KARDAN N.V.
AMSTERDAM, THE NETHERLANDS

Condensed Interim Consolidated Financial Statements (unaudited)
June 30, 2019

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CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

A s s e t s

	Note	June 30, 2019	June 30, 2018	December 31, 2018
		Unaudited		Audited
		In €'000		
Non-current assets				
Deferred tax assets		314	473	313
Tangible fixed assets, net		694	617	748
Investment property		214,405	223,355	213,577
Investments in joint ventures	7	43,653	51,425	23,114
Loans to joint ventures	7	-	23,153	14,859
Long-term loans and receivables		3,240	4,880	3,878
		262,306	303,903	256,489
Current assets				
Apartments inventory		68,509	62,528	64,734
Trade receivables		7,289	11,162	7,416
Current tax assets		2,574	483	2,452
Other receivables and prepayments		5,208	3,995	3,515
Short-term investments		5,158	27,524	17,427
Cash and cash equivalents		30,663	39,736	51,949
		119,401	145,428	147,493
Assets held for sale	8	220,103	197,238	240,909
Total current assets		339,504	342,666	388,402
Total assets		601,810	646,569	644,891

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

Equity and liabilities

	Note	June 30, 2019	June 30, 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		(12,512)	(3,373)	(12,049)
Property revaluation reserve		25,095	30,058	25,179
Revaluation reserve, other		4,645	5,200	4,837
Accumulated deficit		(355,713)	(289,432)	(309,222)
		(106,727)	(25,789)	(59,497)
Non-controlling interests		2,918	2,788	5,740
Total equity (deficit)		(103,809)	(23,001)	(53,757)
Non-current liabilities				
Interest-bearing loans and borrowings		87,598	104,496	87,287
Other long-term liabilities		1,013	1,055	1,033
Financial instruments		-	672	-
Deferred tax liabilities		4,947	5,958	4,955
		93,558	112,181	93,275
Current liabilities				
Trade payables		4,311	691	3,159
Current maturities of debentures	2	288,859	286,433	282,703
Interest-bearing loans and borrowings		11,124	2,535	13,510
Current tax liabilities		1,461	1,395	1,185
Financial instruments		730	-	678
Advances from apartment buyers		36,320	27,272	32,509
Other payables and accrued expenses		78,927	87,944	87,301
		421,732	406,270	421,045
Liabilities associated with assets held for sale	8	190,329	151,119	184,328
Total current liabilities		612,061	557,389	605,373
Total liabilities		705,619	669,570	698,648
Total equity and liabilities		601,810	646,569	644,891

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

CONDENSED INTERIM CONSOLIDATED INCOME STATEMENT

	Note	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
		Unaudited				Audited
		In €'000				
Revenues from sale of apartments		4,563	65,391	3,448	3,764	72,711
Revenues from rental operations		4,304	2,742	2,213	1,473	5,824
Management fees and other revenues		399	475	198	295	923
Total revenues		9,266	68,608	5,859	5,532	79,458
Cost of apartment sold		4,195	63,776	3,184	3,392	69,002
Cost of rental operations		1,881	1,787	885	863	3,738
Management fees and other expenses, net		-	519	(10)	433	224
Total expenses		6,076	66,082	4,059	4,688	72,964
Gross profit		3,190	2,526	1,800	844	6,494
Selling and marketing expenses		1,184	2,176	700	1,149	4,083
General and administration expenses		4,172	3,999	1,925	1,519	8,126
Loss from operations before fair value adjustments, disposal of assets and investment and other income		(2,166)	(3,649)	(825)	(1,824)	(5,715)
Adjustment to fair value of investment properties		(112)	(2,105)	(112)	(2,105)	(8,610)
Gain on disposal of assets and other income, net		-	-	-	-	1,507
Loss from fair value adjustments, disposal of assets		(112)	(2,105)	(112)	(2,105)	(7,103)
Loss from operations		(2,278)	(5,754)	(937)	(3,929)	(12,818)
Financial income		984	9,986	858	1,897	11,813
Financial expenses		(40,413)	(17,761)	(16,768)	(16,018)	(35,516)
Total financial income (expenses), net		(39,429)	(7,775)	(15,910)	(14,121)	(23,703)
Profit (loss) before share of profit from investments accounted for using the equity method		(41,707)	(13,529)	(16,847)	(18,050)	(36,521)
Share of profit of investments accounted for using the equity method, net	7	5,631	1,926	2,759	688	1,491
Loss before income taxes		(36,076)	(11,603)	(14,088)	(17,362)	(35,030)
Income tax expenses (benefit)		113	1,252	46	(375)	(605)
Loss for the period from continuing operations		(36,189)	(12,855)	(14,134)	(16,987)	(34,425)
Net profit (loss) from discontinued operations	8	(12,526)	3,513	(11,310)	2,877	(311)
Net loss for the period		(48,715)	(9,342)	(25,444)	(14,110)	(34,736)
Attributable to:						
Equity holders		(46,575)	(11,074)	(23,070)	(15,343)	(36,775)
Non-controlling interest holders		(2,140)	1,732	(2,374)	1,233	2,039
		(48,715)	(9,342)	(25,444)	(14,110)	(34,736)
Earnings (loss) per share attributable to						
Basic and diluted from continuing operations		(0.29)	(0.10)	(0.11)	(0.13)	(0.27)
Basic and diluted from discontinued operations		(0.10)	0.02	(0.09)	0.02	-
		(0.39)	(0.08)	(0.20)	(0.11)	(0.27)

