

**PRESS RELEASE**

Amsterdam/Tel Aviv, May 24, 2017

Number of pages: 9

**FIRST QUARTER 2017 RESULTS KARDAN N.V.**
*Highlights Q1 2017:*

- Net profit (loss) per activities:

In € millions	Q1 2017	Q1 2016
Real Estate	(1.9)	(2.0)
Water Infrastructure (discontinued operations)	0.9	(0.3)
Banking and Retail lending (discontinued operations)	-	3.9
Other – banking and retail lending - continuing operations	0.7	-
<b>Total Operations</b>	<b>(0.3)</b>	<b>1.6</b>
Holding (Corporate Finance and G&A)	(17.5)	0.3
<b>Total</b>	<b>(17.8)</b>	<b>1.9</b>

- Q1 2017: € 17.8 mn loss to equity holders (Q1 2016: net profit of € 1.9 mn) predominantly due to significant negative foreign exchange impact of € 11.5 mn of the Euro versus the NIS on the Company's debentures
- Real estate generated a net loss of € 1.9 mn in Q1 2017 (Q1 2016: € 2.0 mn loss)
- Water Infrastructure (presented as discontinued activities) contributed a net profit of € 0.9 mn in Q1 2017 (Q1 2016 € 0.3 mn net loss)

**Ariel Hasson, CEO of Kardan NV:** "Kardan's real estate and water infrastructure activities showed a positive operational performance in Q1 2017, which was unfortunately more than offset by the severe adverse impact of currency movements and high interest expenses, resulting in a net loss of € 17.8 million for Kardan N.V. In Real Estate, our shopping mall Galleria Dalian saw a further increase in its opening rate to 75% as of April 2017, following the opening of the food market, which is also beneficial to the continually growing footfall. Furthermore, the joint venture residential projects delivered better results in terms both of sales of units and prices. In Water Infrastructure, we were recently awarded another project in the field of water infrastructure in Romania together with good progress in materializing business development opportunities for new projects.

Our focus remains on generating the funds to meet our debt repayment obligations in 2018, while strengthening the performance of our operating subsidiaries. The company has initiated the preparations required to promote the sale process of Tahal. Therefore, in line with IFRS, the water infrastructure activity is reported as discontinued operations.

We believe that the sale of Tahal will enable us to meet our 2018 debt repayment obligations as well as to strengthen our equity. We will continue to do the utmost to divest assets in a manner that will allow us to maximize value and proceeds, in the interest of all of Kardan's stakeholders."

## Condensed Interim Consolidated Income Statement Kardan N.V.

For the first three months ended March 31, 2017 (in € million)

	Total Q1 - 2017	Total Q1 - 2016	Total 12M - 2016
In € millions			
Total revenues	1.6	2.0	11.1
Total expenses	4.5	5.4	21.8
Loss from operations before fair value adjustments, disposal of assets and financial expenses	(2.9)	(3.4)	(10.7)
Loss from fair value adjustments and disposal of assets and investments	-	-	(4.2)
<b>Result from operations before finance expenses</b>	<b>(2.9)</b>	<b>(3.4)</b>	<b>(14.9)</b>
Financing expenses, net	(19.9)	(3.3)	(47.3)
Equity earnings	5.3	3.4	3.9
Loss before income tax	(17.5)	(3.3)	(58.3)
Income tax (expenses)/benefit	(1.2)	1.5	4.5
<b>Loss from continuing operations</b>	<b>(18.7)</b>	<b>(1.8)</b>	<b>(53.8)</b>
Profit from discontinued operations *)	0.9	3.7	22.5
<b>Profit (loss) for the period attributable to Kardan equity holder</b>	<b>(17.8)</b>	<b>1.9</b>	<b>(31.3)</b>
Other comprehensive income (loss)	(1.8)	(9.9)	(2.5)
<b>Total Comprehensive Income / (Loss) attributable to Kardan equity holders</b>	<b>(19.6)</b>	<b>(8.0)</b>	<b>(33.8)</b>

\*) Loss from discontinued operations attributable to non-controlling interest holders during the three months ended March 31, 2017 amounted to € 0.3 million.

