

## Part B – Report of the Board of Directors

### Financial position

#### 1. Following is a summary of Kardan N.V.'s consolidated balance sheet (in EUR thousands)

	June 30, 2020	June 30, 2019	December 31, 2019	Notes
<b>Current assets</b>	235,243	339,504	279,369	The decrease as of June 30, 2020 compared to December 31, 2019, is mainly due to: (1) decrease in assets Held-For-Sale in light of results of the water infrastructure operations; (2) decrease in cash and short term investments mainly in China (mostly due to partial early repayment of a loan); (3) decrease in apartments inventory due to delivery of apartments in the Europark Dalian project.
<b>Non-current assets</b>	252,509	262,306	264,006	The decrease in non-current assets as of June 30, 2020 compared to December 31, 2019 is mainly due to the devaluation of the investment property in the period.
<b>Total balance sheet</b>	487,752	601,810	543,375	The decrease in total assets as of June 30, 2020 compared to December 31 2019 is mainly due to the decrease in assets Held-For-Sale, the decrease in cash and short term investments in China, the devaluation of the investment property and the decrease in apartments inventory in Europark Dalian project.
<b>Current maturities of debentures (principle only)</b>	296,338	288,859	298,913	The decrease as of June 30, 2020 in current maturities of debentures compared to December 31, 2019 is due to positive FX and CPI impact on the Company's debentures.
<b>Interest bearing loans and borrowings (current maturities)</b>	82,025	11,124	95,029	The decrease as of June 30, 2020 in Interest bearing loans and borrowings compared to December 31, 2019 is due to partial early repayment of a loan in the period.
<b>Other current liabilities</b>	292,947	312,078	295,319	The decrease as of June 30, 2020 compared to December 31, 2019 is mainly due to decrease in advances from apartment buyers due to deliveries of apartments in the period and the decrease of advances from costumers and trade payables in the water infrastructure activity (presented as Held-For-Sale), partially offset by the increase in trade payables and other current liabilities.
<b>Current liabilities</b>	671,310	612,061	689,261	The decrease as of June 30, 2020 compared to December 31, 2019 is due to decrease in advances from apartment buyers following handover of apartments in H1 2020, the decrease of advances from costumers and trade payables in the water infrastructure activity (presented as Held-For-Sale), the decrease in interest bearing loans and borrowings due to an partial early repayment of a loan, the decrease in current maturities of debentures due to the positive FX and CPI impact on the Company's debentures partially offset by the increase in other payables mainly due to the increase in accrued interest on the Company's debentures.
<b>Long term Interest-bearing loans and borrowings</b>	-	87,598	-	-
<b>Other non-current liabilities</b>	4,854	5,960	6,837	The decrease as of June 30, 2020 in other non-current liabilities compared to December 31, 2019 is mainly due to the decrease in deferred taxes in light of the devaluation of the investment property in the period.
<b>Non-current liabilities</b>	4,854	93,558	6,837	The decrease as of June 30, 2020 in non-current liabilities compared to December 31, 2019 is mainly due to the decrease in deferred taxes in light of the devaluation of the investment property in the period.
<b>Equity (deficit) attributable to equity holders of the parent</b>	(185,869)	(106,727)	(150,602)	The increase in the deficit compared to December 31, 2019, is due to the result for the period, which is mostly due to interest expenses (including interest on arrears) on the Company's debentures and the loss of the water infrastructure activity.

## 2. Cash Flow Statement analysis (in EUR thousands)

	H1 2020	H1 2019	Q2 2020	Q2 2019	FY 2019	Notes
<b>Net cash provided by (used in) operating activities</b>	(9,623)	(48,883)	238	(31,338)	(41,514)	<p>Cash flow from operating activities includes the following:</p> <p>In H1 2020, €1.1 million were generated from changes in operating assets and liabilities, net. Finance expenses and impairment loss of the investment property were partially offset by the profit for the period from companies accounted for using the equity method. In addition, €6.4 million is negative cash flow from operating activities used in discontinued operations. In addition, during the period, €5.8 million were used for interest payments in China and dividends in the amount of €3.4 million were received in China.</p> <p>In H1 2019, €44 million were generated from changes in operating assets and liabilities, partially off-set by financial expenses and exchange differences and the Company's share of profit of joint ventures in China. In addition, €30 million were used for interest payments to the Debenture Holders and €7 million is negative cash flow from operating activities used in the discontinued operations.</p> <p>In 2019, changes in receivables and payables, net, generated €1 million, and finance expenses and exchange differences were partially offset by the Company's share of profit of joint ventures in China; €13 million is negative cash flow from operating activities used in the discontinued operation. In addition, during the period, €36 million were used for interest payments.</p> <p>For details regarding the Company's plan, see Section 3 (Cash Flow Forecast) below.</p>
<b>Net cash provided by (used in) investing activities</b>	2,196	25,482	168	6,523	25,863	<p>In H1 2020 €1.8 were generated from investment activity of the discontinued operation mainly including proceeds from sale of an associate.</p> <p>In H1 2019 €12.6 million were generated by the proceeds from the sale of the investment in Avis and €10 million were generated from changes in short term deposit.</p> <p>In 2019, €12.6 million were mainly generated by the proceeds from the sale of the investment in Avis Ukraine, €9 million were generated from changes in short term deposit, €1.1 generated from collection of loan, and €3 million were generated from investment activity of the discontinued operation.</p>
<b>Net cash provided by (used in) financing activities</b>	(8,993)	(6,139)	(10,003)	(10,067)	(10,845)	<p>In H1 2020 €11.5 million were used for a partial early repayment of a loan in China and €2.5 million were mainly generated from changes in short term credits in the water infrastructure activity (discontinued operation).</p> <p>In H1 2019 €6 million were generated from changes in short term credits in the water infrastructure activity and €12 million were used for the partial repayment to the Debenture Holders (Series B).</p> <p>In 2019, €5 million were generated from changes in short term credits in the water infrastructure activity, €12 million were used for the partial repayment to the Debenture Holders, €6 million were used to repay loans in the real estate activities, and €3 million were generated from the release of a pledged deposit.</p>

Kardan finances its operations by the Company's debentures, the sale of assets and dividend receipts from subsidiaries (for details, see also section 3 below regarding cash flow forecast). The subsidiaries' activities are being financed by equity, credit provided by banks and other financial institutions, loans from the parent company, proceeds from the sale of apartments in the Real Estate activities and from cash surplus in projects in the Water Infrastructure activities. For details regarding material credit in the Group see Part A to the 2019 Israeli Annual Report. For details regarding credit balances as of the balance sheet date refer to Section 1 above.

The average balance of short-term and long-term loans as at June 30, 2020 and amounted to €386 million and nil, respectively, compared to €298 million and €87 million, respectively, in H1 2019. These balances do not include loan balances of the discontinued operations.

The average balance of trade receivables and trade payables in H1 2020 is €6 million and €1.9 million, respectively, compared to €7.4 million and €3.7 million, respectively, in H1 2019.

### 3. Cash Flow Forecast

The audit opinion of the external auditors as of June 30, 2020, includes a mandatory emphasis of matter regarding the ability of the Company to continue as a going concern (see also Note 1B to the consolidated IFRS financial statements). In addition, the Company presents in its financial statements as at June 30, 2020 an equity deficit, a negative working capital on a consolidated and stand-alone basis and a continuing negative cash flow from operating activity. These are considered "warning signs" as defined in Regulation 10 (b) (14) of the Israeli Securities Authority regulations. Therefore, the Company provides a cash-flow forecast (stand-alone) for a period of two years as starting July 1, 2020.

**As announced by the Company, payments to the Debenture Holders that were scheduled for February 2018, 2019 and 2020 were not paid on time and were not paid by the date of this report. In 2018 and beginning of 2019, the Company was conducting negotiations with the Debenture Holders rescheduling of the repayments, and reached principle agreement with the trustees of Debenture Holders (series A and B) (as announced by the Company in October 2018). However, the trustees later announced they wish to place a hold on the negotiations on a final debt settlement until Tahal's financial situation and the transaction for sale of and/or investment in Tahal were clarified.**

**On April 30, 2019 the meetings of Debenture Holders series A and B approved balance payment principles according to which, Debenture Holders (series B) will be entitled to the full amounts paid by the Company until the repayment of the balance payments is completed. Accordingly, the Company transferred NIS 145 million to Debenture Holders B trustee for the purpose of making partial balance payments to Debenture Holders series B. The payment was made on June 3, 2019.**

**On September 24, 2019, the Company approached the Debenture Holders with a proposal to negotiate the terms of a new debt settlement which would be based on the conversion of a portion of the Company's debt into shares which, after the issuance, would constitute the majority of the Company's shares. According to the Company's proposal, the Company will continue to realize its assets under the management of the Company's Board of Directors, which may include new Directors appointed on the recommendation the Debenture Holders. For additional information, see announcement issued by the Company on September 24, 2019. As of the date of this report the Company is in advanced negotiation for a debt settlement with the Debenture Holders (series B), based on the aforesaid principles.**

**Until reaching a final settlement, the Company and the trustees are acting in accordance with the resolutions made by the Debenture Holders in May 2019 regarding the balance payments to Debenture Holders (series B). Accordingly, the following cash flow forecast assumes that the Company will make repayments solely from funds it will receive.**

**It should be emphasized that in light of the fact that the an agreement with the Debenture Holders has not yet been approved, it is possible that the final agreement to be approved by the assemblies of the Debenture Holders will be different than the resolution of the assemblies of the Debenture Holders from May 2019, according to which this cash-flow forecast was prepared. Such change would impact the sources detailed in the cash flow forecast, and the amounts to be paid to the Debenture Holders.**

**It should be noted that the Company's payments sources for repayment to the debenture holders are from its subsidiaries. Accordingly, it should be emphasized that in light of the outbreak of the COVID-19 virus, there may be a significant impact on the ability of the subsidiaries to sell assets and transfer funds to the Company. Therefore, the Company emphasizes that the assumptions used by the Company in deriving the cash flow forecast should be read carefully with the above comments in mind.**

Forecast cash flow (EUR million)	April 1, 2020 - December 31, 2020	January 1, 2021 – December 31, 2021	January 1, 2022 – April 30, 2022
<b>Cash and cash equivalents at the beginning of the period</b>	<b>3.4</b>	<b>3.4</b>	<b>2.4</b>
<b>From operating activities</b>			
General and administrative expenses	(1.0)	(2.0)	(1.0)
<b>From investing activities</b>			
Sale of shares and holdings in a subsidiaries and joint ventures (3) – (4)	-	-	-
Receipt of dividend (5)- (6)	7.5	5.5	-
Loan repayment (7)	1.0	-	-
<b>Total Resources</b>	<b>10.9</b>	<b>6.9</b>	<b>(1.0)</b>
<b>From financing activities (8) – (12)</b>			
Principal and interest payment of debentures – Series A	-	-	-
Principal and interest payment of debentures – Series B	(7.5)	(4.5)	-
<b>Total Uses</b>	<b>(7.5)</b>	<b>(4.5)</b>	<b>-</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>3.4</b>	<b>2.4</b>	<b>1.4</b>

#### Main Assumptions to the Cash Flow Forecast

1. The cash flow forecast was prepared according to the assumption that the debt settlement to be approved by the assemblies of the Debenture Holders will be in line with the Company's proposal from September 2019 and the resolutions of the Debenture Holders from May 2019 regarding the balance payments to Debenture Holders (series B). Accordingly, the uses in cash flow forecast are based on the assumption that all payments made to the Debenture Holders will be made as early repayments only from funds which will be received by the Company.
2. The cash flow forecast has been jointly prepared for Kardan NV (company-only) and its wholly owned subsidiaries GTC Real Estate Holding BV, Kardan Financial Services BV, and Emerging Investments XII BV, as the treasury of these companies is centralized. With respect to limitations regarding the transfer of funds between the companies, see note 12 below.
3. Cash flow from investing activities relates, in principle, to proceeds from KLC. The following are assumptions, comments, and reservations in relation to future sale of subsidiaries:
  - a. As detailed in various reports of the Company, the Company has been making efforts to sell its holdings in TGI for some years, with a view to using the funds received from the sale to repay part of the debentures. In light of TGI's performance in the last period, the heavy losses in the reporting periods, which include material provisions for the impairment of various projects and debts, the negative cash flow and delays in TGI's projects the Board of Directors of the Company concluded that, at present, the strengthening the financial position of TGI is required (among others, by the sale of TGI's assets that will be used to repay its debt to the banks). As of the date of this report, the Company focuses on the realization of TGI's assets for the purpose of repayment of its debt to the banks and, to the extent possible, locating an investor to purchase a stake in TGI in return for a capital investment in TGI. The forecasted cash flow assumes that no payment will be received from TGI or as a result of the sale of the Company's holdings in TGI. For details regarding the financial position of TGI, see Note 8 to the Q2 financial statements.
  - b. Accordingly, the Company impaired the value of its investment in TGI and as of June 30, 2020 the value of the investment in TGI is not material to Kardan according to its financial statements.

- c. The Company reflected these estimations in in the above cash flow forecast.
  - d. As of the date of this report, the Company is not conducting negotiations regarding the sale of its holdings in KLC (however the Company is conducting discussions from time to time regarding the sale of KLC's assets apart from its ongoing business of selling apartments). The cash flow forecast therefore does not assume the receipt of proceeds from such transaction.
4. Generally, **uncertainty is inherent in a forecast of sales of assets, mainly due to dependence on third parties, inter alia, due to: the need to find potential buyers and to reach agreements with them regarding the terms of the transaction, the need to receive relevant approvals, the Company's need to obtain the approval of the Debenture Holders to the transactions, and the need of potential buyers to reach agreements with financing parties in order to obtain funding for such acquisitions. Accordingly, readers of this cash flow forecast must take these facts into account when assessing the Company's probability of meeting the cash flow forecast.**
  5. The 'dividend distribution' line assumes dividends, which will be received in KLC from Lucky Hope companies over several years. It is noted that as of the date of this report, no decision has been made in Lucky Hope companies regarding distribution of a significant amount of dividends beyond profit distributions that are made from time to time and accordingly, such decision has not been made by KLC. The assumption of the receipt of such dividends is in line with the assumptions regarding the results of the projects carried out by Lucky Hope companies' policy except for Kardan Dalian's debt (which KLC guarantees). As of the date of this report, the Company is not aware of any restrictions that may raise reasonable doubt regarding the distribution of such dividends. In addition, the Company is not aware of any restrictions on distributing the dividends detailed in the cash flow forecast by KLC.
  6. It should be emphasized that this cash flow forecast is based on the forecasted operational results of KLC, which assumes certain assumption regarding the impact of the COVID-19 crisis on its operations. Should the impact of the crisis be greater, the dividend amounts would decrease significantly. For additional information regarding COVID-19 impact see Note 1C to the interim consolidated financial statements.
  7. Within the framework of the sale agreement of AVIS Ukraine, it was determined that loans provided by KFS to AVIS Ukraine will continue to stand in force and be repaid according to the loan agreement, and that AVIS Ukraine will provide collateral to secure repayment of these loans. As of the date of this report, the balance of the loans amounts to €1.3 million and the loans are repaid in quarterly installments until December 2020.
  8. **As noted above, the cash flow forecast was prepared assuming that the settlement approved by the assemblies of the Debenture Holders will include payments to the Debenture Holders solely from funds received by the Company. Accordingly, it is assumed that future payments to the Debenture Holders will be made as early repayments out of funds received by the Company, according to the resolution of the Debenture Holders.**
  9. **It should be emphasized that, as at the date of this report, the Company does not have the sources to make repayments to the Debenture Holders which are, as aforesaid, expected to be received from dividend distribution from subsidiaries and from the future realization of assets. In addition, there is no certainty that the debt settlement approved by the assemblies of the Debenture Holders will be in-line with the principles laid in the basis of this cash flow forecast. In addition, we draw attention to the equity deficit of the Company, which may indicate the inability of the Company to fully repay its debt to the Debenture Holders.**
  10. **The cash flow forecast does not include interest in arrears resulting from failure to meet the repayment dates set out in the Deeds of Trust and deferment of payments to the Debenture Holders, in light of the assumption that the payments to the Debenture Holders will be made according to agreements between the Company and the Debenture Holders trustees and will not include interest in arrears. In addition, the cash flow forecast does not include early repayment costs, among others, in light of the fact that the Company does not have sufficient details regarding the outstanding balance of the Company's debt towards the debenture holders after the debt-to-equity conversion (which would impact the amounts of early repayments), and that as of the date of this report the Company is unable to estimate the date of the repayments to the Debenture Holders and therefore, is unable to calculate the amount of interest in arrears and the early repayment costs that it will be required to pay. It is possible that the Debenture Holders' assemblies will not approve an arrangement based on these principles and in that case the Company will also be required to pay interest in arrears.**

