KARDAN N.V.
AMSTERDAM, THE NETHERLANDS

Condensed Interim Consolidated Financial Statements (unaudited)
As of March 31, 2019

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CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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	Note	March 31, 2019	March 31, 2018	December 31, 2018
		Unaudited		Audited
		In €'000		
Non-current assets				
Deferred tax assets		325	468	313
Tangible fixed assets, net		723	642	748
Investment property		221,673	222,932	213,577
Investments in joint ventures	7	42,396	51,955	23,114
Loans to joint ventures	7	-	19,641	14,859
Long-term loans and receivables		3,599	7,948	3,878
		268,716	303,586	256,489
Current assets				
Apartments inventory		68,228	61,193	64,734
Trade receivables		7,952	10,710	7,416
Current tax assets		2,633	342	2,452
Other receivables and prepayments		4,923	3,200	3,515
Short-term investments		10,617	24,044	17,427
Cash and cash equivalents		66,785	36,327	51,949
		161,138	135,816	147,493
Assets held for sale	8	232,217	188,636	240,909
Total current assets		393,355	324,452	388,402
Total assets		662,071	628,038	644,891

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

Equity and liabilities

	Note	**March 31, 2019**	March 31, 2018	December 31, 2018
		Unaudited		Audited
		In €'000		
Equity (deficit) attributable to equity holders of the parent company				
Issued and paid-in capital	5	25,276	25,276	25,276
Share premium		206,482	206,482	206,482
Foreign currency translation reserve		(5,186)	(5,845)	(12,049)
Property revaluation reserve		25,179	31,637	25,179
Revaluation reserve, other		4,723	5,379	4,837
Accumulated deficit		(332,727)	(275,668)	(309,222)
		(76,253)	(12,739)	(59,497)
Non-controlling interests		6,051	2,454	5,740
Total equity (deficit)		(70,202)	(10,285)	(53,757)
Non-current liabilities				
Interest-bearing loans and borrowings		90,546	105,820	87,287
Other long-term liabilities		1,056	1,053	1,033
Financial instruments		-	927	-
Deferred tax liabilities		5,143	6,408	4,955
		96,745	114,208	93,275
Current liabilities				
Trade payables		3,185	1,730	3,159
Current maturities of debentures	2	295,676	278,639	282,703
Interest-bearing loans and borrowings		14,056	-	13,510
Current tax liabilities		1,475	1,245	1,185
Financial instruments		691	-	678
Advances from apartment buyers		35,930	18,155	32,509
Other payables and accrued expenses		95,797	78,389	87,301
		446,810	378,158	421,045
Liabilities associated with assets held for sale	8	188,718	145,957	184,328
Total current liabilities		635,528	524,115	605,373
Total liabilities		732,273	638,323	698,648
Total equity and liabilities		662,071	628,038	644,891

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

CONDENSED INTERIM CONSOLIDATED INCOME STATEMENT

	Note	For the three months ended March 31,		For the year ended December 31,
		2019	2018	2018
		Unaudited		Audited
		In €'000		
Revenues from sale of apartments		1,115	61,627	72,711
Revenues from rental operations		2,091	1,269	5,824
Management fees and other revenues		201	180	923
Total revenues		3,407	63,076	79,458
Cost of apartment sold		1,011	60,384	69,002
Cost of rental operations		996	924	3,738
Management fees and other expenses, net		10	86	224
Total expenses		2,017	61,394	72,964
Gross profit		1,390	1,682	6,494
Selling and marketing expenses		484	1,027	4,083
General and administration expenses		2,247	2,480	8,126
Loss from operations before fair value adjustments, disposal of assets and investment and other income		(1,341)	(1,825)	(5,715)
Adjustment to fair value of investment properties		-	-	(8,610)
Gain on disposal of assets and other income, net		-	-	1,507
Loss from fair value adjustments, disposal of assets and investments and other income		-	-	(7,103)
Loss from operations		(1,341)	(1,825)	(12,818)
Financial income		1,333	13,314	11,813
Financial expenses		(24,852)	(6,968)	(35,516)
Total financial income (expenses), net		(23,519)	6,346	(23,703)
Profit (loss) before share of profit from investments accounted for using the equity method		(24,860)	4,521	(36,521)
Share of profit of investments accounted for using the equity method, net	7	2,872	1,238	1,491
Profit (loss) before income taxes		(21,988)	5,759	(35,030)
Income tax expenses (benefit)		67	1,627	(605)
Profit (loss) for the period from continuing operations		(22,055)	4,132	(34,425)
Net profit (loss) from discontinued operations	8	(1,216)	636	(311)
Net profit (loss) for the period		(23,271)	4,768	(34,736)
Attributable to:				
Equity holders		(23,505)	4,269	(36,775)
Non-controlling interest holders		234	499	2,039
		(23,271)	4,768	(34,736)
Earnings (loss) per share attributable to shareholders:				
Basic and diluted from continuing operations		(0.18)	0.04	(0.27)
Basic and diluted from discontinued operations		(0.01)	-	-
		(0.19)	0.04	(0.27)

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CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the three months ended March 31,		For the year ended December 31,
	2019	2018	2018
	Unaudited		Audited
	In €'000		
Net profit (loss) for the period	(23,271)	4,768	(34,736)
Foreign currency translation differences	5,606	(7,875)	(15,014)
Change in hedge reserve, net of tax (1)	(114)	(208)	(751)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	1,334	(72)	(1,279)
Other comprehensive expense for the period to be reclassified to profit or loss in subsequent periods	6,826	(8,155)	(17,044)
Total comprehensive expense	(16,445)	(3,387)	(51,780)
Attributable to:			
Equity holders	(16,756)	(1,821)	(49,612)
Non-controlling interests holders	311	(1,566)	(2,168)
	(16,445)	(3,387)	(51,780)

(1) Mainly relates to unwinding of hedge transactions in prior periods. The amounts are presented net of tax amounting to €38 thousand and €69 thousand for the three months ended March 31, 2019 and 2018, respectively, and €250 thousand for the year ended December 31, 2018.