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

CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	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
	Unaudited				Audited
	In €'000				
Net loss for the period	(48,715)	(9,342)	(25,444)	(14,110)	(34,736)
Foreign currency translation differences	(1,288)	(7,772)	(6,894)	103	(15,014)
Change in hedge reserve, net of tax (1)	(192)	(388)	(78)	(180)	(751)
Share of other comprehensive income (expense) of associates and joint ventures accounted for using the equity method	143	1,397	(1,191)	1,469	(1,279)
Other comprehensive expense for the period to be reclassified to profit or loss in subsequent periods	(1,337)	(6,763)	(8,163)	1,392	(17,044)
Total comprehensive expense	(50,052)	(16,105)	(33,607)	(12,718)	(51,780)
Attributable to:					
Equity holders	(47,230)	(14,872)	(30,474)	(13,051)	(49,612)
Non-controlling interests holders	(2,822)	(1,233)	(3,133)	333	(2,168)
	(50,052)	(16,105)	(33,607)	(12,718)	(51,780)

(1) Mainly relates to unwinding of hedge transactions in prior periods. The amounts are presented net of tax amounting to €64 thousand and €129 thousand for the six months ended June 30 , 2019 and June 30, 2018, respectively, €26 thousands and €60 thousands for the three months ended June 30, 2019 and 2018, respectively, and €250 thousand for the year ended December 31, 2018.

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CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent								
	Issued and paid-in capital	Share premium	Foreign currency translation reserve (*)	Property revaluation reserve (*)	Revaluation reserve, other (*)	Accumulated deficit	Total	Non-controlling interest 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 expense	-	-	(463)	-	(192)	-	(655)	(682)	(1,337)
Profit (loss) for the period	-	-	-	-	-	(46,575)	(46,575)	(2,140)	(48,715)
Total comprehensive expense	-	-	(463)	-	(192)	(46,575)	(47,230)	(2,822)	(50,052)
Reclassification according to the Netherlands civil code requirements (*)	-	-	-	(84)	-	84	-	-	-
Balance as of June 30, 2019 (Unaudited)	25,276	206,482	(12,512)	25,095	4,645	(355,713)	(106,727)	2,918	(103,809)

(*) 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	Total equity
	In €'000								
Balance as of January 1, 2018 (Audited)	25,276	206,482	37	31,637	5,586	(273,386)	(4,368)	3,542	(826)
Adjustments on adoption of IFRS 15	-	-	-	-	-	688	688	-	688
Adjustments on adoption of IFRS 9	-	-	-	-	-	(7,246)	(7,246)	-	(7,246)
Balance as of January 1, 2018 (after adjustments on the adoption of IFRS 15 and IFRS 9)	25,276	206,482	37	31,637	5,586	(279,944)	(10,926)	3,542	(7,384)
Other comprehensive expense	-	-	(3,410)	-	(388)	-	(3,798)	(2,965)	(6,763)
Profit (loss) for the period	-	-	-	-	-	(11,074)	(11,074)	1,732	(9,342)
Total comprehensive expense	-	-	(3,410)	-	(388)	(11,074)	(14,872)	(1,233)	(16,105)
Transaction with non controlling interest holders	-	-	-	-	-	7	7	-	7
Share-based payment	-	-	-	-	2	-	2	479	481
Reclassification according to the Netherlands civil code requirements (*)	-	-	-	(1,579)	-	1,579	-	-	-
Balance as of June 30, 2018 (Unaudited)	25,276	206,482	(3,373)	30,058	5,200	(289,432)	(25,789)	2,788	(23,001)

(*) 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								
	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 April 1, 2019 (Unaudited)	25,276	206,482	(5,186)	25,179	4,723	(332,727)	(76,253)	6,051	(70,202)
Other comprehensive expense	-	-	(7,326)	-	(78)	-	(7,404)	(759)	(8,163)
Profit (loss) for the period	-	-	-	-	-	(23,070)	(23,070)	(2,374)	(25,444)
Total comprehensive expense	-	-	(7,326)	-	(78)	(23,070)	(30,474)	(3,133)	(33,607)
Reclassification according to the Netherlands civil code requirements (*)	-	-	-	(84)	-	84	-	-	-
Balance as of June 30, 2019 (Unaudited)	25,276	206,482	(12,512)	25,095	4,645	(355,713)	(106,727)	2,918	(103,809)

