20,309
Adjustments to reconcile net loss to net cash (see A below)	19,542	(22,869)	6,081	(9,766)	(43,097)
Net cash provided by (used in) operating activities	570	(33,580)	(5,104)	(1,115)	(50,196)
Cash flow from investing activities					
Acquisition of tangible fixed assets	(6,282)	(5,762)	(2,975)	(998)	(13,641)
Investments and collection of loans from companies accounted for using the equity method, net	8,705	64	2,906	1,777	2,737
Acquisition of a subsidiary (see B below)	(326)	-	(486)	-	-
Proceeds from sale of assets and investments in associates	56	2,717	8	10	22,738
Change in long-term loans and receivables	(850)	(454)	(850)	(110)	(934)
Change in short-term investments	453	4,883	14,217	2,554	183
Advances on account of sale of investment accounted for using the equity method	-	6,622	-	6,622	-
Disposal of a previously consolidated subsidiary (see B below)	-	(1,008)	-	-	(1,008)
Change in pledged deposits, net	-	(4,850)	-	(6,369)	1,519
Net cash provided by investing activities	1,756	2,212	12,820	3,486	11,594

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

CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

	For the nine months period ended September 30,		For the three months period ended September 30,		For the year ended December 31, 2017
	2018	2017	**2018**	2017	
	Unaudited				Audited
	In €'000				
Cash flows from financing activities					
Proceeds from long-term loans	-	2,565	-	-	117,304
Repayment of long-term loans	(16,168)	(1,833)	(16,154)	(31)	(106,076)
Change in short-term loans and borrowings	26,082	14,908	10,298	11	8,156
Change in short term deposit	-	-	-	-	176
Change in other long term liabilities, net	841	35	730	(133)	5,538
Change in pledge deposit	-	(394)	-	24	-
Net cash provided by (used in) financing activities	10,755	15,281	(5,126)	(129)	25,098
Increase (decrease) in cash and cash equivalents	13,081	(16,087)	2,590	2,242	(13,504)
Cash relating to assets held for sale	(9,763)	(12,850)	2,405	514	(9,049)
Foreign exchange differences relating to cash and cash equivalents	4,231	(5,485)	(42)	(1,491)	1,910
Cash and cash equivalents at the beginning of the period	37,140	57,783	39,736	22,096	57,783
Cash and cash equivalents at the end of the period	44,689	23,361	44,689	23,361	37,140

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CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

	For the nine months period ended September 30,		For the three months period ended September 30,		For the year ended December 31,
	2018	2017	**2018**	2017	2017
	Unaudited				Audited
	In €'000				
A. Adjustments to reconcile net profit (loss) to net cash					
charges / (credits) to profit (loss) not affecting operating cash flows:					
Share of profit (loss) of companies accounted for using the equity method	(2,205)	(11,622)	331	(2,207)	(17,770)
Gain on disposal of assets and investments in associates, net	-	-	-	-	(8,390)
Share-based payment	26	137	-	51	81
Depreciation and amortization	456	1,858	149	624	449
Fair value adjustments of investment property	2,105	785	-	-	4,181
Fair value adjustments of derivative financial instrument	(194)	398	2	380	240
Financial expense (income) and exchange differences, net	20,485	18,712	12,092	(5,627)	27,178
Capital loss (gain) from sale tangible fixed assets	26	(793)	12	-	(831)
Changes in operating assets and liabilities:					
Change in trade and other receivables	(37,533)	(28,357)	(17,566)	(9,479)	(29,195)
Change in inventories	56,419	(4,202)	1,190	(1,168)	(13,918)
Change in contract work in progress, net of advances from customers	(45,246)	-	(3,246)	-	26,408
Change in trade and other payables	40,310	2,060	16,420	5,062	(18,453)
Dividend received	2,528	16,946	2,528	7,178	13,386
Interest paid	(10,510)	(14,013)	(3,686)	(3,099)	(16,781)
Interest received	717	1,561	291	1,234	304
Income taxes paid	(7,842)	(6,339)	(2,436)	(2,715)	(9,986)
	19,542	(22,869)	6,081	(9,766)	(43,097)

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CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

	For the nine months period ended September 30,		For the three months period ended September 30,		For the year ended December 31,
	2018	2017	**2018**	2017	2017
	Unaudited				Audited
	In €'000				
B. Proceeds from sale/aquisition of subsidiaries (presented as assets held for sale)					
Working capital (excluding cash and cash equivalents and bank borrowings)	1,880	-	986	-	-
Property, plant and equipment	(50)	-	-	-	-
Goodwill	(1,570)	-	(886)	-	-
Intaingable assets	(734)	-	(734)	-	-
Deffered taxes	148	-	148	-	-
Asset classified as held for sale (*)	-	(1,008)	-	-	(1,008)
	(326)	(1,008)	(486)	-	(1,008)

(*) During the first 9 months of 2017 the Company transferred a tax amount of € 1 million to the PRC tax authorities for the remaining 25% of KWIG shares sold.