11. The interest calculations are based on the Israeli CPI, exchange rates and interest rates which are applicable as of June 30, 2020, and as aforesaid, do not include interest in arrears. A change of 5% in the Euro/NIS rate will lead to a change of approximately €17.1 million to the outstanding balance of the debentures (principal and interest) as of June 30, 2020. In addition, a deterioration of the financial position of KLC (amongst others, due to COVID-19 crisis), could mean that KLC will not have financial resources to pay dividends to the Company.
12. Restrictions on transferring funds:  
Transfer of funds between Kardan NV, GTC RE, Emerging Investments XII, and KFS is mostly done through intercompany loans or distribution of dividend or capital reserves as permitted by Dutch law<sup>1</sup>. For details regarding the limitations that apply on KLC, refer to section 7.6.8.7 to part A of the 2019 Israeli Annual Report. For information regarding the restrictions on transferring funds between Kardan NV and TGI, refer to section 8.18 of the 2019 Israeli Annual Report

Breakdown of distributable reserves according to Dutch law and intercompany loans balances is as follows:

Subsidiary	Distributable reserves as of 30.06.2020	Intercompany loan as of 30.06.2020
(EUR million)		
GTC RE	134.6	(0.2)
KFS	0.1	-
Emerging	87.6	-

13. This estimate regarding the sources of cash in this forecast is forward looking information as defined in the Israeli Securities Act, based on management assumptions and expectations. The aforesaid may not materialize completely or part thereof, or materialize in a different manner, including materially different from what is expected as a result of market changes (including changes in foreign currencies and CPI), failure to reach an agreement with the Debenture Holders regarding the terms of the debt settlement, the disapproval of the debt settlement with the Debenture Holders, changes in the principles of the debt settlement and the principles of the debt settlement which were used in the basis of the preparation of the cash flow forecast, difficulties in raising credit, decrease in value of investments, change in cash amounts expected to be received from affiliated companies, continuation of the COVID-19 crisis etc. The Company, being a holding company, is generating cash flows from its investee companies mainly through dividend distributions and repayments of shareholder loans or through the realization (in part or in full) of its stakes in the investee companies. The generation of such cash flows may at times be subject to factors which are out of the control of the Company (such as the need to obtain third parties consent, foreign currency exchange, market prices of assets, risk factors of the company, the impact of the COVID-19 virus and more). It may also be the case – as it is with the distribution of dividends – that such cash flows sources are dependent on resolutions to be taken by the relevant organs in those companies. For details regarding the risk factors which are relevant to the cash flow forecast, refer to sections 7.20, 8.26, and 20 of part A of the 2019 Israeli Annual Report. Due attention should be given to the risk factors, which should be read together with the cash flow forecast. It should be noted that in case one or more of the underlying assumptions upon which the cash flow forecast was based fail to materialize, it might result in the inability of the Company to fulfill its obligations in accordance with the Debt Settlement.

#### 4. Financial situation Kardan Group as of June 30, 2020

##### Net debt (\*)

The Company	Financial debt net	
<b>Kardan NV/ GTC RE/ Emerging Investments XII</b>	<b>Liabilities:</b>	
	Debentures (**)	(361.7)
	Liabilities short term	(1.9)
	<b>Assets:</b>	
	Cash and short-term investments	2.0
	<b>Net debt</b>	<b>(361.6)</b>

(\*) net financial debt includes liabilities for interest bearing loans and debentures net of cash and cash equivalents and interest bearing loan receivables.

(\*\*) Net balance after compensating debenture balances held by subsidiaries, see section 10 below (Debentures liability are presented in their nominal value).

#### 5. Material loans and credits

For details regarding material loans and credits in the Group, see section 12.1, 7.6.8.6, 8.18 to part A of the Israeli Annual Report 2019, and the update part attached to this report.

## 6. Main events in the period and subsequent events

### Kardan NV

- For information regarding the financial statements and IR presentation for the first quarter of 2020, refer to the announcements issued by the Company on June 30, 2020.
- For information regarding the Company's debt and maturity dates as of March 31, 2020, refer to the announcements issued by the Company on June 30, 2020.
- For information regarding the results of the 2019 annual meeting of the Company's shareholders, on which it was decided among others: to adopt the 2019 financial statement, to appoint external auditors to the Company and to approve the remuneration plan, refer to the announcements issued by the Company on June 30, 2020.
- For details regarding the holdings of stakeholders and senior executives in the Company's securities, refer to the announcement issued by the Company on July 7, 2020.
- For information regarding the announcement of the Tel-Aviv stock exchange ('TASE'), according to which the Company's shares will continue to be traded in the list of low-traded securities, refer to the announcement issued by TASE on July 23, 2020.
- For information regarding the approval received from the EURONEXT to postpone the delisting of the Company's ordinary shares from trade in the Amsterdam stock exchange, to August 31, 2020, refer to the announcement issued by the company on July 23, 2020.
- For information regarding the sale agreement of Palgei-Maim (a subsidiary of TGI), refer to the announcement issued by the Company on August 6, 2020.
- During the period, stakeholders of the Company sold part of their holdings in the Company's shares in the stock exchange. For more information refer to the announcements issued by the Company on July 7, August 2, August 3, August 10 and August 16, 2020.
- For information regarding the approval of the Company's request to delisting its shares from the Euronext Amsterdam stock exchange, refer to the announcement issued by the Company on June 24, 2020.

## 7. Corporate Governance Aspects

### **Directors with financial knowledge**

Kardan N.V. is incorporated pursuant to the laws of the Netherlands and is not subject to the Israeli Companies Law. Therefore, it does not appoint external directors and is not obliged to appoint directors who possess accounting and finance expertise. However in accordance with Kardan NV articles of association, there are decisions that the Board of Directors need to take in a special procedure that requires, among others, the agreement of the independent directors present, as defined in the articles of association of the Company and the Dutch corporate governance code. In addition, according to the said corporate governance code, the Company adopted the duty that at least one member of the Board of Directors would have financial management and accounting knowledge. The directors having accounting and finance expertise (as acceptable in the Netherlands) currently serving in the Board of Directors are Messers Peter Sheldon, Cor van den Bos, Ariel Hasson, Eytan Rechter and Ferry Houterman.

All members of Executive Management have accounting and finance expertise. For additional information about their education and experience see part 4 of the 2019 Israeli annual report.

### **Independent Directors**

As mentioned above, the Israeli Companies Law does not apply to Kardan. Accordingly, amongst others, Kardan does not appoint external directors. Nevertheless, the Corporate Governance code recommends that the majority of the non-executive board members would be independent. In addition, according to the articles of association of Kardan, certain decisions are to be taken according to a special approval procedure which requires, amongst others, the approval of the independent directors (as defined in the articles of association and the corporate governance code) present at the meeting.

As of June 30, 2020, four out of seven non-executive board members are independent (Mr. Peter Sheldon, Mr. Cor van den Bos, Mrs. Cecile Tall, and Mr. Ferry Houterman).



For further information regarding the Corporate Governance Code refer to Section 14 of part A of the 2019 Israeli Annual Report.

## **Additional information**

### **8. Fair Value Disclosure**

#### **Galleria Dalian shopping mall – China, Dalian**

Identification of the property subject of the valuation	Shopping mall in Dalian, China, having net leasable area of 64,834 sqm.
Date of the valuation	30.6.2020
External valuer	Savills
Value of the property in valuation report as of 30.6.2020	€ 206.7 million
Value of the property in the financial statements as of 30.6.2020	€203.1 million
Details regarding the valuator	<p>Savills Real Estate Valuation (Beijing) Limited. ("Savills")  The valuation was performed by Mr. James Woo who serves as a director in Savills.  According to the valuator's declaration, Mr. James Woo is a member of the Royal Institution of Chartered Surveyors, has 25 years of experience in the valuation field and holds the knowledge, skills and understanding of valuations of similar assets.  In addition, according to the appraiser's declaration, there is no dependency between him and KLD, KLC or the Company.</p>
Key parameters used in the valuation	<ul style="list-style-type: none"> <li>• Capitalization rate – 6.5%</li> <li>• Growth rate: <ul style="list-style-type: none"> <li>1 (y) – 0%</li> <li>2-5 (y) – 8%-13%</li> <li>6-7 (y) – 8%-10%</li> <li>8-9 (y) – 5%-8%</li> <li>10 (y) – 3%</li> </ul> </li> <li>• Terminal value – 62% (€127.7 million)</li> <li>• Discount rate: 10.5%</li> <li>• Terminal capitalization rate: 5.25%</li> <li>• Rent per sqm/month – 121-270 RMB</li> <li>• Price per sqm for comparison approach – 16,600 RMB</li> <li>• Number of comparable assets: 3</li> </ul>
Valuation Method	The weighted average of Direct Comparison Approach (40%) and DCF (60%) methods

In light of the assessment of KLC's management regarding the expected impact of the COVID-19 crisis in China on the forecasted cash flows of the shopping mall, a valuation for June 30, 2020 was performed. The valuation report is attached to the Q2 financial statements.

In this valuation, the various estimates and parameters included in the valuation as of December 31, 2019 were re-examined and adjusted to the expected effects of the COVID-19 crisis. These changes include, amongst others, further discounts, changes in occupancy rates, projected rental income, and expected growth rates. The external valuator also amended the weight taken of each valuation method (the comparison method and the DCF method).

For conservative reasons, the Company's board of directors decided to recognize an additional impairment loss of €3.7 million on top of the impairment loss stemming from the valuation report, in order to reflect the uncertainty resulting from the COVID-19 crisis which may affect the selling prices of similar assets.

For information regarding the valuation as of December 31, 2019, including the main assumptions used by the valuator, and details regarding the valuator, see section 7.6.8.8 in Part A to the 2019 Israeli Annual Report. It is noted that during the first half of 2020 the results of Galleria Dalian were lower than the parameters and the assumptions used for the valuation of the investment property as of December 31, 2019, mainly in relation to revenues, footfall and opening rate, mainly as a result of COVID-19 crisis.

In addition, the value of the investment property as at June 30, 2019 decreased by approximately €3.8 million compared to December 31, 2019, due to the change in exchange rate of the EUR vs. RMB since its value is denominated and valued in the local currency (RMB).

## 9. Book value of investments Kardan N.V.

The following table summarizes the book value of the companies held directly by Kardan as of June 30, 2020 and December 31, 2019 (amounts in EUR millions):

Holding Company	Name of subsidiary	Share in subsidiary	Consolidated equity	Share holders consolidated equity	Adjustments of Kardan NV	Book Value in Kardan NV 30.6.20	Share holders Loans (*)	Total Investment in books 30.6.20	Total Investment in books 31.12.19
Kardan NV	GTC RE	100%	184.0	184.0	10.7	194.7	(10.5)	184.2	195.9
	KFS	100%	15.0	15.0	-	15.0	(12.7)	2.3	2.3
	TGI	98.43%	(27.9)	(25.4)	11.6	(13.7)	-	(13.7)	-
	Emerging Investments XII	100%	87.6	87.6	-	87.6	-	87.6	79.4

Holding Company	Name of subsidiary	Share in subsidiary	Consolidated equity	Share holders consolidated equity	Adjustments of GTC RE	Book value in GTC RE 30.6.20	Shareholders Loans	Total Investment in books 30.6.20	Total Investment in books 31.12.19
GTC RE Holding	Kardan Land China	100%	219.3	219.3	0.4	219.7	(32.2)	185.5	193.5

Holding Company	Name of subsidiary	Share in subsidiary	Consolidated equity	Share holders consolidated equity	Adjustments of TGI	Book value in TGI books 30.6.20	Loans granted by TGI	Total Investment in books 30.6.20	Total Investment in books 31.12.19
TGI	Tahal Group Assets B.V.	100%	2.5	5.7	-	5.7	(2.8)	2.9	3.0
	Tahal Group B.V.	100%	3.3	4.3	-	4.3	(0.9)	3.4	(3.2)

(\*) The shareholder's loans were granted through the Company's 100% subsidiary, Emerging Investments XII B.V. For convenience, the shareholder's loans are presented as part of the investments in subsidiaries.

(\*\*\*) GTC RE held NIS 26,666,667 par value debentures (Series A) of the Company having a liability value of €10.1 million.

(\*\*\*\*) Emerging Investment XII held the following Kardan N.V Debentures as of June 30, 2020:

	Nominal Value In NIS	Liability Value including accrued interest In EUR millions
Series A	109,839,448	41.7
Series B	114,555,778	43.0

## 10. Information to the Debenture Holders

The following are details regarding the marketable debentures of Kardan NV as of June 30, 2020:

	Debenture series A	Debenture series B
<b>Issuance date</b>	20.2.2007, 13.8.2007, 16.2.2008	16.2.2008
<b>Par value of issued debentures</b>	EUR 306.5 million (NIS 1,190,000,000)	EUR 343.6 million (NIS 1,333,967,977)
<b>Linkage basis</b>	Principal and interest linked to Israeli CPI (CPI of January 2007)	Principal and interest linked to Israeli CPI (CPI of December 2006)
<b>Par value of debentures as of June 30, 2020</b>	EUR 76.5 million (NIS 297,500,000 par value)	EUR 233.5 million (NIS 906,723,369 par value)
<b>Debentures held by subsidiaries</b>	NIS 136,506,115 par value	NIS 114,555,778 par value
<b>Interest rate (per annum)</b>	6.325%	6.775%
<b>Principal repayment</b>	Two installments one in February 2017 and the second in February 2018.	Four installments from February 2017 to February 2020.
<b>Interest payment dates</b>	3 annual installments on 25 February in the years 2016 - 2018	5 annual installments on 1 February in the years 2016-2020
<b>Total debt up to the date of the balance sheet (including interest and Israeli CPI linkage) (*)</b>	EUR 61.2 million	EUR 297.5 million
<b>Interest in arrears as of June 30, 2020</b>	EUR 8.8 million	EUR 12.9 million
<b>Market capitalization as of June 30, 2020(*)</b>	EUR 1.5 million	EUR 38.0 million
<b>The trustee</b>	Almagor Brightman Trusts Ltd. Mrs. Iris Shlevin Tel.: 03-6085492 1 Azrieli Center, Tel-Aviv	Hermetic Trust (1975) Ltd. Mr. Dan Avnon, Adv. Tel.: 03-5544553 30 Sheshet Hayamim St, Bnei-Braq
<b>Rated by</b>	S&P Maalot	S&P Maalot
<b>Rating at the time of issuance</b>	AA - (February 2007)	AA - (February 2007)
<b>Updated rating</b>	D (July 2018)	D (July 2018)
<b>Right of early repayment</b>	In accordance with the amended deeds of trust, the Company is eligible to announce on a partial or full early repayment throughout the entire term of the debentures. Such early repayment will be carried out without any compensation and in accordance to the full liability value of the debentures.	
<b>Pledged Assets</b>	<ul style="list-style-type: none"> <li>According to the Deeds of Trust, the Company established and registered primary, exclusive pledges with no limitations of amounts over all of the Group's interests in GTC RE, KFS, TGI, EMERGING and KLC (the 'Pledged Subsidiaries'), including all benefits which will emanate from these interests and all the rights of the Group in loans granted to the Pledged Subsidiaries.</li> <li>A primary exclusive pledge with no limitation of amounts over all the rights of EMERGING for the repayments of loans it has granted to any of the corporations in Kardan Group.</li> <li>A primary exclusive pledges with no limitations of amounts over the bank accounts of the Company.</li> <li>Pledge on all the Company's debentures held by the Group.</li> </ul> In addition, there is commitment for certain negative pledges.	
<b>Guarantee to secure the obligations of Kardan NV</b>	A limited guarantee in the amount of EUR 100 million by Kardan Land China.	
<b>Debt settlement expenses</b>	As of June 30, 2020, the Company paid a total of approximately €1.1 million in relation with negotiations for a Debt Settlement since November 2017, primarily to representatives and consultants to the Debenture Holders.	

