



# KARDAN N.V.

## Q2 and H1 2019



# Financial highlights Q2 2019

Net profit (loss) (In €thousands)	Q2 2019	Q2 2018
Real Estate (development and investment property)	265	(3,878)
Water Infrastructure (discontinued operations)	(8,936)	1,210
Other – Avis (discontinued operations)*	-	452
<b>Total Operations</b>	<b>(8,671)</b>	<b>(2,216)</b>
Holding (Corporate Finance and G&A)	(14,399)	(13,127)
<b>Total</b>	<b>(23,070)</b>	<b>(15,343)</b>

\* Avis was sold in Q1 2019



# Financial highlights H1 2019

Net profit (loss) (In €thousands)	H1 2019	H1 2018
Real Estate (development and investment property)	1,459	(7,101)
Water Infrastructure (discontinued operations)	(11,858)	873
Other – Avis (discontinued operations)*	1,472	925
<b>Total Operations</b>	<b>(8,927)</b>	<b>(5,303)</b>
Holding (Corporate Finance and G&A)	(37,648)	(5,771)
<b>Total</b>	<b>(46,575)</b>	<b>(11,074)</b>

\* Avis was sold in Q1 2019





# Equity position

<b>Kardan N.V.</b> (company only, in €thousands)	<b>June 30, 2019</b>	<b>December 31, 2018</b>
Total Assets	321,139	351,188
Total Equity	(106,727)	(59,497)
Equity/Total assets (%)	(33.2%)	(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 an equity deficit of €106.7 mn as of June 30, 2019, mainly due to the loss in the period

The Company did not meet the debt coverage ratio financial covenant as defined in the Deeds of Trust for the 7<sup>th</sup> consecutive quarter.

At June 30, 2019 certain Group companies did not meet their financial covenants for which waivers were obtained subsequent to the balance sheet date

In their review report as of June 30, 2019, 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 and 2019 payment to the debenture holders. In addition, please refer to notes 2 and 8 to the Condensed Interim Consolidated Financial Statements of the Company in relation to the financial position of the subsidiary TGI and the emphasis of matter paragraph in its financial statements.



## Real Estate

- H1 2019: net profit to equity holders of € 1.5 mn (H1 2018: net loss of € 7.1 mn), mainly as a result of improved operations at Galleria Dalian and higher delivery of residential units in the joint venture projects, partly offset by high interest expenses on the Dalian project construction loan.

## Water Infrastructure

- H1 2019: €11.9 mn net loss to equity holders compared to a profit of €0.9 mn in H1 2018 mainly due to provisions for losses on projects and impairments.

## Kardan N.V.

- H1 2019: € 46.6 mn net loss to equity holders (H1 2018: net loss of € 11.1 mn), including negative impact of foreign exchange differences and change in the Israeli CPI of € 22.6 mn (H1 2018 € 4.8 mn positive impact).
- Q2 2019: €23.1 mn net loss to equity holders (Q2 2018: net loss of €15.3 mn), including €6.6 mn negative impact as a result foreign exchange differences and change in the Israeli CPI (Q2 2018 €7.9 mn negative impact).



## Other

- The completion of the sale transaction of Avis Ukraine on March 14, 2019, resulted in a gain of €1.5 mn in H1 2019 (included as part of results from discontinued operations).
- In August 2019 the Company announced it has signed a non-binding letter of intent with a third party in relation to a possible investment transaction in Tahal by the investor in exchange for issued shares that will grant the investor a controlling stake in Tahal.

## 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 June 2019 the Company carried out a partial repayment of the balance payments to Debenture Holders B in the amount of approximately €36.5 mn (NIS 145 mn).
- The Company is in advanced negotiations with the Debenture Holders for a final debt settlement. Under these circumstances, Management anticipates a final agreement to be reached later in 2019.



## **Result from operations**

- Amounted to € 5.3 mn profit (H1 2018: € 2.1 mn profit), mainly due to higher contribution of the joint venture projects

## **Revenue from sale of apartments**

- Amounted to € 5.0 mn (H1 2018: € 65.9 mn), recognized in relation to progress in construction of certain apartments
- In H1 2019 no apartments were delivered in the Dalian project as they are all under construction, in H1 2018 there were 285 deliveries