### Overall summarized review of Q1 2017 results

**Kardan** recognized a consolidated net loss attributable to equity holders of € 17.8 million for Q1 2017 (Q1 2016: € 1.9 million net profit) mainly due to higher financing costs (€ 19.9 million) compared with Q1 2016 (€ 3.3 million).

The financing costs included a negative impact of foreign exchange differences of € 11.5 million compared with a positive foreign exchange impact in Q1 2016.

The Real Estate activities showed a gradual improvement in rental revenues from Galleria Dalian in China. As per 1 January 2017, the management contract of Galleria Chengdu expired, which led to a decrease in management fee revenues resulting in a net decrease in total revenue compared with Q1 2016. Equity earnings from joint venture residential projects increased substantially to € 4.5 million (€ 2.9 million in Q1 2016), offset by high financing costs and tax expenses resulting in a total net loss of € 1.9 million in Q1 2017 (Q1 2016: loss of € 2.0 million).

The Water Infrastructure activities showed stable operational results compared to Q1 2016. Together with G&A efficiencies and deferred tax asset recognized, it contributed a net profit of € 0.9 million.

As of Q1 2017, TGI (Kardan NV's water infrastructure subsidiary) is presented as Held-For-Sale, its results as discontinued operations, and is no longer presented as a segment in the Company's consolidated financial statements.

Taking into account the direct equity impact of foreign currency translation differences and changes in the hedge reserves combined with the net result, the total comprehensive loss to Kardan NV's shareholders amounted to € 19.6 million in Q1 2017 compared to a comprehensive loss of € 8.0 million in Q1 2016.

## Equity

<b>Kardan N.V.</b> (company only, in € million)	<b>March 31, 2017</b>	<b>December 31, 2016</b>
Total Assets	405.6	409.7
Total Equity	17.8	37.3
Equity/Total assets (%)	4%	9%

The shareholders' equity of Kardan N.V. decreased from €37.3 million as of December 31, 2016 to €17.8 million as of March 31, 2017 mainly due to the loss in the period of €17.8 million.

## Covenants

As at March 31, 2017, the Company and its subsidiaries were not in breach of any covenants.

## Financial position

For further information on the Company's financial position please refer to Note 2 in the financial statements.

**Highlights per activity:**
**REAL ESTATE**

Kardan is active in development and management of Real Estate in China through its 100% subsidiary Kardan Land China ('KLC').

**Results**

	For the three months ended March 31		Full year
	2017	2016	2016
In € millions			
Delivery of units	-	0.1	0.8
Rental revenues	1.0	0.9	3.7
Management fee and other revenues	0.6	0.9	4.0
<b>Total revenues</b>	<b>1.6</b>	<b>1.9</b>	<b>8.5</b>
Cost of sales	-	0.1	0.7
Cost of rental revenues	0.4	0.4	1.5
Cost of management fee and other revenues	0.6	1.3	5.1
<b>Gross profit</b>	<b>0.6</b>	<b>0.1</b>	<b>1.2</b>
SG&A expenses	2.4	2.3	8.9
Adjustment to fair value (impairment) of investment property	-	-	(2.6)
Equity earnings	4.5	2.9	2.4
<b>Result from operations before finance expenses</b>	<b>2.7</b>	<b>0.7</b>	<b>(7.9)</b>
Financing expenses, net	(3.5)	(4.6)	(12.4)
Income tax (expenses) / benefit	(1.1)	1.9	5.1
<b>Loss for the period attributable to Kardan equity holders</b>	<b>(1.9)</b>	<b>(2.0)</b>	<b>(15.2)</b>

<b>Residential projects Kardan Land China</b>			
Units sold in the period			
	Q1/17	Q1/16	FY 2016
<b>Joint Venture projects*</b>			
Olympic Garden	387	131	593
Suzy	-	-	10
Palm Garden	16	27	88
City Dream	40	229	618
	<b>443</b>	<b>387</b>	<b>1,309</b>
<b>100% owned</b>			
Dalian	12	-	14
<b>Total</b>	<b>455</b>	<b>387</b>	<b>1,323</b>

