ANNUAL REPORT

2020

KARDAN N.V.

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CONTENT

DISCLAIMER

This Annual Report 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 repay its debts, grow, execute its business model, and generate future financial returns (ii) from concentration of its business in Central Eastern Europe, Africa, India 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 listing on the Tel Aviv Stock Exchange (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 (v) from the impact of the corona crisis (vi) from the inability to finalize the negotiations Tahal is conducting with its financing banks and (vii) from any of the risk factors specified in this annual report and in the related "Periodic Report" (published by Kardan N.V. in Israel), 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.

PROFILE

Kardan is active in real estate in China, focusing on developing and managing mixed-use projects.

Europark Dalian is the most prominent project, offering consumers and individuals a comprehensive lifestyle concept: a complete shopping and leisure area combined with luxury and business apartments situated in a green setting connected to the city's subway line. Kardan also develops residential apartments together with local partners, in the fast-growing Tier 2 and Tier 3 cities (Xi'an, Shenyang, Changzhou), tapping into the need for housing due to the urbanization.

Kardan is also active in water infrastructure. These activities predominantly take place in emerging markets worldwide through its subsidiary Tahal Group International. Tahal offers high quality integrated customized and sustainable solutions relating to providing water and food (through agriculture) to people in developing and emerging countries.

Kardan's headquarters are located in Amsterdam, the Netherlands. The Company is listed on the Tel Aviv Stock Exchange.

KEY FIGURES

€ in million	2020	2019	2018	2017 *	2016 *
Real estate	(21.1)	11.5	(17.4)	(14.6)	(15.2)
Water Infrastructure (discontinued operations)	(20.0)	(32.2)	0.1	13.1	0.9
Banking and Retail lending (discontinued operations)	–	–	–	–	21.6
Other (AVIS Ukraine)	–	1.5	(2.4)	1.7	1.4
Holding (Corporate G&A and finance)	(26.9)	(64.5)	(17.1)	(17.3)	(40.0)
Total net profit (loss)	(68.0)	(83.7)	(36.8)	(17.1)	(31.3)
Total equity (deficit)	(237.8)	(152.7)	(53.8)	(0.8)	41.2
Equity attributable to the equity holders	(228.0)	(150.6)	(59.5)	(4.4)	37.3
Total stand-alone assets	163.1	294.7	351.2	380.0	409.7
Number of employees (as at year-end)	618	1,492	1,517	1,118	1,055

* Originally published figures; not adjusted to present discontinued operations of previous years

€ per share *	2020	2019	2018	2017	2016
Diluted earnings (loss)	(0.57)	(0.72)	(0.27)	(0.15)	(0.26)
Total equity	(1.93)	(1.24)	(0.44)	0.00	0.33
Equity attributable to the equity holders	(1.85)	(1.22)	(0.48)	0.00	0.30
Number of shares					
As at December 31	123,022,256	123,022,256	123,022,256	123,022,256	123,022,256
Weighted average for the year	123,022,256	123,022,256	123,022,256	123,022,256	123,022,256

* Calculated on the basis of the weighted average number of shares for the year

KARDAN GROUP'S BUSINESS STRATEGY

The business strategy of Kardan focuses on business opportunities arising in emerging markets, developing and managing assets and projects, currently focusing on real estate and water infrastructure. By establishing local platforms in selected markets, based on identified demand, economic viability and legal infrastructure, Kardan combines international expertise with local knowledge. Kardan's real estate activities are fully focused on China, through its subsidiary Kardan Land China (KLC). Its activities in the water infrastructure sector are primarily in Asia, Africa and Central and Eastern Europe, through its subsidiary Tahal Group International (Tahal).

Real Estate

Kardan's real estate activities comprise its existing projects, and currently the main focus is on increasing the income and value of its largest asset, Galleria Dalian, the shopping mall of its large Europark Dalian project and the development and marketing of the residential part of the Europark Dalian project.

