



KARDAN N.V.

Q4 and FY 2019



Financial highlights 2019

Net profit (loss) (In € thousands)	2019	2018
Real Estate (development and investment property)	11,538	(17,393)
Net result for discontinued operations (water infrastructure)	(32,233)	65
Other (Avis Ukraine, discontinued operation)	1,472	(2,415)
Total Operations	(19,223)	(19,743)
Holding (Corporate Finance and G&A)	(64,489)	(17,032)
Total	(83,712)	(36,775)



Kardan N.V. (company only, in €thousands)	December 31, 2019	December 31, 2018
Total Assets	294,690	351,188
Total Equity	(150,602)	(59,497)
Equity/Total assets (%)	(51.1%)	(16.9%)

- The deficit in shareholders' equity of Kardan N.V. increased from a deficit of €59.5 mn as of 31 December 2018 to a deficit of €150.6 mn as of 31 December 2019, primarily due to the loss in the period, which is mainly the result of the heavy finance costs on the debentures and the losses of TGI.
- The Company did not meet the debt coverage ratio financial covenant as defined in the Deeds of Trust for the 9th consecutive quarter.
- At 31 December 2019 certain Group companies did not meet financial covenants for which waivers have not yet been received from the lending banks.
- In their audit opinion as of 31 December 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.



Kardan N.V.

- Net loss to equity holders of €83.7 mn (2018: net loss of €36.8 mn), mainly due to high interest (including interest in arrears) and FX expenses on the Company's debentures and losses of discontinued operations (water infrastructure).

Real Estate

- The net profit came in at €11.5 mn in 2019 compared to a loss of €17.4 mn in 2018, driven by a strong operational performance of shopping mall Galleria Dalian and high deliveries of apartments in both Europark Dalian and the residential JV projects, combined with lower operational costs.

Discontinued- Water Infrastructure

- Net loss to equity holders of €32.2 mn compared to a profit of €0.1 mn in 2018, due to a higher provision for doubtful debts, impairments and losses on projects and an impairment on investment in TGI of €1.2 mn.
- TGI is currently in the midst of negotiations with the financing banks regarding the restructuring of its debts, which will include, among other things, continuing to provide credit to TGI. This credit includes guarantees required to advance projects and a cash credit line to support TGI's working capital.

Other

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



- The Company did not repay the February 2018, February 2019 and February 2020 scheduled payments 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.
- As of 31 March 2018 and until the repayments to the Debenture Holders are rescheduled, the debentures are presented as current liabilities and bear interest in arrears.
- 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 approx. €36.5 mn (NIS 145 mn).
- Although not much progress was made in 2019, management is advancing the negotiations with the representatives of the Debenture Holders in order to reach a debt settlement in the short term. The framework of the debt settlement which is advanced with the Debenture Holders is based on conversion of a portion of the debt into Company's shares which will grant the control over the Company to the Debenture Holders.
- Such settlement is not final and is subject to various approvals, including the approval of Kardan's general meeting of shareholders and the approval of the Debenture Holders. Accordingly there is no certainty regarding reaching such agreement, its terms and/or the date of its approval.



Result from operations

- Strong increase of profit from operations to €18.7 mn in 2019 (2018: €5.6 mn) as result of high deliveries of apartments in both Europark Dalian and the residential JV projects

Revenue from sale of apartments

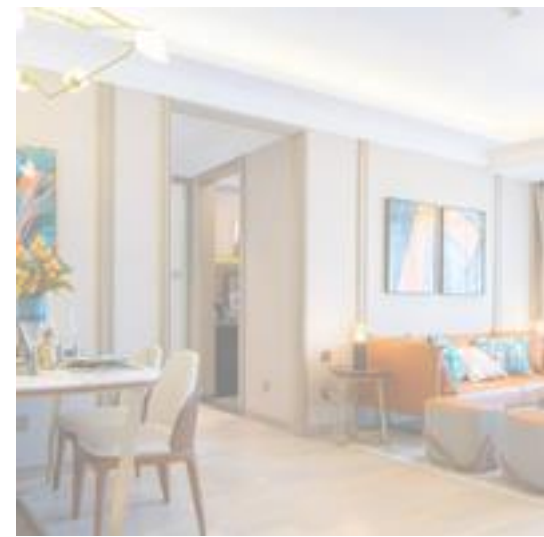
- Amounted to €55.5 mn (2018: €73.6 mn); 231 units in the C towers of the Europark Dalian project were delivered, compared to 295 deliveries in 2018 (included the delivery of building B as one block).

