

**PRESS RELEASE**

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**THIRD QUARTER AND FIRST 9M OF 2018 RESULTS KARDAN N.V.**
**Highlights Q3 and 9M 2018:**

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

Net profit (loss) (In € million)	9M 2018	9M 2017	Q3 2018	Q3 2017
Real Estate (development and investment property)	(11.5)	(9.5)	(4.4)	(4.3)
Water Infrastructure (discontinued operations)	1.8	2.3	0.9	0.1
Other – Avis (discontinued operations)	0.9	2.2	-	0.6
<b>Total Operations</b>	<b>(8.8)</b>	<b>(5.0)</b>	<b>(3.5)</b>	<b>(3.6)</b>
Holding (Corporate Finance and G&A)	(15.2)	(10.8)	(9.4)	7.7
<b>Total attributed to Kardan equity holders</b>	<b>(24.0)</b>	<b>(15.8)</b>	<b>(12.9)</b>	<b>4.1</b>

**Kardan N.V.**

- Q3 2018: € 12.9 million net loss to equity holders (Q3 2017: net profit of € 4.1 million), including € 3.6 million negative impact as a result of foreign exchange translation differences of the EUR versus the NIS and change in Israeli CPI on the Company's debentures (Q3 2017 € 14.0 positive impact).
- 9M 2018: € 24 million net loss to equity holders (9M 2017: net loss of € 15.8 million), mainly due to heavy finance expenses and including net positive impact of foreign exchange differences and change in the Israeli CPI of € 1.2 million (9M 2017 € 7.7 million positive impact).

**Real Estate**

- 9M 2018: net loss to equity holders of € 11.5 million (9M 2017: net loss of € 9.5 million), mainly as a result of high interest expenses on the Europark Dalian project construction loan.

**Water Infrastructure**

- 9M 2018: € 1.8 million net profit (9M 2017: net profit of € 2.3 million) impacted by several one-off expenses. The increase in gross profit is due to improved profitability of several projects.

**Other**

- Avis Ukraine continued to show good results of € 0.6 million in Q3 2018. However, following a management resolution to sell the investment in Avis Ukraine, the investment is presented as held-for-sale and therefore no equity earnings were recognized in the third quarter.
- 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. Negotiations with the debenture holders B are still ongoing. The Company estimates it is close to completing the negotiations with the trustee to debenture holders series B. However, final settlement also depends on reaching consent with debenture holders A with whom negotiations have not yet commenced.

**Ariel Hasson, CEO of Kardan NV:**

“Our Real Estate activities in China showed progress in selling residential units in the Europark Dalian project. However, due to the construction cycle, a low number of apartments were delivered over the quarter, which impacted the operational results compared to 2017. Furthermore, the continuing high interest payment on the Dalian loan burdens the results of our real estate operations.

After two strong operational quarters, our water infrastructure activities Tahal reported somewhat lower results in Q3, partly due to lower performance of our engineering business in Israel and of projects in CEE. We have continued to expand our backlog with new projects in India and other markets and are working towards the financial closing of some of our large African projects.

Adverse foreign currency movements further negatively impacted the value of our assets and our interest expenses, deteriorating our equity position further.

In the third quarter Kardan has commenced discussions on divesting Avis Ukraine. Therefore, in line with IFRS, this activity is reported as held-for-sale. This intended divestment fits our strategy to divest assets in a manner that will allow us to maximize value and proceeds and to mitigate our negative equity position. The sales process for Tahal is still ongoing, however we do not expect to be able to conclude a sale before the end of the year.

Further to the update provided in October on the negotiations with our debenture holders, we further advanced these and are confident that we are close to completing the negotiations with the trustee to debenture holders series B. The structure of the settlement has been agreed. However it should be noted that final settlement also depends on its approval by both series bondholders (Series A and Series B). Negotiations have not yet commenced with bondholders A. We will keep the markets updated on these negotiations and we look forward to coming to an agreement to allow the company to continue and repay its debt in the interest of all stakeholders.”

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

For the nine and three month periods ended September 30, 2018 (in € million)

	9M - 2018	9M -2017	Q3 - 2018	Q3 2017	12M - 2017
Total revenues	74.1	7.1	5.5	2.8	15.0
Total expenses	79.2	16.3	6.9	5.6	28.0
Loss from operations before fair value adjustments, disposal of assets and financial expenses	(5.1)	(9.2)	(1.4)	(2.8)	(13.0)
Gain (loss) from fair value adjustments and disposal of assets and investments, net	(2.1)	(0.4)	-	(0.4)	(3.3)
<b>Result from operations before finance expenses</b>	<b>(7.2)</b>	<b>(9.6)</b>	<b>(1.4)</b>	<b>(3.2)</b>	<b>(16.3)</b>
Financing income (expenses), net	(19.7)	(19.2)	(11.9)	5.3	(27.5)
Equity earnings, net	1.9	10.2	-	1.8	16.4
Profit (loss) before income tax	(25.0)	(18.6)	(13.3)	3.9	(27.4)
Income tax expenses	1.7	1.7	0.5	0.5	5.2
<b>Profit (loss) from continuing operations</b>	<b>(26.7)</b>	<b>(20.3)</b>	<b>(13.8)</b>	<b>3.4)</b>	<b>(32.6)</b>
Profit from discontinued operations	4.9	4.2	1.4	1.2	15.2
<b>Profit (loss) for the period</b>	<b>(21.8)</b>	<b>(16.1)</b>	<b>(12.4)</b>	<b>4.6)</b>	<b>(17.4)</b>
Attributable to: Non-controlling interests	2.2	(0.3)	0.5	0.5	(0.3)
<b>Profit (loss) for the period attributable to Kardan equity holder</b>	<b>(24.0)</b>	<b>(15.8)</b>	<b>(12.9)</b>	<b>4.1)</b>	<b>(17.1)</b>
Other comprehensive income (expense)	(14.9)	(20.6)	(11.1)	(4.2)	(24.6)
<b>Total comprehensive expense attributable to Kardan equity holders</b>	<b>(38.9)</b>	<b>(36.4)</b>	<b>(24.0)</b>	<b>(0.1)</b>	<b>(41.7)</b>

## Overall summarized review of Q3 and 9M 2018 results

**Kardan** recognized a consolidated net loss attributable to equity holders of € 12.9 million for Q3 2018 (Q3 2017: € 4.1 million net profit), bringing the result for the first 9M of 2018 to a consolidated net loss of € 24 million (9M 2017: € 15.8 million net loss). The loss in the first 9M of 2018 included a positive impact of foreign currency exchange differences, due to the devaluation of the EUR versus the NIS and the impact of the Israeli CPI on the Company's debentures of € 1.2 million (9M 2017: positive impact of € 7.7 million).

Real Estate activities showed an improvement in revenues from the delivery of units in the Europark Dalian project, mainly due to the delivery of building B in the first quarter and additional apartments in building A, totaling revenues of € 69.9 million in 9M 2018 (9M 2017: € 2.8 million). Galleria Dalian rental revenues remained stable in 9M 2018 compared to 9M 2017. Equity earnings from joint venture residential projects however decreased in 9M 2018 compared to 9M 2017 as a result of delivering a lower number of residential units and amounted to € 1.9 million (€ 10.2 million in 9M 2017).