Europark Dalian offers consumers and individuals a comprehensive lifestyle concept: a complete shopping and leisure area combined with luxury and business apartments situated in a green setting connected to the city's subway line. Galleria Dalian's offering focuses on a lifestyle-oriented shopping experience with key themes as: family activities, sports, restaurants, cinema and fast fashion. The mall offers digital applications which support promotion management and online purchases. KLC considers Europark Dalian to be an important driver to increase the population and liveliness in the area, which is crucial for the residential part of the project. In addition, KLC continues to sell and develop residential apartments – together with its joint venture partner – in existing projects.

Water infrastructure

Kardan's activities in the water infrastructure sector, through Tahal are mainly focused on emerging and frontier countries, addressing global challenges arising from a growing water shortage mainly due to population growth, industrialization and climate change.

During 2020 Tahal conducted ongoing negotiations with its financing banks regarding a restructuring of its debt as its financial position, due to delays in projects and pressure on liquidity, needed to be strengthened. In September 2020, Tahal reached agreements with the banks according to which, Tahal received proceeds of the sale of a subsidiary and a performance guarantee for a new project. Since September 2020, the Tahal Group operates within the existing credit lines. In order to support its financial position, Tahal sold two subsidiaries in 2020.

Debt settlement

In 2007 and 2008, at a time of significant growth, Kardan issued two debentures in Israel, initially to be redeemed between 2013 and 2020. In 2015 Kardan agreed a debt settlement with its debenture holders, entailing a postponement of the majority of the principal payments. In 2017, in order to generate cash to meet the payments in February 2018, the Company initiated the sale process of Tahal. At the beginning of 2018 it became apparent that Kardan would not be able to meet the repayment obligations due in February 2018. Since then, the Company is in discussions with the debenture holders with the aim to reach a new debt settlement.

Kardan's current strategy is therefore primarily focused on the repayment of the debentures through generating cash by selling assets, whilst continuing to also focus on further improving the results of the subsidiaries and therefore their value.

In 2020, the Company conducted negotiations with the representatives of the Debenture Holders regarding the new debt settlement between the Company and the Debenture Holders. In March 2021, a meeting of the Debenture Holders (series A and B) was held during which, among other things, the main principles of the debt settlement were presented, and the draft debt settlement was published. The framework of the debt settlement is based on conversion of a portion of the debt into the Company's shares which will grant the control over the Company to the Debenture Holders. In a voting meeting of the Debenture Holders that took place on 6 April 2021, the Debenture Holders decided to approve advancing the debt settlement between the Company and the Debenture Holders.

It should be emphasized that the Company's assessments regarding reaching a final settlement with the Debenture Holders are uncertain and are depending on factors beyond the Company's control, including various approvals. As of the date of this report, there is no certainty regarding reaching such agreement, its terms, and/or the date of its approval.

FINANCIAL REVIEW 2020

Consolidated Income Statement Kardan N.V.

The 2020 consolidated income statement is shown in the table below in a condensed form.

(in € thousands)	2020	2019
Total revenues	29,434	64,551
Total expenses	(30,721)	(60,396)
Profit (loss) from operations before fair value adjustments and disposal of assets	(1,289)	4,155
Loss from fair value adjustments	(26,723)	(1,555)
Profit (loss) from disposal of assets and investments and other income (expense), net	1,049	
Result from operations before finance expenses	**(26,963)**	**2,600**
Financing expenses, net	(35,550)	(69,491)
Equity earnings, net	9,935	14,667
Loss before income tax	(52,578)	(52,224)
Income tax expenses / (benefit)	(4,580)	727
Loss from continuing operations	**(47,998)**	**(52,951)**
Loss from discontinued operations	(21,786)	(35,477)
Loss for the period	**(69,784)**	**(88,428)**
Attributable to:		
Net result for equity holders	**(68,028)**	**(83,712)**
Non-controlling interests	(1,756)	(4,716)
	(69,784)	(88,428)
Other Comprehensive income (expense)	(9,322)	(7,393)
Total Comprehensive expense attributable to Kardan equity holders	**(77,350)**	**(91,105)**

Summary of net profit (loss) by activity

Net profit (loss) (In € thousands)	2020	2019
Real Estate (development and investment property)	(21,049)	11,538
Water Infrastructure (discontinued operation)	(20,030)	(32,233)
Other	-	1,472
Total Operations	**(41,079)**	**(19,223)**
Holding (Corporate Finance and G&A)	(26,949)	(64,489)
Total	**(68,028)**	**(83,712)**

Results analysis

Kardan recognized a consolidated net loss attributable to equity holders of €68 million in 2020, compared to a net loss of €83.7 million in 2019.