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

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent								
	Issued and paid-in capital	Share premium	Foreign currency translation reserve (*)	Property revaluation reserve (*)	Revaluation reserve, other (*)	Accumulated deficit	Total	Non-controlling interest holders	Total Equity
	In €'000								
Balance as of January 1, 2019 (Audited)	25,276	206,482	(12,049)	25,179	4,837	(309,222)	(59,497)	5,740	(53,757)
Other comprehensive income (loss)	-	-	6,863	-	(114)	-	6,749	77	6,826
Profit (loss) for the period	-	-	-	-	-	(23,505)	(23,505)	234	(23,271)
Total comprehensive loss	-	-	6,863	-	(114)	(23,505)	(16,756)	311	(16,445)
Balance as of March 31, 2019 (Unaudited)	25,276	206,482	(5,186)	25,179	4,723	(332,727)	(76,253)	6,051	(70,202)

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

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CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Attributable to equity holders of the parent								
	Issued and paid-in capital	Share premium	Foreign currency translation reserve (*)	Property revaluation reserve (*)	Revaluation reserve, other (*)	Accumulated deficit	Total	Non-controlling interest holders	Total Equity
	In €'000								
Balance as of January 1, 2018 (Audited)	25,276	206,482	37	31,637	5,586	(273,386)	(4,368)	3,542	(826)
Adjustment on adoption of IFRS 15	-	-	-	-	-	688	688	-	688
Adjustment on adoption of IFRS 9	-	-	-	-	-	(7,246)	(7,246)	-	(7,246)
Balance as of January 1, 2018 (after adjustments on the adoption of IFRS 15 and IFRS 9)	25,276	206,482	37	31,637	5,586	(279,944)	(10,926)	3,542	(7,384)
Other comprehensive loss	-	-	(5,882)	-	(208)	-	(6,090)	(2,065)	(8,155)
Profit for the period	-	-	-	-	-	4,269	4,269	499	4,768
Total comprehensive loss	-	-	(5,882)	-	(208)	4,269	(1,821)	(1,566)	(3,387)
Transactions with non-controlling interest	-	-	-	-	-	7	7	-	7
Share-based payment	-	-	-	-	1	-	1	478	479
Balance as of March 31, 2018 (Unaudited)	25,276	206,482	(5,845)	31,637	5,379	(275,668)	(12,739)	2,454	(10,285)

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

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CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Attributable to equity holders of the parent							Non-controlling interest holders	Total Equity
	Issued and paid-in capital	Share premium	Foreign currency translation reserve (*)	Property revaluation reserve (*)	Revaluation reserve, other (*)	Accumulated deficit	Total		
	In €'000								
Balance as of January 1, 2018 (Audited)	25,276	206,482	37	31,637	5,586	(273,386)	(4,368)	3,542	(826)
Adjustment on adoption of IFRS 15	-	-	-	-	-	688	688	-	688
Adjustment on adoption of IFRS 9	-	-	-	-	-	(7,246)	(7,246)	-	(7,246)
Balance as of January 1, 2018 (after adjustments on the adoption of IFRS 15 and IFRS 9)	25,276	206,482	37	31,637	5,586	(279,944)	(10,926)	3,542	(7,384)
Other comprehensive loss	-	-	(12,086)	-	(751)	-	(12,837)	(4,207)	(17,044)
Profit (loss) for the period	-	-	-	-	-	(36,775)	(36,775)	2,039	(34,736)
Total comprehensive loss	-	-	(12,086)	-	(751)	(36,775)	(49,612)	(2,168)	(51,780)
Transactions with non-controlling interest	-	-	-	-	-	1,039	1,039	4,077	5,116
Share-based payment	-	-	-	-	2	-	2	289	291
Reclassification according to the Netherlands civil code requirements, net of tax (*)	-	-	-	(6,458)	-	6,458	-	-	-
Balance as of December 31, 2018 (Audited)	25,276	206,482	(12,049)	25,179	4,837	(309,222)	(59,497)	5,740	(53,757)

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

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

CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT

	Note	For the three months period ended March 31, 2019	For the three months period ended March 31, 2018	For the year ended December 31, 2018
		Unaudited	Unaudited	Audited
		In €'000		
Cash flow from operating activities				
Profit (loss) from continuing operations before taxes on income		(21,988)	5,759	(35,030)
Profit (loss) from discontinued operations before taxe on income		(1,825)	495	1,683
Adjustments to reconcile net loss to net cash (see A below)		15,503	(648)	58,807
Adjustment on operating activities from discontinued operations		(9,185)	(1,897)	(22,170)
Net cash provided by (used in) operating activities		**(17,495)**	**3,709**	**3,290**
Cash flow from investing activities				
Acquisition of tangible fixed assets and investment properties		(791)	(572)	(2,572)
Investments and collection (granting) loans from (to) companies accounted for using the equity method, net		-	5,797	14,050
Proceeds from sale of assets and investments in associates	8	12,600	-	-
Change in short-term investments		7,307	(12,075)	(2,911)
Net cash provided by (used in) investing activities from discontinued operation		(157)	(40)	(7,220)
Net cash provided by (used in) investing activities		**18,959**	**(6,890)**	**1,347**

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

CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

	For the three months period ended March 31,		For the year ended December 31,
	2019	2018	2018
	Unaudited		Audited
		In €'000	
Cash flows from financing activities			
Repayment of long-term loans	282	-	(16,540)
Decrease in pledge deposit	-	-	16
Net cash provided in financing activities from discontinued operations	3,646	13,469	28,348
Net cash provided by financing activities	3,928	13,469	11,824
Increase in cash and cash equivalents	**5,392**	**10,288**	**16,461**
Cash relating to assets held for sale	6,667	(11,556)	(4,631)
Foreign exchange differences relating to cash and cash equivalents	2,777	455	2,979
Cash and cash equivalents at the beginning of the period	51,949	37,140	37,140
Cash and cash equivalents at the end of the period	**66,785**	**36,327**	**51,949**