Revenue of our water infrastructure activities increased slightly in the 9M 2018 to € 117.1 million compared to 9M 2017 (€ 116.5 million). The gross profit increased compared to 9M 2017 following increased profitability of several projects. The higher gross profit was partly offset by higher SG&A expenses that included a relatively higher provision for doubtful debts and one-time expenses. In Q3, water infrastructure reported somewhat lower results, partly due to lower performance of our engineering business in Israel and of projects in CEE.

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 € 38.9 million in 9M 2018 compared to a comprehensive expense of € 36.4 million in 9M 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>September 30, 2018</b>	<b>December 31, 2017</b>
Total Assets	358	380
Total Equity (deficit)	(49.8)	(4.4)
Equity/Total assets (%)	(13.9%)	(1.2%)

The shareholders' equity of Kardan N.V. decreased from € 4.4 million negative as of December 31, 2017 to a deficit € 49.8 million as of September 30, 2018, due to the loss in the period and the 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 heavily affected by a foreign exchange negative impact of € 14.4 million, mainly due to the erosion of the Angolan currency against the EUR, with respect to TGI's investment in a subsidiary in Angola, and by the devaluation of the RMB against the EUR with respect to Investment property in China.

## Negotiations with debenture holders

The Company is in default since it did not meet its payment obligation to its debenture holders in February 2018. Accordingly, the debenture holders have the right to call the debentures for immediate repayment. The Company is in discussions with the debenture holders. The Company is close to completing the negotiations with the trustee to debenture holders series B. However, final settlement also depends on reaching consent with debenture holders A with whom negotiations have not yet commenced.

## Covenants

The Company did not meet the debt coverage ratio financial covenant as defined in the Deeds of Trust for the fourth consecutive quarter. As at September 30, 2018, the Company's subsidiaries met their financial covenants, with the exception of one subsidiary with certain financial covenants attributed to a short-term bank credit line for which a waiver till December 31, 2018 was obtained, subsequent to the balance sheet date.

For additional information regarding covenants see section 12.1 of part A of the Israeli 2017 annual report and section 3 to the significant events and developments report.

### Financial position and going concern

In their review report as of September 30, 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's 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 (series B) to reschedule the payments. However, there is no certainty as to the results of these discussions. For additional information see section 3 of the Report of the Board of Directors 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. 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	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
<b>Real Estate - Development</b>					
Sale of apartments	69.9	2.8	4.0	1.3	9.2
Cost of sales	(66.6)	(2.0)	(2.3)	(0.9)	(8.1)
<b>Gross Profit</b>	<b>3.3</b>	<b>0.8</b>	<b>1.7</b>	<b>0.4</b>	<b>1.1</b>
SG&A expenses	(2.1)	(2.3)	(0.7)	(0.9)	(3.1)
Gain from sale of fixed assets	-	0.8	-	-	0.8
Equity earnings	1.9	10.2	-	1.8	16.4
<b>Operational profit - Real Estate Development segment</b>	<b>3.1</b>	<b>9.5</b>	<b>1.0</b>	<b>1.3</b>	<b>15.2</b>
<b>Real Estate - Investment Property</b>					
Rental revenues	4.2	4.3	1.5	1.5	5.8
Cost of rental revenues	(2.7)	(2.8)	(0.9)	(0.9)	(4.1)
<b>Gross Profit</b>	<b>1.5</b>	<b>1.5</b>	<b>0.6</b>	<b>0.6</b>	<b>1.7</b>
SG&A expenses	(3.2)	(3.9)	(1.4)	(1.3)	(4.9)
Adjustment to fair value (impairment) of investment property	(2.1)	(0.8)	-	-	(4.1)
<b>Operational loss - Real Estate Investment Property segment</b>	<b>(3.8)</b>	<b>(3.2)</b>	<b>(0.8)</b>	<b>(0.7)</b>	<b>(7.3)</b>
<b>Total operational profit (loss) - Real Estate</b>	<b>(0.7)</b>	<b>6.3</b>	<b>0.2</b>	<b>0.6</b>	<b>7.9</b>
Unallocated expense	(1.8)	(2.1)	(0.6)	(0.7)	(2.7)
<b>Profit (loss) before finance expenses and income tax</b>	<b>(2.5)</b>	<b>4.2</b>	<b>(0.4)</b>	<b>(0.1)</b>	<b>5.2</b>
Finance expenses, net	(7.5)	(12.3)	(3.6)	(3.8)	(14.9)
Tax benefits (expenses)	(1.5)	(1.4)	(0.4)	(0.4)	(4.9)
<b>Loss for the period – attributed to Company's shareholders</b>	<b>(11.5)</b>	<b>(9.5)</b>	<b>(4.4)</b>	<b>(4.3)</b>	<b>(14.6)</b>

**Additional information - Kardan Land China**

	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
<b>Operational Information</b>					
Revenue Residential - JV (in € million) *	20.8	50.8	5.1	9.3	80.0
Gross profit residential - JV (in € million) *	6.5	16.4	1.3	3.3	25.0
Apartments sold in period (a)	695	992	145	251	1,242
Apartments delivered in period (b)	627	1,057	66	144	1,397
Total apartments sold, not yet delivered (c)	1,750	2,030	1,750	2,030	1,703

- (a) All residential apartments, incl. Dalian (100%).  
 (b) In 9M 2018 291 apartments were delivered in the Dalian project compared to 18 in 9M 2017.  
 (c) KLC's share in the estimated gross profit from apartments sold is €34 million as of 30 September 2018.

Units sold in the period	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
<b>100% owned</b>					
Europark Dalian	97	72	27	56	124
<b>Joint Venture projects*</b>					
Olympic Garden	277	692	57	45	688
Suzy	230	137	36	137	332
Palm Garden	13	40	-	12	47
City Dream	78	51	25	1	51
	598	920	118	195	1,118
<b>Total</b>	<b>695</b>	<b>992</b>	<b>145</b>	<b>251</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.

Revenue from sale of apartments relates to the handover of apartments in the Europark Dalian project. In Q1 2018 building B, which was sold as one unit to a client and serves as an apartment hotel, was delivered. In 9M 2018 a total of 291 units in the Dalian project were delivered (including 29 units from building A), compared to 18 deliveries in 9M 2017. By now all units in building A are sold.

In the third quarter of 2017, KLC commenced the sale of the C2 tower of the Europark Dalian project. In the first 9M 2018 63 apartments in the C2 tower were sold (157 apartments to date). In July 2018 KLC started the sale of the new C1 tower of the Europark Dalian project. In Q3 2018 19 apartments in building C1 were sold (22 apartments to date).

SG&A expenses were at the same level as in 2017, and include the marketing activities of the new C towers in Europark Dalian project.

'Equity earnings', comprises the result of the residential activities from joint venture projects, which contributed a profit of € 1.9 million in 9M 2018 compared with a profit of € 10.2 million in 9M 2017, due to low deliveries of apartments. Revenue from the residential joint venture projects amounted to € 20.8 million in 9M 2018 compared to € 50.8 million in 9M 2017.