The loss in 2020 decreased compared to 2019, mainly as a result of lower financing expenses, due to the appreciation of the EUR versus the NIS, and the impact of the Israeli CPI on the Company's debentures. This had a positive impact of €8.1 million in 2020, as opposed to a negative impact of €35.2 million in 2019.

The rental revenues of Galleria Dalian remained stable at €9.3 million in 2020 (2019: €9.1 million), despite rental discounts granted to tenants following the COVID-19 crisis. Combined with lower operating costs, the rental operation generated an operating profit of €5.3 million in 2020 (2019: net profit of €4 million). Despite the improvement in the mall's operations, the investment property segment reported a net loss due to the impairment of the value of the shopping mall. The impairment, amounting to €26.7 million as a result of COVID-19 crisis, resulted in a net loss to this segment of €20.4 million in 2020 compared to a profit of €4 million in 2019.

Revenues from the real estate development segment decreased in 2020 and amounted to €20.1 million compared to €55.5 million in 2019, when two C buildings of the Europark Dalian project were ready for handover. As a result of lower handover of apartments in the joint venture residential projects compared to 2019, the equity earnings from joint ventures amounted to €9.9 million (2019: €14.7 million).

Overall, the Real Estate activities reported revenues of €29.4 million in 2020 (2019: €64.6 million), and an operational loss of €25.6 million in 2020 (2019: €22.7 million). The net result of the Real Estate activities came in at a loss of €21 million in 2020 compared to a profit of €11.5 million in 2019, impacted by the impairment of the shopping mall and high financing expenses on the Dalian loan.

Revenues of the water infrastructure activities decreased to €85.7 million in 2020, compared to €152.8 million in 2019, mainly due to delays in projects and non-acceptance of new projects, resulting from Tahal's adverse financial position. The gross profit decreased significantly compared to 2019 mainly due to provisions for project losses, delays of projects, forfeiture of guarantees as a result of terminated projects, and a mix of projects with relatively lower profitability.

In addition, Tahal recorded other operational expenses of €28.2 million in 2020, due to provisions for doubtful debts and impairment losses. As a result of Tahal's financial position, which could impact its future operations, this trend may continue in the coming quarters.

The result of the Water Infrastructure activities attributable to equity holders came in at a net loss of €20 million in 2020 compared to a net loss of €32.2 million in 2019.

Within Holding, G&A expenses in 2020 amounted to €3.3 million compared to €3.2 million in 2019. Excluding a one-time income from a reversal of a provision amounting to €0.7 million in 2019, a decrease in G&A expenses was recorded in 2020, mainly due to the decrease in consulting expenses and saving in other expenses as a result of the COVID-19 crisis.

Financing expenses on the debentures decreased to €23.7 million in 2020, compared to €61.2 million in 2019 mainly due to net positive impact of foreign currency exchange differences and Israeli CPI on the Company's debentures, which are denominated in NIS amounting to €8.1 million in 2020 compared to negative €35.2 in 2019.

Considering the direct equity impact of foreign currency translation differences and changes in the hedge reserves combined with the net result, the total comprehensive expense to Kardan N.V.'s shareholders amounted to €77.4 million in 2020 compared to a total comprehensive expense of €91.1 million in 2019. The other comprehensive expense was mainly a result of the loss in the period.

Financial position

Equity

Kardan N.V. (company only, in €thousands)	December 30, 2020	December 31, 2019
Total Assets	163,057	294,209
Total Equity	(227,952)	(150,602)
Equity/Total assets (%)	(71.5%)	(51.1%)

The deficit in shareholders' equity of Kardan N.V. increased from a deficit of €150.6 million as of December 31, 2019 to a deficit of €228.0 million as of 31 December 2020, primarily due to the loss in the period.

