



KARDAN N.V.

Q1 2019



Financial highlights Q1 2019

Net profit (loss) (In €thousands)	Q1 2019	Q1 2018
Real Estate (development and investment property)	1,194	(3,223)
Water Infrastructure (discontinued operations)	(2,922)	(337)
Other – Avis (discontinued operations)	1,472	473
Total Operations	(256)	(3,087)
Holding (Corporate Finance and G&A)	(23,249)	7,356
Total	(23,505)	4,269



Kardan N.V. (company only, in €thousands)	March 31, 2019	December 31, 2018
Total Assets	362,752	351,189
Total Equity	(76,253)	(59,498)
Equity/Total assets (%)	(21.0%)	(16.9%)

The deficit of shareholders' equity of Kardan N.V. increased from a deficit of €59.5 mn as of December 31, 2018 to a deficit of €76.3 mn as of March 31, 2019, due to the loss in the period, which was negatively impacted by foreign exchange differences

The Company did not meet the debt coverage ratio financial covenant as defined in the Deeds of Trust for the sixth consecutive quarter

As of March 31, 2019 certain Group companies did not meet their financial covenants for which waivers were obtained subsequent to the balance sheet date



Q1 2019 showed a mixed picture, with the Real Estate activities showing improved results, while the Water Infrastructure activities were impacted by foreign exchange and one-time costs:

Real Estate

- Net profit to equity holders of €1.2 mn, compared with a net loss of €3.2 mn in Q1 2018 mainly following the improved performance of the shopping mall Galleria Dalian and higher delivery of apartments in the joint venture projects.

Water Infrastructure

- €2.9 mn net loss to equity holder compared with a net loss of €0.3 mn in Q1 2018 mainly due to negative FX impact and one-offs.

Kardan N.V.

- €23.5 mn net loss to equity holders (Q1 2018: net profit of €4.3 mn), including €16 mn 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 (Q1 2018 €12.7 mn positive impact).



Other

- The completion of the sale transaction of Avis Ukraine on March 14, 2019, resulted in a gain of €1.5 mn in Q1 2019 (included as part of results from discontinued operations).

Debentures

- The Company did not repay the February 2018 and February 2019 scheduled payment of principal and interest to the Company's debenture holders (series A and B). As a result, starting February 2018 the Company is in default.
- In April 2019, each of the assemblies of Debenture Holders (series A and B) approved of the understandings reached in relation to the balance payments; following which in May 2019 the Company transferred an amount of approximately €36.5 mn (NIS 145 mn) to the trustee of Debenture Holders B on account of the payment to debenture holders B.



Result from operations

- Amounted to € 2.7 mn profit (Q1 2018: € 2 mn profit), fully attributable to higher contribution of the joint venture projects

Revenue from sale of apartments

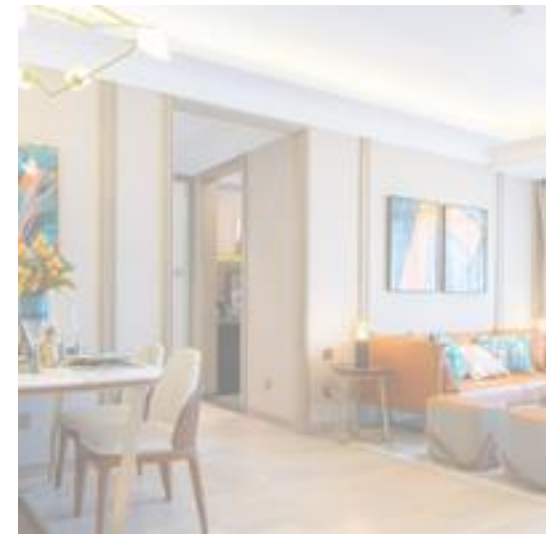
- Amounted to € 1.3 mn (Q1 2018: € 61.8 mn). In Q1 2019 no apartments were delivered in the Dalian project as they are all under construction, in Q1 2018 there were 278 deliveries.
- 11 apartments were sold in Q1 2019 in Building C

SG&A costs

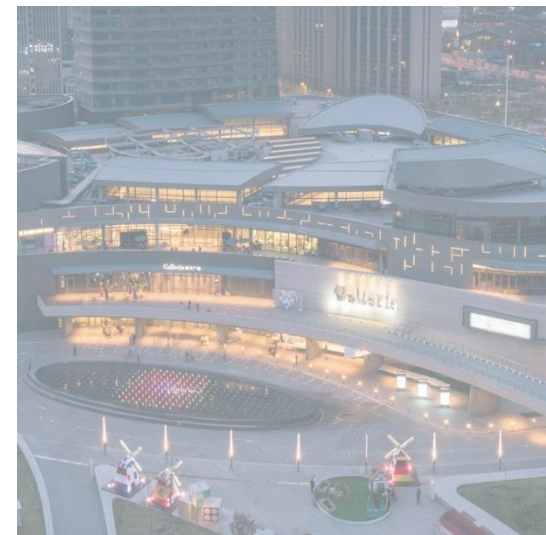
- Decreased to € 0.5 mn in Q1 2019 compared to € 0.6 mn in Q1 2018