The profit from operations of this segment amounted to € 3.1 million in 9M 2018 compared to a profit of € 9.5 million in 9M 2017. The lower result is fully attributable to the lower contribution of the joint venture projects. Since most of the inventory is under construction, only a few apartments were delivered.

Total number of units in inventory increased from 3,181 at December 31, 2017 to 3,295 as at September 30, 2018. The number of unsold units in inventory (including the inventory of joint venture projects) increased to 1,545 as at September 30, 2018 (vs 1,478 as at December 31, 2017). The rate of unsold units for which construction was completed slightly decreased to 9% compared with 10% at 31 December, 2017.

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

The Real Estate Investment Property segment relates to the results of operation of the Galleria Dalian shopping mall. The result of operations of this segment in 9M 2018 came in at a loss of € 3.8 million (9M 2017 € 3.2 million loss).

Revenues of the Investment Property segment amounted to € 4.2 million in 9M 2018, in line with 9M 2017 (€ 4.3 million). As is reflected by the increase in occupancy level (from 87% at 30 June 2018 to 90.9% as of 30 September 2018), the operational trends at Galleria Dalian are positive. Despite the positive trends, revenues remained stable mainly due to a onetime adjustment of a rental contract in Q1 2018.

The gross margin of the Investment Property segment increased to 36% compared to 34% in 9M 2017.

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

The value of the investment property (Galleria Dalian shopping mall) amounts to € 213 million as per 30 September 2018 compared to € 221 million at year-end 2017. The decrease in value was the result of the depreciation of the RMB versus the EUR, in the amount of € 5.7 million in the 9M 2018, and a decrease in the valuation of € 2.1 million as recognized in Q2 2018 (devaluation of € 0.8 million in 9M 2017).

### **Real Estate - Total**

The above resulted in an operational loss of the Real Estate activities of € 0.7 million in 9M 2018 and € 0.2 million profit in Q3 2018 compared to € 6.3 million operational profit for 9M 2017 and € 0.6 million profit in Q3 2017.

Financing expenses, net, amounted to € 7.5 million, compared with € 12.3 million in 9M 2017. The financing expenses mainly include interest expenses related to the Europark Dalian project loan. Financing expenses also included a positive foreign exchange impact of € 0.5 million, compared with a negative foreign exchange impact of € 3.7 million in 9M 2017.

Tax expenses in 9M 2018 amounted to € 1.5 million and mostly related to land value added tax for building B and tax on dividend received from joint ventures (9M 2017 € 1.4 million mostly related to dividend tax expenses).

Net loss in 9M 2018 amounted to € 11.5 million (9M 2017: € 9.5 million loss), and to € 4.4 million in Q3 2018 (Q3 2017: € 4.3 million loss).

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

	<b>2018</b>	<b>2017</b>
	<b>(30.9)</b>	<b>(31.12)</b>
<i>(in € million)</i>		
<b>Real Estate – Development</b>		
Share of investment in JVs	50.8	56.4
Inventory	60.7	116.4
Advance payments from buyers	31.8	61.2
<b>Real Estate – Investment Property</b>		
Investment Property	213.3	221.1
Cash & short term investments	23.6	37.0
Total Assets	439.2	502.6
Loans and Borrowings	98.3	115.1
Total Equity	254.5	270.1

## **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 € million	For the nine months ended September 30,		For the three months ended September 30,		Full Year
	2018	2017	2018	2017	2017
Contract revenues	117.1	116.5	43.4	42.3	176.4
Contract cost	97.8	100.1	37.2	34.8	152.8
<i>Gross profit</i>	19.3	16.4	6.2	7.5	23.6
SG&A expenses	(12.6)	(10.6)	(3.9)	(3.5)	(12.9)
Equity losses	(0.6)	(0.8)	(0.3)	(0.3)	(1.1)
Gain (loss) on disposal of assets and other income	(0.1)	-	0.4	-	7.8
<b>Result from operations before financing expenses</b>	<b>6.0</b>	<b>5.0</b>	<b>2.4</b>	<b>3.7</b>	<b>17.4</b>
Financing income (expenses), net	(0.9)	0.6	(0.2)	0.3	0.4
Income tax (expenses) benefit	(1.1)	(3.7)	(0.8)	(3.5)	(5.0)
<b>Net Profit</b>	<b>4.0</b>	<b>1.9</b>	<b>1.4</b>	<b>0.5</b>	<b>12.8</b>
Attributable to:					
Non-controlling interest holders	2.2	(0.4)	0.5	0.4	(0.3)
<b>Equity holders (Kardan N.V.)</b>	<b>1.8</b>	<b>2.3</b>	<b>0.9</b>	<b>0.1</b>	<b>13.1</b>

<b>Additional Information Water Infrastructure</b>	<b>2018 (30.9)</b>	<b>2017 (31.12)</b>
<i>Balance sheet (in € million)</i>		
Cash & short term investments	19.1	9.3
Total Assets	216.9	183.4
Net debt	30.7	(13.2)
Equity	42.1	50.9
Equity / Assets	19.4%	27.7%
<i>Other (in USD million)</i>		
Backlog	809.3	672

During 9M 2018 the water infrastructure activities reported a net profit of € 4.0 million, an increase compared to € 1.9 million in the previous year. The net profit attributable to equity holders amounted to € 1.8 million in 9M 2018, compared to a net profit of € 2.3 million in 9M 2017.

Revenues over the first nine months of 2018 increased slightly to € 117.1 million compared to last year 9M 2017: (€ 116.5 million).

The gross margin increased from 14.1% in 9M 2017 to 16.5% in 9M 2018 following improved profitability in a number of projects, despite delays in projects in Africa with high profitability in the third quarter of 2018. The gross margin decreased to 14.3% in Q3 2018 compared to 17.6% in Q3 2017, due to lower performance of our engineering business in Israel and of projects in CEE.

Financing expenses increased to € 0.9 million in 9M 2018 compared to income of € 0.6 million in 9M 2017 mostly due to interest expenses on utilization of credit lines. In 9M 2017 the finance income is a result of a positive impact of foreign exchange differences.

The income tax expenses amounted to € 1.1 million in 9M 2018. In the same period in 2017 tax expenses were € 3.7 million and included a tax provision recognized in Q3 2017 due to a tax assessment in respect of prior years.

Equity of TGI decreased mainly due to negative impact of foreign exchange on TGI's subsidiary in Angola in the 9M 2018 amounting to €14 million.

In February 2018, Tahal India was awarded a project in the city of Bangalore for a total amount of approximately US\$ 28 million (€ 22.8 million). The project consists of the renewal, expansion, upgrading and operation of a water supply network. 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 a biological facility of waste water treatment.

In May 2018, Tahal was awarded a US\$ 60 million (€ 48.9 million) project for the planning and execution of works for the reconstruction of two waste water and sludge treatment facilities in the city of Kharkiv, the Ukraine.

In August Tahal announced that with its 50% partner it will engage in a US\$ 72 million contract regarding a large scale agriculture project in Africa. The project involves the design and development of a crop-growing farm. Furthermore, in the third quarter, Tahal expanded its presence in India with 3 new projects awarded and signed, for a total of US\$ 46 million.