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CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

	For the three months period ended March 31,		For the year ended December 31,
	2019	2018	2018
	Unaudited		Audited
	In €'000		
A. Adjustments to reconcile net profit (loss) to net cash			
Charges / (credits) to profit (loss) not affecting operating cash flows:			
Impairment of joint venture held for sale	-	-	3,323
Share of profit of companies accounted for using the equity method	(2,872)	(1,238)	(1,491)
Share-based payment	-	1	446
Depreciation and amortization	60	50	262
Fair value adjustments of investment property	-	-	8,610
Financial expense (income) and exchange differences, net	(4,452)	(6,381)	23,692
Fair value adjustments of derivative financial instruments	-	78	(184)
Changes in operating assets and liabilities:			
Change in trade and other receivables	(2,445)	(1,963)	(1,486)
Change in inventories, net of advances from customers	(50)	13,692	24,489
Change in trade and other payables	28,586	(722)	4,699
Dividend received	-	-	12,160
Interest paid	(3,084)	(2,869)	(11,083)
Interest received	55	119	889
Income taxes paid	(295)	(1,415)	(5,519)
	15,503	**(648)**	**58,807**

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CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

	For three months period ended March 31,		For the year ended December 31,
	2019	2018	2018
	Unaudited		Audited
	In €'000		
B. Proceeds from sale/aquisition of subsidiaries			
Working capital (excluding cash and cash equivalents and bank borrowings)	-	1,061	2,120
Property, plant and equipment	-	(46)	(51)
Goodwill	-	(855)	(1,656)
Intangible assets	-	-	(745)
	-	160	(332)

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

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2019

1. Corporate information

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

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

These condensed interim consolidated financial statements were approved by the Board of Directors on May 28, 2019.

2. Financial Position and Going Concern

a. As at March 31, 2019 the Company had, on a stand-alone basis and on a consolidated basis, a working capital deficit of €293 million and €242 million, respectively (excluding debentures held by subsidiaries), as a result of the classification of the debentures as short-term liabilities, see detailed below. For the three months ended March 31, 2019, the Company recorded a (consolidated and on a stand-alone basis) net loss of €23 million, and generated negative cash flow from operating activities of €1.2 million on a stand-alone basis, and negative cash flow from operating activities of €17.5 million on a consolidated basis. In addition, as at March 31, 2019 the Company had a deficit of €76 million in its equity attributable to equity holders. The Company has not repaid the February 2018 and the February 2019 principal and interest payments to the debenture holders and is in default according to the Deeds of Trust – see b below.

b. On January 11, 2018 the Company announced that it would not be able to complete a transaction for the sale of its holdings in TGI in a manner that would enable the Company to meet the scheduled payments to the debenture holders in February 2018. Further to this announcement, the Company has not repaid the principal and interest payments which were due in February 2018. Consequently, the Company is in default according to the Deed of Trust as of February 2018. Accordingly, from March 31, 2018 and until the repayments are rescheduled, the debentures are presented as current liabilities. Management is currently conducting advanced discussions with the representatives of the Debenture Holders in order to reach an agreement on postponing the payments as part of a new debt settlement, see also c below.
In February 2018, following the announcement that the Company will not make the February 2018 repayments, Maalot, the Israeli subsidiary of Standard & Poor's, has adjusted the rating of the Company and its Debentures Series A and Series B to "D".

c. In January 2019 the Company signed an agreement to sell its investment in its joint venture AVIS Ukraine for a consideration of approximately USD 14.2 million. On March 14, 2019 the transaction was completed and the consideration received.

d. In October 2018, the Company has published the main principles of a debt settlement as negotiated and agreed with debenture holders series B, which include among others, the following: The principal amount of the Debentures and the interest rate will remain unchanged; the final repayment date of the Debentures will be postponed to December 2021, and in parallel the Company will commit to sell assets – and in relation to one asset, according to an agreed upon timetable – and to use the funds received from such disposals for early repayment of Debentures A and B, and other uses according to terms agreed with the representatives of the Debentures. In addition, the Company shall issue to Debenture Holders A and B shares of the Company; the funds to be used for repayment will be used first to make the balance payments (as defined in the existing deeds of trust) to Debenture Holders B, and each subsequent amount will be repaid pro-rata to the two debenture series; each material transaction of the Company and its subsidiaries will be subject to approval of a joint meeting of the debenture holders A and B; a mutual exemption from claims shall be determined at a form to be agreed between the parties.

In April 2019, each of the meetings of debentures A and of debentures B approved the understandings reached by the representatives of both debentures series in relation to the balance payments. Accordingly, it was agreed that up to the date on which debenture holders B will be paid the full amount of the balance payments (approximately NIS 373 million), no payment will be made to debenture holders A. After the balance payments to debentures B are completed a balance payment of NIS 10 million will be paid to debenture holders A; and thereafter, each repayment will be made pro-rata between series A and B. Pursuant to the aforementioned approval, in May 2019, the Company transferred NIS 145 million NIS (approximately €36.5 million) to debenture holders B trustee for the purpose of partial repayment of the balance payment. This partial repayment, which will take place on June 3, 2019, includes NIS 95.9 million which will be used to repay interest and NIS 49.1 million will be used to repay the principal. The sources of payment are the net proceeds received by the Company from the completion of the sale of Avis Ukraine, see c above, together with the cash in the Company's accounts and additional amounts received from subsidiaries.
It is noted that to reach a binding agreement the approval of both debenture holders is needed. Accordingly, management estimates that a debt settlement with the debenture holders will be signed in 2019.

e. In order to assess the liquidity position of the Company, management prepared a two-year liquidity analysis which indicates the required liquidity to be able to repay interest and principal of the Company's debentures and to finance its operating activities. Included in this analysis are, among others, the current cash balances and the projected cash from future operations and transactions. The main source of cash for the Company, in order to repay its debt, will be generated from the sale of assets. The Company continues to conduct processes with a number of parties for the sale or allocation of its holdings in TGI, in order to meet its liabilities, according to the principles of the debt settlement being formulated with debenture holders (series A and B). In addition, the Company is acting to improve its assets in China; assuming the Company will have sufficient time to continue improving these assets, the Company estimates it will be able to maximize their value in future sales transactions while making an orderly sale. The Company expects that these actions will strengthen its financial and equity position. The Company estimates, in the abovementioned liquidity analysis, that the consideration will be received in 2019.