Negotiations with debenture holders

Since the Company did not repay the principal and interest payments which were due in February 2018, 2019 and 2020, the Company is in default according to the Deeds of Trust as of February 2018. Accordingly, as of March 31, 2018 and until the repayments to the Debenture Holders are rescheduled, the debentures are presented as current liabilities and bear interest in arrears.

Management continues to advance the negotiation with the representatives of the Debenture Holders regarding the debt settlement. The framework of the debt settlement is based on conversion of a portion of the debt into the Company's shares which will grant the control over the Company to the Debenture Holders. Kardan's shareholders meeting that was held in January 2021, authorized the Company's board of directors to issue shares to the Debenture Holders, as part of the debt settlement, if completed. The execution of the debt settlement requires additional approvals such as the approval of the Debenture Holders. In March 2021, a meeting of the Debenture Holders (series A and B) was held during which, amongst others, the main principles of the debt settlement were presented, and the draft debt settlement, which is based on the framework as mentioned above, was published. The voting meeting of the Debenture Holders, that took place on April 6, 2021, has resolved to approve advancing the debt settlement between the Company and the Debenture Holders. However, as of the date of this report, there is no certainty regarding reaching a final agreement, its terms, and/or the date of its approval.

As part of the understandings the Company reached with the Debenture holders (series A and Series B), in November 2020, the Company made a partial interest payment of approximately €7.5 million (NIS 29.5 million).

It should be emphasized that the Company's assessments regarding reaching a final settlement with the Debenture Holders are uncertain and are depending on factors beyond the Company's control, including the approval of the Debenture Holders and their representatives, the debt settlement approval by the Debenture Holders, and the approval of the general meeting of the Company.

Covenants

The Company did not meet the debt coverage ratio financial covenant as defined in the Deeds of Trust for the thirteenth consecutive quarter.

In addition, as at December 31, 2020 some companies in Tahal (included in the discontinued operation) did not meet certain financial covenants for which waivers have not yet been received from the lending banks.

Cash flow forecast

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) and in accordance with the framework of the debt settlement as described in the abovementioned draft debt settlement. 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 agreement with the Debenture Holders has not yet been approved, it is possible that the final agreement to be approved by the meetings of the Debenture Holders will differ from the base assumptions 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 among other things, 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)	**January 1, 2021 – December 31, 2021**	January 1, 2022 – December 31, 2022
Cash and cash equivalents at the beginning of the period	**2.6**	**1.5**
From operating activities		
General and administrative expenses	(2.6)	(2.4)
From investing activities		
Sale of shares and holdings in a subsidiaries and joint ventures (3) – (4)	-	-
Receipt of dividend (5)- (6)	5.5	2.0
Total Resources	**5.5**	**1.1**
From financing activities (7) – (11)		
Principal and interest payment of debentures – Series A	-	-
Principal and interest payment of debentures – Series B	(4.0)	-
Total Uses	**(4.0)**	**-**
Cash and cash equivalents at the end of the period	**1.5**	**1.1**

Main Assumptions to the Cash Flow Forecast

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 new debt settlement framework from March 2021, 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.

1 The cash flow forecast has been jointly prepared for Kardan NV (company-only) and its wholly owned subsidiaries GTC Real Estate Holding BV and Kardan Financial Services BV, as the treasury of these companies is centralized. With respect to limitations regarding the transfer of funds between the companies, see note 11 below.