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

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2018

1. Corporate information

Kardan N.V. ('Kardan' or 'the Company') having its legal seat in Amsterdam, The Netherlands, was incorporated on May 2, 2003, and acts as an operating holding company which is engaged in the development of real estate and (water) infrastructure projects (discontinued operations, see Note 8), through its subsidiaries, joint ventures and associated companies.

The Company and its subsidiaries are referred to as 'the Group'.

These condensed interim consolidated financial statements were approved by the Board of Directors on November 28, 2018.

2. Financial Position and Going Concern

As at September 30, 2018 the Company had, on a stand-alone basis and on a consolidated basis, a working capital deficit of €303 million and €225 million, respectively (excluding debentures held by subsidiaries). For the nine and three months periods ended September 30, 2018, the Company recorded a (consolidated and on a stand-alone basis) net loss of €21.8 million and €12.4 million, respectively, and generated positive cash flow from operating activities of €15.0 million and €16.8 million, respectively, on a stand-alone basis, and positive cash flow from operating activities of €0.5 million and negative cash flow €5.1 million, respectively, on a consolidated basis. In addition, as at September 30, 2018 the Company had a deficit of €49.8 million in its equity attributable to equity holders. The Company has not repaid the February 2018 principal and interest payments to the debenture holders and is in default according to the Deeds of Trust – see below.
In order to assess the liquidity position of the Company, management prepared a two-year liquidity analysis which indicates the required liquidity to be able to repay interest and principal of the Company's debentures and to finance its operating activities. Included in this analysis are, among others, the current cash balances and the projected cash from future operations and transactions. The main source of cash for the Company, in order to repay its debt, will be generated from the sale of assets. The Company is conducting processes, directly or through its subsidiaries, and negotiating transactions to sell assets with a number of prominent parties, which, it is expecting, will generate adequate resources to meet its liabilities, as well as strengthening its financial and equity position. The main process being the sale of TGI.

On January 11, 2018 the Company announced that following updated information received that day, it would not be able to complete a transaction for the sale of its holdings in TGI in a manner that would enable the Company to meet the scheduled payments to the debenture holders in February 2018. Further to this announcement, the Company has not repaid the principal and interest payments which were due in February 2018. Consequently, the Company is in default according to the Deed of Trust as of February 2018. Accordingly, from March 31, 2018 and until the repayments are rescheduled, the debentures are presented as current liabilities. Management is currently conducting advanced discussions with the representatives of the Debenture Holders in order to reach an agreement on postponing the payments as part of a new debt settlement, see also below.

In February 2018, following the announcement that the Company will not make the February 2018 repayments, Maalot, the Israeli subsidiary of Standard & Poor's, has adjusted the rating of the Company and its Debentures Series A and Series B to "D".

Subsequent to the balance sheet date, in October 2018, the Company has published the main principles of a debt settlement as negotiated and agreed with debenture holders series B, which include among others, the following: the principal amount of the Debentures and the interest rate will remain unchanged; the final repayment date of the Debentures will be postponed to December 2021, and in parallel the Company will commit to sell assets – and in relation to one asset, according to an agreed upon timetable – and to use the funds received from such disposals for early repayment of Debentures A and B, and other uses according to terms agreed with the representatives of the Debentures. In addition, the Company will pay each year interest at a rate of 4% p.a.; the remaining interest will be payable at each date the Company repays (part of) the principal of the Debentures; the Company shall issue to Debenture Holders A and B shares of the Company; the funds to be used for repayment will be used first to make the balance payments (as defined in the existing deeds of trust) to Debenture Holders B, and each subsequent amount will be repaid pro-rata to the two debenture series; each material transaction of the Company and its subsidiaries will be subject to approval of a joint meeting of the debenture holders A and B; a mutual exemption from claims shall be determined at a form to be agreed between the parties.
It should be noted that as of the date of approval of this report, the negotiations with the trustee to debenture holders series B have not yet been completed, and the negotiations with the trustee to debenture holders series A have not yet commenced.