(*) 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								
	Issued and paid-in capital	Share premium	Foreign currency translation reserve (*)	Property revaluation reserve (*)	Revaluation reserve, other (*)	Accumulated deficit	Total	Non-controlling interest	Total equity
	In €'000								
Balance as of April 1, 2018 (unaudited)	25,276	206,482	(5,845)	31,637	5,379	(275,668)	(12,739)	2,454	(10,285)
Other comprehensive income (expense)	-	-	2,472	-	(180)	-	2,292	(900)	1,392
Profit (loss) for the period	-	-	-	-	-	(15,343)	(15,343)	1,233	(14,110)
Total comprehensive income (expense)	-	-	2,472	-	(180)	(15,343)	(13,051)	333	(12,718)
Share-based payment	-	-	-	-	1	-	1	1	2
Reclassification according to the Netherlands civil code requirements (*)	-	-	-	(1,579)	-	1,579	-	-	-
Balance as of June 30, 2018 (unaudited)	25,276	206,482	(3,373)	30,058	5,200	(289,432)	(25,789)	2,788	(23,001)

(*) 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								
	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 expense	-	-	(12,086)	-	(751)	-	(12,837)	(4,207)	(17,044)
Profit (loss) for the period	-	-	-	-	-	(36,775)	(36,775)	2,039	(34,736)
Total comprehensive expense	-	-	(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.

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CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT

	Note	For the six months period ended June 30,		For the three months period ended June 30,		For the year ended December 31,
		2019	2018	**2019**	2018	2018
		Unaudited				Audited
		In €'000				
Cash flow from operating						
Profit (loss) from continuing operations before taxes on income		(36,076)	(11,603)	(14,088)	(17,362)	(35,030)
Profit (loss) from discontinued operations before taxes on income		(13,469)	3,816	(11,644)	3,321	1,683
Adjustments to reconcile net loss to net cash (see A below)		2,296	20,423	(13,207)	21,071	58,807
Adjustment on operating activities from discontinued operations		(1,634)	(6,962)	7,551	(5,065)	(22,170)
Net cash provided by (used in) operating activities		**(48,883)**	**5,674**	**(31,388)**	**1,965**	**3,290**
Cash flow from investing activities						
Acquisition of tangible fixed assets and investment properties		(892)	(663)	(101)	(91)	(2,572)
Investments and collection (granting) of loans from (to) companies accounted for using the equity method, net		-	5,797	-	-	14,050
Proceeds from sale of assets and investments in associates and joint ventures	8	12,600	-	-	-	-
Change in short-term investments		10,035	(12,942)	2,728	(867)	(2,911)
Net cash provided by (used in) investing activities from discontinued operation		3,739	(3,256)	3,896	(3,216)	(7,220)
Net cash provided by (used in) investing activities		**25,482**	**(11,064)**	**6,523**	**(4,174)**	**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 six months period ended June 30,		For the three months period ended June 30,		For the year ended December 31,
	2019	2018	**2019**	2018	2018
	Unaudited				Audited
	In €'000				
Cash flows from financing activities					
Repayment of debentures	(12,221)	-	(12,221)	-	-
Repayment of long-term loans	(2,515)	(13)	(2,797)	(13)	(16,540)
Decrease in pledge deposit	2,549	-	2,549	-	16
Net cash provided in financing activities from discontinued operations	6,048	15,894	2,402	2,426	28,348
Net cash provided by (used in) financing activities	**(6,139)**	**15,881**	**(10,067)**	**2,413**	**11,824**
Increase (decrease) in cash and cash equivalents	**(29,540)**	**10,491**	**(34,932)**	**204**	**16,461**
Cash relating to assets held for sale	5,461	(12,168)	(1,206)	(612)	(4,631)
Foreign exchange differences relating to cash and cash equivalents	2,793	4,273	16	3,818	2,979
Cash and cash equivalents at the beginning of the period	51,949	37,140	66,785	36,327	37,140
Cash and cash equivalents at the end of the period	**30,663**	**39,736**	**30,663**	**39,736**	**51,949**

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CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