## **SG&A costs**

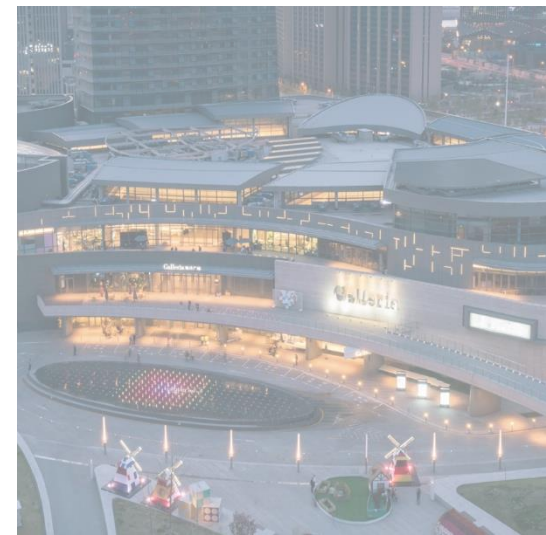
- Decreased to € 1.1 mn in H1 2019 compared to € 1.4 mn in H1 2018

## **Equity earnings**

- Contributed a profit of € 5.6 mn (H1 2018: € 1.9 mn), due to higher delivery of apartments



	<b>H1 2019</b>	<b>H1 2018</b>
Total apartments sold in period	316	554
Total apartments delivered in period	540	561
Apartments Dalian sold in period	22	74
Apartments Dalian delivered in period	-	285
Total apartments sold, not yet delivered	1,647	1,680





## Result from operations

- Operational profit of € 1.3 mn (H1 2018: € 3.0 mn loss)

## Total revenues

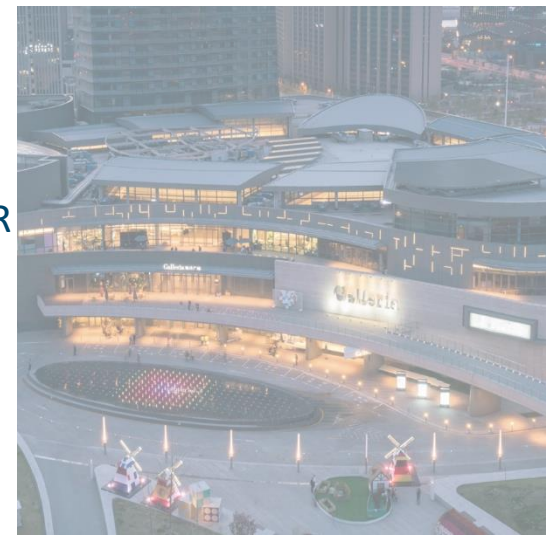
- Increased to € 4.3 mn (H1 2018: € 2.7 mn), mainly as the result of the continued positive operational trends at Galleria Dalian
- The occupancy rate rose to 89.1% at 30 June 2019 (30 June 2018: 87.0%)
- The opening rate increased from 71.1% at 30 June 2018 to 80.8% at 30 June 2019

## SG&A costs

- Decreased to € 1.0 mn (H1 2018: € 1.8 mn) due to lower marketing costs

## Investment Property

- The value of the Galleria Dalian shopping mall increased by approximately € 0.8 mn compared to December 31, 2018, due to the appreciation of the RMB versus the EUR



- Net Result:**
- Net profit of € 1.5 mn (H1 2018: € 7.1 mn loss)
- Operational result**
- Operational profit of € 6.6 mn (H1 2018: € 0.9 mn loss)
- Financing expenses (net):**
- In line with last year (€4.0 mn compared to €3.9 mn in H1 2018) and mainly include interest expenses related to the Europark Dalian project loan (which was partially early repaid in Q4 2018)
  - Included a small positive foreign exchange impact of €0.1 mn in H1 2019, compared with a positive foreign exchange impact of €1.6 mn in H1 2018
- Income tax expense / benefit:**
- Income tax expenses of €44 thousand (H1 2018 expenses of €1.1 mn included land appreciation tax)



- Revenues in H1 2019 increased to €78.8 mn compared to €73.7 mn in H1 2018
- The gross margin decreased to 10.7% in H1 2019 compared to 17.7% in H1 2018 following delays in projects in Africa with a relatively higher profitability and a provision for loss on a project
- Other operational expenses significantly increased in the first half and second quarter of 2019, and included primarily provisions for impairments, mainly on a loan (€8 mn). As a result of that, and the said decrease in gross profit, operational results decreased to €9.8 mn loss in H1 2019 compared to €3.6 mn profit in H1 2018
- Share of loss of investments accounted for using the equity method increased to €2.4 million in H1 2019 (€0.3 million in H1 2018), mainly due to losses on a project in Angola.
- Financing expenses increased significantly from €0.7 million in H1 2018 to €3.3 million in H1 2019, mostly due to interest expenses on utilization of credit lines and foreign exchange differences.
- Total loss attributable to equity holders amounted to €11.9 mn (H1 2018: €0.9 mn profit)