2 The following are assumptions, comments, and reservations in relation to the Company's estimations regarding the future cashflow from investing activity:

a. As detailed in various reports of the Company, the Company has been making efforts to sell its holdings in Tahalfor some years, with a view to using the funds received from the sale to repay part of the debentures. In light of Tahal'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, termination of projects and forfeiture of guarantees, the negative cash flow and delays in Tahal's projects and the doubts regarding its ability to continue as going concern, the Board of Directors of the Company concluded that, at present, the strengthening the financial position of Tahal is required (among others, by the sale of certain assets of Tahal that will be used to repay its debt to the banks). Accordingly, the cash flow forecast assumes that no payment will be received from Tahal or as a result of the sale of the Company's holdings in Tahal.

b. 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. In addition, KLC has begun a soft launch process regarding the sale of Galleria Dalian shopping mall. It should be noted that according to the Company's estimation, towards the month of June 2021, a cash flow shortage might occur in Kardan Land Dalian, due to a commitment to partially repay the Dalian loan as well as the fact the final repayment date of this loan is in November 2021. KLC management expects it will be able to assist Kardan Land Dalian from other sources. Failure to obtain sufficient funding to repay the loan could negatively impact KLC's operations. The cash flow forecast therefore does not assume the receipt of proceeds from the sale of the Galleria Dalian shopping mall.

3 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.

4 The 'dividend distribution' line assumes dividends, which will be received in KLC from Lucky Hope companies. 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 by KLC.

5 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.

6 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.

7 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.

8 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 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.

10 The interest calculations are based on the Israeli CPI, exchange rates and interest rates which are applicable as of December 31, 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 December 31, 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.

11 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. It should be noted that under certain conditions, a capital distribution is allowed according to the Dutch law, even when the distributable reserves are insufficient.

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

Subsidiary (EUR million)	**Distributable reserves as of 31.12.2020**	**Intercompany loan as of 31.12.2020**
GTC RE	125.8	-
KFS	-	(14.3)

REAL ESTATE DIVISION

Kardan N.V. operates in the Asian real estate sector through Kardan Land China Ltd. (KLC).

KLC develops residential apartments, mostly with local partners, in fast-growing Tier 2 and Tier 3 cities, tapping into the need for housing due to the urbanization. It has a strong track record and constructed in total 24,720 apartments, since it emerged, of which 23,584 were sold, and has rights and land to develop another approximately 1,052 apartments. In addition, KLC owns land in Palm Garden and 2 plots in Xi'an for further development.

KLC currently has five projects under ongoing development and construction, located in four cities throughout China: two in Shenyang (the capital of Liaoning Province in North-east China and the largest city in this province), one in Xianyang (a city in North-east China bordering the city of Xi'an), one in Changzhou (a city located 160 kilometers to the North-west of Shanghai) and one in Dalian (the second largest city in Liaoning Province).

Furthermore, KLC develops mixed-use projects, consisting of commercial retail estate under its Galleria brand and residential and small office apartments, like the current large project 'Europark' in Dalian. KLC holds, operates and manages shopping center Galleria Dalian in Dalian, which was officially opened in August 2015.

The key drivers for KLC in the commercial real estate sector in China are: (1) the location of the properties in high-demand areas in Tier 2 and Tier 3 cities; (2) the reputation of the brand 'Galleria'; (3) management abilities in the Chinese market based on local management with connections to the Chinese government and business officials and unique connections with international commercial chains; (4) expertise in locating land and business opportunities for construction of projects; (5) proven ability for the whole or partial sale of the property; (6) access to sources of financing; (7) knowledge and expertise in managing, operating and marketing commercial areas; (8) creating and maintaining a diverse tenants mix that will provide the most comprehensive solution possible to the customers.

Market developments

During the coronavirus crisis, China's economy recovered especially rapidly and became the only major economy to achieve GDP growth in 2020. In 2020, the Chinese GDP grew by approx. 2.3% compared to 2019. In addition, it is estimated that the rapid growth trend will continue through 2021. As of 2020, China's economy accounted for more than 18.6% of the gross world product, and had a total workforce of approximately 896 million people.

Upon the outbreak of the coronavirus epidemic (COVID-19) in December 2019 and its rapid spread across China and beyond, a health state of emergency was declared since early January 2020. Following the declaration, restrictions were placed on the movement of persons between and within cities and a series of businesses were closed. In addition, the education system shut down, and the government urged people to stay in their homes in an attempt to take control of the spread of the virus. The immediate effect of the spread of the coronavirus and of the announcement of a state of emergency was a slowdown in China's economy, especially in the third economic sector. This sector - which includes, among other things, food and beverage, entertainment, fitness, tourism, hotels and retail - was hard-hit, both due to the announcement of access restrictions aimed at reducing unnecessary movement and gatherings and due to the caution exercised by civilians, who avoided leaving their homes and purchasing other than basic necessities.