SG&A costs

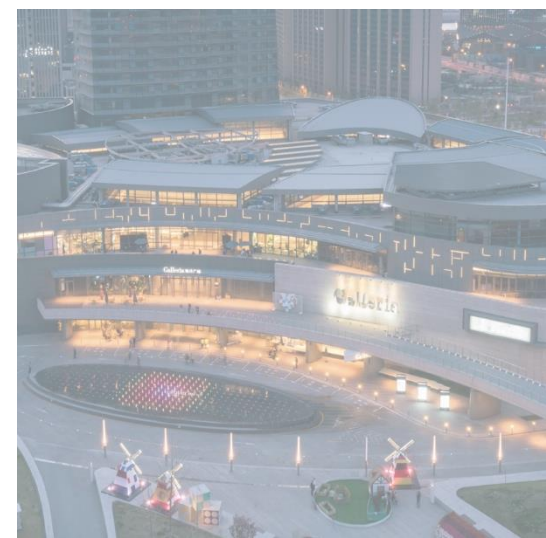
- Remained virtually stable at €2.9 mn in 2019 compared to €2.7 mn in 2018

Equity earnings

- Contributed a profit of €14.7 mn (2018: €1.5 mn), due to higher delivery of apartments



	2019	2018
Total apartments sold in period	678	842
Total apartments delivered in period	1,679	649
Apartments sold in period – Europark Dalian	91	105
Apartments delivered in period – Europark Dalian	231	295
Total apartments sold, not yet delivered	875	1,896



Result from operations

- Operational profit of €4.0 mn (2018: €11.3 mn loss)

Total revenues

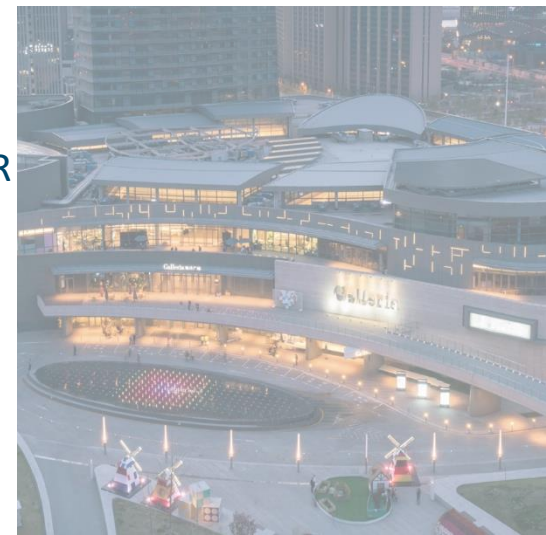
- Increased significantly to €9.1 mn (2018: €5.4 mn), mainly as the result of the continued positive operational trends at Galleria Dalian
- The occupancy rate rose to 94.1% at 31 December 2019
- The opening rate increased to 92% at 31 December 2019

SG&A costs

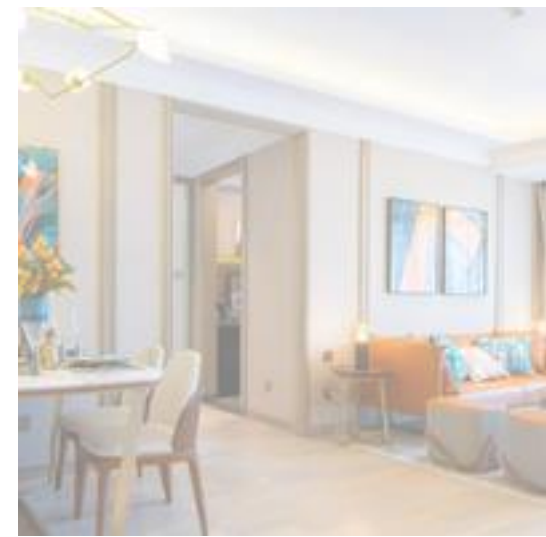
- Decreased considerably to €1.5 mn (2018: €4.4 mn) due to lower marketing costs