(\*) Net of debentures which are held by subsidiaries;

The Debentures (Series A and B) are material to the Company. As June 30, 2020 the Company does not meet the financial covenants it has committed towards. In addition, in February 2018, February 2019 and February 2020, the Company did not make the scheduled repayments. Accordingly, as of the date of this

report, the debenture holders have the right to call the debentures for immediate repayment and to exercise the pledges established to secure the repayment of the debentures. For additional information regarding the terms of the debentures and the related restrictions apply to the Company, see Section 12.2.3 in the 2019 Israeli Annual Report.

Below are details of the meetings of the debenture holders convened during the reporting period and additional notices published by the Company on behalf of the trustee for the Debentures (Series A and B):

- For information regarding the announcement issued by the Trustees of Debenture Holders regarding the results of the meetings of Debenture Holders convened on June 29, 2020 in which it was concluded to approve the appointment of Mr. Guy Elias as a director in the Company in behalf of the Debenture Holders jointly, refer to the announcements issued on July 1, 2020.
- For information regarding the announcements issued by the Trustees of the Debenture Holders regarding the postponement of the final payment date of the principal and interest to the Debenture Holders, refer to the announcement issued on July 9, July 12, July 23, July 26 and July 27, 2020.
- For information regarding the announcements issued by the Trustees of the Debenture Holders regarding the convening of meetings of Debenture Holders on their agendas, among others, the postponement of the final payment date of the principal and interest to the Debenture Holders, refer to the announcements issued on July 15, July 20 and July 22, 2020.
- For information regarding the announcements issued by the Trustees of the Debenture Holders regarding the results of the meetings of Debenture Holders on their agendas, among others, the postponement of the final payment date of the principal and interest to the Debenture Holders, refer to the announcements issued on July 22 and July 26, 2020.

Below are details regarding the rating of the debentures:

<b>Rating date</b>	<b>Rate</b>
8.2.2018	D
18.1.2018	iiCC
3.10.2017	iiCCC
3.7.2017	iiB
4.8.2017	iiB
13.7.2015	iiB

Date of signature: 31 August 2020

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**Peter Sheldon**

Chairman of the Board

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**Ariel Hasson**

CEO and Director

## 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 NYSE 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.

## **Interim report on effectiveness of internal control over financial reporting and disclosure**

The management under the supervision of the Board of Directors of Kardan N.V. ("the Company") is responsible to determine and maintain proper internal control over financial reporting and disclosure by the Company.

For this matter, the Management consists of:

1. A. Hasson, CEO and Board member
2. E. Oz-Gabber, Chief Financial Officer

Internal control on financial reporting and disclosure comprises existing controls and procedures at the Company – determined by the CEO and most senior financial officer, or under their supervision, or by those acting in said capacities, under supervision of the Company's Board - which are designed to provide reasonable certainty with respect to the reliability of financial reporting and preparation of reports pursuant to statutory provisions, and to ensure that information which the Company is required to disclose in reports, issued pursuant to statutory provisions, is collected, processed, summarized and reported on schedule and in the format prescribed by law.

Internal control includes, inter alia, controls and procedures designed to ensure that information which the Company is required to disclose, is collected and submitted to the Company's management, including to the CEO and to the most senior financial officer, or to those acting in said capacities, so as to enable decisions to be made at the appropriate time with regard to the required disclosure.

Due to structural limitations, internal control over financial reporting and disclosure is not designed to provide absolute certainty that misrepresentation or omission of information on the reports would be avoided or discovered.

In the quarterly report on the effectiveness of the internal control over financial reporting and disclosure, which is attached to the Israeli periodic report for the period ended June 30, 2020 (hereinafter – the "latest interim report on internal control"), the internal control is effective.

As of the date of the report, no event or matter came to the attention of the Board of Directors, nor to the Management, that would change the assessment of the effectiveness of the internal control as presented as part of the latest annual report on internal control.

As of the reporting date, based on the assessment of the effectiveness of the internal control in the latest quarterly report on internal control and based on the information brought to the attention of the Board and the management, as above, the internal control is effective.

Certification by CEO pursuant to Regulation 38C (D)(1) of the regulations:

I, A. Hasson, certify that:

1. I have reviewed the periodic report of Kardan NV ("the corporation") for the second quarter of 2020 ("the report").
2. To the best of my knowledge, the report is free of any misrepresentation of material fact and is not lacking any representation of material fact required for the representations made there in, under the circumstances in which they were made, to not be misleading in reference to the period covered by the report.
3. To the best of my knowledge, the financial statements and other financial information included in the report properly reflect, in all material aspects, the financial standing, operating results and cash flows of the corporation as of the dates and for the periods to which the report refers.
4. I have disclosed to the corporation's Independent Auditor, Board and Audit Committee and the Financial Statement Review Committee of the corporation, based on my most current assessment of the internal control over financial reporting and disclosure:
  - a. All significant faults and material weaknesses in specification of operation of internal control over financial reporting and disclosure which may reasonably impact the corporation's capacity to collect, process, summarize or report financial information in a manner which may cast doubt over the reliability of financial reporting and preparation of financial statements pursuant to statutory provisions; and –
  - b. Any fraud, whether or not material, involving the Chief Executive Officer or any of the direct reports thereof, or involving any other employees having a significant capacity in internal control over financial reporting and disclosure;
5. I, on my own or with others at the corporation:
  - a. Have set controls and procedures and/or verified that controls and procedures have been specified and maintained under our supervision, designed to ensure that material information with regard to the corporation, including subsidiaries thereof, as defined in Securities Regulations (Annual financial statements), 2010, is brought to my attention by others at the corporation and its subsidiaries, specifically during preparation of the report; and –
  - b. Have set controls and procedures and/or verified that controls and procedures have been specified and maintained under my supervision, designed to reasonably ensure the reliability of financial reporting and preparation of the financial statements pursuant to statutory provisions, including pursuant to generally-accepted accounting principles;
  - c. No event or issue came to my attention in the period between the last periodic report and the date of this report that may change the conclusion of the Management or Board with respect to the effectiveness on the internal control over financial reporting and disclosure.

The foregoing shall not detract from my statutory responsibility, or that of any other person.

August 31, 2020

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A. Hasson – CEO and Director



Certification by CFO pursuant to Regulation 38C(D)(2) of the regulations:

I, E.Oz-Gabber, certify that:

1. I have reviewed the financial statements and other financial information which is included in the report of Kardan NV ("the corporation") for the second quarter of 2020 ("the report").
2. To the best of my knowledge, the report is free of any misrepresentation of material fact and is not lacking any representation of material fact required for the representations made there in, under the circumstances in which they were made, to not be misleading in reference to the period covered by the report.
3. To the best of my knowledge, the financial statements and other financial information included in the report properly reflect, in all material aspects, the financial standing, operating results and cash flows of the corporation as of the dates and for the periods to which the report refers.
4. I have disclosed to the corporation's Independent Auditor, Board and Audit Committee and the Financial Statement Review Committee of the corporation, based on my most current assessment of the internal control over financial reporting and disclosure:
  - a. All significant faults and material weaknesses in specification of operation of internal control over financial reporting and disclosure as long as it relates to the financial statements and other financial information in the report, which may reasonably impact the corporation's capacity to collect, process, summarize or report financial information in a manner which may cast doubt over the reliability of financial reporting and preparation of financial statements pursuant to statutory provisions; and –
  - b. Any fraud, whether or not material, involving the Chief Executive Officer or any of the direct reports thereof, or involving any other employees having a significant capacity in internal control over financial reporting and disclosure;
5. I, on my own or with others at the corporation:
  - a. Have set controls and procedures and/or verified that controls and procedures have been specified and maintained under our supervision, designed to ensure that material information with regard to the corporation, including subsidiaries thereof, as defined in Securities Regulations (Annual financial statements), 2010, as long as it relates to the financial statements and other financial information in the report, is brought to my attention by others at the corporation and subsidiaries, specifically during preparation of the report; and –
  - b. Have set controls and procedures and/or verified that controls and procedures have been specified and maintained under our supervision, designed to reasonably ensure the reliability of financial reporting and preparation of the financial statements pursuant to statutory provisions, including pursuant to generally-accepted accounting principles;
  - c. No event or issue relating to the interim financial statements or any other financial information which is included in the interim financial reports came to my attention in the period between the last periodic report and the date of this report that may change the conclusion of the Management or Board with respect to the effectiveness on the internal control over financial reporting and disclosure.

The foregoing shall not detract from my statutory responsibility, or that of any other person.

August 31, 2020

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E.Oz-Gabber, CFO

**Kardan N.V.**  
**(the "Company")**  
**Significant events and developments**  
**Filings pursuant to Israeli Law**

In accordance with Regulation 39 (a) of the Israeli Securities Regulations (Periodic and Immediate Reports) - 1970, below is a description of all events and significant updates in respect to the matters described in the 2019 annual financial statements published by the Company on April 21, 2020 ('the Annual Report').

For information regarding material events that occurred in Q2 2020 up to June 30, 2020, reference is made to the Q1 financial statements.

**Real Estate**

1. Detailed below is information regarding the most significant projects in the real estate development segment:

**Europark Dalian**

<b>Data per 100%, Kardan Land China share – 100% (EUR thousands)</b>		<b>Q2 - 2020</b>	<b>Q1 - 2020</b>	<b>2019</b>
<b>Invested costs</b>	Cumulative costs for land at the end of the period	73,165	74,591	74,527
	Cumulative costs for development, taxes, and fees	3,152	3,214	3,211
	Cumulative costs for construction	139,908	141,586	141,526
	Cumulative costs in respect of financing (capitalized)	14,019	14,258	14,231
	<b>Total cumulative cost</b>	<b>230,244</b>	<b>233,649</b>	<b>233,495</b>
	<b>Total cumulative carrying costs</b>	<b>230,244</b>	<b>233,649</b>	<b>233,495</b>
<b>Costs yet to be invested and completion rate</b>	Costs in respect of land not yet invested (estimate)	1,351	1,378	1,376
	Development costs, taxes and fees not yet invested (estimated)	-	-	-
	Costs for construction not yet invested (estimated)	3,246	4,357	4,292
	Cumulative costs in respect of financing expected to be capitalized in the future (estimate)	170	208	222
	<b>Total costs remaining for completion</b>	<b>4,767</b>	<b>5,942</b>	<b>5,890</b>
	<b>Completion rate (excluding land) (%)</b>	<b>98%</b>	<b>97%</b>	<b>97%</b>
<b>Expected construction completion date</b>	<b>2020</b>	<b>2020</b>	<b>2020</b>	

		<b>Q2 - 2020</b>	<b>Q1 - 2020</b>	<b>2019</b>
Agreements signed during the current period (not including apartment purchase orders)	Housing units (#)	18	16	93
	Housing units (sqm)	2010	1,637	10,029
Average price per m <sup>2</sup> in agreements signed during the current period	Housing units	2,323	2,533	2,648
Cumulative agreements up to the end of the period:	Housing units (#)	990	972	956
	Housing units (sqm)	97,906	95,896	94,259
Cumulative average price per m <sup>2</sup> in agreements signed up to the end of the period (in EUR)	Housing units	2,366	2,413	2,408
Marketing percentage of the project	Total expected income from the entire project (EUR thousands)	275,946	281,324	281,083
	Total cumulative expected income from signed agreements (EUR thousands)	234,522	234,303	229,895
	Marketing rate as of the last day of the period (%)	85%	83%	82%
Areas for which no agreement has been signed:	Housing units (#)	106	124	140
	Housing units (sqm)	13,222	15,231	16,868
<b>Total cumulative cost (remaining inventory) attributed to areas no binding agreements were signed for in the report of the financial situation (in millions of euros)</b>		<b>33,387</b>	<b>38,264</b>	<b>41,431</b>
<b>Exchange rate for this table</b>		<b>7.9610</b>	<b>7.8088</b>	<b>7.8155</b>
*** **				
Number of agreements signed from the end of the period to the report date (#) / m <sup>2</sup>	Residential	6*		
Average price per m <sup>2</sup> in agreements signed between the end of the period and the date of the report (EUR)	Residential	2,053*		

\* Relates to sales from July 1, 2020 till July 31, 2020

**Suzy-Phase4, Phase 5 and part of Phase 3**

<b>Data per 100%, Kardan Land China share – 50% (EUR thousands)</b>		<b>Q2 - 2020</b>	<b>Q1 - 2020</b>	<b>2019</b>
Invested costs	Cumulative costs for land at the end of the period	27,938	28,483	28,458
	Cumulative costs for development, taxes, and fees	8,356	8,228	7,543
	Cumulative costs for construction	16,879	16,163	16,149
	Cumulative costs in respect of financing (capitalized)	-	-	-
	<b>Total cumulative cost</b>	<b>53,173</b>	<b>52,873</b>	<b>52,150</b>
	<b>Total cumulative carrying costs</b>	<b>53,173</b>	<b>52,873</b>	<b>52,150</b>
Costs yet to be invested and completion rate	Costs in respect of land not yet invested (estimate)	2,432	2,480	2,478
	Development costs, taxes and fees not yet invested (estimated)	27,238	28,060	28,714
	Costs for construction not yet invested (estimated)	79,533	82,128	82,058
	Cumulative costs in respect of financing expected to be capitalized in the future (estimate)	-	-	-
	<b>Total costs remaining for completion</b>	<b>109,203</b>	<b>112,668</b>	<b>113,249</b>
	<b>Completion rate (excluding land) (%)</b>	<b>19%</b>	<b>18%</b>	<b>18%</b>
	<b>Expected construction completion date</b>	<b>2026</b>	<b>2026</b>	<b>2026</b>