In total, new orders of US\$ 280.0 million were recorded in the first 9M of 2018, bringing the order backlog to US\$ 809.3 million as per September 30, 2018 (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\$ 363 million. Upon fulfillment of conditions related mainly to financial closing, signed contracts amounting to US\$ 363 million will be added to the existing backlog.

## CORPORATE HOLDING AND OTHER

In € million	For the nine months ended September 30,		For the three months ended September 30,		Full Year
	2018	2017	2018	2017	2017
<b>Corporate expenses:</b>					
General and administration expenses	(2.8)	(3.6)	(1.0)	(1.3)	(5.1)
Financing income (expense), net	(12.2)	(6.9)	(8.3)	9.1	(12.6)
Income tax expenses	(0.2)	(0.3)	(0.1)	(0.1)	(0.3)
	<b>(15.2)</b>	<b>(10.8)</b>	<b>(9.4)</b>	<b>7.7</b>	<b>(18.0)</b>
<b>Other activities:</b>					
Profit from discontinued operation (Avis Ukraine)	0.9	2.2	-	0.6	2.4
	<b>0.9</b>	<b>2.2</b>	<b>-</b>	<b>0.6</b>	<b>2.4</b>

### Corporate expenses:

G&A expenses in 9M 2018 decreased to € 2.8 million compared to € 3.6 million in 9M 2017, mainly due to a reversal of expenses due to partial cancellation of a put option.

Financing expenses amounted to €12.2 million in 9M 2018 compared to expenses of only €6.9 million in the corresponding period in 2017. The positive net impact of foreign exchange differences and Israeli CPI on the Company's debentures was € 12.7 million in Q1 2018 following the strengthening of the EUR versus the NIS. In Q2 and Q3 2018 the trend reversed and the EUR started to devalue against the NIS, resulting in a negative impact of foreign exchange differences and the changes in Israeli CPI of € 7.9 million and € 3.6 million respectively. Overall in 9M 2018, the net positive impact of foreign exchange differences and the Israeli CPI on the Company's debentures, which are denominated in NIS, was € 1.2 million (9M 2017: € 7.7 million positive).

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

### Other activities

Other activities consisted of equity earnings from the Company's holding in Avis Ukraine joint venture, which continued to show good results in the period. Following a management resolution to sell the investment in Avis Ukraine, the investment is presented as held for sale and therefore no equity earnings were recognized in the third quarter.

## 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 September 30, 2018 amounted to € 636.2 million.

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

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

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

## Financial position

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

	30.09.2018	30.09.2017	31.12.2017	Notes
<b>Current assets</b>	366,562	337,582	362,952	The increase in current assets compared to December 31, 2017, is mainly due to reclassification of the investment in joint venture Avis Ukraine as 'Assets Held for Sale', which was partly offset by the decrease in apartment inventory following the delivery of building B in the Europark Dalian project.
<b>Non-current assets</b>	269,689	305,703	305,624	The decrease in non-current assets compared to December 31, 2017, is mainly due to the reclassification of the investment in joint venture Avis Ukraine as 'Assets Held for Sale' in the current assets, due to the repayment of loans granted to companies accounted for using the equity method, and due to the devaluation of the investment property mainly as a result of negative exchange rate impact.
<b>Total balance sheet</b>	636,251	643,285	668,576	The decrease in total balance sheet compared to December 31 2017, is mainly due to the decrease in apartment inventory.
<b>Current maturities of debentures</b>	290,625	98,128	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>	300,746	348,051	271,594	The increase in the other current liabilities compared to December 31, 2017 is mainly due to the increase in short term credit lines usage in the water infrastructure activity, which is presented as Held-For-Sale, partially offset by the decrease in the advances from apartment buyers following the delivery of building B in Europark Dalian project.
<b>Current liabilities</b>	591,371	446,179	367,046	The increase as at September 30, 2018 compared to December 31, 2017 is a result of the classification of the debentures as current liabilities.
<b>Debentures</b>	-	184,836	188,708	The decrease as of September 30, 2018 compared to December 31, 2017 is due to the classification of the entire debentures balance as current maturities.
<b>Long term interest-bearing loans and borrowings</b>	85,420	2,506	104,933	As at September 30, 2017 the loan for the Dalian project was classified as short term liability (current maturities). The loan was refinanced during Q4 2017, and accordingly is presented in the long-term as of September 30, 2018.
<b>Other non-current liabilities</b>	7,353	5,345	8,715	No material change compared to December 31, 2017.
<b>Non-current liabilities</b>	92,773	192,687	302,356	The decrease compared to December 31, 2017 is due to the classification of the entire debentures outstanding balance as current maturities as of September 30, 2018, as well as the refinancing of the Europark Dalian construction loan as mentioned above.
<b>Equity attributable to equity holders of the parent</b>	(49,825)	959	(4,368)	The decrease in equity compared to December 31, 2017, is mainly due to the result for the period, negative foreign currency translation differences (other comprehensive expense), and the impact of the adoption of new accounting standard (IFRS 9) for the first time, as described in note 3 to the financial statements.

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

	9M 2018	9M 2017	Q3 2018	Q3 2017	FY 2017	Notes
<b>Net cash provided by (used in) operating activities</b>	570	(33,580)	(5,104)	(1,115)	(50,196)	<p>Cash flow from operating activities comprised the following:</p> <p>In 9M 2018, €57 million were generated from the decrease in apartment inventory following the delivery of building B in the Europark Dalian project; €42 million were used for changes in other operating assets and liabilities. Finance and exchange rate expenses were partially offset by interest and tax payments.</p> <p>During the first half of 2018, changes in operating assets and liabilities generated €17 million compared to €3 that were used during Q3 2018, mainly as a result of the delivery of Building B in Europark Dalian project.</p> <p>In 9M 2017, €42.1 million were used for changes in operating assets and liabilities, equity losses from joint ventures, and interest expenses, which were partly offset by positive exchange rate impact. In addition, the Company repaid approximately € 4 million of remaining interest on its debentures which fell due in February 2017.</p> <p>In 2017, most of the deficit is due to approximately €27 million that were used for payment of interest and taxes, and to changes in operating assets and liabilities.</p>
<b>Net cash provided by investing activities</b>	1,756	2,212	12,820	3,486	11,594	<p>In 9M 2018, €8.7 million were generated from collection of loans granted to companies accounted for using the equity method, which were partially offset by investment in fixed assets in the water infrastructure activity.</p> <p>During the first half of 2018, €14 million were used for investments in short term deposits which were released during Q3.</p> <p>In 9M 2017, approximately €6.6 million were generated from the sale of Star Pumped Storage, which were partially offset due to investments in fixed assets in the water infrastructure activity.</p> <p>In 2017, approximately €20 million were generated from the sale of Star Pumped Storage, which were partially offset by investments in fixed assets in the water infrastructure activities.</p>
<b>Net cash provided by (used in) financing activities</b>	10,755	15,281	(5,126)	(129)	25,098	<p>In 9M 2018 €26.1 million were generated from short term credit provided to the water infrastructure activity and were partially offset by repayment of long term loans in the amount of €15 in the real estate activity.</p> <p>In 9M 2017 €14.9 million were generated from short term credit provided to the water infrastructure activity.</p> <p>In 2017 €11.2 million were generated from long term loans (net) in the real estate activity, and €8.2 million were generated 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 4 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 September 30, 2018 and amounted to €95.2 million and €1.2 million, respectively. The average balance of trade receivables and trade payables for the period is €6.4 million and €2.9 million, respectively.