The Company is conducting advanced negotiation with respect to the intended sale of TGI. Based on this negotiation, the Company estimates that the majority of the consideration will be received at closing and will be used to repay the debentures. The remaining consideration will be held in escrow to secure certain representations for a limited period of time. The Company estimates, in the abovementioned liquidity analysis, that this majority of the consideration will be received in 2019. In addition, the Company has resolved to sell its investment in its joint venture Avis Ukraine. Accordingly, this investment is presented as held-for-sale as of September 30, 2018.

The directors expect that, taking into account the current status of the settlement discussions with the Debenture Holders and the expected terms of such settlement and taking into account the plans to realize the transactions and the progress which has been made in that respect, as mentioned-above, the Company has the ability to obtain the required resources for repaying its obligations and continue its business operations in the future. Management believes that a controlled sale of assets is in the best interest of all stakeholders. Accordingly, the directors are satisfied that it is appropriate to prepare these consolidated financial statements on a going concern basis.
However, the directors are aware that the realization of the Company's plans depends on factors that are not within the Company's control, including the approval of debenture holders to a debt settlement, and therefore there is uncertainty that transactions for the sale of assets as aforesaid, will be completed according to the forecasted consideration and timing or that the discussions with the Debenture Holders will result in rescheduling of payments. These conditions indicate the existence of a material uncertainty which casts significant doubt regarding the Company's ability to continue as a going concern and therefore it may be unable to realize its assets in order to repay the principal and interest payments which were due in February 2018 and its other liabilities in the normal course of business.
The condensed interim financial statements do not include any adjustments to the carrying amounts and classifications of assets and liabilities that would result if the Company is unable to continue as a going concern.

3. Basis of presentation and preparation

A. General

The condensed interim consolidated financial statements as at September 30, 2018 have been prepared in accordance with International Accounting Standard (IAS) 34 as defined by the International Accounting Standards Board and as endorsed by the European Union to be used for the preparation of interim consolidated financial statements.

The condensed interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as at December 31, 2017 ('the 2017 annual financial statements').

The accounting policies adopted in the preparation of these condensed interim consolidated financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended December 31, 2017.

New standards and amendments to standards have been effective in 2018 and adopted by the Group:
IFRS 15 Revenue from Contracts with Customers

As described in Note 4CC to the 2017 annual financial statements regarding the first-time implementation of International Financial Reporting Standard No. 15 - Revenues from Customer Contracts ("the Standard"), the Company applied IFRS 15 in accordance with the transitional directive. This transitional directive allows the modified retrospective application. The modified retrospective application allows recognition of the accumulative effect of the initial application as an adjustment of the opening balance of retained earnings in the period of initial application as at January 1, 2018 in the amount of €0.7 million.Comparative prior period/year are not adjusted.

Regarding the accounting policy implemented until December 31, 2017 in respect of the revenue recognition - see Note 4U to the 2017 annual financial statements.

The core principle of IFRS 15 is that revenues from contracts with customers must be recognized in a manner that reflects the transfer of control over the goods or services provided to customers under the contracts, in amounts reflecting the consideration that the entity expects to be entitled to receive for those goods or services.

IFRS 15 establishes a single revenue recognition model according to which the entity will recognize revenue in accordance with the said core principle by implementing five stages:

1) Identify the contract(s) with a customer;
2) Identify the performance obligations in the contract;
3) Determine the transaction price;
4) Allocate the transaction price to the different performance obligations in the contract; and
5) Recognize revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 relates to the accounting treatment of a wide range of issues related to the implementation of the said model, including: recognition of variable revenue in the contract, adjustment of the transaction price determined in the contract to reflect the time value of money and the costs of obtaining and maintaining a contract.

The Standard expands the disclosure requirements with regard to income, and inter alia requires the provision of quantitative and qualitative information regarding significant management considerations that were taken into account in order to determine the recognized income.

The accounting policy applied as of January 1, 2018 in respect of revenue recognition is as follows:

Revenue recognition

In accordance with the Standard, revenue from customer contracts is recognized in profit or loss when control of the asset or service is transferred to the customer. Revenue is measured and recognized at fair value of the consideration expected to be received in accordance with the terms of the contract, net of the amounts collected in favor of third parties (such as taxes). Revenue is recognized in profit or loss to the extent that the economic benefits are expected to flow to the Company, and the income and expenses, if relevant, can be measured reliably.