# Water Infrastructure highlights – H1 2019 continued

- In total, new orders of US\$ 119.6 mn were recorded in H1 2019
- As at June 30, 2019 the order backlog amounted to US\$720.3 mn (December 31, 2018 US\$687.4 mn)
- Signed contracts representing US\$ 363 mn will be added to the existing backlog after financial closing



- 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 €35.4 mn in H1 2019, compared to €4.0 mn in H1 2018, mainly due to the negative impact of foreign currency exchange differences and Israeli CPI in H1 2019 of €22.6 mn compared to €4.8 mn in H1 2018.





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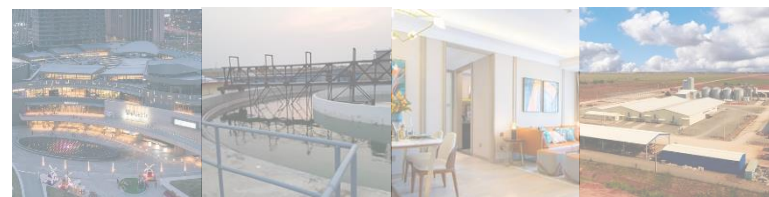
[www.kardan.nl](http://www.kardan.nl)



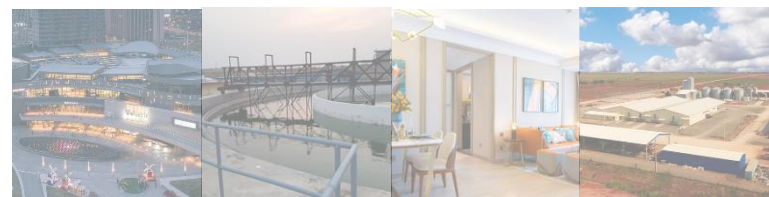
## *H1 2019 Financials*



	H1 2019	H1 2018	Q2 2019	Q2 2018	12M - 2018
Total revenues	9,266	68,608	5,859	5,532	79,458
Total expenses	(11,432)	(72,257)	(6,684)	(7,356)	85,173
Loss from operations before fair value adjustments, disposal of assets and financial expenses	(2,166)	(3,649)	(825)	(1,824)	(5,715)
Loss from fair value adjustments and disposal of assets and investments, net	(112)	(2,105)	(112)	(2,105)	(7,103)
<b>Result from operations before finance expenses</b>	<b>(2,278)</b>	<b>(5,754)</b>	<b>(937)</b>	<b>(3,929)</b>	<b>(12,818)</b>
Financing income (expenses), net	(39,429)	(7,775)	(15,910)	(14,121)	(23,703)
Share of profit of investments accounted for using the equity method	5,631	1,926	2,759	688	1,491
Profit (loss) before income tax	(36,076)	(11,603)	(14,088)	(17,362)	(35,030)
Income tax (expenses) / benefit	(113)	1,252	(46)	(375)	605
<b>Profit (loss) from continuing operations</b>	<b>(36,189)</b>	<b>(12,855)</b>	<b>(14,134)</b>	<b>(16,987)</b>	<b>(34,425)</b>
Profit (loss) from discontinued operations	(12,526)	3,513	(11,310)	2,877	(311)
Profit (Loss) for the period	<b>(48,715)</b>	<b>(9,342)</b>	<b>(25,444)</b>	<b>(14,110)</b>	<b>(34,736)</b>
Attributable to:					
Non-controlling interests	(2,140)	1,732	(2,374)	1,233	2,039
<b>Net result for equity holders</b>	<b>(46,575)</b>	<b>(11,074)</b>	<b>(23,070)</b>	<b>(15,343)</b>	<b>(36,775)</b>
Other Comprehensive income (expense)	(655)	(3,798)	(7,404)	2,292	(12,837)
<b>Total Comprehensive expense attributable to Kardan equity holders</b>	<b>(47,230)</b>	<b>(14,872)</b>	<b>(30,474)</b>	<b>(13,051)</b>	<b>(49,612)</b>