Investment Property

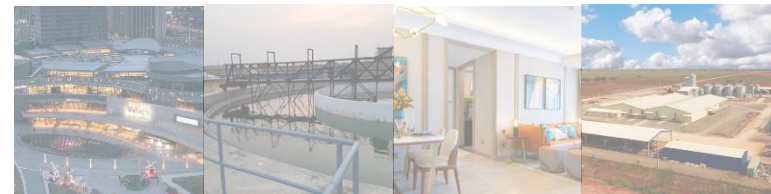
- The value of the Galleria Dalian shopping mall increased by approximately €1.0 mn compared to 31 December 2018, due to the appreciation of the RMB versus the EUR



- Net Result:**
- Net profit of €11.6 mn (2018: €17.4 mn loss)
- Operational result**
- Operational profit of €22.7 mn (2018: €5.7 mn loss)
- Financing expenses (net):**
- Came in at €8.3 mn compared to €10.2 mn in 2018 and mainly include interest expenses related to the Europark Dalian project loan. The decrease is attributable to the partial early repayments of the loan in Q3 2018 and Q3 2019
- Income tax expense / benefit:**
- Income tax expenses of €0.7 mn as a result of the change in deferred taxes partially offset by tax on dividend received from joint ventures (2018: tax benefit of €0.8 mn)



- Revenues in 2019 decreased to €152.8 mn compared to €175.4 mn in 2018.
- The gross margin decreased to 4.8% in 2019 compared to 15.4% in 2018 following a change in the mix of projects with a relatively low profitability and a provision for losses on several projects.
- The operational result decreased to a loss of €25.2 mn in 2019 compared to a profit of €8.3 mn profit in 2018.
- Financing expenses increased from €4.2 mn in 2018 to €5.5 mn in 2019, mostly due to interest expenses on utilization of credit lines and foreign exchange differences.
- Net loss attributable to equity holders came in at €32.2 mn for 2019 (2018: €0.1 mn profit), including the impairment of Kardan's investment in TGI of €1.2 mn.
- The Company decided to fully impair its investment in TGI. As a result, the equity of TGI attributable to the Company in its financial statements stands at nil as of December 31, 2019.



Other highlights –2019

- Following the completion of the sale of Avis Ukraine in Q1 2019, a gain of €1.5 mn was recorded, comprising a €1.3 mn release of capital translation reserve and a reversal of impairment loss recorded in Q4 2018 of €0.2 mn
- Financing expenses increased to €61.2 mn in 2019, compared to €13.2 mn in 2018, mainly due to the negative impact of foreign currency exchange differences and Israeli CPI of €35.2 mn in 2019 compared to a positive impact of €6.7 mn in 2018. Finance expenses also include interest in arrears regarding the Company's Debentures.



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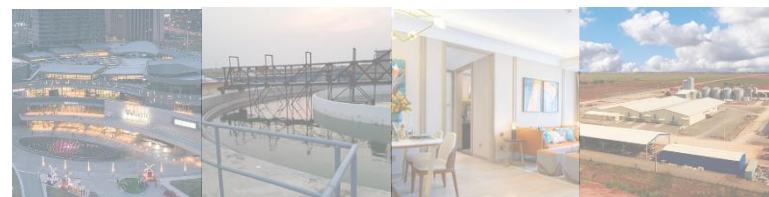
2019 Financials



Condensed Interim Consolidated Income Statement Kardan N.V.



	Q1 2019	Q2 - 2019	Q3 - 2019	Q4 - 2019	12M - 2019	12M - 2018
Total revenues	3,407	5,859	33,155	22,130	64,551	79,018
Total expenses	(4,748)	(6,684)	(29,175)	(19,789)	(60,396)	(85,031)
Profit (loss) from operations before fair value adjustments, disposal of assets and financial expenses	(1,341)	(825)	3,980	2,341	4,155	(6,013)
Loss from fair value adjustments and disposal of assets and investments, net	-	(112)	(19)	(1,424)	(1,555)	(7,103)
Result from operations before finance expenses	(1,341)	(937)	3,961	917	2,600	(13,116)
Financing expenses, net	(23,519)	(15,910)	(27,933)	(2,129)	(69,491)	(23,405)
Equity earnings, net	2,872	2,759	773	8,263	14,667	1,491
Profit (loss) before income tax	(21,988)	(14,088)	(23,199)	7,051	(52,224)	(35,030)
Income tax (expenses) / benefit	(67)	(46)	(440)	(174)	(727)	605
Profit (loss) from continuing operations	(22,055)	(14,134)	(23,639)	6,877	(52,951)	(34,425)
Loss from discontinued operations	(1,216)	(11,310)	(22,324)	(627)	(35,477)	(311)
Profit (Loss) for the period	(23,271)	(25,444)	(45,963)	6,250	(88,428)	(34,736)
Attributable to:						
Net result for equity holders	(23,505)	(23,070)	(46,150)	9,013	(83,712)	(36,775)
Non-controlling interests	234	(2,374)	187	(2,763)	(4,716)	2,039
	(23,271)	(25,444)	(45,963)	6,250	(88,428)	(34,736)
Other Comprehensive income (expense)	6,749	(7,404)	(623)	(6,115)	(7,393)	(12,837)
Total Comprehensive expense attributable to Kardan equity holders	(16,756)	(30,474)	(46,773)	2,898	(91,105)	(49,612)