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms. Costs of rental operations are recorded in the same period as rental income is recognized. The aggregate cost of rental incentives is recognized as a reduction of rental income over the lease term on a straight-line basis.

Sale of apartments

The Company is operating in construction and sale of residential properties and offices in China.

In accordance with the law, regulations and the commertial harictaristic in China, in case of a mortgage taken for the purchase of an apartment, the control over the property is transfered to the buyer only upon delivery of the apartment and therefore the income from the sale of the residential units, offices and commercial areas is recognized at one point (on the date of delivery), in cases where the apartment was purchased without the a bank financing, no asset was created with alternative use of the company, and it has an enforceable right for payment based on percentage of completion up to that date. Under these circumstances, the company recognizes income over time. The percentage of completion is determined based on completion of engineering stages of the work.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting of financial assets measured at fair value and amortized cost. In July 2017 the IASB confirmed the accounting for modifications of financial liabilities under IFRS 9. That is, when a financial liability measured at amortized cost is modified without this resulting in an extinguishment, a gain or loss should be recognized in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate.

The Company applied IFRS 9 from the annual reporting periods beginning on January 1, 2018, Retrospective application is required, but comparative information is not compulsory.

In July 2015, the terms of the debentures issued by the Company in 2008 were changed. During the period of application of IAS 39, it was determined that in case of an unsubstantial modification in the terms of a financial liability, which does not lead to the extinguishment of the financial liability, the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate is amortized over the remaining term of the modified liability.

Under IFRS 9, even if the change is considered immaterial, it immediately affects the debentures financial liability, which is measured after the change as the present value of the balance of the new contractual cash flows discounted at the original effective interest rate and the difference between the financial liability in the books (in its original terms) The new consideration is charged as an expense to the statement of profit or loss. As a result of the initial implementation of IFRS 9, the balance of debentures as at January 1, 2018 was changed from €302,106 thousand to €309,352 thousand, against an increase in deficicit for an amount of €7,246 thousand as at the said date. As the Company has not yet reached a debt settlement, the contractual cash flows which were in place as of 31 December 2017 have been used to calculate the impact.

Classification and measurement:

From January 1 2018, the Group classifies its financial assets in the following measurement categories:

1. Those to be measured subsequently at fair value (either through OCI, or through profit or loss), and
2. Those to be measured at amortised cost.

The classification depends on the Company's business model for managing the financial asset and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI). The Group reclassifies debt investments when and only when its business model for managing those assets changes.
The impact of classification and measurement is not material (i.e. no transfer between categories)

Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Impairment of financial assets

The Group has four types of financial assets that are subject to IFRS 9 new expected credit loss model

- Loans to joint ventures
- Long term loans and receivables
- Trade receivables
- Other receivables and prepayments

The Group was required to revise its impairment methodology under IFRS 9 for each of these classes of assets. The impact of the change in impairment methodology was immaterial.
The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

A. NEW STANDARDS AND AMENDMENTS NOT YET ADOPTED BY THE GROUP

IFRS 16 Leases
International Financial Reporting Standard 16 Leases (IFRS 16) sets out the principles for the recognition, measurement, presentation and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the entity.
IFRS 16 is effective for annual periods beginning on or after 1 January 2019.
In addition, it should be noted that the Company chose to apply the exemption from recognition of short-term leases and to leases in which the underlying asset is of low value.

The Company is in the process of evaluating the potential impact of IFRS 16 on its financial statements.

4. Segment information

A. Segments results:

(1) For the nine months ended September 30, 2018:

	Real Estate		
	Development	Investment property	Total
	Unaudited		
	€ in thousands		
Revenues	69,868	4,208	74,076
Adjustment to fair value of investment property	-	(2,105)	(2,105)
Total Income	69,868	2,103	71,971
Share in profit of investment accounted using the equity method	1,860	-	1,860
Segment result	2,970	(3,833)	(863)
Unallocated expenses			(4,479)
Loss from operations and share in profit of investment accounted using the equity method before finance expenses, net			(5,342)
Finance expenses, net			(19,680)
Loss before income tax			(25,022)
Income tax expense			(1,658)
Loss from continuing operations			(26,680)
Profit from discontinued operations			4,926
Loss for the period			(21,754)