		<b>Q2 - 2020</b>	<b>Q1 - 2020</b>	<b>2019</b>
Agreements signed during the current period	Housing units (#)	275	79	249
	Housing units (sqm)	27,116	7,682	23,995
	Commercial areas (sqm)	-	-	-
Average price per m <sup>2</sup> in agreements signed during the current period	Housing units	855	863	860
	Commercial areas	-	-	-
Cumulative agreements up to the end of the period:	Housing units (#)	1,152	877	798
	Housing units (sqm)	100,022	72,906	65,224
	Commercial areas (sqm)	-	-	-
Cumulative average price per m <sup>2</sup> in agreements signed up to the end of the period (in euro)	Housing units	780	767	755
	Commercial areas	-	-	-
Marketing percentage of the period	Total expected income from the entire project (EUR thousands)	265,740	270,919	270,687
	Total cumulative expected income from signed agreements (EUR thousands)	78,022	55,906	49,234
	Marketing rate as of the last day of the period (%)	29%	21%	18%
Areas for which no agreement has been signed:	Housing units (#)	1,769	2,044	2,123
	Housing units (sqm)	162,891	190,007	197,689
	Commercial areas (sqm)	35,705	35,705	35,705
<b>Total cumulative cost (remaining inventory) attributed to areas no binding agreements were signed for in the report of the financial situation (EUR thousands)</b>		<b>9,869</b>	<b>13,262</b>	<b>13,571</b>
*** **				
Number of agreements signed from the end of the period to the report date (#) / m <sup>2</sup>	Residential	21*		
	Commercial	-		
Average price per m <sup>2</sup> in agreements signed between the end of the period and the date of the report (EUR)	Residential	855*		
	Commercial	-		

\* Relates to sales from July 1, 2020 till July 31, 2020

## Olympic Garden

Data per 100%, Kardan Land China share – 50% (EUR thousands)		Q2 - 2020	Q1 - 2020	2019
Invested costs	Cumulative costs for land at the end of the period	47,694	48,624	48,582
	Cumulative costs for development, taxes, and fees	87,972	84,237	83,910
	Cumulative costs for construction	258,128	262,958	262,701
	Cumulative costs in respect of financing (capitalized)	5,140	5,240	5,236
	Total cumulative cost	398,935	401,058	400,429
	Total cumulative carrying costs	398,935	401,058	400,429
Costs yet to be invested and completion rate	Costs in respect of land not yet invested (estimate)	-	-	-
	Development costs, taxes and fees not yet invested (estimated)	10,582	15,489	15,566
	Costs for construction not yet invested (estimated)	428	319	351
	Cumulative costs in respect of financing expected to be capitalized in the future (estimate)	5,140	5,240	5,236
	Total costs remaining for completion	16,150	21,048	21,152
	Completion rate (excluding land) (%)	95%	95%	94%
	Expected construction completion date	2021	2021	2021

		Q2 - 2020	Q1 - 2020	2019
Agreements signed during the current period	Housing units (#)	62	22	143
	Housing units (sqm)	5,857	1,830	13,642
	Commercial areas (sqm)	-	-	1,026
Average price per m <sup>2</sup> in agreements signed during the current period	Housing units	1,728	1,763	1,689
	Commercial areas	-	-	4,040
Cumulative agreements up to the end of the period:	Housing units (#)	9,617	9,555	9,533
	Housing units (sqm)	873,877	868,021	866,190
	Commercial areas (sqm)	14,694	14,694	14,694
Cumulative average price per m <sup>2</sup> in agreements signed up to the end of the period (in EUR)	Housing units	654	659	656
	Commercial areas	2,245	2,289	2,287
Marketing percentage of the period	Total expected income from the entire project (EUR thousands)	645,090	657,663	657,099
	Total cumulative expected income from signed agreements (EUR thousands)	620,312	628,608	624,277
	Marketing rate as of the last day of the period (%)	96%	96%	95%
Areas for which no agreement has been signed:	Housing units (#)	153	215	237
	Housing units (sqm)	13,670	19,526	21,357
	Commercial areas (sqm)	4,087	4,087	4,087
*** **				
Number of agreements signed from the end of the period to the report date (#) / m <sup>2</sup>	Residential (#)	17*		
	Commercial (sqm)	-		
Average price per m <sup>2</sup> in agreements signed between the end of the period and the date of the report (EUR)	Residential	1,700*		
	Commercial	-		

\* Relates to sales from July 1, 2020 till July 31, 2020

## City Dream

Data per 100%, Kardan Land China share – 50%		Q2 - 2020	Q1 - 2020	2019
Invested costs	Cumulative costs for land at the end of the period	59,038	60,199	60,147
	Cumulative costs for development, taxes, and fees	63,509	64,467	63,156
	Cumulative costs for construction	164,773	168,209	167,501
	Cumulative costs in respect of financing (capitalized)	5,140	5,240	5,236
	Total cumulative cost	292,470	298,114	296,040
Costs yet to be invested and completion rate	Total cumulative carrying costs	292,470	298,114	296,040
	Costs in respect of land not yet invested (estimate)	6,847	6,980	6,974
	Development costs, taxes and fees not yet invested (estimated)	3,039	3,379	4,607
	Costs for construction not yet invested (estimated)	924	718	1,281
	Cumulative costs in respect of financing expected to be capitalized in the future (estimate)	5,140	5,240	5,236
	Total costs remaining for completion	15,950	16,318	18,098
	Completion rate (excluding land) (%)	95%	95%	94%
Expected construction completion date	2021	2021	2021	

		Q2 - 2020	Q1 - 2020	2019
Agreements signed during the current period	Housing units (#)	32	15	156
	Housing units (sqm)	3,597	1,632	17,926
	Commercial areas (sqm)	48	273	604
Average price per m <sup>2</sup> in agreements signed during the current period	Housing units	1,682	1,632	1,600
	Commercial areas	1,767	1,626	1,284
Cumulative agreements up to the end of the period:	Housing units (#)	4,323	4,291	4,276
	Housing units (sqm)	470,359	466,763	465,131
	Commercial areas (sqm)	31,652	31,603	31,330
Cumulative average price per m <sup>2</sup> in agreements signed up to the end of the period (in EUR)	Housing units	783	792	788
	Commercial areas	1,306	1,330	1,330
Marketing percentage of the period	Total expected income from the entire project (EUR thousands)	447,950	456,681	456,290
	Total cumulative expected income from signed agreements (EUR thousands)	397,687	402,370	398,960
	Marketing rate as of the last day of the period (%)	89%	88%	87%
Areas for which no agreement has been signed:	Housing units (#)	154	186	201
	Housing units (sqm)	11,326	14,923	16,554
	Commercial areas (sqm)	15,249	15,297	15,571
*** **				
Number of agreements signed from the end of the period to the report date (#) / m <sup>2</sup>	Residential (#)	11*		
	Commercial (sqm)	-		
Average price per m <sup>2</sup> in agreements signed between the end of the period and the date of the report (EUR)	Residential	1,734*		
	Commercial	-		

\* Relates to sales from July 1, 2020 till July 31, 2020

2. Detailed below is information regarding the projects which are not the most significant in the real estate development segment:

Project Name		Q2 - 2020	Q1 - 2020	2019	
Palm Garden	Agreements signed during the current period	Housing units (#)	4	3	2
		Housing units (sqm)	161	123	138
		Commercial areas (sqm)	-	-	-
	Average price per m <sup>2</sup> in agreements signed during the current period	Housing units	941	1,050	461
		Commercial areas	-	-	-

### 3. Shopping mall – Galleria Dalian (Dalian, China)

<b>(Data according to 100%; Kardan N.V. indirect share in the property: 100%)</b>	<b>Q2 - 2020</b>	<b>Q1 2020</b>	<b>Year 2019</b>
Fair value at the end of the period - as presented in the valuation report (€ in thousand) (1) (2)	206,758	211,940	215,597
Fair value at the end of the period - in KNV books (€ in thousand) (1) (2)	203,115	211,940	214,577
NOI (€ in thousand)	1,179	846	3,501
Valuation losses for the period – according to the valuation report (€ in thousand)	(1,130) <sup>(4)</sup>	(3,887) <sup>(3)</sup>	1,020 <sup>(3)</sup>
Valuation losses for the period – in KNV books (€ in thousand)	(4,844) <sup>(4)</sup>	(2,867) <sup>(3)</sup>	- <sup>(3)</sup>
Average theoretical occupancy rate in the period (excluding COVID-19 impact) (5) (6)	88%	89%	92%
Average actual occupancy rate in the period (including COVID-19 impact) (5) (6)	67%	57%	92%
Average rental rate per sqm. (in €)	13.7	12.7	13.7
Part of the area for which rental agreements or letters of intent were signed during the period, net (%) (5)	2.3%	1.4%	20.1%
Part of the area for which rental agreements or letters of intent were signed accumulated (%) (5)	92.0%	91.8%	94.1%
Average monthly rent per sqm in contracts signed during the Period, gross (per month) (€) (5) (7)	15.8	22.0	13.0

- (1) The asset functional currency is the RMB.
- (2) As of 31.12.2019 and 30.6.2020 – the value of the investment property, as presented in the valuation report, differs from its value in KNV books (see also notes (3) and (4)).
- (3) The Company did not recognize an increase in the value of the investment property in the amount of €1,020 thousand in 2019, as presented in the valuation report from the period; and accordingly recognized a valuation loss of only €2,867 thousand in the first quarter of 2020.
- (4) Valuation loss in Q2 2020, as presented in the valuation report, amounted to €1,130 thousands. For conservative reasons, the Company recognized an additional decrease in the value of the investment property in the amount of €3,714 thousand in Q2 2020.
- (5) For the purpose of this calculation, the NLA was adjusted from 64,834 sqm to 63,840 following areas that in the short term will not be available for rent (mainly the management company offices).
- (6) Average theoretical occupancy rate in the period does not take into consideration shops that were closed in the period due to the COVID-19 crisis.
- (7) Represents basic rent only, however, the rental agreements also include a turnover element.

## Financing

4. The following are updates concerning the material credit agreements of the Company and its subsidiaries:

<b>Name of the Loan and the section in the Annual Report which refers to the loan</b>	<b>Update information</b>	<b>Calculation of financial covenants</b>
Debentures series A section 12.1 (1) to the Annual Report		See section 12.1 to the 2019 Annual Report. The coverage ratio of Kardan NV according to the financial statements as of 30.6.2020 is 50.7%; the coverage ratio of Kardan Land China according to the financial statements as of 30.6.2020 is 359%.
Debentures series B section 12.1 (2) to the Annual Report		
Credit facility amounting up to RMB 900 million (approximately €115 million at the date of the signing) taken by Kardan Land Dalian Ltd, as described in section 7.6.8.6 to the 2019 Annual Report.	Subsequent to the balance date, the project company early repaid an amount of RMB 90 million. As at June 30, 2020, the balance of the loan is approximately RMB 651 million (approximately €82 million). For more information see note 6(c) to the financial statements.	See section 7.6.8.6 to the Annual Report. (1) The ratio between the balance of the loan, net of the cash balances and the value of the pledged properties is 34% (i.e. lower than 50%) (2) As of the report date, KLC signed guarantees at a total sum of 80 million euros, constituting 38% of its equity (i.e. lower than its shareholders' equity. (3) There was no material adverse change in the value of the shares of the Project Company, which affected the ability to repay the loan (4) As of the report date, KLD met the milestone set forth in the loan agreement in connection with construction progress

Calculation of financial covenants in relation to material credit agreements as described in section 8.18.7.1 and 8.18.7.2 to the Annual Report:

- (a) (1) TCE's total tangible equity (as defined in one of the banks' letter of undertaking) shall not be less than USD 25 million (as of 30.6.2020, the amount is USD 19 million); (2) TCE's total tangible equity (as defined in one of the banks' letter of undertaking) of the total tangible consolidated balance sheet will be no less than 14% (as of 30.6.2020 – 9.6%); (3) The EBITDA total (as defined in one of the banks' letter of undertaking) will be no less than USD 8 million for a period of 12 months (as of 30.6.2020 - the EBITDA total is USD (2.9) million); (4) the ratio between the total amount of loans taken by Tahal Group from banks, financial institutions and Debenture holders (not including loans affiliated to the Quiminha Project the principle of which does not exceed EUR 30 million), with the addition of bank guarantees provided to TCE and Tahal Group, will not exceed 50% of the Tahal Group assets, where for tax calculation purposes, the total of bank guarantees that are not financial collateral (as such is defined in the letters of undertaking), will be calculated as 25% from the fixed total of these bank guarantees (as of 30.6.2020 - the ratio is 46%); (5) the ratio between: the total amount of loans with the addition of bank guarantees, less cash and cash equity and less the short term investments by TCE and the total amount of TCE's tangible equity (as defined in one of the banks' letter of undertaking), will not exceed 3 (as of 30.6.2020, the ratio is 8.0); (6) the ratio between customer receivables and total revenue for a period of 12 months will not exceed 60% (as of 30.6.2020, the ratio is 52.7%). (7) TCE's total tangible equity (as defined in one of the banks' letter of undertaking) shall not be less than USD 45 million (as of 30.6.2020, the amount is USD 51.4 million). (8) TCE's total tangible equity (as defined in one of the banks' letter of undertaking) of the total tangible consolidated balance sheet will be no less than 28%, with an option of a 5% deviation in the terms of the letter of undertaking, i.e. - up to 26.6%, without the need for a waiver (as of 30.6.2020, the ratio is 21.1%); (9) The EBITDA total in TCE (as defined in one of the banks' letter of undertaking) will be no less than USD 5 million for a period of 12 months (as of 30.6.2020 - the EBITDA total is USD (1.6) million); The company has not received waivers from the banks regarding the breach of its financial covenants.

(b) (1) The total equity of Tahal International (as defined in one of the banks' letter of undertaking: not including balances with related parties and intangible assets, including goodwill) according to the consolidated statements thereof, will not be less than EUR 35 million (as of 30.6.2020 - a total of EUR (10) million); (2) the total equity of Tahal International out of total assets shall be no less than 18% (as of 30.6.2020 - the ratio is (5.6%) ); (3) the ratio between Tahal International's debt to banks, financial institutions and holders of debentures plus the maximum amount of Tahal International's bank guarantees and its tangible assets will not exceed 4 (as of 30.6.2020 - the ratio is (15) ); (4) Total amount of Tahal Group's shareholders' equity (including shareholders' loans) as per its consolidated financial statements will not be less than EUR 25 million (as of 30.6.2020 - the amount is EUR 7.2 million); (5) Tahal Group's EBITDA (as defined in the letter of undertaking) for the 12-month period as per its consolidated financial statements will not be less than EUR 7 million (as of 30.6.2020 - the amount is EUR (19.1) million);(6) The ratio between Tahal Group's total debt and its EBITDA will not exceed 3.25 (as of 30.6.2020 – the ratio is 3.78); (7) The total equity of Tahal International (including shareholder loans) according to the consolidated statements thereof, will not be less than EUR 40 million (as of 30.6.2020 - a total of EUR (0.4) million); The company has not received waivers from the banks regarding the breach of some of its financial covenants.