	For the six months period ended June 30,		For the three months period ended June 30,		For the year ended December 31,
	2019	2018	**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	(5,631)	(1,926)	(2,759)	(688)	(1,491)
Share-based payment	-	2	-	1	446
Depreciation and amortization	105	106	45	56	262
Fair value adjustments of investment property	112	2,105	112	2,105	8,610
Financial expense (income) and exchange differences, net	(5,827)	7,722	(1,375)	14,103	23,692
Fair value adjustments of derivative financial instruments	-	(196)	-	(274)	(184)
Changes in operating assets and liabilities:					
Change in trade and other receivables	(2,118)	(3,275)	327	(1,312)	(1,486)
Change in inventories, net of advances from customers	58	21,319	108	7,627	24,489
Change in trade and other payables	46,398	2,199	17,812	2,921	4,699
Dividend received	-	-	-	-	12,160
Interest paid	(30,034)	(5,969)	(26,950)	(3,100)	(11,083)
Interest received	225	382	170	263	889
Income taxes paid	(992)	(2,046)	(697)	(631)	(5,519)
	2,296	**20,423**	**(13,207)**	**21,071**	**58,807**

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
June 30, 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 August 28, 2019.

2. Financial Position and Going Concern

a. As at June 30, 2019 the Company had, on a stand-alone basis and on a consolidated basis, a working capital deficit of €303 million and €273 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 six and three months ended June 30, 2019, the Company recorded a (consolidated and on a stand-alone basis) net loss of €46.6 million and €23.1 million, respectively, and generated negative cash flow from operating activities of €0.1 million and €1.4 million, respectively, on a stand-alone basis, and negative cash flow from operating activities of €48.9 million and €31.3 million, respectively, on a consolidated basis. In addition, as at June 30, 2019 the Company had a deficit of €106.7 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 continues the 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 d 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 took place on June 3, 2019, includes NIS 95.9 million which were used to pay interest and NIS 49.1 million were used to repay the principal. The sources of payment were 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. Management anticipates that a debt settlement with the debenture holders will be signed in 2019.

e. The Company has been conducting 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). Given the current financial standing of TGI, the Board has noted the outmost importance of strengthening the equity of TGI in order to support its operations. With that respect and given the fact that the Company is not able to support such capital increase into TGI, management has been searching for such investment into TGI through partnerships. The Company anticipates that after improvement in the financial performance of TGI subsequent such capital increase and further advancement in various business initiatives, including commencement of large new projects that were reported, it would be feasible to divest the holding in TGI either through direct transaction or through the capital markets. In light of this, on August 20, 2019, subsequent to the balance sheet date, the Company signed a non-binding letter of intent with a third party investor regarding a possible investment transaction in TGI. The envisaged investment will be made in exchange for newly issued shares of TGI that will, upon completion, grant the investor a controlling stake in TGI. The Investor will receive a period of 45 days to complete its due diligence and for signing binding agreements. This period might be shortened to 30 days unless the Investor has informed Kardan that he's moving forward to signing the binding agreements based on the terms of the LOI. It is noted that any such investment is subject to the approval of the debenture holders (series A and B). For details regarding the financial position of TGI, see note 8. 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.
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. Management updated the cash flow forecast to reflect the abovementioned investment transaction in TGI.

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 and the investment in TGI, 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 of June 30, 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 six months ended June 30, 2019:

Unaudited	Real Estate		
	Development	Investment property	Total
	In €'000		
Revenue	4,962	4,304	9,266
Adjustment to fair value of investment property	-	(112)	(112)
Total Income	4,962	4,192	9,154
Share in profit of investments accounted using the equity method	5,631	-	5,631
Segment result	5,297	1,322	6,619
Unallocated expenses			3,266
Profit before finance expenses, net			3,353
Finance expenses, net			(39,429)
Loss before income tax			(36,076)
Income tax expense			(113)
Loss from continuing operations			(36,189)
Loss from discontinued operations			(12,526)
Loss for the period			(48,715)

(2) For the six months ended June 30, 2018:

Unaudited	Real Estate		
	Development	Investment property	Total
	In €'000		
Revenues	65,866	2,742	68,608
Adjustment to fair value of investment property	-	(2,105)	(2,105)
Total Income	65,866	637	66,503
Share in profit of investment accounted using the equity method	1,926	-	1,926
Segment result	2,124	(2,992)	(868)
Unallocated expenses			(2,960)
Loss from operations and share in profit of investment accounted using the equity method before finance expenses, net			(3,828)
Finance expenses, net			(7,775)
Loss before income tax			(11,603)
Income tax expense			(1,252)
Loss from continuing operations			(12,855)
Profit from discontinued operations			3,513
Loss for the period			(9,342)

(3) For the three months ended June 30, 2019:

Unaudited	Real Estate		
	Development	Investment property	Total
	In €'000		
Revenue	3,646	2,213	5,859
Adjustment to fair value of investment property	-	(112)	(112)
Total Income	3,646	2,101	5,747
Share in profit of investments accounted using the equity method	2,759	-	2,759
Segment result	2,579	719	3,298
Unallocated expenses			(1,476)
Profit before finance expenses, net			1,822
Finance expenses, net			(15,910)
Loss before income tax			(14,088)
Income tax expense			(46)
Loss from continuing operations			(14,134)
Loss from discontinued operations			(11,310)
Loss for the period			(25,444)

(4) For the three months ended June 30, 2018:

Unaudited	Real Estate		
	Development	Investment property	Total
	In €'000		
Revenues	4,059	1,473	5,532
Adjustment to fair value of investment property	-	(2,105)	(2,105)
Total Income	4,059	(632)	3,427
Share in profit of investment accounted using the equity method	687	-	687
Segment result	121	(2,360)	(2,239)
Unallocated expenses			(1,003)
Loss from operations and share in profit of investment accounted using the equity method before finance expenses, net			(3,242)
Finance expenses, net			(14,121)
Loss before income tax			(17,363)
Income tax benefit			375
Loss from continuing operations			(16,988)
Profit from discontinued operations			2,878
Loss for the period			(14,110)

(5) 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 benefit			605
Loss from continuing operations			(34,425)
Loss from discontinued operations			(311)
Loss for the year			(34,736)

B. Segments assets

	June 30,		December 31
	2019	2018	2018
	Unaudited		Audited
	In €'000		
Real Estate – Residential	117,626	125,327	107,506
Real Estate – Commercial	220,173	234,164	219,186
	337,799	359,491	326,692
Assets held for sale	220,103	197,238	240,909
Unallocated assets (*)	43,908	89,840	77,290
	601,810	646,569	644,891

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

C. **Segments liabilities**

	June 30,		December 31
	2019	2018	2018
	Unaudited		Audited
	€ in thousands		
Real Estate – Residential	67,046	62,256	68,193
Real Estate – Commercial	13,939	2,698	10,127
	80,985	64,954	78,320
Liabilities associated with assets held for sale	190,329	151,119	184,328
Unallocated liabilities (*)	434,305	453,497	436,000
	705,619	669,570	698,648

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

5. Share capital

Composition

	June 30, 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	**June 30, 2019**		June 30, 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	254,864	48,478	247,141	105,233	253,916	69,195
Debentures issued by the Company that ceased to be traded (Series B)	2	67,887	10,169	65,916	22,616	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.
(4) On June 3, 2019 the Company partialy repaid principal amounting to approximately €12.2 million to Debentures holders series B and accumulated interest of approximately €23.8 to Debenture holders series B (net of the relative portion of debentures held by the Company's subsidiaries). The total repayment amounted to approximately €36 million (approximately NIS 145 million).

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 June 30, 2019 (*)
	Audited	Unaudited	
		In €'000	
Put option	678	3	681

(*) Not including a balance of €2,168 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 June 30, 2019 no full external valuation was prepared for the Company's investment property. According to a desktop review received from the external appraiser, 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, apart from adjustments of € 0.1 million to certain parameters in order to reflect changes as at June 30, 2019.

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)

	June 30, 2019	June 30, 2018	December 31, 2018
	Unaudited		Audited
	In €'000		
Current assets (not including cash and cash equivalents)	74,072	79,444	93,374
Cash and cash equivalents	33,524	56,648	33,858
Non-current assets	9,189	12,790	15,020
Current liabilities	(65,837)	(96,910)	(104,505)
Current financial liabilities	(7,536)	(17,512)	(5,903)
Total equity attributed to the owners	43,412	34,460	31,844
% held in the joint venture	50%	50%	50%
Total investment in joint ventures	21,706	17,230	15,922

	For the six months period ended June 30,		For the three months period ended June 30,		For the year ended December 31,
	2019	2018	**2019**	2018	2018
	Unaudited				Audited
	In €'000				
Revenues from operations	44,468	20,964	18,973	17,370	31,376
Cost of operations	(25,707)	(13,160)	(10,329)	(12,240)	(18,193)
Selling and marketing, other expenses, and administrative expenses	(2,809)	(2,284)	(1,380)	(1,410)	(4,237)
Other financial income (expenses)	686	72	354	20	963
Profit before tax	16,638	5,592	7,618	3,740	9,909
Income tax expenses	(4,938)	(1,402)	(2,195)	(946)	(2,378)
Profit for the year attributed to equity holders	11,700	4,190	5,423	2,794	7,531
% held of the joint venture	50%	50%	50%	50%	50%
Group's share of profit for the year	5,850	2,095	2,711	1,397	3,765
Total other comprehensive income attributed to equity holders	12,824	4,778	5,288	3,128	7,326
% held of the joint venture	50%	50%	50%	50%	50%
Group share of the total other comprehensive income	6,412	2,389	2,644	1,564	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. TGI and AVIS Ukraine are presented as discontinued operations and assets held for sale in relation to the sale processes of these companies. For additional information please refer to Note 2.