\* 100% number presented; KLC holds approx. 50%

**Additional information - Kardan Land China**

	<b>2017</b>	<b>2016</b>
	<b>(31.3)</b>	<b>(31.12)</b>
<b>Balance sheet (in € millions)</b>		
Share of investment in JVs	63.9	69.2
Investment Property	238.3	240.5
Inventory	102.6	101.5
Cash & short term investments	22.5	33.5
Total Assets	510.8	518.2
Loans and Borrowings	108.5	111.2
Advance payments from buyers	49.6	50.0
Total Equity	298.6	302.5

	<b>Q1/17</b>	<b>Q1/16</b>	<b>FY 2016</b>
<b>Operational Information Residential</b>			
Revenue Residential - JV (in € million)	27.6	13.2	57.5
Gross profit residential - JV (in € million)	8.2	3.9	15.7
Apartments sold in period (a)	455	387	1,323
Apartments delivered in period (b)	616	386	1,417
Total apartments sold, not yet delivered (c)	1,918	2,207	2,114

- (a) All residential apartments, incl. Dalian (100%).  
 (b) No apartments delivered in the Dalian project in Q1 2017 (Q1 2016 – 1 apartment, FY 2016 – 3 apartments).  
 (c) Includes approximately €23.8 mn gross profit (Kardan Land China share) as of March 31, 2017.

The Real Estate activity improved its result from operations to € 2.7 million in Q1 2017 compared with € 0.7 million in Q1 2016, resulting in net loss of € 1.9 million in Q1 2017 due to high financing expenses (loss of € 2.0 million in Q1 2016).

The continuous increase in rental revenue to € 1.0 million compared with € 0.9 million in Q1 2016 was offset by the decrease in revenues from sales of apartments and management fees in Q1 2017, bringing the total revenues to € 1.6 million compared with € 1.9 million in Q1 2016.

Delivery of units relates to the revenue resulting from the handover of apartments of the Europark Dalian project. No handover of apartments took place in Q1 2017.

Management fee and other revenues predominantly relates to the asset management activities of Galleria Chengdu and Galleria Dalian and the residential joint venture projects. These revenues decreased to € 0.6 million, compared with € 0.9 million in Q1 2016 due to the expiry of the management contract of Galleria Chengdu as of January 1, 2017.

The above resulted in a decrease of the loss from operations before fair value adjustments, disposal of assets and financial expenses from € 2.2 million in Q1 2016 to € 1.8 million in Q1 2017.

'Equity earnings', comprises the result of the residential activities from joint venture projects, which contributed a profit of € 4.5 million in Q1 2017 compared with a profit of € 2.9 million in Q1 2016, as a result of a considerable increase in delivery of apartments and related revenues (€ 27.6 million in Q1 2017 compared to € 13.2 million in Q1 2016), while the gross margin remained stable at approximately 30%.

'Financing expenses, net', amounted to € 3.5 million, compared with € 4.6 million in Q1 2016. The financing expenses mainly include interest expenses related to the Europark Dalian project loan. A negative impact of € 0.4 million was due to the devaluation of the RMB versus the Euro, compared with a negative foreign exchange expenses of € 1.6 million in Q1 2016.

Income tax expenses of € 1.1 is mostly related to a tax provision in respect of a dividend compared with a deferred tax benefit of € 1.9 recognized in Q1 2016 on taxable losses.

Additional Information

Investment property fully relates to Galleria Dalian shopping mall, of which the value decreased by approximately 1% (from December 31, 2016) due to the depreciation of the RMB versus the EUR. 2016 was the first full year in operation for Galleria Dalian.

Subsequent to the balance sheet date – in April 2017, the food market was opened which increased the opening rate from 67% at 31 March 2017 to approximately 75%.