### 3. Cash Flow Forecast

The review report of the external auditors as of September 30, 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 an equity deficit, and a negative working capital on a consolidated and stand-alone basis and an ongoing negative cash flow from operating activity. 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 October 1, 2018.

**As announced by the Company, payments to the debenture holders that were scheduled for February 2018 were not paid on time and were not paid by the date of this report. As at the date of this report, the Company is negotiating with the debenture holders the rescheduling of the payments and was able to reach understandings with the Trustee of the Debenture Holders series B regarding the main principles of a debt settlement which include, among others: (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. 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 which will be detailed in amended deeds of trust. 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. For more information refer to the announcement issued by the Company on October 23, 2018.**

**Nevertheless, in light of disagreements between the Trustees of debenture holders series A and B, and their representatives, inter alia regarding series B Debenture Holders' right to receive balance payments (as defined in the Deeds of Trust), and the fact that the settlement principles were not yet approved by the assembly of the debenture holders series A and B, part of the resources mentioned in the cash-flow forecast below are based on the terms of the settlement that is effective as of the date of this report.**

**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 fully agreed with the debenture holders, the Company cannot estimate the date on which payments to the debenture holders will be made. Accordingly, the cash flow forecast below includes, inter alia, the payments to the debenture holders that were scheduled for February 2018 (which were not yet repaid and therefore are presented as payments that are scheduled for 2018), as well as the other payments to the debenture holders for the next two years in accordance with the Company's existing contractual obligations (however without interest in arrears), without consideration of a debt settlement, if and when agreed. Therefore, the Company emphasizes that the assumptions used by the Company in deriving the cash flow forecast should be read carefully.**

Forecast cash flow	October 1, 2018 – December 31, 2018	January 1, 2019 - December 31, 2019	January 1, 2020 – September 30, 2020
	in € millions		
<b>Cash and cash equivalents at the beginning of the period</b>	<b>25.3</b>	<b>(87.5)</b>	<b>(77.7)</b>
<b>From operating activities</b>			
General and administrative expenses	(0.9)	(3.6)	(2.7)
<b>From investing activities</b>			
Sale of shares and holdings in subsidiaries and joint ventures (2) – (5)	-	110.0	-
Dividend distributions (6)	-	8.0	7.5
Release of deposit (7)	-	4.0	-
<b>Total Resources</b>	<b>24.4</b>	<b>30.9</b>	<b>(72.9)</b>
<b>From financing activities (8) - (11)</b>			
Principal and interest payment of debentures – Series A	(48.5)	-	-
Principal and interest payment of debentures – Series B	(63.4)	(108.6)	(102.1)
<b>Total Uses</b>	<b>(111.9)</b>	<b>(108.6)</b>	<b>(102.1)</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>(87.5)</b>	<b>(77.7)</b>	<b>(175.0)</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 13 below.

It should be brought to the attention of the readers of the cash flow forecast that during the cash flow forecast period, the cash flow from operating activities, as well as the cash balance at the end of the period are expected to be negative. Accordingly, the Company is negotiating the restructuring of its debt towards the Debenture Holders series A and B.

- The cash flows from investing activities in 2018-2020 refer to considerations from the sale of TGI and Avis Ukraine, taking into account the assumptions, comments and reservations detailed below.

As of the date of this report, the Company is in an advanced stage of negotiations regarding the sale of its holdings in TGI and has also commenced the preparation for the future sale of its holding in Avis Ukraine. It is noted that as of the date of this report, the Company is not conducting negotiations regarding the sale of its holdings in KLC (or in any of KLC's subsidiaries). The cash flow forecast therefore does not assume the receipt of proceeds from such transaction.

- In regards to the sale of the Company's holdings in TGI and Avis Ukraine – as of the date of this report **the Company does not have accurate information regarding the net consideration which would be received from the sale of TGI and Avis Ukraine** and which would be used for repayment to the Debenture Holders. **As aforesaid, as of the date of this report, the negotiations regarding the sales of TGI and Avis Ukraine were not yet finalized, and accordingly, there is no certainty that sale agreements will be signed, that the expected considerations will equal the considerations included in the cash flow forecast and there is no certainty as to the date on which the considerations would be received by the Company.**
- It is noted, that according to the negotiations for the sale of TGI, the Company expects to receive the lion's share 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 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 period of about 2 years) to secure certain representations given by the Company. In the preparation of the cash flow forecast, it was assumed that all the consideration to be received from the sale of TGI upon completion (during 2019) 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.

As for the sale of Avis Ukraine, for the purpose of preparation of the cash-flow forecast, it is the Company's estimation that the proceeds from the sale transaction will be equal to Avis Ukraine's carrying value in the Company's books.

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. The 'Dividend distributions' line assumes the receipt of dividends from KLC, which will be received in KLC from Lucky Hope companies over several years. It is noted that as of the date of this report, no decision for the distribution of dividends has been made in Lucky Hope companies and accordingly, such decision has not been made by KLC. Nevertheless, the assumption of the receipt of such dividends is in line with Lucky Hope companies' policy and the Company is not aware of any restrictions that may raise reasonable doubt regarding the distribution of such dividends. In addition, the Company is not aware of any restrictions on distributing the dividends detailed in the cash flow forecast by KLC.
7. The 'Release of deposit' line includes the release of the remaining deposit of €4 million pledged to secure various representations in respect of the sale of the subsidiary TBIF in 2016. As of the date of this report, as long as the purchaser of TBIF shares would not demand the forfeiture of the deposit due to an allegation of breach of the representations included in the TBIF sale agreement, the deposit will be released in March 2019. As of the date of this report, the Company expects to receive the full amount of the deposit.
8. 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. In addition, according to the Company's announcements, as at the date of this report the Company has not yet repaid the payments to the Debenture Holders scheduled for February 2018.
9. **The principal and interest payments that were scheduled for February 2018 and were not yet repaid, are included in the cash flow forecast for Q4 2018. The remaining outstanding payments are presented in the forecast based on the repayment schedule included in the Deeds of Trust, including CPI linkage and interest at the rate specified in the Deeds of Trust (without interest in arrears), in light of the fact that the as of the date of this report a new debt settlement has not been reached and the Company's inability to estimate the repayment dates. As aforesaid, as of the date of this report, the Company does not have sufficient resources for the repayments to the Debenture Holders series A and B in Q4 2018 and in February 2019.**

10. **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 for the subsequent period or 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 of the Company's estimation 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 subsequent interest and interest in arrears, if paid. Readers of the cash flow forecast should take these facts into consideration, with all that it might entail or imply.**
11. **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 debenture holders (series B) so that no payment will be made to debenture holders (series A). In light of the dispute arisen between the Trustee of the Debenture Holders (series A) and the Trustee of the Debenture Holders (series B) regarding the implementation of article 43, it was decided at this stage not to include the balance payments in the cash flow forecast.
12. The interest calculations are based on the Israeli CPI, exchange rates and interest rates which are applicable as of September 30, 2018, 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, € 6 million and € 5 million in the amount of principal and interest payment in each of the years 2018, 2019 and 2020 respectively.
13. 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 30.9.2018	Intercompany loan to the subsidiary Emerging Investments as of 30.9.2018
(EUR million)		
GTC RE	143.0	12.3
KFS	8.8	-
Emerging	61.7	-

14. 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 and Avis Ukraine, difficulties in reaching an agreement with the buyers of TGI and Avis Ukraine, delays or lack of completion of the conditions precedent to the sale transactions to the extent an agreement will be signed and change in cash amounts

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

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.