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

	June 30,		December 31,		
	2019	**2018**	2018		
	TGI	TGI	TGI	Avis Ukraine	Total
	Unaudited		Audited		
	In € '000				
Assets					
Trade receivable	40,928	44,231	66,393	-	66,393
Accrued income	61,149	56,193	56,321	-	56,321
Other current assets	49,602	35,535	48,668	-	48,668
Tangible fixed assets, net	19,708	16,197	17,689	-	17,689
Other non-current assets	40,496	23,864	25,731	-	25,731
Cash and cash equivalents	8,220	21,218	13,680	-	13,680
Investment in Joint venture Avis Ukraine	-	-	-	12,427	12,427
Total assets	220,103	197,238	228,482	12,427	240,909
Liabilities					
Interest bearing loans and borrowings	57,992	41,082	50,195	-	50,195
Advances from customers	31,534	34,123	35,987	-	35,987
Other liabilities	100,803	75,914	98,146	-	98,146
Total liabilities	190,329	151,119	184,328	-	184,328
Net asset value	29,774	46,119	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 six months period ended June 30,						For the three months period ended June 30,				For the year ended December 31,		
	2019			2018			**2019**	2018			2018		
	Avis Ukraine	TGI	Total	Avis Ukraine	TGI	Total	TGI	Avis Ukraine	TGI	Total	Avis Ukraine	TGI	Total
	Unaudited										Audited		
	In €'000												
Income	-	78,814	78,814	-	73,677	73,677	43,399	-	42,060	42,060	-	175,397	175,397
Operating and finance expenses and Share of profit (loss) of investments accounted for using the equity method, net	-	(93,756)	(93,756)	908	(70,769)	(69,861)	(55,044)	434	(39,173)	(38,739)	908	(171,299)	(170,391)
Profit (loss) before tax	-	(14,942)	(14,942)	908	2,908	3,816	(11,645)	434	2,887	3,321	908	4,098	5,006
Income tax expenses (benefit), net	-	(943)	(943)	-	303	303	(335)	-	444	444	-	1,994	1,994
Profit (loss) from discontinued operations	-	(13,999)	(13,999)	908	2,605	3,513	(11,310)	434	2,443	2,877	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	(13,999)	(12,526)	908	2,605	3,513	(11,310)	434	2,443	2,877	(2,415)	2,104	(311)
Attributable to:													
Equity holders	1,473	(12,054)	(10,581)	908	873	1,781	(9,131)	434	1,210	1,644	(2,415)	65	(2,350)
Non-controlling interest holders	-	(1,945)	(1,945)	-	1,732	1,732	(2,179)	-	1,233	1,233	-	2,039	2,039
	1,473	(13,999)	(12,526)	908	2,605	3,513	(11,310)	434	2,443	2,877	(2,415)	2,104	(311)

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

	For the six months period ended June 30,				For the three months period ended June 30,				For the year ended December 31,		
	2019	2018			**2019**	2018			2018		
	TGI	Avis Ukraine	TGI	Total	TGI	Avis Ukraine	TGI	Total	Avis Ukraine	TGI	Total
	Unaudited								audited		
	In €'000										
Adjustments arising from translating financial statements of foreign operations	(461)	409	(9,527)	(9,118)	(2,478)	891	(1,323)	(432)	409	(13,338)	(12,929)
Total other comprehensive income (expense)	(461)	409	(9,527)	(9,118)	(2,478)	891	(1,323)	(432)	409	(13,338)	(12,929)
Attributable to:											
Equity holders	230	409	(6,673)	(6,264)	(1,742)	891	(430)	461	409	(9,280)	(8,871)
Non-controlling interest holders	(691)	-	(2,854)	(2,854)	(736)	-	(893)	(893)	-	(4,058)	(4,058)
	(461)	409	(9,527)	(9,118)	(2,478)	891	(1,323)	(432)	409	(13,338)	(12,929)

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

1) In the six months period ended on June 30, 2019 TGI had a loss of €14.4 million (mainly due to provisions and impairment losses), € 15.1 million negative cash flows from operating activities (for the year 2018: € 17 million negative), and has negative working capital of €7.7 million as of June 30, 2019.
2) 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.
3) As of June 30, 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.
4) Management of TGI has prepared a conservative cash flow forecast for a 12 months period, assuming advance payments of €47 million will not be received. Management of TGI expects a positive outcome regarding all uncertain events described above, i.e. waivers from banks will be granted, 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 an efficiency and 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 June 30, 2020. As of the date of signing these financial statements, TGI is in a process of selling shares in subsidiaries, and expects a transaction to be finalized in the coming months.
5) As mentioned in Note 2 above, the Company has signed a non-binding letter of intent with a third party in relation to an investment in TGI. Such investment, if completed, is expected to strengthen TGI's financial positionand contribute to its future development.
6) 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 June 30, 2019 the Company did not meet its financial covenant, as agreed with the Company's debenture holders. As of June 30, 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 June 30, 2019.