In €thousands	For the 6 months ended June 30,		For the 3 months ended June 30,		For the year ended December 31,
	2019	2018	2019	2018	2018
<b>Real Estate - Development</b>					
Sale of apartments	4,962	65,865	3,646	4,058	73,634
Cost of sales	(4,187)	(64,293)	(3,164)	(3,823)	(69,226)
<b>Gross Profit</b>	<b>775</b>	<b>1,572</b>	<b>482</b>	<b>235</b>	<b>4,408</b>
SG&A expenses	(1,109)	(1,375)	(662)	(802)	(2,687)
Gain from disposal of fixed assets and investments, net	-	-	-	-	2,278
Equity earnings (losses)	5,631	1,927	2,759	688	1,491
<b>Operational profit - Real Estate Development segment</b>	<b>5,297</b>	<b>2,124</b>	<b>2,579</b>	<b>121</b>	<b>5,490</b>
<b>Real Estate - investment Property</b>					
Rental revenues	4,304	2,742	2,213	1,473	5,824
Cost of rental revenues	(1,889)	(1,787)	(895)	(862)	(3,738)
<b>Gross Profit</b>	<b>2,415</b>	<b>955</b>	<b>1,318</b>	<b>611</b>	<b>2,086</b>
SG&A expenses	(981)	(1,841)	(487)	(865)	(4,366)
Adjustment to fair value (impairment) of investment property	(112)	(2,105)	(112)	(2,105)	(8,610)
<b>Operational profit (loss) - Real Estate Investment Property segment</b>	<b>1,322</b>	<b>(2,991)</b>	<b>719</b>	<b>(2,359)</b>	<b>(10,890)</b>
<b>Total operational profit (loss) - Real Estate</b>	<b>6,619</b>	<b>(867)</b>	<b>3,298</b>	<b>(2,238)</b>	<b>(5,400)</b>
Other unallocated expense	(1,102)	(1,228)	(543)	(591)	(2,311)
<b>Profit (loss) before finance expenses and income tax</b>	<b>5,517</b>	<b>(2,095)</b>	<b>2,755</b>	<b>(2,829)</b>	<b>(7,711)</b>
Finance expenses, net	(4,014)	(3,855)	(2,473)	(1,485)	(10,517)
Tax benefits (expenses)	(44)	(1,149)	(17)	438	835
<b>Profit (Loss) for the period – attributed to Company's shareholders</b>	<b>1,459</b>	<b>(7,099)</b>	<b>265</b>	<b>(3,876)</b>	<b>(17,393)</b>



# Water Infrastructure activities

In € thousands

	For the six months ended June 30,		For the three months ended June 30,		For the year ended December 31,
	2019	2018	2019	2018	2018
Contract revenues	78,814	73,677	43,399	42,060	175,397
Contract cost	(70,384)	(60,636)	(39,468)	(34,402)	(148,338)
<i>Gross profit</i>	8,430	13,041	3,931	7,658	27,059
SG&A expenses	(3,664)	(8,687)	(755)	(3,934)	(16,269)
Other operational income (expenses)	(12,153)	(484)	(11,302)	(497)	378
Share of profit (loss) of investments accounted for using the equity method	(2,385)	(292)	(1,577)	(219)	(2,900)
<b>Result from operations before financing expenses</b>	<b>(9,772)</b>	<b>3,578</b>	<b>(9,703)</b>	<b>3,008</b>	<b>8,268</b>
Financing income (expenses), net	(3,284)	(670)	(57)	(122)	(4,209)
Income tax benefit (expenses)	(942)	(303)	(1,550)	(443)	(1,955)
<b>Net profit (loss)</b>	<b>(13,998)</b>	<b>2,605</b>	<b>(11,310)</b>	<b>2,443</b>	<b>2,104</b>
Attributable to:					
Non-controlling interest holders	(2,140)	1,732	(2,374)	1,233	2,039
<b>Equity holders (Kardan N.V.)</b>	<b>(11,858)</b>	<b>873</b>	<b>(8,936)</b>	<b>1,210</b>	<b>65</b>
	(13,998)	2,605	(11,310)	2,443	2,104





In € thousands

	For the six months ended June 30,		For the three months ended June 30,		For the year ended December 31,
	2019	2018	2019	2018	2018
<b>Corporate expenses:</b>					
General and administration expenses	(2,164)	(1,649)	(933)	(329)	(3,616)
Financing income (expense), net	(35,415)	(3,993)	(13,437)	(12,709)	(13,186)
Income tax expenses	(69)	(129)	(29)	(89)	(230)
	<b>(37,648)</b>	<b>(5,771)</b>	<b>(14,399)</b>	<b>(13,127)</b>	<b>(17,032)</b>
<b>Other activities:</b>					
Equity earnings (Avis Ukraine - discontinued operations)	1,472	925	-	452	(2,415)