Equity earnings

- Contributed a profit of € 2.9 mn (Q1 2018: € 1.2 mn), due to higher deliveries of apartments



	Q1 2019	Q1 2018
Total apartments sold in period	77	251
Total apartments delivered in period	313	313
Apartments Dalian sold in period	11	26
Apartments Dalian delivered in period	-	278
Total apartments sold, not yet delivered	1,660	1,641



Result from operations

- Operational profit of € 0.6 mn (Q1 2018: € 0.6 mn loss)

Total revenues

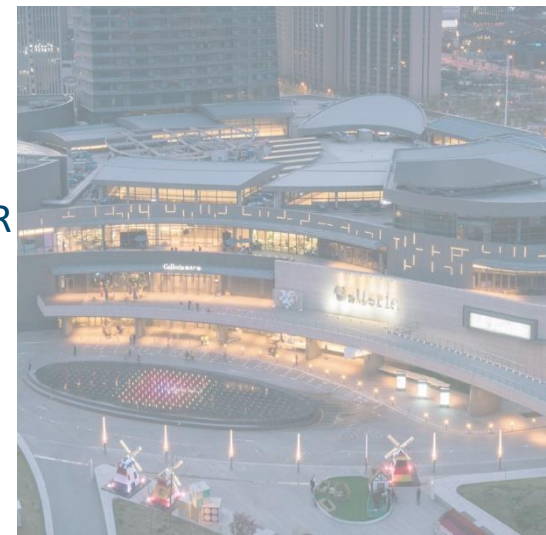
- Amounted to € 2.1 mn (Q1 2018: € 1.3 mn), mainly as the result of the positive operational trends at Galleria Dalian
- The occupancy rate rose to 90.6% at 31 March 2019 (31 March 2018: 83.6%)
- The opening rate increased from 73.2% at 31 March 2018 to 81.6% at 31 March 2019

SG&A costs

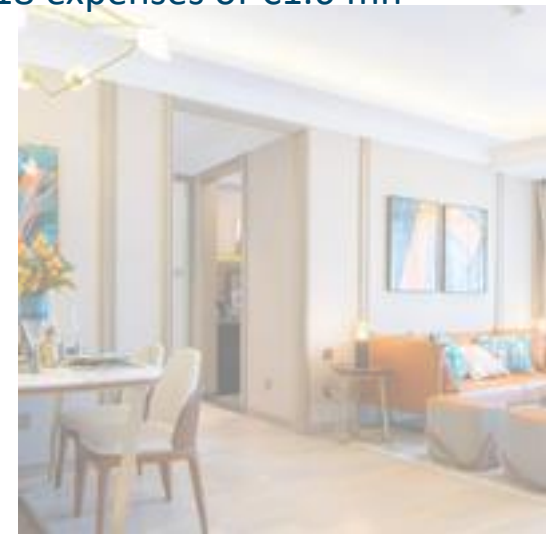
- Decreased to € 0.5 mn (Q1 2018: € 1 mn) due to cost efficiencies and lower marketing costs

Investment Property

- The value of the Galleria Dalian shopping mall increased by approximately 3.8% compared to December 31, 2018, due to the appreciation of the RMB versus the EUR



- Net Result:**
- Net profit of € 1.2 mn (Q1 2018: € 3.2 mn loss)
- Operational result**
- Operational profit of € 3.3 mn (Q1 2018: € 1.4 mn)
- Financing expenses (net):**
- Decreased to € 1.5 mn, compared to € 2.4 mn in Q1 2018 and mainly include interest expenses related to the Europark Dalian project loan (which was partially early repaid in Q4 2018)
 - A positive foreign exchange impact of €0.6 mn in Q1 2019, compared with a positive foreign exchange impact of €0.3 mn in Q1 2018
- Income tax expense / benefit:**
- Income tax expenses of €27 thousand (Q1 2018 expenses of €1.6 mn included land appreciation tax)



- Revenues in Q1 2019 increased to €35.4 mn compared to €31.6 mn in Q1 2018
- Gross margin decreased to 12% compared to 17% in Q1 2018 following delays in projects in Africa with a relatively higher profitability
- Operational results decreased due to the decline in the gross margin and efficiency expenses of approx. €1 mn
- Financing expenses increased significantly from €0.5 mn in Q1 2018 to €3.2 mn in Q1 2019 due to:
 - interest expenses on utilization of credit lines as a result of delays in the financial closing of certain projects
 - foreign exchange differences
- Due to delays in financial closing of certain projects and in receiving advance payments, and as a result of continuing negative cash flow from operating activities, TGI had to extend some of its available credit lines
- Income tax benefit of €0.6 mn in Q1 2019 (Q1 2018: €0.1 mn expense) related to deferred tax assets on carry forward losses
- Total loss attributable to equity holders amounted to €2.9 mn (Q1 2018: €0.3 mn loss)



Water Infrastructure highlights – Q1 2019 continued

- In total, new orders of US\$ 43.4 mn were recorded in Q1 2019.
- Order backlog amounted to US\$ 691.9 mn as at 31 March 2019 (December 31, 2018 US\$ 687.4 mn)
- Signed contracts representing US\$ 363 mn will be added to the existing backlog after financial closing