As mentioned above, the Company is working to advance negotiations with respect to the intended sale of TGI with a number of parties, and preparing alternatives for the realization of its holdings. In view of the lack of certainty of completing these negotiations, including completing a sale transaction in the timetables agreed upon with the representatives of the debenture holders in particular, the option to include a provision in the arrangement with debenture holders to distribute TGI shares to the debenture holders as repayment of the Company's debt is being considered.
For details regarding the financial position of TGI, see note 8.

f. The directors expect that, taking into account the current status of the discussions with the Debenture Holders and the expected terms of the debt settlement, and taking into account the process of realizing the holdings in TGI, and potential future value of the Company's assets in China, the Company has the ability to obtain the required resources for repaying its obligations and continue its business operations in the future. Management believes that a controlled sale of assets is in the best interest of all stakeholders. Accordingly, the directors are of the opinion that it is appropriate to prepare these condensed interim consolidated financial statements on a going concern basis.

   However, the directors emphasize that the realization of the Company's plans depends on factors that are not within the Company's control, including the approval of debenture holders to a debt settlement, transaction value of the Company's assets, and macroeconomic developments, and therefore there is uncertainty that transactions for the sale of assets as aforesaid, will be completed according to the forecasted consideration and timing or that the discussions with the Debenture Holders will result in rescheduling of payments. These conditions indicate the existence of a material uncertainty which casts significant doubt regarding the Company's ability to continue as a going concern and therefore it may be unable to realize its assets in order to repay its liabilities in the normal course of business.

   The financial statements do not include any adjustments to the carrying amounts and classifications of assets and liabilities that would result if the Company is unable to continue as a going concern.

3. Basis of presentation and preparation

A. General

The condensed interim consolidated financial statements as at March 31, 2019 have been prepared in accordance with International Accounting Standard (IAS) 34 as defined by the International Accounting Standards Board and as endorsed by the European Union to be used for the preparation of interim consolidated financial statements.

The condensed interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as at December 31, 2018 ('the 2018 annual financial statements').

The accounting policies adopted in the preparation of these condensed interim consolidated financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended December 31, 2018.

New standards and amendments to standards have been effective in 2019 and adopted by the Group:

IFRS 16, "Leases"

International Financial Reporting Standard 16 Leases (IFRS 16) replaces IAS 17 Leases, and sets out the principles for the recognition, measurement, presentation and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the entity. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets and short-term leases (leases with a lease term of 12 months or less).

The group has adopted IFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

The impact of the IFRS 16 is included under assets held for sale and liabilities associated to assets held for sale.

IFRIC 23 – "Uncertainty over Income Tax Treatments"

IFRIC 23 clarifies how the recognition and measurement requirements of IAS 12 "Income Tax" are applied where there is uncertainty over income tax treatment.

IFRIC 23 is effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted. The application of IFRIC 23 has no impact on the Company's financial statements.

IAS 28 – "Investment in associates and joint ventures"

The IASB has issued a narrow scope amendment to IAS 28. The amendment clarifies that long-term interests in an associate or joint venture to which the equity method is not applied, should be accounted for using IFRS 9. The application of this amendment is effective from 1 January 2019.

Following the application of the amendment, as of January 1 2019, the Company presents the loans to joint ventures as part of the investment.

4. Segment information

A. Segments results:

(1) For the three months ended March 31, 2019:

Unaudited	Real Estate		
	Development	Investment property	Total
Revenue	1,316	2,091	3,407
Share in profit of investments accounted using the equity method	2,872	-	2,872
Segment result	2,718	603	3,321
Unallocated expenses			(1,790)
Profit before finance expenses, net			1,531
Finance expenses, net			(23,519)
Loss before income tax			(21,988)
Income tax expense			(67)
Loss from continuing operations			(22,055)
Loss from discontinued operations			(1,216)
Loss for the period			(23,271)

(2) For the three months ended March 31, 2018:

Unaudited	Real Estate		
	Development	Investment property	Total
	In €'000		
Revenue	61,807	1,269	63,076
Share in profit of investments accounted using the equity method	1,238	-	1,238
Segment result	2,003	(632)	1,371
Unallocated expenses			(1,958)
Loss before finance expenses, net			(587)
Finance expenses, net			6,346
Profit before income tax			5,759
Income tax expense			(1,627)
Profit from continuing operations			4,132
Profit from discontinued operations			636
Profit for the period			4,768

(3) For the year ended December 31, 2018:

Audited	Real Estate		
	Development	Investment property	Total
	In €'000		
Revenue	73,634	5,824	79,458
Fair value adjustment of investment property	-	(8,610)	(8,610)
Total Income	73,634	(2,786)	70,848
Share in profit of investment accounted using the equity method	1,491	-	1,491
Segment result	5,490	(10,890)	(5,400)
Unallocated expenses			(5,927)
Loss before finance expenses, net			(11,327)
Finance expenses, net			(23,703)
Loss before income tax			(35,030)
Income tax expense			(605)
Loss from continuing operations			(34,425)
Loss from discontinued operations			(311)
Loss for the year			(34,736)