As a result of these restrictions, shopper traffic in malls (including in the Dalian Mall) was down substantially, as was store turnover. Additionally, potential apartment buyer traffic in some projects was somewhat adversely affected, causing a significant decline in apartment sales and a slight drop in apartment prices in some of the projects, compared to their levels prior to the coronavirus outbreak.

As of March 2020, provinces and municipalities across China cautiously and gradually begun to take mitigating measures to get life and the economy back on track, as much as possible. Later on, there were random outbreaks in several cities, which were treated immediately and with determination. In general, most economic sectors were almost fully operational. The trend of continuous improvement was reflected in the economy's key indicators. For example, after several months of economic contraction, since June 2020, exports from China grew compared to the same month in the previous year and from July to November 2020, there was an increase of over 10% in total exports compared to the same period in 2019.

However, in cities which experienced additional outbreaks, the local economies were damaged during the restrictions period. For example, in the city of Dalian, where Kardan Land China's income-generating property is located, there were two further outbreaks of the coronavirus in 2020, which significantly damaged the city's economy as a whole, and specifically - buyer traffic in the mall and the stores' turnover.

Due to the uncertainty surrounding the continued development and spread of the coronavirus, the effect of the vaccinations etc., as of the report date, the Company is unable to assess the future effect of the coronavirus spread on the Chinese economy as a whole and on the activity of Kardan Land China in particular.

Residential construction market

The real estate market in China is a highly decentralized and fragmented market, characterized by fierce competition.

Although there are some very large and strong local real estate companies and there is an increasing consolidation, currently still no single market participant has a particularly large market share. The foreign companies are primarily engaged in the commercial real estate sector and in the construction of luxury residential projects in Tier 1 and Tier 2 cities. The Tier 1 cities are the four most developed cities in China (from the aspect of GDP and per-capita GDP, infrastructure, education, etc.), Shanghai, Beijing, Guangzhou and Shenzhen. The Tier 2 cities are less developed than the Tier 1 cities from the aspect of the features mentioned, they include provincial capitals and other major cities in China, such as Shenyang, Xi'an, Chengdu and Dalian, where KLC is active.

According to estimates, the ongoing process of Chinese urbanization is expected to bring about the creation of 170 million new city-dwellers during the period 2015 - 2025 – a trend that is expected to bring about an improvement in the residential real estate market.

According to the Chinese National Bureau of Statistics, real estate investments in China grew by 7% in 2020, compared with a 9.9% increase in 2019. To the best of Kardan Land China's knowledge, in 2020, the prices of newly-completed residential apartments in China rose by an average 3.7% in 70 of China's largest cities (December 2020 compared with December 2019), whereas prices in first tier cities remained stable in 2020 (compared with the sharp increase in the price of new apartments in first-tier cities in the past).

The market of shopping centers

The market of shopping centers is highly dependent on the buying power of the local population. As a result of the outbreak of the coronavirus, retail sales of consumer goods were significantly affected. During the entire 2020, there was an approximately 3.9% decrease in retail sales of consumer goods compared to 2019. Nevertheless, this figure has been gradually improving. For example, in the third quarter of 2020, there was 0.9% growth compared to the third quarter of a previous year, and in the fourth quarter 3.2% growth compared to the fourth quarter of the previous year. This compares to a negative growth (approximately 19%) in the first quarter of 2020 (compared to the same quarter in 2019) and a negative growth (approximately 3.8%) in the second quarter of 2020 (compared to the same quarter in 2019).

Next to government initiatives to encourage domestic private consumption, the management of KLC foresees an extensive urbanization trend and rapid expansion of retail chains in China which constitute positive growth factors in the commercial real estate market in China. Simultaneously, we see an increase in competition in this field, both from local entrepreneurs and from international companies, which creates greater competition for land for development.