(2) For the nine months ended September 30, 2017:

	Real Estate		
	Development	Investment property	Total
	Unaudited		
	€ in thousands		
Revenues	2,834	4,288	7,122
Adjustment to fair value of investment property	-	(785)	(785)
Total Income	2,834	3,503	6,337
Share in profit of investment accounted using the equity method	10,224	-	10,224
Segment result	9,583	(3,247)	6,336
Unallocated expenses			(5,669)
Loss from operations and share in profit of investment accounted using the equity method before finance expenses, net			667
Finance expenses, net			(19,276)
Loss before income tax			(18,609)
Income tax expense			(1,660)
Loss from continuing operations			(20,269)
Profit from discontinued operations			4,172
Loss for the period			(16,097)

(3) For the three months ended September 30, 2018:

	Real Estate		
	Development	Investment property	Total
	Unaudited		
	€ in thousands		
Revenues	4,002	1,466	5,468
Adjustment to fair value of investment property	-	-	-
Total Income	4,002	1,466	5,468
Share in profit of investment accounted using the equity method	(66)	-	(66)
Segment result	847	(841)	6
Unallocated expenses			(1,520)
Loss from operations and share in profit of investment accounted using the equity method before finance expenses, net			(1,514)
Finance expenses, net			(11,905)
Loss before income tax			(13,419)
Income tax benefit			(406)
Loss from continuing operations			(13,825)
Profit from discontinued operations			1,413
Loss for the period			(12,412)

(4) For the three months ended September 30, 2017:

	Real Estate		
	Development	Investment property	Total
	Unaudited		
	€ in thousands		
Revenues	1,376	1,424	2,800
Adjustment to fair value of investment property	-	-	-
Total Income	1,376	1,424	2,800
Share in profit of investment accounted using the equity method	1,855	-	1,855
Segment result	1,354	(772)	582
Unallocated expenses			(1,958)
Loss from operations and share in profit of investment accounted using the equity method before finance expenses, net			(1,376)
Finance income, net			5,339
Profit before income tax			3,963
Income tax expense			(474)
Profit from continuing operations			3,489
Profit from discontinued operations			1,130
Profit for the period			4,619

(5) For the year ended December 31, 2017:

	Real Estate		
	Development	Investment property	Total
	Audited		
	€ in thousands		
Revenues	9,275	5,748	15,023
Fair value adjustments of investment property	-	(4,181)	(4,181)
Total Income	9,275	1,567	10,842
Share in profit of investment accounted using the equity method	16,424	-	16,424
Segment result	15,331	(7,440)	7,891
Unallocated expenses			(7,823)
Profit from operations and share in profit of investment accounted using the equity method before finance expenses, net			68
Finance expenses, net			(27,476)
Loss before income tax			(27,408)
Income tax expense			(5,180)
Loss from continuing operations			(32,588)
Profit from discontinued operations			15,212
Loss for the period			(17,376)

B. Segments assets

	September 30,		December 31
	2018	2017	2017
	Unaudited		Audited
	€ in thousands		
Real Estate – Development	115,730	169,303	176,320
Real Estate – Investment property	223,033	239,350	232,326
	338,763	408,653	408,646
Assets held for sale – (former) water infrastructure and investment in joint venture Avis Ukraine segments	235,552	182,129	183,354
Unallocated assets (*)	61,936	52,503	76,576
	636,251	643,285	668,576

(*) Most unallocated assets relate to cash balances at the level of the holding companies.

C. Segments liabilities

	September 30,		December 31
	2018	2017	2017
	Unaudited		Audited
	€ in thousands		
Real Estate – Development	61,634	78,213	101,538
Real Estate – Investment property	2,459	3,852	7,958
	64,093	82,065	109,496
Liabilities associated with assets held for sale – (former) water infrastructure segment and investment in Avis Ukraine	176,087	136,756	132,798
Unallocated liabilities (*)	443,964	420,045	427,108
	684,144	638,866	669,402

(*) Most unallocated liabilities relate to the finance on the level of the holding companies.