B. **Segments assets**

	March 31,		December 31
	2019	2018	2018
	Unaudited		Audited
	In €'000		
Real Estate – Residential	116,302	122,160	107,506
Real Estate – Commercial	227,801	234,142	219,186
	344,103	356,302	326,692
Assets held for sale	232,217	188,636	240,909
Unallocated assets (*)	85,751	83,100	77,290
	662,071	628,038	644,891

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

C. **Segments liabilities**

	March 31,		December 31
	2019	2018	2018
	Unaudited		Audited
	€ in thousands		
Real Estate – Residential	66,972	49,849	68,193
Real Estate – Commercial	13,937	3,189	10,127
	80,909	53,038	78,320
Liabilities associated with assets held for sale	188,718	145,957	184,328
Unallocated liabilities (*)	462,646	439,328	436,000
	732,273	638,323	698,648

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

5. Share capital

Composition

	March 31, 2019		December 31, 2018	
	Unaudited		Audited	
	Authorized	Issued and Paid-in	Authorized	Issued and Paid-in
	Number of shares		Number of shares	
Ordinary shares with nominal value of €0.20 each	225,000,000	123,022,256	225,000,000	123,022,256

6. Financial Instruments and Risk Management

Further to Note 34 to the 2018 financial statements, set out below is additional information regarding financial instruments and risk management:

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

Fair value schedule

	Level	**March 31, 2019**		March 31, 2018		December 31, 2018	
		Unaudited				Audited	
		In €'000					
		Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Liabilities							
Traded Debentures issued by the Company (series A and B)	1	271,355	86,071	237,670	120,713	253,916	69,195
Debentures issued by the Company that ceased to be traded (Series B)	2	73,755	19,608	62,640	52,376	68,929	15,599

Notes:
(1) The carrying amounts include accrued interest.
(2) The fair values reflect the price on the Tel-Aviv Stock Exchange.
(3) Level 2 liabilities relate to a portion of Debentures (Series B) that was not repaid in February 2018, and therefore ceased to be traded on the Tel Aviv Stock Exchange. The repayment dates of Debentures (Series A) that were due in February 2018, and the portion of Debentures (Series B) that was due in February 2019, were postponed and accordingly these debentures continue to be traded. Market prices of Debentures Series A and Series B of the company have been used to determine the fair value of the listed Debentures which were issued by the Group.

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

B. Level 3 financial assets and liabilities reconciliation

Level 3 reconciliation:

	As of January 1, 2019	Transactions recorded in P&L	As of March 31, 2019
	Audited	Unaudited	
	In €'000		
Put options	677	14	691

(*) Not including a balance of €2,173 thousand which is presented as a liability associated with assets held for sale (see Note 8).

There were no material changes in the valuation processes, the valuation methods used, and the assumptions applied and (narrative) sensitivities, for recurring fair value measurements of investment properties and the above mentioned financial assets and liabilities, for additional information on fair value refer to Note 34 to the 2018 annual financial statements.

C. Further to Note 7 to the 2018 financial statements, as of March 31, 2019 there was no external valuation obtained for the Company's investment property. There were no material changes to the market conditions and in the significant assumptions used in the valuation as of December 31, 2018 and therefore no material change to the investment property value as of December 31, 2018.

7. Joint Ventures

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

1. Shaanxi GTC Lucky Hope Real Estate Development Ltd. (a joint venture of KLC)

	March 31, 2019	March 31, 2018	December 31, 2018
	Unaudited		Audited
		In €'000	
Current assets (not including cash and cash equivalent)	85,833	82,210	93,374
Cash and cash equivalent	31,744	31,918	33,858
Non-current assets	12,718	13,638	15,020
Current liabilities	(82,131)	(89,764)	(104,505)
Current financial liabilities	(8,782)	(6,672)	(5,903)
Total equity attributed to the owners	39,382	31,330	31,844
% held in the joint venture	50%	50%	50%
Total investment in joint ventures	19,691	15,665	15,922

	For the three months period ended March 31,		For the year ended December 31,
	2019	2018	2018
	Unaudited		Audited
		In €'000	
Revenues from operations	25,495	3,594	31,376
Cost of operations	(15,378)	(920)	(18,193)
Selling and marketing, other (income) expenses, and administrative expenses	(1,429)	(874)	(4,237)
Other financial income	332	52	963
Profit before tax	9,020	1,852	9,909
Income tax expenses	(2,743)	(456)	(2,378)
Profit attributed to equity holders	6,277	1,396	7,531
% held of the joint venture	50%	50%	50%
Group's share of profit for the period	3,139	698	3,765
Total comprehensive income attributed to equity holders	7,536	1,650	7,326
% held of the joint venture	50%	50%	50%
Group share of the total comprehensive income	3,768	825	3,663

As of January 1, 2019 loans granted to joint ventures are presented as part of the investment in joint ventures.

8. Discontinued operations and assets held for sale

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

B. Assets held for sale and liabilities associated with assets held for sale

	March 31,		December 31,		
	2019	**2018**	2018		
	TGI	TGI	TGI	Avis Ukraine	Total
			In € '000		
Assets					
Trade receivable	58,042	45,559	66,393	-	66,393
Accrued income	60,020	45,978	56,321	-	56,321
Other current assets	52,990	38,734	48,668	-	48,668
Tangible fixed assets,	29,349	14,825	17,689	-	17,689
Other non-current	24,805	22,934	25,731	-	25,731
Cash and cash equivalents	7,011	20,606	13,680	-	13,680
Investment in Joint venture Avis Ukraine	-	-	-	12,427	12,427
Total assets	232,217	188,636	228,482	12,427	240,909
Liabilities					
Interest bearing loans and borrowings	56,778	35,636	50,195	-	50,195
Advances from customers	32,427	45,653	35,987	-	35,987
Other liabilities	99,513	64,668	98,146	-	98,146
Total liabilities	188,718	145,957	184,328	-	184,328
Net asset value	43,499	42,679	44,154	12,427	56,581