#### 4. Financial Position of holding companies of the Kardan Group as of September 30, 2018

- **Net debt (\*)**

The following table summarizes the net debt of Kardan N.V. and of its directly held subsidiaries (company only) as of September 30, 2018:

Company	Net Debt (in EUR million)	
<b>Kardan NV / GTC RE / Emerging Investments XII</b>	<b>Liabilities:</b>	
	Debentures**	(322.1)
	LT Liability	(2.8)
	<b>Assets:</b>	
Cash and short term investments	18.7	
	<b>Net debt</b>	<b>(306.2)</b>
<b>KFS</b>	<b>Assets:</b>	
	Cash and short term investments	6.6
	Loans to related parties	4.7
	<b>Net cash</b>	<b>11.3</b>
<b>TGI/TG/TGA***</b>	<b>Liabilities:</b>	
	LT Liability	(0.4)
	<b>Assets:</b>	
	Cash and short term investments	0.9
	<b>Net cash</b>	<b>0.5</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 9 below.

(\*\*\*) These assets and liabilities are presented as held for sale in the consolidated financial statements as of September 30, 2018.

#### 5. Main events in the first 9 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 and Independent Directors**

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, Ferry Houterman, 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. For further details regarding Mr. Ferry Houterman, see article 11 to the notice and notes to the agenda of the annual general meeting of the Company's shareholders on whose agenda, inter alia, the appointment of Mr. Ferry Houterman to serve as a director of the Company, as published on April 17, 2018.

#### Independent Directors<sup>2</sup>

As stated above, the Israeli Companies Law does not apply to Kardan NV. Accordingly, amongst others, 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, in accordance with Kardan's articles of association, there are decisions that the Board has to take according to a special approval procedure which requires, among others, the consent of the independent directors, as defined in Company's Articles of Association and Corporate Governance Code, who attend the relevant Board meetings. As of September 30, 2018 and the date of this report, four out of the seven Board members are independent (Peter Sheldon, the chairman of the Board, Cor van den Bos, Cecile Tall, and Ferry Houterman). For further information regarding these directors, see Regulation 26 in Chapter D of the Periodic Report for 2017 as well as article 11 to the notes to the agenda of the annual general meeting of the Company's shareholders on whose agenda, inter alia, the appointment of Mr. Ferry Houterman to serve as a director of the Company as published on April 17, 2018.

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

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<sup>2</sup> The Company was incorporated in The Netherlands and accordingly, the Israeli Companies Law does not apply to it. The definition of ‘Independent Director’ is in accordance to the Dutch Corporate Governance Code which is different than its definition in the Israeli Companies Law.

## 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 valuator	Savills
Value of the property as at the valuation date (31.12.2017)	€ 221.1 million
Value of the property in the financial statements (30.9.2018)	€ 213.3 million
Details regarding the valuator	<p>Savills Real Estate Valuation (Beijing) Limited. ("Savills")  The valuation was performed by Mr. James Woo who serves as a director in Savills.</p> <p>According to the valuator's declaration, Mr. James Woo is a member of the Royal Institution of Chartered Surveyors, has 25 years of experience in the valuation field and holds the knowledge, skills and understanding of valuations of similar assets.</p>
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 method

The fair value of the property as at September 30, 2018 is based on the valuation report which was attached to financial statements as of December 31, 2017 and the valuation model used in that valuation report.

As of September 30, 2018 there were no material changes to the significant assumptions that were used in the valuation of investment property as at December 31, 2017. As of June 30, 2018 adjustments to certain parameters were made in order to reflect changes as of that date. These adjustments resulted in a decrease in the value of the investment property of € 2.1 million in the second quarter of 2018.

For details regarding the valuation, including the main assumptions used by the valuator, and details regarding the valuator, see section 7.6.8.8 in Part A to the 2017 Israeli Annual Report.

In addition, the value of the investment property as at September 30, 2018 decreased by approximately €5.7 million compared to December 31, 2017, due to the change in exchange rate of the EUR vs. RMB since its value is denominated and valued in the local currency (RMB). For additional information also refer to section 2 of the chapter "Significant Events and Developments".

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

The following table summarizes the book value of the companies held directly by Kardan as of September 30, 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 30.09.18	Total Investment in books 31.12.17
Kardan NV	GTC RE	100%	203.3	203.3	6.3	209.6	(12.3)	197.3	228.9
	KFS	100%	25.2	25.2	-	25.2	-	25.2	23.9
	TGI	98.43%	40.1	42.1	(0.7)	41.4	-	41.4	49.5
	Emerging Investments XII	100%	61.7	61.7	-	61.7	-	61.7	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 30.09.18	Total Investment in books 31.12.17
GTC RE Holding	Kardan Land China	100%	245.4	254.4	1.0	255.4	(65.2)**	190.2	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 30.09.18	Total Investment in books 31.12.17
TGI	Tahal Group Assets B.V.	100%	6.2	9.5	-	9.5	(2.7)	6.8	6.2
	Tahal Group B.V.	100%	41.0	39.8	-	39.8	(0.5)	39.3	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 € 8.0 million as of September 30, 2018.

(\*\*\*\*) Emerging Investment XII held the following Kardan N.V Debentures as of September 30, 2018:

	Nominal Value In NIS	Liability Value including accrued interest In EUR millions
Series A	109,839,448	33.1
Series B	120,381,450	39.6

## 9. Information to the Debenture Holders

The following are details regarding the marketable debentures of Kardan NV as of September 30, 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 282.3 million (NIS 1,190,000,000)	EUR 316.4 million (NIS 1,333,967,977)
<b>Par value of debentures as of September 30, 2018</b>	EUR 70.6 million (NIS 297,500,000 par value)	EUR 226.0 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>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>Principal repayment</b>	Two installments one in February 2017 and the second in February 2018 (as detailed above, the principal repayment scheduled for February 2018 was not executed).	Four installments from February 2017 to February 2020 (as detailed above, the principal repayment scheduled for February 2018 was not executed) .
<b>Interest payment dates</b>	3 annual installments on 25 February in the years 2016 – 2018 (as detailed above, the principal repayment scheduled for February 2018 was not executed)	5 annual installments on 1 February in the years 2016-2020 (as detailed above, the principal repayment scheduled for February 2018 was not executed)
<b>Total debt up to the date of the balance sheet (including interest and Israeli CPI linkage) (*)</b>	EUR 51.0 million	EUR 270.9 million
<b>Market capitalization as of September 30, 2018(*)</b>	EUR 12.7 million	EUR 205.3 million
<b>The trustee</b>	Almagor - Brightman Ltd.	Hermetic Trust (1975) Ltd.
<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 (July 2018)	D (July 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>	<p>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.</p> <p>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. As of September 30 2018 the balance amounts to € (12.3) million.</p> <p>A primary exclusive pledges with no limitations of amounts over the bank accounts of the Company.</p> <p>Pledge on all the Company's debentures held by the Group. Commitment for certain negative pledges. The book value of the debentures held by the Group as of September 30 2018 is €82.4 million</p> <p>Commitments to additional negative pledges are in place.</p>	
<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 September 30, 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.