KARDAN N.V.  
AMSTERDAM, THE NETHERLANDS

Condensed Interim Consolidated Financial Statements (unaudited)  
As of June 30, 2020

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**CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL  
POSITION**  
**A s s e t s**

	Note	June <b>30, 2020</b>	June 30, 2019	December 31, 2019
		Unaudited		Audited
		In €'000		
<b>Non-current assets</b>				
Deferred tax assets		308	314	314
Tangible fixed assets, net		542	694	620
Investment property	3	203,115	214,405	214,577
Investments in joint ventures	7	32,496	28,733	32,408
Loans to joint ventures		15,233	14,920	15,059
Long-term loans and receivables		815	3,240	1,028
		<u>252,509</u>	<u>262,306</u>	<u>264,006</u>
<b>Current assets</b>				
Apartments inventory		34,631	68,509	42,144
Trade receivables		6,493	7,289	5,501
Current tax assets		2,958	2,574	2,937
Other receivables and prepayments		4,089	5,208	3,692
Short-term investments		5,578	5,158	5,677
Cash and cash equivalents		21,233	30,663	35,895
		<u>74,982</u>	<u>119,401</u>	<u>95,846</u>
Assets held for sale	8	<u>160,261</u>	<u>220,103</u>	<u>183,523</u>
Total current assets		<u>235,243</u>	<u>339,504</u>	<u>279,369</u>
<b>Total assets</b>		<u>487,752</u>	<u>601,810</u>	<u>543,375</u>

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

**Equity and liabilities**

	Note	June <b>30, 2020</b>	June 30, 2019	December 31, 2019
		Unaudited		Audited
		In €'000		
<b>Equity (deficit) attributable to equity holders of the parent company</b>				
Issued and paid-in capital	5	25,276	25,276	25,276
Share premium		206,482	206,482	206,482
Foreign currency translation reserve		(23,036)	(12,512)	(19,038)
Property revaluation reserve		19,396	25,095	25,179
Revaluation reserve, other		4,396	4,645	4,433
Accumulated deficit		(418,383)	(355,713)	(392,934)
		(185,869)	(106,727)	(150,602)
<b>Non-controlling interests</b>		(2,543)	2,918	(2,121)
<b>Total equity (deficit)</b>		(188,412)	(103,809)	(152,723)
<b>Non-current liabilities</b>				
Interest-bearing loans and borrowings		-	87,598	-
Other long-term liabilities		1,604	1,013	1,610
Deferred tax liabilities		3,250	4,947	5,227
		4,854	93,558	6,837
<b>Current liabilities</b>				
Trade payables		1,453	4,311	2,413
Current maturities of debentures	1B,6	296,338	288,859	298,913
Interest-bearing loans and borrowings	6C	82,025	11,124	95,029
Current tax liabilities		1,174	1,461	1,131
Financial instruments		-	730	-
Advances from apartment buyers		1,704	36,320	4,658
Other payables and accrued expenses		112,333	78,927	101,473
		495,027	421,732	503,617
Liabilities associated with assets held for sale	8	176,283	190,329	185,644
<b>Total current liabilities</b>		671,310	612,061	689,261
<b>Total liabilities</b>		676,164	705,619	696,098
<b>Total equity and liabilities</b>		487,752	601,810	543,375

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

## CONDENSED INTERIM CONSOLIDATED INCOME STATEMENT

	For the six months ended June 30,		For the three months ended June 30,		For the year ended December 31,
	<b>2020</b>	2019	<b>2020</b>	2019	<u>2019</u>
		Unaudited			Audited
Note	In €'000				
Revenues from sale of apartments	10,284	4,563	5,170	3,448	54,705
Rental revenues	4,535	4,304	2,334	2,213	9,055
Management fees and other revenues	428	399	211	198	791
<b>Total revenues</b>	<u>15,247</u>	<u>9,266</u>	<u>7,715</u>	<u>5,859</u>	<u>64,551</u>
Cost of apartments sold	8,223	4,195	4,502	3,184	46,965
Rental costs	1,299	1,881	593	885	3,482
Management fees and other expenses, net	140	-	77	(10)	135
<b>Total expenses</b>	<u>9,662</u>	<u>6,076</u>	<u>5,172</u>	<u>4,059</u>	<u>50,582</u>
<b>Gross profit</b>	5,585	3,190	2,543	1,800	13,969
Selling and marketing expenses	1,120	1,184	697	700	3,109
General and administration expenses	3,663	4,172	1,706	1,925	6,705
<b>Profit (loss) from operations before fair value adjustments, disposal of assets and investment and other (loss) income</b>	802	(2,166)	140	(825)	4,155
Adjustment to fair value of investment properties	3	(7,711)	(112)	(4,844)	(112)
Other income (expenses), net	1,049	-	-	-	(1,555)
<i>Loss from fair value adjustments, disposal of assets and investments and other income</i>	(6,662)	(112)	(4,844)	(112)	(1,555)
<b>Profit (loss) from operations</b>	(5,860)	(2,278)	(4,704)	(937)	2,600
Financial income	2,913	984	690	858	852
Financial expenses	(21,318)	(40,413)	(12,865)	(16,768)	(70,343)
<b>Total financial expenses, net</b>	<u>(18,405)</u>	<u>(39,429)</u>	<u>(12,175)</u>	<u>(15,910)</u>	<u>(69,491)</u>
<b>Loss before share of profit from investments accounted for using the equity method</b>	(24,265)	(41,707)	(16,879)	(16,847)	(66,891)
Share of profit of investments accounted for using the equity method, net	7	4,382	5,631	1,424	2,759
<b>Loss before income taxes</b>	(19,883)	(36,076)	(15,455)	(14,088)	(52,224)
Income tax expenses (benefit)	(1,469)	113	(811)	46	727
<b>Loss from continuing operations</b>	(18,414)	(36,189)	(14,644)	(14,134)	(52,951)
Loss from discontinued operations	8	(12,648)	(12,526)	(11,310)	(35,477)
<b>Loss for the period</b>	<u>(31,062)</u>	<u>(48,715)</u>	<u>(27,607)</u>	<u>(25,444)</u>	<u>(88,428)</u>
Attributable to:					
Equity holders	(31,232)	(46,575)	(27,462)	(23,070)	(83,712)
Non-controlling interest holders	170	(2,140)	(145)	(2,374)	(4,716)
	<u>(31,062)</u>	<u>(48,715)</u>	<u>(27,607)</u>	<u>(25,444)</u>	<u>(88,428)</u>
Loss per share attributable to shareholders:					
Basic and diluted from continuing operations	(0.15)	(0.29)	(0.12)	(0.11)	(0.43)
Basic and diluted from discontinued operations	(0.10)	(0.10)	(0.11)	(0.09)	(0.29)
	<u>(0.25)</u>	<u>(0.39)</u>	<u>(0.23)</u>	<u>(0.20)</u>	<u>(0.72)</u>

*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,
	<b>2020</b>	2019	<b>2020</b>	2019	2019
	Unaudited				Audited
	In €'000				
<b>Net loss for the period</b>	<u>(31,062)</u>	<u>(48,715)</u>	<u>(27,607)</u>	<u>(25,444)</u>	<u>(88,428)</u>
Foreign currency translation differences	(3,194)	(1,288)	(2,965)	(6,894)	(7,207)
Change in hedge reserve, net of tax	(37)	(192)	-	(78)	(404)
Share of other comprehensive income (expenses) of associates and joint ventures accounted for using the equity method	<u>(1,396)</u>	<u>143</u>	<u>(1,180)</u>	<u>(1,191)</u>	<u>(2,927)</u>
Other comprehensive expenses for the period to be reclassified to profit or loss in subsequent periods	<u>(4,627)</u>	<u>(1,337)</u>	<u>(4,145)</u>	<u>(8,163)</u>	<u>(10,538)</u>
<b>Total comprehensive expense</b>	<u><u>(35,689)</u></u>	<u><u>(50,052)</u></u>	<u><u>(31,752)</u></u>	<u><u>(33,607)</u></u>	<u><u>(98,966)</u></u>
Attributable to:					
Equity holders	(35,267)	(47,230)	(31,441)	(30,474)	(91,105)
Non-controlling interests holders	<u>(422)</u>	<u>(2,822)</u>	<u>(311)</u>	<u>(3,133)</u>	<u>(7,861)</u>
	<u><u>(35,689)</u></u>	<u><u>(50,052)</u></u>	<u><u>(31,752)</u></u>	<u><u>(33,607)</u></u>	<u><u>(98,966)</u></u>

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

## CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent						Non-controlling interest holders	Total Equity	
	Issued and paid-in capital	Share premium	Foreign currency translation reserve (*)	Property revaluation reserve (*)	Revaluation reserve, other (*)	Accumulated deficit			Total
	In €'000								
<b>Balance as of January 1, 2020 (Audited)</b>	25,276	206,482	(19,038)	25,179	4,433	(392,934)	(150,602)	(2,121)	(152,723)
Other comprehensive loss	-	-	(3,998)	-	(37)	-	(4,035)	(592)	(4,627)
Profit (loss) for the period	-	-	-	-	-	(31,232)	(31,232)	170	(31,062)
Total comprehensive expenses	-	-	(3,998)	-	(37)	(31,232)	(35,267)	(422)	(35,689)
Reclassification according to the Netherlands civil code requirements, net of tax (*)	-	-	-	(5,783)	-	5,783	-	-	-
<b>Balance as of June 30, 2020 (Unaudited)</b>	<b>25,276</b>	<b>206,482</b>	<b>(23,036)</b>	<b>19,396</b>	<b>4,396</b>	<b>(418,383)</b>	<b>(185,869)</b>	<b>(2,543)</b>	<b>(188,412)</b>

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

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

## CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Attributable to equity holders of the parent					Total	Non-controlling interest holders	Total Equity	
	Issued and paid-in capital	Share premium	Foreign currency translation reserve (*)	Property revaluation reserve (*)	Revaluation reserve, other (*)				Accumulated deficit
	In €'000								
<b>Balance as of January 1, 2019 (Audited)</b>	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)
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, net of tax (*)	-	-	-	(84)	-	84	-	-	-
<b>Balance as of June 30, 2019 (Unaudited)</b>	<u>25,276</u>	<u>206,482</u>	<u>(12,512)</u>	<u>25,095</u>	<u>4,645</u>	<u>(355,713)</u>	<u>(106,727)</u>	<u>2,918</u>	<u>(103,809)</u>

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

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



## CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent						Non-controlling interest holders	Total Equity	
	Issued and paid-in capital	Share premium	Foreign currency translation reserve (*)	Property revaluation reserve (*)	Revaluation reserve, other (*)	Accumulated deficit			Total
	In €'000								
<b>Balance as of April 1, 2020 (Unaudited)</b>	25,276	206,482	(19,057)	23,029	4,396	(394,554)	(154,428)	(2,232)	(156,660)
Other comprehensive loss	-	-	(3,979)	-	-	-	(3,979)	(166)	(4,145)
Loss for the period	-	-	-	-	-	(27,462)	(27,462)	(145)	(27,607)
Total comprehensive expenses	-	-	(3,979)	-	-	(27,462)	(31,441)	(311)	(31,752)
Reclassification according to the Netherlands civil code requirements, net of tax (*)	-	-	-	(3,633)	-	3,633	-	-	-
<b>Balance as of June 30, 2020 (Unaudited)</b>	<b>25,276</b>	<b>206,482</b>	<b>(23,036)</b>	<b>19,396</b>	<b>4,396</b>	<b>(418,383)</b>	<b>(185,869)</b>	<b>(2,543)</b>	<b>(188,412)</b>

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

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

## CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Attributable to equity holders of the parent						Non-controlling interest holders	Total Equity	
	Issued and paid-in capital	Share premium	Foreign currency translation reserve (*)	Property revaluation reserve (*)	Revaluation reserve, other (*)	Accumulated deficit			Total
	In €'000								
<b>Balance as of April 1, 2019 (Unaudited)</b>	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)
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, net of tax (*)	-	-	-	(84)	-	84	-	-	-
<b>Balance as of June 30, 2019 (Unaudited)</b>	<u>25,276</u>	<u>206,482</u>	<u>(12,512)</u>	<u>25,095</u>	<u>4,645</u>	<u>(355,713)</u>	<u>(106,727)</u>	<u>2,918</u>	<u>(103,809)</u>

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

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

## CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Attributable to equity holders of the parent						Non-controlling interest holders	Total equity	
	Issued and paid-in capital	Share premium	Foreign currency translation reserve (*)	Property revaluation reserve (*)	Revaluation reserve, other (*)	Accumulated deficit (*)			Total
	In €'000								
<b>Balance as of January 1, 2019 (Audited)</b>	25,276	206,482	(12,049)	25,179	4,837	(309,222)	(59,497)	5,740	(53,757)
Other comprehensive expense	-	-	(6,989)	-	(404)	-	(7,393)	(3,145)	(10,538)
Loss for the period	-	-	-	-	-	(83,712)	(83,712)	(4,716)	(88,428)
Total comprehensive expense	-	-	(6,989)	-	(404)	(83,712)	(91,105)	(7,861)	(98,966)
<b>Balance as of December 31, 2019 (Audited)</b>	25,276	206,482	(19,038)	25,179	4,433	(392,934)	(150,602)	(2,121)	(152,723)

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

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

**KARDAN N.V., AMSTERDAM**  
**CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT**

	For the six months period ended June 30,		For the three months period ended June 30,		For the year ended December 31,
	<b>2020</b>	2019	<b>2020</b>	2019	2019
	Unaudited				Audited
	In €'000				
<b>Cash flow from operating activities</b>					
Loss from continuing operations before taxes on income	(19,883)	(36,076)	(15,455)	(14,088)	(52,224)
Adjustments to reconcile net loss to net cash (see A below)	16,671	2,296	19,882	(13,229)	23,515
Net cash provided by (used in) operating activities of continuing operations	(3,212)	(33,780)	4,427	(27,317)	(28,709)
Net cash used in operating activities of discontinued operations	(6,411)	(15,103)	(4,189)	(4,071)	(12,805)
<b>Net cash provided by (used in) operating activities</b>	<b>(9,623)</b>	<b>(48,883)</b>	<b>238</b>	<b>(31,388)</b>	<b>(41,514)</b>
<b>Cash flow from investing activities</b>					
Acquisition of tangible fixed assets and investment properties	(113)	(892)	(2)	(101)	(583)
Proceeds from sale of assets and investments in associates	-	12,600	-	-	12,600
Change in short-term investments	-	10,035	-	2,728	9,314
Change in long-term loans	549	-	275	-	1,131
Net cash provided by (used in) investing activities from discontinued operation	1,760	3,739	(105)	3,896	3,401
<b>Net cash provided by investing activities</b>	<b>2,196</b>	<b>25,482</b>	<b>168</b>	<b>6,523</b>	<b>25,863</b>

*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,
	<b>2020</b>	2019	<b>2020</b>	2019	2019
	Unaudited				Audited
	In €'000				
<b>Cash flows from financing activities</b>					
Repayment of debentures	-	(12,221)	-	(12,221)	(12,221)
Repayment of long-term loans	(11,474)	(2,515)	(11,474)	(2,797)	(6,388)
Decrease in pledge deposit	-	2,549	-	2,549	2,549
Net cash provided in financing activities from discontinued operations	2,481	6,048	1,471	2,402	5,215
<b>Net cash used in financing activities</b>	<b>(8,993)</b>	<b>(6,139)</b>	<b>(10,003)</b>	<b>(10,067)</b>	<b>(10,845)</b>
<b>Decrease in cash and cash equivalents</b>	<b>(16,420)</b>	<b>(29,540)</b>	<b>(9,597)</b>	<b>(34,932)</b>	<b>(26,496)</b>
Foreign exchange differences relating to cash and cash equivalents from discontinued operations	(1,077)	(145)	(162)	(1,018)	2,056
Change in cash of assets held for sale	3,247	5,461	2,985	(1,209)	2,133
Foreign exchange differences relating to cash and cash equivalents from continuing operations	(412)	2,938	(949)	1,037	6,253
<b>Cash and cash equivalents at the beginning of the period</b>	<b>35,895</b>	<b>51,949</b>	<b>28,956</b>	<b>66,785</b>	<b>51,949</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>21,233</b>	<b>30,663</b>	<b>21,233</b>	<b>30,663</b>	<b>35,895</b>

*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,
	<b>2020</b>	2019	<b>2020</b>	2019	2019
		Unaudited			Audited
		In €'000			
<b>A. Adjustments to reconcile net profit (loss) to net cash</b>					
<b>Charges / (credits) to profit (loss) not affecting operating cash flows:</b>					
Share of profit of companies accounted for using the equity method	(4,382)	(5,631)	(1,424)	(2,759)	(14,667)
Loss on disposal of assets and investments in associates, net	-	-	-	-	1,555
Depreciation and amortization	236	105	121	45	631
Fair value adjustments of investment property	7,711	112	4,844	112	-
Financial expense (income) and exchange differences, net	18,622	(5,827)	12,375	(1,371)	69,934
Capital gain from sale tangible fixed assets	-	-	-	-	2
Fair value adjustments of derivative financial instruments	-	-	-	-	681
<b>Changes in operating assets and liabilities:</b>					
Change in trade and other receivables	(1,519)	(2,118)	511	301	(10,206)
Change in inventories, net of advances from customers	4,560	58	3,148	108	(5,240)
Change in trade and other payables	(4,114)	46,398	1,439	17,812	16,601
Dividend received	3,398	-	3,398	-	3,728
Interest paid	(5,710)	(30,034)	(2,837)	(26,950)	(35,859)
Interest received	148	225	43	170	631
Income taxes paid	(2,279)	(992)	(1,736)	(697)	(4,276)
	<b>16,671</b>	<b>2,296</b>	<b>19,882</b>	<b>(13,229)</b>	<b>23,515</b>

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

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**June 30, 2020**

**1. GENERAL**

**A. 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 whose shares are listed for trade on Euronext Amsterdam and on the Tel-Aviv Stock Exchange, 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.