5. Share capital

Composition

	September 30, 2018		December 31, 2017	
	Unaudited		Audited	
	Authorized	Issued and Paid-in	Authorized	Issued and Paid-in
	Number of shares		Number of shares	
Ordinary shares with nominal value of €0.20 each	225,000,000	123,022,256	225,000,000	123,022,256

6. Financial Instruments and Risk Management

Further to Note 35 to the 2017 annual financial statements, set out below is additional information regarding financial instruments and risk management:

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

Fair value schedule

		September 30, 2018		September 30, 2017		December 31, 2017	
		Unaudited				Audited	
	Level	€ 000’					
		Carrying amount (*)	Fair value (**)	Carrying amount (*)	Fair value (**)	Carrying amount (*)	Fair value (**)
Liabilities							
Traded Debentures issued by the Company (series A and B)	1	253,217	101,557	295,424	189,035	301,484	177,856
Debentures issued by the Company that ceased to be traded (Series B) (***)	2	68,362	22,223	-	-	-	-

(*) Including accrued interest.
(**) Price on the Tel-Aviv Stock Exchange.
(***) Portion of Debentures Series B that were not repaid and therefore ceased to be traded on the Tel Aviv Stock Exchange. The repayment date of Debentures Series A was postponed and accordingly these debentures continue to be traded.
The fair value of Series B debentures that were delisted from trading was determined according to the market value of series B debentures that remained listed.

Financial instruments for which fair value could not be determined are immaterial.

B. Level 3 financial assets and liabilities reconciliation

Level 3 reconciliation:

	As of January 1, 2018 (*)	Transactions recorded in P&L	As of September 30, 2018
	Audited	Unaudited	
	In €'000		
Put options	1,306	(639)	667

(*) Not including a balance of €2,114 thousand which is presented as a liability associated with assets held for sale as of September 30, 2018 (see Note 8).

In March 2018 50% of the Put option were cancelled.

There were no material changes in the valuation processes, the valuation methods used, and the assumptions applied and (narrative) sensitivities, for recurring fair value measurements of investment properties and the above mentioned financial assets and liabilities, for additional information on fair value refer to Note 35 to the 2017 annual financial statements.

C. Further to Note 7 to the 2017 annual financial statements, as of September 30, 2018 there were no material changes to the significant assumptions that were used in the valuation of investment property (Galleria Dalian) as at December 31, 2017, apart from adjuments to certain parameters in order to reflect changes as at June 30, 2018. These adjustments resulted in a decrease in the value of the investment property of € 2.1 million.

7. Joint Ventures

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

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

	September 30, 2018	September 30, 2017	December 31, 2017
	Unaudited		Audited
		In €'000	
Current assets (not including cash and cash equivalent)	54,850	54,528	44,697
Cash and cash equivalent	3,091	26,218	28,045
Non-current assets	3,014	4,340	3,022
Current liabilities	(24,290)	(65,273)	(25,629)
Current financial liabilities	(4,499)	-	(18,161)
Non controlling interest holders	(1,719)	(3,382)	(1,677)
Total equity attributed to the owners	30,447	16,431	30,297
% held in the joint venture	50%	50%	50%
Total investment in joint ventures	15,223	8,216	15,149
Deemed cost on projects	195	206	202
Total investment in joint ventures	15,418	8,422	15,351

	For the nine months period ended September 30,		For the three months period ended September 30,		For the year ended December 31,
	2018	2017	**2018**	2017	2017
	Unaudited				Audited
			In €'000		
Revenues from operations	9,927	73,145	1,983	10,537	77,246
Cost of operations	(6,954)	(49,719)	(1,592)	(6,724)	(50,256)
Selling and marketing, other expenses net, and administrative expenses	(1,804)	(4,028)	(580)	(886)	(4,577)
Other financial income (expenses)	570	3,864	1	1,132	10,723
Profit before tax	1,739	23,262	(188)	4,059	33,136
Income tax expenses	(1,675)	(7,846)	(408)	(1,718)	(9,116)
Net profit (loss)	64	15,416	(596)	2,341	24,020
Profit (loss) attributed to non-controlling	31	715	(39)	715	1,338
Profit (loss) for the year attributed to equity holders	33	14,701	(557)	1,626	22,682
% held of the joint venture	50%	50%	50%	50%	50%
Group's share of profit (loss) for the year	16	7,351	(278)	813	11,341
Realizing of deemed cost on projects	(7)	(178)	-	(11)	(181)
Group's share of profit (loss) for the year	9	7,173	(278)	802	11,160
Total other comprehensive income (expenses) attributed to equity holders	(482)	(3,546)	(1,548)	(1,302)	13,080
% held of the joint venture	50%	50%	50%	50%	50%
Group share of the total other comprehensive income (expenses)	(241)	(1,773)	(774)	(651)	6,540