For details regarding the discussions with the debenture holders for reaching a debt settlement, see the cash flow forecast.

## 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 September 30, 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 third 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.

November 28, 2018

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A. Hasson – CEO and Director

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

I, E.Oz-Gabber, certify that:

1. I have reviewed the financial statements and other financial information which is included in the report of Kardan NV ("the corporation") for the third 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.

November 28, 2018

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E.Oz-Gabber, CFO

**Kardan N.V.**  
**(the "Company")**  
**Significant events and developments**  
**Filings pursuant to Israeli Law**  
**November 28, 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.

For details regarding material events that occurred in the first and second quarter of 2018 up to May 30, 2018, reference is made to the significant event and developments chapter of Q1 2018 financial statements published by the Company on May 30, 2018.

For details regarding material events that occurred in the second and third quarter of 2018 up to August 22, 2018 reference is made to the significant event and developments chapter of Q2 2018 financial statements published by the Company on August 22, 2018.

**Real Estate**

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

**Europark Dalian<sup>1</sup>**

<b>Data per 100%, Kardan Land China share – 100%</b>		<b>Q3 - 2018</b>	<b>Q2 - 2018</b>	<b>Q1 - 2018</b>	<b>2017</b>
<b>Invested costs</b>	Cumulative costs for land at the end of the period	72.71	76.13	75.28	74.65
	Cumulative costs for development ,taxes ,and fees	3.12	3.27	3.23	2.76
	Cumulative costs for construction	110.93	114.34	109.44	103.08
	Cumulative costs in respect of financing (capitalized)	10.51	10.46	9.90	9.28
	<b>Total cumulative cost</b>	<b>197.27</b>	<b>204.2</b>	<b>197.85</b>	<b>189.77</b>
	<b>Total cumulative carrying costs</b>	<b>197.27</b>	<b>204.2</b>	<b>197.85</b>	<b>189.77</b>
<b>Costs yet to be invested and completion rate</b>	Costs in respect of land not yet invested (estimated)	1.34	1.41	1.39	1.38
	Development costs, taxes and fees not yet invested (estimated)	-	-	-	-
	Costs for construction not yet invested (estimated)	32.65	35.98	39.20	44.22
	Cumulative costs in respect of financing expected to be capitalized in the future (estimated)	2.28	2.94	3.35	3.85
	<b>Total costs remaining for completion</b>	<b>36.27</b>	<b>40.33</b>	<b>43.94</b>	<b>50.01</b>
	<b>Completion rate (excluding land) (%)</b>	<b>78%</b>	<b>76%</b>	<b>74%</b>	<b>70%</b>
	<b>Expected construction completion date</b>	<b>2020</b>	<b>2020</b>	<b>2020</b>	<b>2020</b>
<b>Exchange rate for this table</b>		<b>8.0111</b>	<b>7.6515</b>	<b>7.738</b>	<b>7.802</b>

<sup>1</sup> The data in the table relating to expected costs is a forward-looking information ,as defined in the Securities Law , based on management's experience in the construction of projects ,the costs of construction inputs at the time of estimation ,including the price of subcontractors ,the state of the local and global market ,project .These estimates may not materialize ,in whole or in part ,or may materialize differently ,including materially ,than expected ,as a result of a change in the factors on which the estimates are based ,including as a result of the direct and / or indirect implications of the global economic crisis ,changes in the market situation and changes in demand for residential areas The changes in the exchange rate of the yuan / euro and / or materialization of all or part of the risk factors specified in Section 7.19 of the Description of the Corporation's Business chapter in the Company's Periodic Report for ,2017 the information of which is presented in this report by way of reference.

		Q3 - 2018	Q2 - 2018	Q1 - 2018	2017
Agreements signed during the current period (not including apartment purchase orders)	Housing units (#)	33	36	26	111
	Housing units (sqm)	3,899	4,006	2,981	11,836
Average price per m <sup>2</sup> in agreements signed during the current period	Housing units	2,827	2,594	2,300	2,251
Cumulative agreements up to the end of the period:	Housing units (#)	849	816	780	754
	Housing units (sqm)	82,859	78,959	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	2,316	2,399	2,361	2,344
Marketing percentage of the project	Total expected income from the entire project (EUR millions)	275	288	285	283
	Total cumulative expected income from signed agreements (EUR millions)	192	189	177	169
	Marketing rate as of the last day of the period (%)	70%	66%	62%	60%
Areas for which no agreement has been signed:	Housing units (#)	234	267	287	313
	Housing units (sqm)	25,670	29,569	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>		43	67	55	57
<b>Exchange rate for this table</b>		8.0111	7.6515	7.738	7.802
*** **					
Number of agreements signed from the end of the period to the report date (#) / m <sup>2</sup>	Residential	4 agreements			
Average price per m <sup>2</sup> in agreements signed between the end of the period and the date of the report (EUR)	Residential	m <sup>2</sup> 441	2,932		

## Suzy<sup>2</sup>

Data per 100%, Kardan Land China share – 50%		Q3 - 2018	Q2 - 2018	Q1 - 2018	2017
costs Invested	period the of end the at land for costs Cumulative	25	26	24	23
	fees and ,taxes ,development for costs Cumulative	6	6	5	5
	construction for costs Cumulative	5	4	4	3
	(capitalized) financing of respect in costs Cumulative	-	-	-	--
	cost cumulative Total	36	36	33	31
	costs carrying cumulative Total	36	36	33	31
invested be to yet Costs rate completion and	(estimate) invested yet not land of respect in Costs	6	8	8	7
	invested yet not fees and taxes ,costs Development (estimated)	34	38	38	38
	(estimated) invested yet not construction for Costs	91	93	93	93
	be to expected financing of respect in costs Cumulative (estimate) future the in capitalized	-	-	-	--
	completion for remaining costs Total	130	139	139	139
	(%) (land excluding) rate Completion	8%	7%	6%	6%
	(*) date completion construction Expected	2021 4Q	2021 Q4	2020 Q4	2020 Q4
	table this for rate Exchange	8.0111	7.6515	7.738	7.802

(\*)Following section 7.5.5.4 of Part A of the Company's Periodic Report the year 2017, in view of delays in clearing part of the project area, there are uncertainties relating to the expected completion date, the project total costs and possible changes in the project plans.