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

C. Net (loss) profit from discontinued operations:

	For the three months period ended March 31,						For the year ended December 31,		
	2019			2018			2018		
	Avis Ukraine	TGI	Total	Avis Ukraine	TGI	Total	Avis Ukraine	TGI	Total
	In €'000								
Income	-	35,415	35,415	-	31,617	31,617	-	175,397	175,397
Operating and finance expenses and Share of profit of investments accounted for using the equity method, net	-	(38,712)	(38,712)	474	(31,596)	(31,122)	908	(171,677)	(170,769)
Other income, net	-	-	-	-	-	-	-	378	378
Profit before tax	-	(3,297)	(3,297)	474	21	495	908	4,098	5,006
Income tax expenses (benefit), net	-	(608)	(608)	-	(141)	(141)	-	1,994	1,994
Profit from discontinued operations	-	(2,689)	(2,689)	474	162	636	908	2,104	3,012
Discontinued operation items related to the sales transactions:									
Net profit (loss) from revaluation (devaluation) of investment - Avis	174	-	174	-	-	-	(3,323)	-	(3,323)
Release of capital reserves due to sale	1,299	-	1,299	-	-	-	-	-	-
Net (loss) profit from discontinued operations	1,473	(2,689)	(1,216)	474	162	636	(2,415)	2,104	(311)
Attributable to:									
Equity holders	1,473	(2,923)	(1,450)	474	159	633	(2,415)	65	(2,350)
Non-controlling interest holders	-	234	234	-	3	3	-	2,039	2,039
	1,473	(2,689)	(1,216)	474	162	636	(2,415)	2,104	(311)

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

	For the three months period ended March 31,				For the year ended December 31,		
	2019	2018			2018		
	TGI	Avis Ukraine	TGI	Total	Avis Ukraine	TGI	Total
	In €'000						
Adjustments arising from translating financial statements of foreign operations	2,017	(482)	(8,204)	(8,686)	409	(13,338)	(12,929)
Change in hedge reserve, net	-	-	-	-	-	-	-
Total other comprehensive income (expense)	2,017	(482)	(8,204)	(8,686)	409	(13,338)	(12,929)
Attributable to:							
Equity holders	1,972	(482)	(6,243)	(6,725)	409	(9,280)	(8,871)
Non-controlling interest holders	45	-	(1,961)	(1,961)	-	(4,058)	(4,058)
	2,017	(482)	(8,204)	(8,686)	409	(13,338)	(12,929)

E. Financial position of a subsidiary**:**

a) In the first quarter of 2019 TGI had € 11million negative cash flows from operating activities (for the year 2018: € 17 million).
b) TGI uses short term credit lines from banks and financial institutions to finance its operations. As a result of delays in receiving advance payments from certain projects, TGI had to extend some of those credit lines. TGI management estimates that these credit lines can be further extended, if required.
c) As of March 31, 2019 TGI's group companies did not meet certain covenants in relation to short-term credit lines from banks, for which waivers were received subsequent to the balance sheet date.
d) Management of TGI expects a positive outcome regarding all uncertain events described above, i.e. waivers from banks will be extended, if needed, and the advance payments will be received. In order to address any adverse outcome that may result from some or all of these uncertain events, TGI's Board of Directors has approved in March 2019 efficiency contingency plan that was developed by the Management. This contingency plan will allow taking actions to sell some assets within a few months and generate positive cash flow. Management expects that the contingency plan, if needed, should generate sufficient positive cash flows for the TGI Group for the 12 months ending on March 31, 2020.
e) The external auditor of TGI included in its review report an emphasis of matter paragraph referring to the matters described above.

9. Financial Covenants

As of March 31, 2019 the Company did not meet its financial covenant, as agreed with the Company's debenture holders. As of March 31, 2019 some group companies did not meet certain financial covenants for which waivers were obtained from banks subsequent to the balance sheet date. All other Group companies met their financial covenants as of March 31, 2019.

Review report

To: the shareholders of Kardan N.V.

Introduction

We have reviewed the accompanying condensed interim consolidated financial statements for the three-month period ended 31 March 2019 of Kardan N.V., Amsterdam, which comprises the condensed interim consolidated statement of financial position as at 31 March 2019, the condensed interim consolidated income statement, the condensed interim consolidated statement of comprehensive income, the condensed interim consolidated statement of changes in equity, the condensed consolidated statement of cash flows for the period then ended and the selected explanatory notes. The board of directors is responsible for the preparation and presentation of the condensed interim consolidated financial statements in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union. Our responsibility is to express a conclusion on this condensed interim consolidated financial information based on our review.

Scope

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial statements for the three-month period ended 31 March 2019 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union.

Emphasis of uncertainty with respect to the going concern assumption

We draw attention to disclosure note 2 of the condensed interim consolidated financial statements regarding the financial position and going concern, which indicates that the Company had a working capital deficit as at 31 March 2019 of € 242 million. For the three month period-ended March 31, 2019, the Company recorded a net loss of € 23 million and generated negative cash flows from operating activities of € 17.5 million. In addition, as at 31 March 2019, the Company had a deficit of € 76 million in its equity attributable to equity holders.
The disclosure note also indicates that in February 2018 the Company did not repay the principal and interest payments which were due in February 2018. Hence, the Company is in default according to the Deeds of Trust as of February 2018. The Company is negotiating a new debt settlement with its debenture holders.
The realization of the Company's plans depends on factors that are not within the Company's control, including the approval of the debenture holders to a debt settlement, the transaction of the Company's assets, and macroeconomic developments and therefore there is uncertainty that transactions for the sale of assets, will be completed according to the forecasted consideration and timing or that the discussions with the debenture holders will result in reschedule payments. These conditions indicate the existence of a material uncertainty which casts significant doubt regarding the Company's ability to continue as a going concern and therefore it may be unable to realize its assets in order to repay the principal and interest payments which were due in February 2018 and its other liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

Rotterdam, 28 May 2019

PricewaterhouseCoopers Accountants N.V.