Another challenge is the fast-growing online shopping market in China which had brought massive changes in consumption behavior (transition from shopping malls to online purchases.) Since the beginning of widespread use of fourth generation of broadband cellular network technology (4G) in China, there has been an increase in China's online retail sales. In 2019, online sales increased by approximately 16.5% compared to 2018, and in 2020 - by approximately 10.9% compared to 2019. The official launch of 5G on October 31, 2019 and its especially rapid deployment in China contributed (and is expected to continue to contribute) to further boosting online retail sales during the next few years.

Kardan Land China has adapted to this trend by adjusting the composition of tenants which provide entertainment, food, fitness, children's services, educational services, training, music, as well as additional activities which cannot be bought online. The Company believes these will attract visitors and buyers to the Mall.

Operational developments Real Estate

Residential projects KLC

Units sold in the period	For the year ended December 31, 2020	2019
100% owned		
Europark Dalian	67	91
*Joint Venture projects**		
Olympic Garden	221	135
Suzy	395	297
Palm Garden	18	2
City Dream	84	153
	718	**587**
Total	**785**	**678**

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

	For the year ended December 31, 2020	2019
Operational information		
Revenue Residential - JV (in € thousands)*	43,390	62,861
Gross profit Residential - JV (in € thousands)*	22,533	29,276
Apartments sold in period (a)	785	678
Apartments delivered in period (a)	807	1,679
Total apartments sold, not yet delivered (C)	852	874

(a) All residential apartments, incl. Dalian (100%).
(b) In 2020 75 apartments were delivered in the Dalian project compared to 231 apartments in 2019.
(c) KLC's part in the gross profit from apartments sold, not yet delivered is estimated at €25.4 million as of 31 December 2020.

In 2020, KLC sold 718 apartments in four JV projects in three different cities in China: Olympic Garden in Xian, Suzy in Shenyang, Palm Garden in Shenyang and City Dream in Changzhou. In addition, in the Europark Project in Dalian, KLC sold 67 units.

The total number of units in inventory (including apartment inventory in the joint venture residential projects) increased from 1,794 as at December 31, 2019 to 1,889 as at December 31, 2020.

The number of unsold units in inventory increased to 1,053 as at December 31, 2020 (919 as at December 31, 2019). The percentage of unsold units for which construction was completed as at December 31, 2020, slightly decreased to 23% (34% as at December 31, 2019).

Following the COVID-19 crisis, management estimated, taking into account sales after balance sheet date, that no impairment of the value of the apartment inventory in any of the residential projects was required except for the abovementioned impairment of car parks in the amount of €2.3 million.

Shopping mall Galleria Dalian integrates multiple aspects in its offering, including entertainment, food, sports and health, and fashion. The performance of shopping mall Galleria Dalian was impacted by COVID-19 and the restrictions imposed by the authorities to control the pandemic. Shops had to be temporarily closed. Although the vast majority of shops reopened in the course of the year, footfall and sales remained under pressure. The occupancy level decreased from 94.1% as at 31 December 2019 to 87.2% at December 31, 2020, and the opening rate from 91.5% to 81.4% as at 31 December 2020.

Results analysis

In order to better reflect the underlying activities, the Company presents the results of the Real Estate activity as two operational segments: Real Estate – Development and Real Estate – Investment Property. The Real Estate – Investment Property segment only includes the results of operation of the Galleria Dalian shopping mall; the Real Estate – Development segment includes the results of the residential development of the Europark Dalian project as well as the results of residential real estate projects under joint control.