Number of units sold in Q1 2017 increased to 455, compared with 387 units sold in Q1 2016 and 255 in Q4 2016. The number of unsold units in inventory (including the inventory of joint venture projects) increased to 718 (vs 477 end of last year) – most of this increase is related to units which construction has started during Q1 2017. The rate of unsold units which construction was completed decreased to 15% compared with 17% on December 31, 2016.

'Loans and borrowings', which predominantly relate to the use of a construction loan for Europark Dalian, decreased to €108.5 million as at March 31, 2017 compared to year end 2016 (€111.2 million), mainly as a result of repayment of a loan during Q1 2017. KLC works diligently on its refinancing requirements and is in constructive negotiations with its financing partners to extend the €108.5 million loan, which is due in November 2017. The management of KLC is confident regarding its ability to reach agreement on this refinancing.

The decrease in equity in the reporting period by 1% (y-o-y) is attributable to foreign currency effect and the loss for the period.

## **WATER INFRASTRUCTURE (TGI) - Discontinued operations**

Results under `Profit (loss) from discontinued operations - TGI` relate to Tahal Group International B.V. ('TGI'), Kardan's water infrastructure company.

TGI focuses on executing water related projects worldwide in Africa, Central and Eastern Europe, India and in other regions and other countries, such as Israel.

	For the three months ended March 31,		Full Year
	2017	2016	2016
	In € millions		
Contract revenues	31.2	31.5 *	138.5 *
Contract cost	27.0	26.8 *	117.4 *
<b>Gross profit</b>	<b>4.2</b>	<b>4.7</b>	<b>21.1</b>
SG&A expenses	3.4	3.6	14.2
Equity earnings / (losses)	(0.3)	(0.1)	(1.1)
Gain on disposal of assets and other income	-	-	0.5
<b>Result from operations before financing expenses</b>	<b>0.5</b>	<b>1.0</b>	<b>6.3</b>
Financing income (expenses), net	(0.2)	0.7	(1.9)
Income tax (expenses) / benefits	0.3	(0.8)	(3.4)
<b>Profit (loss) from continuing operations</b>	<b>0.6</b>	<b>0.9</b>	<b>1.0</b>
Net profit (loss) from discontinued operations - KWIG	-	(1.5)	(0.1)
Net profit (loss)	0.6	(0.6)	0.9
Attributable to:			
Non-controlling interest holders	(0.3)	(0.3)	-
<b>Equity holders (Kardan N.V.)</b>	<b>0.9</b>	<b>(0.3)</b>	<b>0.9</b>

\* TGI reclassified its 2016 contract revenue and cost in relation to accounting treatment of landfill levies. The reclassification did not impact the reported net results.

<b>Additional Information Water Infrastructure*</b>	<b>2017 (31.3)</b>	<b>2016 (31.12)</b>
<i>Balance sheet (in € million)</i>		
Cash & short term investments	13.0	19.2
Total Assets	167.1	159.7
Net debt	11.2	(3.1)
Equity	45.5	43.8
Equity / Assets	27.2%	27.4%
<i>Other (in USD million)</i>		
Backlog	608	606

TGI operations contributed a total profit of €0.9 million attributed to equity holders in Q1 2017 compared with a loss of €0.3 million in Q1 2016.

Revenue remained stable in Q1 2017 at €31.2 million compared to Q1 2016 (€31.5 million).

The gross margin decreased from 14.9% in Q1 2016 to 13.5% in Q1 2017, mainly as a result of initial high costs of the new agriculture project Quiminha in Angola (a 7 year large scale agricultural project which commenced at the beginning of this year).

Income tax benefit of €0.3 million in Q1 2017 is mainly related to deferred taxes in respect of the loss incurred from the project in Angola, compared to tax expenses of €0.8 million in Q1 2016.