Originally signed by M.P.A. Corver RA

ADDITIONAL INFORMATION

Required under to rule 38(D) of the Israeli Securities and exchange regulations
(Periodic and immediate reports), 1970

KARDAN N.V.

Financial Data included in the

Consolidated Financial Statements related to the Company

For the year ended March 31, 2019

	March 31, 2019	March 31, 2018	December 31, 2018
	€ in thousand		
A s s e t s			
Non-current assets			
Property and equipment	106	137	114
Financial fixed assets			
Investments in consolidated subsidiaries	303,989	319,751	290,610
Loans to consolidated subsidiaries	24	24	24
	304,013	319,775	290,748
Current assets			
Cash and cash equivalents	16,316	4,960	17,595
Short-term investments	169	169	169
Other receivables and derivatives	2,277	1,517	1,798
	18,762	6,646	19,562
Assets classified as held for sale	39,871	42,539	40,878
Total current assets	58,633	49,185	60,440
Total assets	362,752	369,097	351,188
E q u i t y a n d l i a b i l i t i e s			
Equity attributable to equity shareholders			
Issued and paid-in capital	25,276	25,276	25,276
Share premium	206,482	206,482	206,482
Foreign currency translation reserve	(5,186)	(5,845)	(12,049)
Property revaluation reserve	25,179	31,637	25,179
Other reserves	4,723	5,379	4,837
Accumulated deficit	(332,727)	(275,668)	(309,222)
	(76,253)	(12,739)	(59,497)
Long-term liabilities			
Debentures	-	350,365	-
Option liability	-	2,890	-
	-	353,255	-
Current liabilities			
Current maturities of debentures	372,041	-	355,656
Option liability	2,864	-	2,791
Other payables	64,100	28,581	52,238
	439,005	28,581	410,685
Total equity and liabilities	362,752	369,097	351,188

The accompanying Notes are an integral part of these consolidated financial statements related to the company

THE COMPANY'S INCOME STATEMENT

	For the period ended March 31,		For the year ended December 31,
	2019	2018	2018
	In €'000		
Net result from investments for the period	6,933	(5,612)	(16,125)
General and administrative expenses, net	944	1,103	2,602
Profit (loss) from operations before financing expenses	5,989	(6,715)	(18,727)
Finance income (expenses), net	(27,980)	10,942	(17,722)
Income tax expense	38	69	250
Loss for the period from continuing operations	(22,029)	4,158	(36,699)
Net loss from discontinued operations	(1,476)	111	(76)
Net profit (loss) for the year	(23,505)	4,269	(36,775)

The accompanying Notes are an integral part of these consolidated financial statements related to the company

ADDITIONAL INFORMATION FROM THE COMPANY-ONLY STATEMENT OF COMPREHENSIVE INCOME

	For the three months period ended March 31,		For the year ended December 31,
	2019	2018	2018
	In €'000		
Net profit (loss) for the period	(23,505)	4,269	(36,775)
Foreign currency translation differences	6,863	(5,882)	(12,086)
Change in hedge reserve, net	(114)	(208)	(751)
Other comprehensive expense for the period to be reclassified to profit or loss in subsequent periods	6,749	(6,090)	(12,837)
Total comprehensive expense	(16,756)	(1,821)	(49,612)

The accompanying Notes are an integral part of these consolidated financial statements related to the company

ADDITIONAL INFORMATION FROM THE COMPANY-ONLY CASH FLOW STATEMENT

	For the three months period ended March 31,		For the year ended December 31
	2019	2018	2018
	In €'000		
Cash flow from operating activities of the Company			
Profit (loss) for the period	(23,505)	4,269	(36,775)
Adjustments to reconcile profit (loss) to net cash of the Company			
Financial expense	(94)	(10,986)	17,610
Dividend received	-	-	17,500
Share-based payment	-	1	2
Equity losses (earnings)	(5,457)	5,501	16,201
Fair value adjustments of derivative financial instrument	-	78	(184)
Changes in working capital of the Company			
Change in receivables	(433)	(120)	(128)
Change in payables	28,260	238	(50)
Net cash provided by operating activities of the Company	**(1,229)**	**(1,019)**	**14,176**
Cash flow from investing activities of the Company			
Investments in subsidiary	(50)	-	(2,560)
Net cash provided by (used in) investing activities of the Company	**(50)**	**-**	**(2,560)**
Cash flow from financing activities			
Net cash used in financing activities of the Company	**-**	**-**	**-**
Increase / (decrease) in cash and cash equivalents of the Company	**(1,279)**	**(1,019)**	**11,616**
Cash and cash equivalents at beginning of the period	17,595	5,979	5,979
Cash and cash equivalents of the Company at end of the period	**16,316**	**4,960**	**17,595**

The accompanying Notes are an integral part of these consolidated financial statements related to the company

NOTES TO THE ADDITIONAL INFORMATION

1. FINANCIAL POSITION AND GOING CONCERN

a. As at March 31, 2019 the Company had, on a stand-alone basis and on a consolidated basis, a working capital deficit of €293 million and €242 million, respectively (excluding debentures held by subsidiaries), as a result of the classification of the debentures as short-term liabilities, see detailed below. For the three months ended March 31, 2019, the Company recorded a (consolidated and on a stand-alone basis) net loss of €23 million, and generated negative cash flow from operating activities of €1.2 million on a stand-alone basis, and negative cash flow from operating activities of €17.5 million on a consolidated basis. In addition, as at March 31, 2019 the Company had a deficit of €76 million in its equity attributable to equity holders. The Company has not repaid the February 2018 and the February 2019 principal and interest payments to the debenture holders and is in default according to the Deeds of Trust – see b below.