2. **Shanxi GTC Lucky Hope Real Estate Development Ltd.** (a joint venture of KLC)

	September 30, 2018	September 30, 2017	December 31, 2017
	Unaudited		Audited
	In €'000		
Current assets (not including cash and cash equivalent)	81,866	107,283	83,640
Cash and cash equivalent	44,583	27,603	27,342
Non-current assets	13,305	17,941	13,390
Current liabilities	(101,380)	(122,400)	(88,496)
Current financial liabilities	(9,631)	(6,905)	(6,702)
Total equity attributed to the owners	28,743	23,522	29,174
% held in the joint venture	50%	50%	50%
Total investment in joint ventures	14,371	11,761	14,587

	For the nine months period ended September 30,		For the three months period ended September 30,		For the year ended December 31,
	2018	2017	**2018**	2017	2017
	Unaudited				Audited
	In €'000				
Revenues from operations	27,698	21,960	6,734	6,072	60,712
Cost of operations	(17,738)	(13,961)	(4,578)	(3,845)	(40,066)
Selling and marketing, other expenses, and administrative expenses	(3,235)	(1,879)	(951)	(527)	(7,178)
Other financial income	90	73	18	5	120
Profit before tax	6,815	6,193	1,223	1,705	13,588
Income tax expenses	(1,731)	(1,706)	(329)	(860)	(3,396)
Profit for the year attributed to equity holders	5,084	4,487	894	845	10,192
% held of the joint venture	50%	50%	50%	50%	50%
Group's share of profit for the year	2,542	2,243	447	422	5,096
Total other comprehensive income attributed to equity holders	4,118	2,376	(660)	882	7,038
% held of the joint venture	50%	50%	50%	50%	50%
Group share of the total other comprehensive income	2,059	1,188	(330)	441	3,519

8. Discontinued operations and assets held for sale

A. Regarding the presentation of TGI and Avis Ukraine as discontinued operations and asset held for sale, please refer to Note 2.

B. Assets held for sale and liabilities associated with assets held for sale are comprised of the following:

	Septmber 30, 2018	Septmber 30, 2017	December 31, 2017
	Unaudited		Audited
	€ '000		
Assets			
Investment in Subsidiary TGI (*)	216,955	182,129	183,354
Investment in Joint venture Avis Ukraine	18,597	-	-
Total assets	235,552	182,129	183,354
Liabilities			
Investment in Subsidiary TGI	176,087	136,756	132,798
Net asset value	59,465	45,373	50,556

(*) Assets held for sale and liabilities associated with assets held for sale in TGI:

	Septmber 30, 2018	Septmber 30, 2017	December 31, 2017
	TGI	TGI	TGI
	Unaudited		Audited
	€ '000		
Assets			
Assets held for sale	-	11,145	-
Trade receivables	109,751	79,002	96,401
Cash and cash equivalents	18,813	12,850	9,049
Other current assets	45,965	41,925	35,730
Tangible fixed assets net	16,240	17,308	19,822
Other non-current assets	26,186	19,899	22,352
Total assets	216,955	182,129	183,354
Liabilities			
Interest bearing loans and borrowings	49,718	28,337	21,903
Due to customers for contract work	30,909	12,356	48,147
Other liabilities	95,460	96,063	62,748
Total liabilities	176,087	136,756	132,798
Net asset value	40,868	45,373	50,556

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

C.

Net profit from discontinued operations is comprised of the following:

	For the nine months ended September 30,		For the three months ended September 30,		For the year ended December 31,
	2018	2017	**2018**	2017	2017
	Unaudited				Audited
	€ '000				
Equity earning from Joint venure Avis Ukraine	908	2,205	-	643	2,429
Profit from Subsidiary TGI (*)	4,018	1,967	1,413	487	12,783
Net profit from discontinued operation	4,926	4,172	1,413	1,130	15,212

(*) Net profit from discontinued operations of TGI is comprised of the following:

	For the nine months ended September 30,		For the three months ended September 30,		For the year ended December 31,
	2018	2017	**2018**	2017	2017
	Unaudited				Audited
	€ '000				
	TGI				
Income	117,114	116,531	43,437	42,302	176,442
Operating and finance expenses and Share of profit of investments accounted for using the equity method, net	(111,972)	(110,838)	(41,203)	(38,257)	(166,357)
Other income, net	-	-	-	-	7,795
Profit before tax	5,142	5,693	2,234	4,045	17,880
Income tax expenses (benefit), net	1,124	3,726	821	3,558	5,097
Profit from discontinued operations	4,018	1,967	1,413	487	12,783
Attributable to:					
Equity holders	1,785	2,333	912	83	12,582
Non-controlling interest holders	2,233	(366)	501	404	201
	4,018	1,967	1,413	487	12,783

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

	For the nine months ended September 30,				For the three months ended September 30,				For the year ended December 31,	
	2018		2017		**2018**		2017		2017	
	Avis Ukraine	TGI	Avis Ukraine	TGI	Avis Ukraine	TGI	Avis Ukraine	TGI	Avis Ukraine	TGI
	Unaudited								Audited	
	€ '000									
Net cash used in operating activities	908	(12,721)	2,205	(20,554)	-	(8,784)	643	(900)	2,429	(27,821)
Net cash provided by (used in) investing activities	-	(5,623)	-	(3,704)	-	(2,367)	-	1,051	-	3,401
Net cash provided by (used in) financing activities	-	26,880	-	14,847	-	10,986	-	(152)	-	13,940

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

	For the nine months ended September 30,				For the three months ended September 30,				For the year ended December 31,	
	2018		2017		**2018**		2017		2017	
	Unaudited								Audited	
	€ '000									
	Avis Ukraine	TGI	Avis Ukraine	TGI	Avis Ukraine	TGI	Avis Ukraine	TGI	Avis Ukraine	TGI
Adjustments arising from translating financial statements of foreign operations (*)	409	(13,609)	(1,688)	(3,170)	-	(4,082)	(474)	(1,794)	(1,919)	(3,746)
Change in hedge reserve, net	-	-	-	(13)	-	-	-	-	-	(13)
Total other comprehensive expense	409	(13,609)	(1,688)	(3,183)	-	(4,082)	(474)	(1,794)	(1,919)	(3,759)
Attributable to:										
Equity holders	409	(9,436)	(1,688)	(3,077)	-	(2,763)	(474)	(1,674)	(1,919)	(3,345)
Non-controlling interest holders	-	(4,173)	-	(106)	-	(1,319)	-	(120)	-	(414)
	409	(13,609)	(1,688)	(3,183)	-	(4,082)	(474)	(1,794)	(1,919)	(3,759)

9. Financial Covenants

Further to Note 25A to the 2017 annual financial statements, as at September 30, 2018 the Company did not meet its financial covenant, as agreed with the Company's debenture holders.

As of September 30, 2018 all Group companies met their financial covenants, except for one Group company which did not meet certain covenants relating to one of its short term bank credit lines. After the balance sheet date this company received a waiver from the relevant bankwith respect to the covenants, until December 31, 2018.

Review report

To: the shareholders of Kardan N.V.

Introduction

We have reviewed the accompanying condensed interim consolidated financial information of Kardan N.V., Amsterdam, which comprises the condensed interim consolidated statement of financial position as at 30 September 2018, the condensed interim consolidated income statement, the condensed interim consolidated statement of comprehensive income, the condensed interim consolidated statement of changes in equity, the condensed interim consolidated statement of cash flows and the selected explanatory notes for the three and nine months period then ended. Management is responsible for the preparation and presentation of this (condensed) interim financial information in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope

We conducted our review in accordance with Dutch law including standard 2410, Review of Interim Financial Information Performed by the Independent Auditor of the company. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated interim financial information as at 30 September 2018 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union.

Material uncertainty related to going concern

We draw attention to the financial position and going concern paragraph in note 2 of the condensed interim consolidated financial information, which indicates that the Company is negotiating a new debt settlement with its debenture holders. It also indicates that in February 2018 the Company has not repaid the principal and interest payments which were due in February 2018. Hence, the Company is in default according to the Deed of Trust as of February 2018.
The main source of cash for the Company, in order to repay its debt, will be generated from the sale of assets. The realization of the Company's plans depends on factors that are not within the Company's control, including the approval of the debenture holders to a debt settlement, and therefore there is uncertainty that such transactions will be completed at all or that the discussions with the Debenture Holders will result in rescheduling of payments. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Amsterdam, 28 November 2018
PricewaterhouseCoopers Accountants N.V.
M.P.A. Corver RA