On June 23, 2020 Euronext Amsterdam approved the request of the Company's Board of Directors to delist the ordinary shares of the Kardan from the stock exchange Euronext Amsterdam. The delisting is expected to take place on August 31, 2020. The shares of Kardan remain listed on the Tel-Aviv Stock Exchange.

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 31, 2020.

**B. Financial Position and Going Concern**

(1) As at June 30, 2020 the Company had a working capital deficit of €436 million (excluding debentures held by subsidiaries), mainly as a result of classification of the debentures and other long-term debt as short-term liabilities, as detailed below. For the six and three months period ended June 30, 2020, the Company recorded a consolidated net loss of €31.1 million and €27.6 million, respectively, and generated negative cash flow from operating activities of €9.6 million and positive cash flow of €0.2 million, respectively, on a consolidated basis. In addition, as at June 30, 2020 the Company had a deficit of €185.9 million in its equity attributable to equity holders. The Company has not repaid the February 2018, 2019 and 2020 principal and interest payments to the debenture holders and is in default according to the Deeds of Trust – see 2 below.

(2) 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 Deeds of Trust as of February 2018. Accordingly, from March 31, 2018, the debentures are presented as current liabilities. Management continues the 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 3 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".

(3) 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 to use the funds received from such disposals for early repayment of Debentures A and B, the Company shall issue to Debenture Holders A and B shares of the Company; 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.

In April 2019, each of the meetings of debentures A and of debentures B approved the understandings reached by the representatives of both debenture 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. Following this approval, in June 2019 the Company repaid NIS 145 million (approximately €36.5 million) to debenture holders B.

Given the development in the financial standings of the Company, in September 2019, the Company has approached the Debenture Holders to propose that the parties will negotiate new terms of the debt settlement, which will be based on the following principles: (1) a portion of the Company's debt will be converted into the Company's shares in such a way that it is expected that the Debenture Holders will obtain a vast majority of the outstanding shares in the capital of the Company, after the share issue; (2) the amount of the Company's debt that will be converted into the Company's shares will be determined on the basis of a joint analysis of the Company and the Trustees, to ensure that the Company has positive equity and the Company can continue to operate as a going concern and meet its repayment obligations towards the Debenture Holders, taking into account future interest payments and expected proceeds when realizing assets in the future; (3) the Company's shares will be allocated to the Debenture Holders pro rata to the Company's total debt to the Debenture Holders (Series A) and (Series B); (4) the percentage of shares to be held by the Debenture Holders shall be determined by the parties within the framework of the negotiations; (5) the Company will continue to realize its assets under the management of the Company's Board of Directors. The new shareholders (i.e. the Debenture Holders) may make use of the right to nominate new board members; and (6) the balance payment as agreed between Series A and B will continue to apply with respect to funds received by the Company. Such settlement structure requires approval of the meeting of shareholders of Kardan and of the meeting of the debenture holders of the Company.

As of the date of approval of these condensed interim consolidated financial statements, management is advancing the negotiations with the representatives of the debenture holders in order to reach a debt settlement according to the structure described above.

- (4) Given the current adverse financial position of TGI, the Board has noted the utmost importance of strengthening the equity of TGI 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. At this stage TGI is negotiating a restructuring plan with its financing banks. Such transaction should provide TGI the required resources to continue its operation and improve its financial standings. The Company anticipates that after such improvement in the financial performance of TGI subsequent such capital increase and further advancement in various business initiatives it would be feasible to divest the holding in TGI. In this respect, please refer to Note 8 below for additional information regarding the financial position of TGI and the Company's investment in TGI. In addition, the Company is acting to improve its assets in China and to refinance the project loan (see Note 6 below); 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.

In order to assess the liquidity position of the Company, management prepared a two-year liquidity analysis (cash flow forecast), 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. Due to the financial position of TGI, the cash flow forecast of Kardan does not include any cash generated from selling the investment in TGI.

- (5) For information regarding the impact of the Corona crisis, please refer to Note 1C below.
- (6) The directors expect that, taking into account the status of the discussions with the Debenture Holders and the expected terms of the debt settlement, subject to advancement of a settlement of debt-conversion to equity as presented to the Debenture Holders in September 2019, and taking into account the potential future value of the Company's assets in China, the Company has the ability to obtain the required resources for repaying its obligations and continue its business operations in the future. Management believes that a controlled sale of assets is in the best interest of all stakeholders. Accordingly, the directors are of the opinion that it is appropriate to prepare these condensed interim consolidated financial statements on a going concern basis.

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

The condensed interim consolidated 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.

### **C. Impact of the Corona Virus**

The outbreak of the Coronavirus (COVID-19) expanded rapidly since the beginning of 2020. Measures taken by governments around the world to stop the spread of the virus have affected economic activity in many countries.

In dealing with the outbreak of the virus and attempting to stop its spread, drastic regulatory measures were taken around the world, that significantly restrict people's mobility and congregation. As a result, there has been a significant decline in economic activity in many regions of the world.

The restrictions imposed across China following the outbreak of the virus during the first six months of 2020 affected the Group's real estate operations as follows:

- In the investment property activity (Galleria Dalian shopping mall), many tenants temporarily closed their shops in the mall that had resulted in the sharp decrease in the footfall and sales. As of the date of approval of these condensed interim consolidated interim financial information, 18 shops remain closed. At end of July, the number of visitors and the sales turnover of the shopping mall reached approximately 77% and 67% respectively, of their rate before the COVID-19 outbreak.

- During the first half of 2020, following the COVID-19 crisis, KLC granted rent discount to its tenants in an accumulated amount of €0.7 million, and additional incentives were granted mainly in relation to marketing activities.
- KLC's management reviewed the provision for doubtful debts and decided to make several additional specific provisions, amounting to €0.4 million.
- In light of the expected changes in Galleria Dalian's forecasted cash flows, an updated valuation was made as of June 30, 2020. The various estimates and parameters included in the valuation as of December 31, 2019 were re-examined and adjusted to the expected effects of the COVID-19 crisis. These changes include, amongst others, further discounts, decrease in occupancy rates as well as projected rental income, and expected growth rates. The external valuator also amended the weight taken in the valuation report of each valuation method (the comparison method and the DCF method). It is further noted that the uncertainties in the valuation increased compared to December 31, 2019.
- In the real estate residential activity, there was no decrease in the number of apartments sold in most of the Group's residential joint venture projects. In the residential project in Dalian KLC recorded a moderate decrease in the selling prices of the apartments. Furthermore, the Group did not experience cancellations beyond the normal cancellation rate.
- KLC also examined whether, as a result of the crisis, a decline in the value of apartment inventory in each of the projects is required. Given the sales rates even after the balance sheet date, KLC's management estimated that there was no need to make a provision for impairment.

In light of the COVID-19 crisis, KLC has begun to reduce operating expenses, mainly by reducing manpower costs, cutting down marketing activities, reducing operating hours of the mall and saving utilities cost. The Chinese government issued few policies to ease some of the financial burden on companies. Such policies include Exemption on Employers' Social Security contribution for a certain period, discount on leased commercial property tax and more. Total benefits in the first six months of 2020 amounted to €0.3 million (in Q2 2020 – €0.1 million).

The Company's discontinued operations, TGI Group, is operating in all its countries of operations according to local guidelines with respect to the COVID-19 outbreak. In addition, TGI acts to reduce its operational costs. With respect to the projects, in most countries the project works continued either in full or partially; in few countries projects stopped completely for different time period. Management of TGI estimates that as a result some revenues were delayed, however it is estimated that this will not have a significant impact on the entire projects and their continuation as a whole. The impact of the economic crisis following the outbreak of the Corona is not yet known. Management estimates that the economic crisis might have an impact on business initiatives TGI seeks to promote and its business, its market status, future projects, and the outline of its financial support.

In addition, in Israel, payments from governmental customer at the amount of NIS 2 million were prepaid in order to support TGI during this period, and a refund for the municipal taxes of the HQ building was received. In some countries, deferrals in tax payments are allowed.

The current response to Covid-19 means that the Company is faced with an unprecedented set of circumstances on which the Company has to base a judgment about its future operations, cash flows and valuation of its assets. However, given the uncertainty regarding the continuing spread of the virus and the resulting regulatory restrictions, the Company estimates that there could be a significant negative impact on its results for the year, its future cash flows the valuation of its assets, as a result of the circumstances, which the Company is unable to estimate at this time. In addition, it may have a negative impact towards investment sentiment, required rate of return as well as liquidity of any asset. It is uncertain how long this disruption will last and to what extent it will affect the economy. Accordingly, the Company's management is unable to estimate the duration that the Company will be required to operate in this format and therefore it is not possible to

estimate the future negative impact expected to the Company's profitability following the Corona crisis.

## **2. BASIS OF PRESENTATION AND PREPARATION**

### **A. General**

The condensed interim consolidated financial statements as at June 30, 2020 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, 2019 ('the 2019 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, 2019.

### **B. New standards and amendments to standards have been effective in 2020 and adopted by the Group:**

#### **Amendments to IFRS 3 - Definition of a Business**

The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term 'outputs' is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits.

The amendment to IFRS 3 will be applied prospectively for annual periods beginning on or after January 1, 2020. In accordance with the amendment provisions, its early application is possible. The first application of the amendment to IFRS 3 is not expected to have a material impact on the Company's financial statements.

#### **Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" (hereinafter - the amendment to IAS 8) and to IAS 1 "Presentation of Financial Statements" (hereinafter - the amendment to IAS 1)**

The amendment to IAS 8, the amendment to IAS 1 and the subsequent amendments to other international financial reporting standards:

Use a consistent definition of materiality across the various accounting standards and framework;  
Clarify the explanation of the definition of materiality; also  
Integrate some of the guidelines in IAS 1 information which is not considered to be material.

The amended definition is as follows:

"Information is material if it can reasonably be expected that its omission, misrepresentation or concealment will influence decisions that major general purpose financial reporting users make based on such financial reporting, which provides information about a specific reporting entity."

The said amendments will be applied prospectively with respect to annual periods beginning on or after January 1, 2020. In accordance with the provisions of the amendments, their early application is possible. The first implementation of the amendments is not expected to have a material effect on the Company's financial statements.

### 3. INVESTMENT PROPERTY

As of June 30, 2020 and December 31, 2019 investment property solely comprises the shopping mall in the city of Dalian, China ('Galleria Dalian').

#### A. The movements in investment property are as follows:

	<b>For the six months ended June 30, 2020</b>	<b>For the year ended December 31, 2019</b>
	€ in thousands	
Opening balance	214,577	213,577
Capital expenditure	-	146
Fair value adjustments	(7,711)	-
Foreign currency translation differences	(3,751)	854
Closing balance	<u>203,115</u>	<u>214,577</u>
Total accumulated unrealized gains as of the end of the period which recognized in the statement of profit and loss	<u>26,909</u>	<u>33,572</u>

#### B. Fair value adjustments comprise:

	For the six months period ended June 30, <b>2020</b>		For the three months period ended June 30, <b>2020</b>		For the year ended December 31, <b>2019</b>
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2019</b>
	€ in thousands				
Valuation loss from investments properties completed in prior periods	<u>(7,711)</u>	<u>-</u>	<u>(4,844)</u>	<u>-</u>	<u>-</u>

(\*) For conservative reasons, the Company's Board of Directors decided to recognize an additional impairment of approximately €3.7 million of the investment property, beyond the value reflected from the valuation report as at June 30, 2020.

#### C. Fair value measurement of investment property (Level 3 of fair value hierarchy) - significant assumptions:

The fair value of investment properties has been determined on a market value basis in accordance with RICS (Royal Institution of Chartered Surveyors) Valuation – Professional Standards, as set out by the RICS. In arriving at their estimates of market values, the external appraiser has relied on their market knowledge and professional judgment and not only relied on historical transaction comparables.

As of June 30, 2020 and December 31, 2019, a weighted average between the DCF Approach and the Direct Comparison Method has been adopted to assess the fair value of the investment property. In view of the impacts caused by the outbreak of COVID-19 (see also Note 1C), adjustments were

made to the valuation assumptions and changes in the weighting between the two valuation methods were adopted compared to the previous valuation report dated December 31, 2019, as described below.

Significant assumptions used in the valuation report of the investment property:

	<b>June 30, 2020</b>	<b>December 31, 2019</b>
<b><u>DCF method</u></b>		
Estimated rental value per sqm per month (in €)	34	34
Discount rate	10.5%	10.5%
Rental growth	0% - (Y) 1 8%-13% (Y) 2-5 8%-10% (Y) 6-7 5%-8% (Y) 8-9 3% (Y) 10	3% - (Y) 1 10%-15% (Y) 2-5 8% (Y) 6-7 5% (Y) 8-9 3% (Y) 10
Terminal cap rate	5.25%	5.25%
Occupancy rate	93%-97%	95%-97%
Capitalization rate	6.5%	6.5%
<b><u>Direct Comparison method</u></b>		
Adopted unit rate (RMB/sqm)	16,600	16,600
Weighted average (DCF/Direct Comparison)	60%/40%	50%/50%

#### **Sensitivity analysis:**

The table below presents the sensitivity of the profit (loss) before tax due to change in the following assumptions:

	<b>June 30, 2020</b>
	<u>€ in thousands</u>
Increase of 25 BP in discount rate and terminal cap	(8,542)
Decrease of 25 BP in discount rate and terminal cap	9,295
Increase of 5% in estimated rental income	10,175
Decrease of 5% in estimated rental income	(10,300)
Increase in general vacancy by 1%	(2,261)

## 4. SEGMENT INFORMATION

### A. Segments results:

(1) For the six months ended June 30, 2020:

Unaudited	Real Estate		Total
	Development	Investment property	
	In €'000		
Revenue	10,712	4,535	15,247
Fair value adjustment of investment property	-	(7,711)	(7,711)
Total income	<u>10,712</u>	<u>(3,176)</u>	<u>7,536</u>
Share in profit of investment accounted using the equity method	<u>4,382</u>	<u>-</u>	<u>4,382</u>
Segment result	<u>5,674</u>	<u>(4,514)</u>	1,160
Unallocated expenses			<u>(2,638)</u>
Loss from operations and share in profit of investment accounted using the equity method before finance expenses, net			(1,478)
Finance expenses, net			<u>(18,405)</u>
Loss before income tax			(19,883)
Tax benefit			<u>1,469</u>
Loss from continuing operations			(18,414)
Loss from discontinued operations			<u>(12,648)</u>
Loss for the period			<u>(31,062)</u>

(2) For the six months ended June 30, 2019:

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

(3) For the three months ended June 30, 2020:

Unaudited

	Real Estate		Total
	Development	Investment property In €'000	
Revenue	5,381	2,334	7,715
Adjustment to fair value of investment property	-	(4,844)	(4,844)
Total Income	<u>5,381</u>	<u>(2,510)</u>	<u>2,871</u>
Share in profit of investments accounted using the equity method	<u>1,424</u>	<u>-</u>	<u>1,424</u>
Segment result	<u>1,603</u>	<u>(3,639)</u>	<u>(2,036)</u>
Unallocated expenses			<u>(1,244)</u>
Loss from operations and share in profit of investment accounted using the equity method before finance expenses, net			(3,280)
Finance expenses, net			<u>(12,175)</u>
Loss before income tax			(15,455)
Income tax expense			<u>811</u>
Loss from continuing operations			(14,644)
Loss from discontinued operations			<u>(12,963)</u>
Loss for the period			<u>(27,607)</u>

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

Unaudited

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

(5) For the year ended December 31, 2019:

Audited	Real Estate		Total
	Development	Investment property	
	In €'000		
Total Income	55,496	9,055	64,551
Share in profit of investment accounted using the equity method	14,667	-	14,667
Segment result	18,666	4,029	22,695
Unallocated expenses			(5,428)
Profit from operations and share in profit of investment accounted using the equity method before finance expenses, net			17,267
Finance expenses, net			(69,491)
Loss before income tax			(52,224)
Income tax expense			(727)
Loss from continuing operations			(52,951)
Loss from discontinued operations			(35,477)
Loss for the year			(88,428)

## B. Segments assets

	June 30,		December 31,
	2020	2019	2019
	Unaudited		Audited
	In €'000		
Real Estate – Residential	83,891	117,626	93,176
Real Estate – Commercial	210,556	220,173	218,447
	294,447	337,799	311,623
Assets held for sale	160,261	220,103	183,523
Unallocated assets (*)	33,044	43,908	48,229
	487,752	601,810	543,375

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

## C. Segments liabilities

	June 30,		December 31,
	2020	2019	2019
	Unaudited		Audited
	€ in thousands		
Real Estate – Residential	27,480	67,046	36,451
Real Estate – Commercial	13,061	13,939	14,044
	40,541	80,985	50,495
Liabilities associated with assets held for sale	176,283	190,329	185,644
Unallocated liabilities (*)	459,340	434,305	459,959
	676,164	705,619	696,098

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



## 5. SHARE CAPITAL

### Composition

	<b>June 30, 2020</b>		December 31, 2019	
	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 32 to the 2019 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	<b>June 30, 2020</b>		June 30, 2019		December 31, 2019		
	Unaudited				Audited		
	In €'000						
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	
<b>Liabilities</b>							
Debentures issued by the Company (series A and B)	1	361,698	31,939	322,751	58,647	348,677	52,381

Notes:

- (1) The carrying amounts include accrued interest.
- (2) The fair values reflect the price on the Tel-Aviv Stock Exchange.

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

B. Level 3 financial assets and liabilities reconciliation

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 level 3 financial assets and liabilities, compared to December 31, 2019.

C. Extention or refinancing of Dalian project loan

Interest-bearing loans and borrowings of €82,025 thousand relate to a credit facility of RMB 900 million (€115 million) granted in 2017 to Kardan Land Dalian Ltd. ('the Project Company'), for the financing of the Europark Dalian project. The loan was granted for a period of 3 years with an extension option of additional one year until November 5, 2021, if mutually agreed by all parties. The facility is secured by the assets of the project (completed apartments inventory, apartments under construction inventory and Galleria Dalian shopping mall, having a fair value of approximately €203 million as of June 30, 2020), the equity shares of KLD as well as guarantees

provided by KLC. In June 2020, KLC made a partial early repayment of the loan in the amount of RMB 90 million (approximately €11.5 million), after which the outstanding balance amounts to RMB 651 million (€82 million).

The parties are negotiating the aforesaid extension of the loan for an additional year, and have agreed on all material terms. The management of KLC expects that the extension will be signed in September 2020.

As of June 30, 2020, and December 31, 2019, the loan balance is presented as current liability.

## 7. JOINT VENTURES

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

### **Shaanxi GTC Lucky Hope Real Estate Development Ltd.**

	<b>June 30, 2020</b>		June 30, 2019		December 31, 2019
	Unaudited		Unaudited		Audited
	In €'000				
Current assets (not including cash and cash equivalent)	68,889		74,072		83,954
Cash and cash equivalent	37,061		33,524		29,546
Non-current assets	5,565		9,189		4,123
Current liabilities	(52,458)		(65,837)		(69,909)
Current financial liabilities	(19,889)		(7,536)		(8,929)
Total equity attributed to the owners	39,168		43,412		38,785
% held in the joint venture	50%		50%		50%
Total investment in joint ventures	19,584		21,706		19,393
	For the six months period ended June 30,		For the three months period ended June 30,		For the year ended December 31, 2019
	<b>2020</b>	2019	<b>2020</b>	2019	31, 2019
	Unaudited		Unaudited		Audited
	In €'000				
Revenues from operations	28,966	44,468	10,789	18,973	52,681
Cost of operations	(9,652)	(25,707)	(3,794)	(10,329)	(25,573)
Selling and marketing, other (income) expenses, and administrative expenses	(2,368)	(2,809)	(1,123)	(1,380)	(7,537)
Other financial income	488	686	248	354	1,032
Profit before tax	17,434	16,638	6,120	7,618	20,603
Income tax expenses	(9,354)	(4,938)	(3,305)	(2,195)	(6,125)
Profit attributed to equity holders	8,080	11,700	2,815	5,423	14,478
% held of the joint venture	50%	50%	50%	50%	50%
Group's share of profit for the period	4,040	5,850	1,407	2,711	7,239
Total comprehensive income attributed to equity holders	7,138	12,824	1,902	5,288	14,398
% held of the joint venture	50%	50%	50%	50%	50%
Group share of the total comprehensive income	3,569	6,412	951	2,644	7,199

**Green Power Development Ltd.**

	<b>June 30, 2020</b>	June 30, 2019	December 31, 2019
	Unaudited		Audited
	In €'000		
Current assets (not including cash and cash equivalent)	40,349	54,573	47,303
Cash and cash equivalent	13,217	15,860	15,275
Non-current assets	3,208	5,166	2,428
Current liabilities	(12,007)	(63,522)	(24,532)
Current financial liabilities	(18,822)	(5,026)	(15,442)
Non controlling interest holders	(1,027)	(193)	(1,388)
Total equity attributed to the owners	24,918	6,858	23,644
% held in the joint venture	50%	50%	50%
Total investment in joint ventures	<u>12,459</u>	<u>3,429</u>	<u>11,822</u>

	For the six months period ended June 30,		For the three months period ended June 30,		For the year ended December 31,
	<b>2020</b>	2019	<b>2020</b>	2019	2019
	Unaudited				Audited
	In €'000				
Revenues from operations	9,806	4,094	5,218	2,352	54,100
Cost of operations	(4,753)	(2,492)	(2,369)	(1,098)	(20,005)
Selling and marketing, other (income) expenses, and administrative expenses	(749)	(1,100)	(409)	(531)	(3,308)
Other financial income (expenses)	158	10	188	57	73
Profit before tax	4,462	512	2,628	780	30,860
Income tax expenses	(2,570)	(525)	(2,368)	(523)	(12,438)
Profit (loss) for the year	1,892	(13)	260	257	18,422
Gain (loss) attributed to non- controlling interest	(192)	(6)	(58)	(20)	(1,429)
Profit (loss) for the year	1,700	(19)	202	237	16,993
% held of the joint venture	50%	50%	50%	50%	50%
Group's share of profit for the period	<u>850</u>	<u>(9)</u>	<u>101</u>	<u>118</u>	<u>8,497</u>
Total comprehensive income attributed to equity holders	1,274	(22)	(222)	192	16,720
% held of the joint venture	50%	50%	50%	50%	50%
Group share of the total comprehensive income	<u>637</u>	<u>(11)</u>	<u>(111)</u>	<u>96</u>	<u>8,360</u>

## 8. DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE

A. The Company's subsidiary TGI is presented as discontinued operations and asset held for sale. For additional information, please refer to Note 1B.

B. Assets held for sale and liabilities associated with assets held for sale - TGI:

	<b>June 30,</b>		December 31,
	<b>2020</b>	2019	2019
	Unaudited		Audited
	In € '000		
<b>Assets</b>			
Trade receivable	29,137	40,928	30,419
Accrued income	38,100	61,149	52,408
Other current assets	38,324	40,071	41,459
Tangible fixed assets, net	20,794	19,708	20,567
Right-of-use assets	8,159	9,531	9,035
Other non-current assets	17,447	40,496	18,088
Cash and cash equivalents	8,300	8,220	11,547
Total assets	<u>160,261</u>	<u>220,103</u>	<u>183,523</u>
<b>Liabilities</b>			
Interest bearing loans and borrowings	63,767	57,992	61,018
Advances from customers	29,771	31,534	28,008
Lease liabilities	8,454	9,618	9,216
Other liabilities	74,291	91,185	87,402
Total liabilities	<u>176,283</u>	<u>190,329</u>	<u>185,644</u>
Net asset value	<u>(16,022)</u>	<u>29,774</u>	<u>(2,121)</u>
Attributable to equity holders of the parent	(13,479)	26,856	-
Non-controlling interests holders	<u>(2,543)</u>	<u>2,918</u>	<u>(2,121)</u>
	<u>(16,022)</u>	<u>29,774</u>	<u>(2,121)</u>

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,		
	<b>2020</b>	2019			<b>2020</b>	2019	2019		
		Unaudited					Audited		
	TGI	Avis Ukraine	TGI	Total	TGI	TGI	Avis Ukraine	TGI	Total
	In €'000								
Income	48,242	-	78,814	78,814	23,984	43,399	-	152,844	152,844
Operating and finance expenses and Share of profit of investments accounted for using the equity method, net	(62,903)	-	(94,127)	(94,127)	(37,875)	(54,228)	-	(191,508)	(191,508)
Loss before tax	(14,661)	-	(15,313)	(15,313)	(13,891)	(10,829)	-	(38,664)	(38,664)
Income tax expenses (benefit), net	842	-	(943)	(943)	483	(335)	-	5,139	5,139
Loss from discontinued operations	(15,503)	-	(14,370)	(14,370)	(14,374)	(10,494)	-	(43,803)	(43,803)
Company level adjustments required for the presentation as discontinued operation	2,855	-	371	371	1,411	(816)	-	8,031	8,031
Loss from discontinued operations	(12,648)	-	(13,999)	(13,999)	(12,963)	(11,310)	-	(35,772)	(35,772)
<b><i>Discontinued operation items related to the sales transactions:</i></b>									
Net profit (loss) from revaluation (devaluation) of investment	-	174	-	174	-	-	174	(1,178)	(1,004)
Release of capital reserves due to sale	-	1,299	-	1,299	-	-	1,299	-	1,299
Net (loss) profit from discontinued operations	(12,648)	1,473	(13,999)	(12,526)	(12,963)	(11,310)	1,473	(36,950)	(35,477)
Attributable to:									
Equity holders	(12,818)	1,473	(11,859)	(10,386)	(12,818)	(8,936)	1,473	(32,234)	(30,761)
Non-controlling interest holders	170	-	(2,140)	(2,140)	(145)	(2,374)	-	(4,716)	(4,716)
	(12,648)	1,473	(13,999)	(12,526)	(12,963)	(11,310)	1,473	(36,950)	(35,477)

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,		
	<b>2020</b>	2019	<b>2020</b>	2019	2019		
	Unaudited				Audited		
	TGI	TGI	TGI	TGI	Avis Ukraine	TGI	Total
	In €'000						
Adjustments arising from translating financial statements of foreign operations	<u>(1,635)</u>	<u>(461)</u>	<u>(912)</u>	<u>(2,478)</u>	<u>(1,299)</u>	<u>(9,458)</u>	<u>(10,757)</u>
Total other comprehensive expense	<u>(1,635)</u>	<u>(461)</u>	<u>(912)</u>	<u>(2,478)</u>	<u>(1,299)</u>	<u>(9,458)</u>	<u>(10,757)</u>
Attributable to:							
Equity holders	<u>(1,068)</u>	<u>230</u>	<u>(759)</u>	<u>(1,742)</u>	<u>(1,299)</u>	<u>(6,313)</u>	<u>(7,612)</u>
Non-controlling interest holders	<u>(567)</u>	<u>(691)</u>	<u>(153)</u>	<u>(736)</u>	<u>-</u>	<u>(3,145)</u>	<u>(3,145)</u>
	<u>(1,635)</u>	<u>(461)</u>	<u>(912)</u>	<u>(2,478)</u>	<u>(1,299)</u>	<u>(9,458)</u>	<u>(10,757)</u>

E. Financial position of a subsidiary presented as held-for-sale (TGI):

(1) For the six and three months periods ended June 30, 2020 TGI presents a loss of €12.6 million and 13.0 million, respectively, a negative cash flow from operating activities of €6.4 million and €4.2 million, respectively, and negative working capital of €44.4 million (in 2019 a loss of €36.9 million, a negative cash flow from operating activities of €12.8 million and working capital of €30.2 million). During the second quarter of 2020, TGI recorded provisions and impairments amounting to €12.2 million, mainly in relation to terminated projects. The deficit in TGI's shareholders' equity attributed to Kardan amounted to €13.5 million as at June 30, 2020 and amounted to an immaterial amount as at December 31, 2019.

(2) In order to finance its operations, TGI uses short term credit lines amounting to approximately US\$ 61 million, from banks. As a result of its financial position, TGI had to extend those credit lines until December 2019. As of the date of approval of these condensed interim financial statements, one bank has approved an extension of the actual usage of the credit line of approximately US\$ 25.6 million until December 31, 2020. As of the date of approval of these financial statements, extension of remaining credit lines has not been approved yet by the other banks.

As of June 30, 2020, covenants in relation to the above credit lines have not been met. It is noted that TGI did not meet its covenants also in previous periods (since September 2018), for which waivers have been received until September 2019. As of the date of the approval of these condensed interim financial statements, the financing banks restricted the access of TGI to further financing, beyond the utilized credit lines as mentioned above.

It is noted that although TGI is in breach towards the banks, as of the date of signing these condensed interim financial statements the banks did not pursue any legal action towards TGI.

(3) During 2020 and as of the date of the approval of these condensed interim financial statements, TGI has been conducting ongoing negotiations with its financing banks a restructuring plan where the banks will continue supporting TGI through its efforts to reorganize and improve its operation and return to solid financial performance. This plan includes support in the form of a guarantees facility required to advance projects and cash credit line to support TGI's working capital.

In parallel, as part of the agreements with the banks, in order to limit the exposure, TGI is negotiating with several parties to sell its holdings in certain activities. The terms of such transactions have not been finalized yet.

Management of TGI expects that with the support of the banks, TGI will have the resources allowing it to improve its financial position. However, there is no certainty that any of the negotiations will result in a binding agreement, or its terms and/or the date of any approval. However, in view of the uncertainty regarding reaching an agreement with TGI's financing banks, at of the date of approving these financial statements, TGI's management, together with its financial and legal advisors, is considering additional alternatives to continue its operations if discussions with the banks do not mature into such agreement.

(4) Given the financial position of TGI and the fact that the Company is unable to support TGI, management has been searching for an investment into TGI. Upon reaching an agreement with TGI's financing banks, the Company assumes that the feasibility of securing such investment may improve. Such investment is expected to strengthen TGI's financial position and contribute to its future development.