Real Estate activities

In thousands of Euro	For the year ended December 31,		For the 3 months ended December 31,	
	2019	2018	2019	2018
Real Estate - Development				
Sale of apartments	55,496	73,634	19,776	3,766
Cost of sales	(47,053)	(69,084)	(16,552)	(2,474)
Gross Profit	8,443	4,550	3,224	1,292
SG&A expenses	(2,889)	(2,687)	(887)	(539)
Gain (loss) from disposal of fixed assets and investments, net	(1,555)	2,278	(1,555)	2,278
Equity earnings (losses)	14,667	1,491	8,263	(369)
Operational profit - Real Estate Development segment	18,666	5,632	9,045	2,662
Real Estate - investment Property				
Rental revenues	9,055	5,384	2,354	1,176
Cost of rental revenues	(3,529)	(3,738)	(698)	(1,044)
Gross Profit	5,526	1,646	1,656	132
SG&A expenses	(1,497)	(4,366)	(125)	(1,124)
Adjustment to fair value (impairment) of investment property	-	(8,610)	131	(6,505)
Operational profit (loss) - Real Estate Investment Property segment	4,029	(11,330)	1,662	(7,497)
Total operational profit (loss) - Real Estate	22,695	(5,698)	10,707	(4,835)
Other unallocated expense	(2,217)	(2,311)	(571)	(535)
Profit (loss) before finance expenses and income tax	20,478	(8,009)	10,136	(5,370)
Finance expenses, net	(8,287)	(10,219)	(2,884)	(2,745)
Tax benefits (expenses)	(653)	835	(197)	2,327
Profit (Loss) for the period – attributed to Company's shareholders	11,538	(17,393)	7,055	(5,788)



Water Infrastructure activities

In thousands of Euro

	For the year ended December 31,		For the three months ended December 31,	
	2019	2018	2019	2018
Contract revenues	152,844	175,397	34,908	58,28358.3
Contract cost	(145,524)	(148,338)	(35,065)	(50,490)
Gross profit	7,320	27,059	(157)	7,793
SG&A expenses	(11,627)	(16,269)	(2,583)	(3,702)
Share of profit (loss) of investments accounted for using the equity method	1,028	(2,900)	93	(2,335)
Other operational income (expenses)	(21,877)	378	(7,986)	495
Result from operations before financing expenses	(25,156)	8,268	(10,633)	2,251
Financing income (expenses), net	(5,476)	(4,209)	878	(3,334)
Income tax expenses	(5,139)	(1,955)	(5,679)	(831)
Net result of water infrastructure activities	(35,771)	2,104	(15,434)	(1,914)
Adjustments to investment in TGI	(1,178)	-	14,807	-
Net result	(36,949)	2,104	(627)	(1,914)
Attributable to:				
Equity holders (Kardan N.V.)	(32,233)	65	2,136	(1,719)
Non-controlling interest holders	(4,716)	2,039	(2,763)	(195)
	(36,949)	2,104	(627)	(1,914)



In thousands of Euro

	For the year ended December 31,		For the three months ended December 31,	
	2019	2018	2019	2018
Corporate expenses:				
General and administration expenses	(3,211)	(3,616)	(956)	(913)
Financing income (expense), net	(61,204)	(13,186)	756	(980)
Income tax expenses	(74)	(230)	23	(64)
	(64,489)	(17,032)	(177)	(1,957)
Other activities:				
Equity earnings (Avis Ukraine - discontinued operations)	1,472	(2,415)	-	(3,323)
	1,472	(2,415)	-	(3,323)