**CORPORATE HOLDING AND OTHER**

	For the three months ended March 31		Full Year
	2017	2016	2016
	In € millions		
<b>Corporate expenses:</b>			
General and administration expenses	(1.0)	(0.9)	(3.7)
Financing income (expense), net	(16.4)	1.5	(35.7)
Income tax expenses	(0.1)	(0.3)	(0.6)
	<b>(17.5)</b>	<b>0.3</b>	<b>(40.0)</b>
<b>Continuing operations of the former 'banking and retail lending' segment:</b>			
Gain on disposal of assets and other income	-	-	(1.6)
Financing income (expense), net	-	(0.2)	-
Equity earnings	0.8	0.5	1.5
Other expenses, net	(0.1)	(0.3)	1.5
	<b>0.7</b>	<b>-</b>	<b>1.4</b>

**Corporate expenses:**

`Financing income (expenses)` increased significantly in Q1 2017 compared with Q1 2016, mainly attributable to foreign exchange differences. The Company's debentures are denominated in NIS, which revaluated significantly versus the EUR, and are linked to the CPI. In Q1 2017 an expense of € 11.5 million was recognized from the strengthening of the NIS against the EUR, net of the impact of the decrease in the Israeli CPI, while an income of € 7 million was recognized in Q1 2016.

`General and administration expenses` in Q1 2017 remained stable at € 1.0 million compared with € 0.9 millions in Q1 2016.

The `Income tax expenses` relates to tax on hedge instruments.

**Continuing operations** of the former 'banking and retail lending' segment consisted in Q1 2017 mainly of equity earnings from the Company's holding in Avis Ukraine joint venture.



## DISCLAIMER

This press release contains forward-looking statements and information, for example concerning the financial condition, results of operations, businesses and potential exposure to market risks of Kardan N.V. and its group companies (jointly "Kardan Group"). All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements (including "forward looking statements" as defined in the Israeli Securities Law). Forward-looking statements are statements of future expectations that are based on management's current expectations and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in these statements. These forward-looking statements are identified by the use of terms and phrases such as "anticipate", "believe", "could", "estimate", "expect", "intend", "may", "plan", "objectives", "outlook", "probably", "project", "will", "seek", "target", "risks", "goals", "should" and similar terms and phrases. A variety of factors, many of which are beyond Kardan Group's control, affect our operations, performance, business strategy and results and could cause the actual results, performance or achievements of Kardan Group to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. For Kardan Group, particular uncertainties arise, amongst others but not limited to and not in any order of importance, (i) from dependence on external financing with the risk that insufficient access to capital threatens its capacity to grow, execute its business model, and generate future financial returns (ii) from concentration of its business in Central Eastern Europe and China as a result of which Kardan Group is strongly exposed to these particular markets (iii) from risks related to the financial markets as a result of Kardan N.V.'s listings on Euronext Amsterdam and the Tel Aviv Stock Exchange and (iv) from it being a decentralized organization with a large number of separate entities spread over different geographic areas in emerging markets, so that Kardan Group is exposed to the risk of fraudulent activities or illegal acts perpetrated by managers, employees, customers, suppliers or third parties which expose the organization to fines, sanctions and loss of customers, profits and reputation etc. and may adversely impact Kardan Group's ability to achieve its objectives and (v) from any of the risk factors specified in Kardan N.V.'s Annual Report and in the related "Periodic Report" (published by Kardan N.V. in Israel) published in April, and which is also available at the Kardan website. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in the relevant forward-looking statement as expected, anticipated, intended, planned, believed, sought, estimated or projected. Kardan N.V. does not intend or assume any obligation to update or revise these forward-looking statements in light of developments which differ from those anticipated.

## About Kardan

Kardan identifies and develops assets in promising emerging markets, mainly in Asia (predominantly China), Africa and selected CEE and CIS countries. Its activities are mainly focused on two sectors that benefit from the rising middle class: Real Estate and Water Infrastructure. Company headquarters are in the Netherlands. Kardan aims at holding controlling interests in its investments and is actively involved in the definition and implementation of their strategy through its local business platforms. Total assets as of March 31, 2017 amounted to € 660 million; revenues totaled € 1.6 million in the first three months of 2017.

Kardan is listed on Euronext Amsterdam and the Tel Aviv Stock Exchange.

**The Directors' Report including the non-statutory consolidated financial statements, drawn up in line with the Dutch and Israeli regulations, are presented in a separate document and form an integral part of this release.**

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