(5) Due to the adverse financial position of TGI, as described above, and the uncertainties related to the terms of a future investment in TGI, the board of directors of Kardan has decided that future cash inflows from TGI will not be taken into account in the cash flow forecast of Kardan. It is also emphasized, that the Company did not provide any guarantee, nor does it have any other commitment in relation to the financial position of TGI. Yet, according to IFRS 5 requirements, the Company continues presenting TGI's operations as asset held for sale until a loss of control through a sale transaction or as described in (4) above is concluded, in line with the estimation that it is highly probable. The classification of TGI as held-for-sale is a significant accounting judgement in the preparation of these condensed interim consolidated financial statements. In addition, it is noted that statements do not include any adjustments to the carrying amounts and classifications of assets and liabilities of TGI that would be required if TGI is not presented as a going concern.

(6) Additional information:

**Sale of Palgey Maim**

Subsequent to the balance sheet date, on August 6, 2020, TGI has entered into an agreement with a third party for the sale of its entire holdings (55.49%) in an Israeli subsidiary (Palgey Maim Ltd.), for a consideration in the amount of between NIS 22.5 million and NIS 25.5 million (between € 5.6 million and € 6.3 million), less payments to be made (or already paid) by the subsidiary to TGI ('the Adjustment Amounts').

At the time of completion of the sale of the subsidiary, TGI will be paid in cash in the amount of approximately NIS 22.5 million, minus the Adjustment Amounts. The balance, in the amount of approximately NIS 3 million (approximately € 0.7 million), will be deposited in trust and will be used to ensure presentations and adjustments, in respect of certain payments specified in the agreement.

Completion of the transaction is subject to the fulfillment of a number of conditions precedent, the main ones being the approval of the competition commissioner, the approval of the financing banks of TGI, and the approval of certain third parties.

The Company does not expect to recognize a profit on completion of the transaction. Also, in view of the financial situation of TGI, the proceeds are expected to be used to finance TGI Group's activities and to repay its debts to the banks that finance its activities, all as agreed with the banks.

## **9. FINANCIAL COVENANTS**

As of June 30, 2020 the Company did not meet its financial covenant, as agreed with the Company's debenture holders.

As of June 30, 2020 some group companies of TGI did not meet certain financial covenants (see also Note 8).

KLC and its group companies met their financial covenants as of June 30, 2020.

## **10. SUBSEQUENT EVENTS**

Please see Note 8 above regarding sale of a subsidiary of TGI subsequent to the balance sheet date.

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## ***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 2020 of Kardan N.V., Amsterdam, which comprises the condensed interim consolidated statement of financial position as at 30 June 2020, 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 interim consolidated statement of cash flows for the three and six month-period then ended and the selected explanatory notes. The board of directors is responsible for the preparation and presentation of this (condensed) interim financial information in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union. Our responsibility is to express a conclusion on this interim financial information based on our review.

### ***Scope***

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

### ***Conclusion***

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial statements for the three and six-month period ended 30 June 2020 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union.

### ***Emphasis of uncertainty with respect to the going concern assumption***

We draw attention to note 1b of the condensed interim consolidated financial statements regarding the financial position and going concern, which indicates that the Company had on a consolidated basis, a working capital deficit as at 30 June 2020 of €436 million. For the six-month period ended 30 June 2020, the Company recorded a net loss of €31.1 million and generated negative cash flows from operating activities on a consolidated basis of €9.6 million. In addition, as at 30 June 2020, the Company had a deficit of €185.9 million in its equity attributable to equity holders.

The disclosure note also indicates that in February 2018 the Company did not repay the principal and interest payments, which were due in February 2018. Hence, the Company is in default according to the Deeds of Trust as of February 2018. The Company is negotiating a new debt settlement with its debenture holders.

The realization of the Company's plans depends on factors that are not within the Company's control, including the approval of the debenture holders to a debt settlement, the transaction value of the Company's assets, refinancing and restructuring of loans, the impact of the Corona virus and macroeconomic developments, and therefore there is uncertainty that the discussions with the debenture holders will result in rescheduling of payments and that transactions for the sale of assets will be entered to or completed. Accordingly, it may be unable to realize its assets in order to repay its liabilities in the normal course of business. These conditions indicate the existence of a material uncertainty which casts significant doubt regarding the Company's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Rotterdam, 31 August 2020  
PricewaterhouseCoopers Accountants N.V.

M.P.A. Corver RA

## **ADDITIONAL FINANCIAL 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 information (stand-alone) annexed to the

Consolidated financial Statements

As of June 30, 2020

**ADDITIONAL FINANCIAL INFORMATION FROM THE COMPANY'S STAND-ALONE STATEMENT OF FINANCIAL POSITION**

**June 30, 2020**

	June 30, <b>2020</b>	June 30, 2019	December 31, 2019
	€ in thousand		
<b>A s s e t s</b>			
<b>Non-current assets</b>			
Property and equipment	57	98	88
<b>Financial fixed assets</b>			
Investments in consolidated subsidiaries	297,372	284,139	288,098
<b>Current assets</b>			
Cash and cash equivalents	1,699	5,340	3,858
Short-term investments	297	169	297
Other receivables and derivatives	2,071	2,197	1,868
	4,067	7,706	6,023
Assets classified as held for sale	-	29,196	-
Total current assets	4,067	36,902	6,023
<b>Total assets</b>	<b>301,496</b>	<b>321,139</b>	<b>294,209</b>
<b>E q u i t y   a n d   l i a b i l i t i e s</b>			
<b>Equity attributable to equity shareholders</b>			
Issued and paid-in capital	25,276	25,276	25,276
Share premium	206,482	206,482	206,482
Foreign currency translation reserve	(23,036)	(12,512)	(19,038)
Property revaluation reserve	19,396	25,095	25,944
Other reserves	4,396	4,645	4,433
Accumulated deficit	(418,383)	(355,713)	(393,699)
	(185,869)	(106,727)	(150,602)
<b>Current liabilities</b>			
Current maturities of debentures	374,433	364,874	377,670
Option liability	1,841	2,849	-
Other payables	99,434	60,143	67,141
	475,708	427,866	444,811
Liabilities associated with assets held for sale	11,657	-	-
Total current liabilities	487,365	427,866	444,811
<b>Total equity and liabilities</b>	<b>301,496</b>	<b>321,139</b>	<b>294,209</b>

**ADDITIONAL INFORMATION FROM THE COMPANY'S STAND-ALONE INCOME STATEMENT**

	For the six months ended June 30,		For the three months ended June 30,		For the year ended December 31,
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2019</u>
	€ in thousand				
Net result from investments for the period	<u>(1,086)</u>	<u>12,245</u>	<u>(2,685)</u>	<u>5,312</u>	<u>29,026</u>
General and administrative expenses, net	<u>1,085</u>	<u>1,594</u>	<u>488</u>	<u>650</u>	<u>2,077</u>
<b>Income from operations before financing expenses</b>	<u>(2,171)</u>	<u>10,651</u>	<u>(3,173)</u>	<u>4,662</u>	<u>26,949</u>
Financing expenses, net	<u>(16,194)</u>	<u>(45,254)</u>	<u>(11,422)</u>	<u>(17,274)</u>	<u>(78,265)</u>
<b>Loss before tax expenses</b>	<u>(18,365)</u>	<u>(34,603)</u>	<u>(14,595)</u>	<u>(12,612)</u>	<u>(51,316)</u>
Income tax expense (benefit)	-	(64)	-	(26)	65
<b>Loss for the period from continuing operations</b>	<u>(18,365)</u>	<u>(34,667)</u>	<u>(14,595)</u>	<u>(12,638)</u>	<u>(51,381)</u>
Net loss from discontinued operations	<u>(12,867)</u>	<u>(11,908)</u>	<u>(12,867)</u>	<u>(10,432)</u>	<u>(32,331)</u>
<b>Loss for the period</b>	<u><u>(31,232)</u></u>	<u><u>(46,575)</u></u>	<u><u>(27,462)</u></u>	<u><u>(23,070)</u></u>	<u><u>(83,712)</u></u>

**ADDITIONAL INFORMATION FROM THE COMPANY'S STAND-ALONE  
STATEMENT OF COMPREHENSIVE INCOME**

	For the six months ended June 30,		For the three months ended June 30,		For the year ended December 31,
	<b>2020</b>	2019	<b>2020</b>	2019	2019
	€ in thousand				
Net loss for the period	<u>(31,232)</u>	<u>(46,575)</u>	<u>(27,462)</u>	<u>(23,070)</u>	<u>(83,712)</u>
Foreign currency translation differences	<u>(3,998)</u>	<u>(463)</u>	<u>(3,979)</u>	<u>(7,326)</u>	<u>(6,989)</u>
Change in hedge reserve, net	<u>(37)</u>	<u>(192)</u>	<u>-</u>	<u>(78)</u>	<u>(404)</u>
Other comprehensive income (loss) for the period	<u>(4,035)</u>	<u>(655)</u>	<u>(3,979)</u>	<u>(7,404)</u>	<u>(7,393)</u>
<b>Total comprehensive loss</b>	<u><b>(35,267)</b></u>	<u><b>(47,230)</b></u>	<u><b>(31,441)</b></u>	<u><b>(30,474)</b></u>	<u><b>(91,105)</b></u>



## ADDITIONAL INFORMATION FROM THE COMPANY'S STAND-ALONE CASH FLOW STATEMENT

	For the six months ended June 30,		For the three months ended June 30,		For the year ended December 31,
	<b>2020</b>	2019	<b>2020</b>	2019	2019
€ in thousand					
<b>Cash flow from operating activities of the Company</b>					
Loss for the period	(31,232)	(46,575)	(27,462)	(23,070)	(83,712)
<b>Adjustments to reconcile net profit to net cash of the Company</b>					
Charges to net loss not affecting operating cash flows:					
Financial expenses	16,389	(203)	11,624	(109)	78,469
Equity earnings (losses)	13,953	(337)	15,552	(5,120)	3,305
<b>Changes in working capital of the Company</b>					
Change in receivables	310	(385)	636	48	(524)
Change in payables	(1,079)	58,537	(1,112)	30,277	11,374
<b>Cash amounts paid and received during the period</b>					
Dividend received from consolidated companies	-	13,000	-	13,000	13,000
Interest paid	-	(23,901)	-	(23,901)	(23,901)
<b>Net cash provided by (used in) operating activities of the Company</b>	<b>(1,659)</b>	<b>136</b>	<b>(762)</b>	<b>1,365</b>	<b>(1,308)</b>
<b>Cash flow from investing activities of the Company</b>					
Change in short term investments	-	-	-	-	(128)
Investments in subsidiaries	(500)	(170)	(120)	(500)	(170)
<b>Net cash provided by (used in) investing activities of the Company</b>	<b>(500)</b>	<b>(170)</b>	<b>(120)</b>	<b>(500)</b>	<b>(298)</b>
<b>Cash flow from financing activities of the Company</b>					
Repayment of debentures	-	(12,221)	-	(12,221)	(12,221)
<b>Net cash used in financing activities of the Company</b>	<b>-</b>	<b>(12,221)</b>	<b>-</b>	<b>(12,221)</b>	<b>(12,221)</b>
<b>Increase (decrease) in cash and cash equivalents of the Company</b>	<b>(2,159)</b>	<b>(12,255)</b>	<b>(762)</b>	<b>(10,976)</b>	<b>(13,827)</b>
Change in exchange rates	-	-	-	-	<b>90</b>
Cash and cash equivalents at beginning of the period of the Company	3,858	17,595	2,461	16,316	17,595
<b>Cash and cash equivalents at end of the period of the Company</b>	<b>1,699</b>	<b>5,340</b>	<b>1,699</b>	<b>5,340</b>	<b>3,858</b>

## ADDITIONAL INFORMATION

### 1. General

- A. 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, 2019 and the accompanying notes, and in conjunction to the condensed interim consolidated financial statements for the six months ended June 30, 2020.

### B. Financial position and going concern

- (1) As at June 30, 2020 the Company had a consolidated working capital deficit of €436 million (excluding debentures held by subsidiaries), mainly as a result of classification of the debentures and other long-term debt as short-term liabilities, as detailed below. For the six and three months period ended June 30, 2020, the Company recorded a consolidated net loss of €31.1 million and €27.6 million, respectively, and generated negative cash flow from operating activities of €9.6 million and positive cash flow of €0.2 million, respectively, on a consolidated basis. In addition, as at June 30, 2020 the Company had a deficit of €185.9 million in its equity attributable to equity holders. The Company has not repaid the February 2018, 2019 and 2020 principal and interest payments to the debenture holders and is in default according to the Deeds of Trust – see 2 below.

- (2) 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 Deeds of Trust as of February 2018. Accordingly, from March 31, 2018, the debentures are presented as current liabilities. Management continues the 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 3 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".

- (3) 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 to use the funds received from such disposals for early repayment of Debentures A and B, the Company shall issue to Debenture Holders A and B shares of the Company; 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.

In April 2019, each of the meetings of debentures A and of debentures B approved the understandings reached by the representatives of both debenture 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. Following this approval, in June 2019 the Company repaid NIS 145 million (approximately €36.5 million) to debenture holders B.

Given the development in the financial standings of the Company, in September 2019, the Company has approached the Debenture Holders to propose that the parties will negotiate new terms of the debt settlement, which will be based on the following principles: (1) a portion of the Company's debt will be converted into the Company's shares in such a way that it is expected that the Debenture Holders will obtain a vast majority of the outstanding shares in the capital of the Company, after the share issue; (2) the amount of the Company's debt that will be converted into the Company's shares will be determined on the basis of a joint analysis of the Company and the Trustees, to ensure that the Company has positive equity and the Company can continue to operate as a going concern and meet its repayment obligations towards the Debenture Holders, taking into account future interest payments and expected proceeds when realizing assets in the future; (3) the Company's shares will be allocated to the Debenture Holders pro rata to the Company's total debt to the Debenture Holders (Series A) and (Series B); (4) the percentage of shares to be held by the Debenture Holders shall be determined by the parties within the framework of the negotiations; (5) the Company will continue to realize its assets under the management of the Company's Board of Directors. The new shareholders (i.e. the Debenture Holders) may make use of the right to nominate new board members; and (6) the balance payment as agreed between Series A and B will continue to apply with respect to funds received by the Company. Such settlement structure requires approval of the meeting of shareholders of Kardan and of the meeting of the debenture holders of the Company.

As of the date of approval of these condensed interim consolidated financial statements, management is advancing the negotiations with the representatives of the debenture holders in order to reach a debt settlement according to the structure described above.

- (4) Given the current adverse financial position of TGI, the Board has noted the utmost importance of strengthening the equity of TGI 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. At this stage TGI is negotiating a restructuring plan with its financing banks. Such transaction should provide TGI the required resources to continue its operation and improve its financial standings. The Company anticipates that after such improvement in the financial performance of TGI subsequent such capital increase and further advancement in various business initiatives it would be feasible to divest the holding in TGI. In this respect, please refer to Note 8 to the interim consolidated financial statements for additional information regarding the financial position of TGI and the Company's investment in TGI.

In addition, the Company is acting to improve its assets in China and to refinance the project loan (see Note 6 to the interim consolidated financial statements); 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.

In order to assess the liquidity position of the Company, management prepared a two-year liquidity analysis (cash flow forecast), 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. Due to the financial position of TGI, the cash flow forecast of Kardan does not include any cash generated from selling the investment in TGI.

- (5) For information regarding the impact of the Corona crisis, please refer to Note 1C to the interim consolidated financial statements.
- (6) The directors expect that, taking into account the status of the discussions with the Debenture Holders and the expected terms of the debt settlement, subject to advancement of a settlement of debt-conversion to equity as presented to the Debenture Holders in September 2019, and taking into account the potential future value of the Company's assets in China, the Company has the ability to obtain the required resources for repaying its obligations and continue its business operations in the future. Management believes that a controlled sale of assets is in the best interest of all stakeholders. Accordingly, the directors are of the opinion that it is appropriate to prepare these condensed interim consolidated financial statements on a going concern basis.

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