b. On January 11, 2018 the Company announced that it would not be able to complete a transaction for the sale of its holdings in TGI in a manner that would enable the Company to meet the scheduled payments to the debenture holders in February 2018. Further to this announcement, the Company has not repaid the principal and interest payments which were due in February 2018. Consequently, the Company is in default according to the Deed of Trust as of February 2018. Accordingly, from March 31, 2018 and until the repayments are rescheduled, the debentures are presented as current liabilities. Management is currently conducting advanced discussions with the representatives of the Debenture Holders in order to reach an agreement on postponing the payments as part of a new debt settlement, see also c below.
   In February 2018, following the announcement that the Company will not make the February 2018 repayments, Maalot, the Israeli subsidiary of Standard & Poor's, has adjusted the rating of the Company and its Debentures Series A and Series B to "D".

c. In January 2019 the Company signed an agreement to sell its investment in its joint venture AVIS Ukraine for a consideration of approximately USD 14.2 million. On March 14, 2019 the transaction was completed and the consideration received.

d. In October 2018, the Company has published the main principles of a debt settlement as negotiated and agreed with debenture holders series B, which include among others, the following: The principal amount of the Debentures and the interest rate will remain unchanged; the final repayment date of the Debentures will be postponed to December 2021, and in parallel the Company will commit to sell assets – and in relation to one asset, according to an agreed upon timetable – and to use the funds received from such disposals for early repayment of Debentures A and B, and other uses according to terms agreed with the representatives of the Debentures. In addition, the Company shall issue to Debenture Holders A and B shares of the Company; the funds to be used for repayment will be used first to make the balance payments (as defined in the existing deeds of trust) to Debenture Holders B, and each subsequent amount will be repaid pro-rata to the two debenture series; each material transaction of the Company and its subsidiaries will be subject to approval of a joint meeting of the debenture holders A and B; a mutual exemption from claims shall be determined at a form to be agreed between the parties.

   In April 2019, each of the meetings of debentures A and of debentures B approved the understandings reached by the representatives of both debentures series in relation to the balance payments. Accordingly, it was agreed that up to the date on which debenture holders

B will be paid the full amount of the balance payments (approximately NIS 373 million), no payment will be made to debenture holders A. After the balance payments to debentures B are completed a balance payment of NIS 10 million will be paid to debenture holders A; and thereafter, each repayment will be made pro-rata between series A and B. Pursuant to the aforementioned approval, in May 2019, the Company transferred NIS 145 million NIS (approximately €36.5 million) to debenture holders B trustee for the purpose of partial repayment of the balance payment. This partial repayment, which will take place on June 3, 2019, includes NIS 95.9 million which will be used to repay interest and NIS 49.1 million will be used to repay the principal. The sources of payment are the net proceeds received by the Company from the completion of the sale of Avis Ukraine, see c above, together with the cash in the Company's accounts and additional amounts received from subsidiaries.
It is noted that to reach a binding agreement the approval of both debenture holders is needed. Accordingly, management estimates that a debt settlement with the debenture holders will be signed in 2019.

e. In order to assess the liquidity position of the Company, management prepared a two-year liquidity analysis which indicates the required liquidity to be able to repay interest and principal of the Company’s debentures and to finance its operating activities. Included in this analysis are, among others, the current cash balances and the projected cash from future operations and transactions. The main source of cash for the Company, in order to repay its debt, will be generated from the sale of assets. The Company continues to conduct processes with a number of parties for the sale or allocation of its holdings in TGI, in order to meet its liabilities, according to the principles of the debt settlement being formulated with debenture holders (series A and B). In addition, the Company is acting to improve its assets in China; assuming the Company will have sufficient time to continue improving these assets, the Company estimates it will be able to maximize their value in future sales transactions while making an orderly sale. The Company expects that these actions will strengthen its financial and equity position. The Company estimates, in the abovementioned liquidity analysis, that the consideration will be received in 2019.

   As mentioned above, the Company is working to advance negotiations with respect to the intended sale of TGI with a number of parties, and preparing alternatives for the realization of its holdings. In view of the lack of certainty of completing these negotiations, including completing a sale transaction in the timetables agreed upon with the representatives of the debenture holders in particular, the option to include a provision in the arrangement with debenture holders to distribute TGI shares to the debenture holders as repayment of the Company's debt is being considered.
   For details regarding the financial position of TGI, see note 8 to the interim consolidated financial statements.

f. The directors expect that, taking into account the current status of the discussions with the Debenture Holders and the expected terms of the debt settlement, and taking into account the process of realizing the holdings in TGI, and potential future value of the Company’s assets in China, the Company has the ability to obtain the required resources for repaying its obligations and continue its business operations in the future. Management believes that a controlled sale of assets is in the best interest of all stakeholders. Accordingly, the directors are of the opinion that it is appropriate to prepare these condensed interim consolidated financial statements on a going concern basis.

However, the directors emphasize that the realization of the Company’s plans depends on factors that are not within the Company’s control, including the approval of debenture holders to a debt settlement, transaction value of the Company’s assets, and macroeconomic developments, and therefore there is uncertainty that transactions for the sale of assets as aforesaid, will be completed according to the forecasted consideration and timing or that the discussions with the Debenture Holders will result in rescheduling of payments. These conditions indicate the existence of a material uncertainty which casts significant doubt regarding the Company’s ability to continue as a going concern and therefore it may be unable to realize its assets in order to repay its liabilities in the normal course of business.

The financial statements do not include any adjustments to the carrying amounts and classifications of assets and liabilities that would result if the Company is unable to continue as a going concern.

Board of Directors

P. Sheldon

A. Hasson

C. van den Bos

J. Grunfeld

F. Houterman

E. Rechter

C. Tall