10. Subsequent Events

See Note 2 regarding letter of intent signed subsequent to the balance sheet date.

Review report

To: the board of directors of Kardan N.V.

Introduction

We have reviewed the accompanying condensed interim consolidated financial statements for the three and six month-period ended 30 June 2019 of Kardan N.V., Amsterdam, which comprises the condensed interim consolidated statement of financial position as at 30 June 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 three and six month-period ended 30 June 2019 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 these condensed interim consolidated financial statements 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 and six month-period ended 30 June 2019 are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union.

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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 30 June 2019 of € 273 million. For the six month-period ended June 30, 2019, the Company recorded a net loss attributable to equity holders of € 46.6 million and generated negative cash flows from operating activities of € 48.9 million. In addition, as at 30 June 2019, the Company had a deficit of € 106.7 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 and the investment in TGI, the transaction value 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 rescheduling of payments. These conditions indicate the existence of a material uncertainty which casts significant doubt regarding the Company's ability to continue as a going concern and therefore it may be unable to realize its assets in order to repay the principal and interest payments which were due in February 2018 and its other liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

Rotterdam, 28 August 2019
PricewaterhouseCoopers Accountants N.V.

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.

Presentation of separate financial data included annexed to the

Consolidated financial statements related to the Company

As of June 30, 2019

ADDITIONAL FINANCIAL INFORMATION FROM THE COMPANY'S STATEMENT OF FINANCIAL POSITION

June 30, 2018

	June 30,		December
	2019	2018	31, 2018
	€ in thousand		
A s s e t s			
Non-current assets			
Property and equipment	98	131	114
Financial fixed assets			
Investments in consolidated subsidiaries	284,115	324,788	290,610
Loans to consolidated subsidiaries	24	24	24
	284,139	324,943	290,748
Current assets			
Cash and cash equivalents	5,340	1,605	17,595
Short-term investments	169	169	169
Other receivables and derivatives	2,197	1,591	1,798
	7,706	3,365	19,562
Assets classified as held for sale	29,196	43,298	40,878
Total current assets	36,902	46,663	60,440
Total assets	321,139	371,606	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	(12,512)	(3,373)	(12,049)
Property revaluation reserve	25,095	30,058	25,179
Other reserves	4,645	5,200	4,837
Accumulated deficit	(355,713)	(289,432)	(309,222)
	(106,727)	(25,789)	(59,497)
Long-term liabilities			
Option liability	-	2,758	-
	-	2,758	-
Current liabilities			
Current maturities of debentures	364,874	360,102	355,656
Option liability	2,849	-	2,791
Other payables	60,143	34,535	52,238
	427,866	394,637	410,685
Total equity and liabilities	321,139	371,606	351,188

ADDITIONAL INFORMATION FROM THE COMPANY'S INCOME STATEMENT

	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
	€ in thousand				
Net result from investments for the period	12,245	(5,497)	5,312	115	(16,125)
General and administrative expenses, net	1,594	1,276	650	173	2,602
Income from operations before financing expenses	10,651	(6,773)	4,662	(58)	(18,727)
Financing expenses, net	(45,254)	(4,981)	(17,274)	(15,923)	(17,722)
Loss before tax expenses (benefit)	(34,603)	(11,754)	(12,612)	(15,981)	(36,449)
Income tax expense (benefit)	(64)	(129)	(26)	(60)	250
Loss for the period from continuing operations	(34,667)	(11,883)	(12,638)	(16,041)	(36,699)
Net profit (loss) from discontinued .	(11,908)	809	(10,432)	698	(76)
Loss for the period	(46,575)	(11,074)	(23,070)	(15,343)	(36,775)

ADDITIONAL INFORMATION FROM THE COMPANY'S STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended June 30,		For the three months ended June 30,		For the year ended December 31,
	2019	2018	**2018**	2018	2018
	€ in thousand				
Net result for the period	(46,575)	(11,074)	(23,070)	(15,343)	(36,775)
Foreign currency translation differences	(463)	(3,410)	(7,326)	2,472	(12,086)
Change in hedge reserve, net	(192)	(388)	(78)	(180)	(751)
Other comprehensive income (loss) for the period	(655)	(3,798)	(7,404)	2,292	(12,837)
Total comprehensive loss	(47,230)	(14,872)	(30,474)	(13,051)	(49,612)