<sup>2</sup> The data in the table relating to expected costs is a forward-looking information ,as defined in the Securities Law ,based on management's experience in the construction of projects ,the costs of construction inputs at the time of estimation ,including the price of subcontractors ,the state of the local and global market ,project .These estimates may not materialize ,in whole or in part ,or may materialize differently ,including materially ,than expected ,as a result of a change in the factors on which the estimates are based ,including as a result of the direct and / or indirect implications of the global economic crisis ,changes in the market situation and changes in demand for residential areas The changes in the exchange rate of the yuan / euro and / or materialization of all or part of the risk factors specified in Section 7.19 of the Description of the Corporation's Business chapter in the Company's Periodic Report for ,2017 the information of which is presented in this report by way of reference.

		2018 - Q3	- Q2 2018	- Q1 2018	2017
current the during signed Agreements period	Housing units (#)	49	106	77	318
	Housing units (sqm)	4,554	6,140	5,363	23,652
	Commercial areas (sqm)	-	-	-	-
Average price per sqm in agreements signed during the current period	Housing units	824	720	683	656
	Commercial areas	-	-	-	-
Cumulative agreements up to the end of the period:	Housing units (#)	550	501	395	318
	Housing units (sqm)	39,709	35,155	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	671	681	666	656
	Commercial areas	-	-	-	-
Marketing percentage of the period	Total expected income from the entire project (in commercial currency)	247	258	255	253
	Total cumulative expected income from signed agreements (EUR millions)	27	24	19	16
	Marketing rate as of the last day of the period (%)	11%	9%	8%	6%
Areas for which no agreement has been signed:	Housing units (#)	2,480	2,530	2,636	2,713
	Housing units (sqm)	233,518	238,210	244,350	249,713
	Commercial areas (sqm)	33,092	33,092	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	12	12	14
*** **					
Number of agreements signed from the end of the period to the report date (#) / m <sup>2</sup>	Residential	4 agreements 373m <sup>2</sup>			
	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	836			
	Commercial	-			

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

Name Project		- Q3 2018	- Q2 2018	- Q1 2018	2017	
Olympic Garden Presented according to 100% (Company's share – 50%)	Agreements signed during the current period	Housing units(#)	77	142	45	709
		Housing units (sqm)	7,073	13,136	3,743	70,474
		Commercial areas (sqm)	35	314	21	1,963
	Average price per m <sup>2</sup> in agreements signed during the current period (RMB)	Housing units	1,703	1,418	1,223	770
		Commercial areas	2,372	3,739	2,755	2,408
City Dream	Agreements signed during the current period	Housing units(#)	5	51	-	56
		Housing units (sqm)	589	5,944	-	16,387
		Commercial areas (sqm)	128	782	-	9,203
	Average price per m <sup>2</sup> in agreements signed during the current period (RMB)	Housing units	1,398	1,418	-	774
		Commercial areas	1,994	1,779	-	1,255
Presented according to 100%	Agreements signed during the current period	Housing units(#)	-	15	2	-
		Housing units (sqm)	-	1,549	146	-
		Commercial areas (sqm)	-	3,382	-	-
	Average price per m <sup>2</sup> in agreements signed during the current period (RMB)	Housing units	-	209	516	-
		Commercial areas	-	255	-	-

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

<b>(Data according to 100%; Kardan N.V. indirect share in the property: 100%)</b>	<b>Q3 2018</b>	<b>Q2 2018</b>	<b>Q1 2018</b>	<b>Year 2017</b>
Fair value at the end of the period (€ in millions) (*)	213.3	223.6	222.9	221.1
NOI (€ in millions)	(0.2)	(0.1)	(0.5)	2.57
Valuation losses for the period (€ in millions)	-	(1.8)	-	(4.2)
Average occupancy rate in the period	90%	86%	82.2%	77.7%
Average rental rate per sqm. (in €) (**)	10.2	10	8.9	10.25
Part of the area for which rental agreements or letters of intent were signed during the period, net (%)	4%	3.3%	4.3%	7.8%
Part of the area for which rental agreements or letters of intent were signed accumulated (%) ****	91%	87%	83.6%	79.3%
Average monthly rent per sqm in contracts signed during the Period, gross (per month) (RMB) (***)	10.2	11.4	10.0	12.86

(\*)The asset functional currency is the RMB. The changes in the fair value are mainly due to the fluctuation 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.

(\*\*\*\*)The Company estimates that there is uncertainty as to the ability of a customer leasing an area constituting 6.3% of the mall area to meet its obligations under the lease agreement .

### Financing

3. 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 30.9.2018 is 83.8%; the coverage ratio of Kardan Land China according to the financial statements as of 30.9.2018 is 365% accordingly, the company is in breach of i's financial covenants.
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 During the third quarter of 2018, the Company repaid an early repayment of RMB 129 million of the balance of the loan. As at the date of the report, the balance of the loan (after repayment) is approximately RMB 771 million (approximately €96 million).	-	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 33% (i.e. lower than 50%) (2) As of the report date, KLC signed guarantees at a total sum of 98 million euros, constituting 45% 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) KLD met the milestone set forth in the loan agreement in connection with construction progress

## **General**

4. For details regarding the senior management and officers of the Company as of August 23, 2018 see the Immediate Report dated of August 23, 2018.
5. Following the merger between Brightman Trusts and Aurora Fidelity Trust Company Ltd. (hereinafter: "Aurora"), both companies controlled by Brightman Almagor Zohar & Co., in which Aurora was liquidated, the new trustee for the Series A bondholders of the Company is Almagor-Brightman Trusts Ltd. For further details, refer to the Immediate Report dated August 28, 2018
6. For details regarding the results of Debentures Holders 'B voting meeting regarding the appointment of an observer on behalf of the Debenture Holders and the trustee, refer to the announcement issued on September 3, 2018.
7. For details regarding the results of Debenture Holders A voting assembly regarding the appointment of an observer on behalf of the debenture holders and the trustee, refer to the announcement issued on September 6, 2018.
8. For details regarding the identity of the observer, refer to announcement issued on October 4, 2018.
9. For details regarding the results of a special general meeting of the Company's shareholders held on Monday, October 22, 2018, on which agenda was the approval of an annual bonus to the CEO of the Company in respect of 2018, see announcement issued on September 5, 2018 and amendment to the announcement issued on September 13, 2018.
10. For details regarding the meeting of the Debenture Holders on which agenda was a report regarding the progress of the negotiations between the Company and the debenture holders) Series B) and a technical postponement of debenture A repayment, refer to the announcement issued October 21, 2018.
11. For details regarding the debt settlement principles agreed between the Company and the trustee of Debenture Holders series B, refer to the announcement issued on October 23, 2018.
12. On October 23, 2018, the Company published an announcement on behalf of the trustee regarding the legal postponement of the final repayment of debentures Series A. For details, refer to announcement issued by the Company on October 23, 2018.
13. On October 25, 2018 a meeting of the debentures holders (series A) approved the postponement of the final repayment of debentures series A (interest and principle), for details see summon announcement from October 23, 2018 and an immediate report on the results issued on October 28, 2018.
14. On October 31, 2018, the Company issued an announcement on behalf of the trustee regarding the lawful postponement of the final repayment date of the debentures series A. For more information, see the Immediate Report issued by the Company on October 31, 2018.
15. On November 20, 2018 the Company issued a response to press reports regarding the debt settlement of Mr. Grunfeld, one of the Company's controlling shareholders. For more information see the announcement issued by the Company on November 20, 2018.