Other highlights – Q1 2019

- Following the completion of the sale of Avis Ukraine in Q1 2019, a gain of €1.5 mn was recorded, comprising a €1.3 mn release of capital translation reserve and a reversal of impairment loss recorded in Q4 2018 of €0.2 mn
- Financing expenses increased to €22 mn in Q1 2019, compared to income of €8.7 mn in Q1 2018, mainly due to the net negative impact of foreign currency exchange differences and Israeli CPI of €16 mn in Q1 2019 (Q1 2018: €12.7 mn positive)



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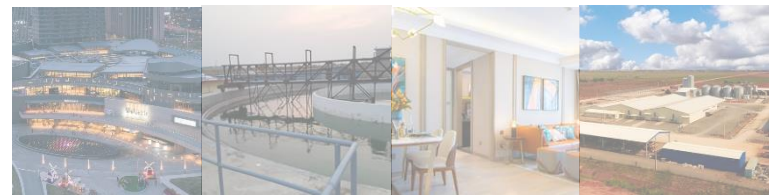




Apendix

Consolidated Income Statement Kardan N.V.

	Q1 2019	Q1 - 2018	12M - 2018
Total revenues	3,407	63,076	79,458
Total expenses	(4,748)	64,901	85,173
Loss from operations before fair value adjustments, disposal of assets and financial expenses	(1,341)	(1,825)	(5,715)
Loss from fair value adjustments and disposal of assets and investments, net	-	-	(7,103)
Result from operations before finance expenses	(1,341)	(1,825)	(12,818)
Financing income (expenses), net	(23,519)	6,346	(23,703)
Equity earnings (loss), net	2,872	1,239	1,491
Profit (loss) before income tax	(21,988)	5,760	(35,030)
Income tax (expenses) / benefit	(67)	(1,627)	605
Profit (loss) from continuing operations	(22,055)	4,133	(34,425)
Profit (loss) from discontinued operations	(1,216)	635	(311)
Profit (Loss) for the period	(23,271)	4,768	(34,736)
Attributable to:			
Non-controlling interests	234	499	2,039
Net result for equity holders	(23,505)	4,269	(36,775)
Other Comprehensive income (expense)	6,749	(6,090)	(12,837)
Total Comprehensive expense attributable to Kardan equity holders	(16,756)	(1,821)	(49,612)



In €thousands	For the 3 months ended March 31,		For the year ended December 31,
	2019	2018	2018
Real Estate - Development			
Sale of apartments	1,316	61,807	73,634
Cost of sales	(1,023)	(60,470)	(69,226)
Gross Profit	293	1,337	4,408
SG&A expenses	(447)	(573)	(2,687)
Gain from disposal of fixed assets and investments, net	-	-	2,278
Equity earnings (losses)	2,872	1,239	1,491
Operational profit - Real Estate Development segment	2,718	2,003	5,490
Real Estate - investment Property			
Rental revenues	,2091	1,269	5,824
Cost of rental revenues	(994)	(925)	(3,738)
Gross Profit	1,097	344	2,086
SG&A expenses	(494)	(976)	(4,366)
Adjustment to fair value (impairment) of investment property	-	-	(8,610)
Operational profit (loss) - Real Estate Investment Property segment	603	(632)	(10,890)
Total operational profit (loss) - Real Estate	3,321	1,371	(5,400)
Other unallocated expense	(559)	(637)	(2,311)
Profit (loss) before finance expenses and income tax	2,762	734	(7,711)
Finance expenses, net	(1,541)	(2,370)	(10,517)
Tax benefits (expenses)	(27)	(1,587)	835
Profit (Loss) for the period – attributed to Company's shareholders	1,194	(3,223)	(17,393)



Water Infrastructure (discontinued operations)

In € thousands	For the three months ended March 31,		For the year ended December 31,
	2019	2018	2018
Contract revenues	35,415	31,617	175,397
Contract cost	(30,916)	26,234	148,338
<i>Gross profit</i>	4,499	5,383	27,059
SG&A expenses	(2,909)	(4,753)	(16,269)
Equity losses	(808)	(73)	(2,900)
Gain (loss) on disposal of assets and other income	(851)	13	378
Result from operations before financing expenses	(69)	570	8,268
Financing income (expenses), net	(3,227)	(548)	(4,209)
Income tax benefit (expenses)	608	140	(1,955)
Net profit (loss)	(2,688)	162	2,104
Attributable to:			
Non-controlling interest holders	234	499	2,039
Equity holders (Kardan N.V.)	(2,922)	(337)	65
	(2,688)	162	2,104



In € thousands	For the three months ended March 31,		For the year ended December 31,
	2019	2018	2018
Corporate expenses:			
General and administration expenses	(1,231)	(1,320)	(3,616)
Financing income (expense), net	(21,978)	8,716	(13,186)
Income tax expenses	(40)	(40)	(230)
	(23,249)	7,356	(17,032)
Other activities:			
Equity earnings (Avis Ukraine - discontinued operations)	1,472	473	(2,415)