ADDITIONAL INFORMATION FROM THE COMPANY'S CASH FLOW STATEMENT

	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
	€ in thousand				
Cash flow from operating activities of the Company					
Loss for the period from continuing operation	(34,667)	(11,883)	(12,638)	(16,041)	(36,699)
Profit (loss) for the period from discontinued operation	(11,908)	809	(10,432)	698	(76)
Adjustments to reconcile net profit to net cash of the Company					
Charges to net loss not affecting operating cash flows:					
Financial expenses	(203)	4,879	(109)	15,865	17,610
Fair value loss on derivative financial instruments	-	(196)	-	(274)	(184)
Share-based payment	-	2	-	1	2
Equity earnings (losses)	(12,245)	5,497	(5,312)	(115)	16,125
Changes in working capital of the Company					
Change in receivables	(385)	(66)	48	54	(128)
Change in payables	58,537	(107)	30,277	(345)	(50)
Net cash provided by (used in) investing activities from discontinued operation	11,908	(809)	10,432	(698)	76
Cash amounts paid and received during the period					
Dividend received from consolidated companies	13,000	-	13,000	-	17,500
Interest received	-	-	-	-	-
Interest paid	(23,901)	-	(23,091)	-	-
Net cash provided by (used in) operating activities of the Company	**136**	**(1,874)**	**1,365**	**(855)**	**14,176**
Cash flow from investing activities of the Company					
Investments in subsidiaries	(170)	(2,500)	(120)	(2,500)	(2,560)
Net cash provided by (used in) investing activities of the Company	**(170)**	**(2,500)**	**(120)**	**(2,500)**	**(2,560)**
Cash flow from financing activities of the Company					
Repayment of debentures	(12,221)	-	(12,221)	-	-
Net cash used in financing activities of the Company	**(12,221)**	**-**	**(12,221)**	**-**	**-**
Increase (decrease) in cash and cash equivalents of the Company	(12,255)	(4,373)	(10,976)	(3,355)	11,616
Cash and cash equivalents at beginning of the period of the Company	17,595	5,979	16,316	4,960	5,979
Cash and cash equivalents at end of the period of the Company	**5,340**	**1,605**	**5,340**	**1,605**	**17,595**

ADDITIONAL INFORMATION

1. General

This condensed interim separate financial information is presented in accordance to rule 38(D) of the Israeli Securities and Exchange Regulations (periodic and immediate reports), 1970.

This condensed interim separate financial information should be read in conjunction with the additional separate financial information for the year ended December 31, 2018 and the accompanying notes, and in conjunction to the condensed interim consolidated financial statements for the six and three months ended June 30, 2019.

2. Financial position and going concern

a. As at June 30, 2019 the Company had, on a stand-alone basis and on a consolidated basis, a working capital deficit of €303 million and €273 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 six and three months ended June 30, 2019, the Company recorded a (consolidated and on a stand-alone basis) net loss of €46.6 million and €23.1 million, respectively, and generated negative cash flow from operating activities of €0.1 million and €1.4 million, respectively, on a stand-alone basis, and negative cash flow from operating activities of €48.9 million and €31.3 million, respectively, on a consolidated basis. In addition, as at June 30, 2019 the Company had a deficit of €106.7 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 continues the 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 d 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 took place on June 3, 2019, includes NIS 95.9 million which were used to pay interest and NIS 49.1 million were used to repay the principal. The sources of payment were 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. Management anticipates that a debt settlement with the debenture holders will be signed in 2019.

e. The Company has been conducting 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). Given the current financial standing of TGI, the Board has noted the outmost importance of strengthening the equity of TGI in order to support its operations. With that respect and given the fact that the Company is not able to support such capital increase into TGI, management has been searching for such investment into TGI through partnerships. The Company anticipates that after improvement in the financial performance of TGI subsequent such capital increase and further advancement in various business initiatives, including commencement of large new projects that were reported, it would be feasible to divest the holding in TGI either through direct transaction or through the capital markets. In light of this, on August 20, 2019, subsequent to the balance sheet date, the Company signed a non-binding letter of intent with a third party investor regarding a possible investment transaction in TGI. The envisaged investment will be made in exchange for newly issued shares of TGI that will, upon completion, grant the investor a controlling stake in TGI. The Investor will receive a period of 45 days to complete its due diligence and for signing binding agreements. This period might be shortened to 30 days unless the Investor has informed Kardan that he’s moving forward to

signing the binding agreements based on the terms of the LOI. It is noted that any such investment is subject to the approval of the debenture holders (series A and B). For details regarding the financial position of TGI, see note 8 to the condensed interim consolidated financial statements. 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.
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. Management updated the cash flow forecast to reflect the abovementioned investment transaction in TGI.

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 and the investment in TGI, 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.