In thousands of Euro	For the year ended	
	December 31, 2020	December 31, 2019
Real Estate - Development		
Sale of apartments	20,126	55,496
Cost of sales	(19,187)	(47,053)
Gross Profit (loss)	**939**	**8,443**
SG&A expenses	(2,375)	(2,889)
Gain (loss) from disposal of fixed assets and investments, net	-	(1,555)
Equity earnings (losses)	9,935	14,667
Real Estate Development segment results	**8,499**	**18,666**
Real Estate - Investment Property		
Rental revenues	9,308	9,055
Cost of rental revenues	(2,272)	(3,529)
Gross Profit	**7,036**	**5,526**
SG&A expenses	(1,776)	(1,497)
Operating profit	**5,260**	**4,029**
Loss from fair value adjustments	(26,723)	-
Profit from other income (expense), net	1,049	-
Real Estate Investment Property segment results	**(20,414)**	**4,029**
Total Real Estate activity results	**(11,915)**	**22,695**
Other unallocated expense	(1,857)	(2,217)
Profit (loss) before finance expenses and income tax	**(13,772)**	**20,478**
Finance expenses, net	(11,861)	(8,287)
Tax benefits (expenses)	4,584	(653)
Profit (Loss) for the period – attributed to Company's shareholders	**(21,049)**	**11,538**

Real Estate – Development

The Real Estate Development segment relates to the residential projects of Europark Dalian and the joint venture residential projects.

In 2020 revenue from the sale of apartments (the handover of apartments in the Europark Dalian project) amounted to €20.1 million (2019: €55.5 million) and was impacted by some decrease in selling prices of the apartments following the COVID-19 crisis. In 2020, 75 units in the C towers of the Europark Dalian project were delivered, a decrease compared to 231 units in 2019.
In 2020, as a result of an impairment to the value of car parks inventory of €2.3 million, a relatively lower gross profit was recorded in the period.

SG&A expenses decreased to €2.4 million compared to €2.9 million in 2019. SG&A expenses which are mainly related to the C towers in the Europark Dalian project are decreasing with the progress of the sales.

'Equity earnings' (the result of the residential activities from joint venture projects) increased and contributed a profit of €9.9 million in 2020 compared with a profit of €14.7 million in 2019, due to lower number of apartments delivered in the period. Revenue of the residential joint venture projects in 2020 amounted to €43.4 million (2019: €62.8 million). Despite the COVID-19 crisis, interest remained strong during 2020, which materialized in a relatively high number of apartments sold in most of the Group's residential joint venture projects.

The results of the Real Estate development segment decreased from €18.7 million in 2019 to €8.5 million in 2020, as a result of, among other things, the impairment of car parks as mentioned above.

Real Estate – Investment Property

The Real Estate Investment Property segment relates to the results of operation of the Galleria Dalian shopping mall.

Revenues of the Investment Property segment increased slightly to €9.3 million in 2020 (2019: €9.1 million), despite rental discounts granted to tenants in 2020 following the COVID-19 crisis.
Due to the restrictions imposed by the authorities in China following the outbreak of COVID-19, shops had to be temporarily closed during the lockdown periods, which resulted in a sharp decrease in the footfall and sales mostly in Q1 2020, after which the operation of the mall was gradually resumed. As of the date of this report, there are no closed shops, as a result of the COVID-19 outbreak. However, there is no certainty that this trend will continue in the coming periods.

The gross profit increased significantly from 61% in 2019 to 76% in 2020 due to actions taken by the management to reduce operating expenses. The increase in revenues combined with the efficiency measures taken, led to an improvement in the shopping mall's NOI from €3.7 million in 2019 to €4.9 million in 2020 so that the profit from operations of the investment property segment came in at €5.3 million in 2020, compared to €4 million in 2019.

SG&A increased slightly from €1.4 million in 2019 to €1.8 million in 2020, mainly due to additions to the bad debts provision, as a result of the impact of the COVID-19 crisis.

During 2020, in light of the COVID-19 crisis, the Company updated the valuation of the shopping mall. This resulted in an accumulated impairment of the investment property of €26.7 million in 2020. The impairment is mainly reflecting a higher weight to the DCF method over the comparison method, due to the lack of sufficient comparable transactions due to COVID-19, as well as changes in relevant input parameters such as estimated rental income, expected renewal rate of agreements with existing tenants, the expected growth rate and the exit capitalization rate.
Accordingly, as of December 31, 2020, the value of the investment property amounted to €182.6 million compared to €214.6 million as of December 31, 2019. The impairment of the investment property in 2020 also includes a negative impact foreign exchange differences due to the depreciation of the RMB versus the EUR in the amount of €5.4 million (2019 €1.0 million positive). Following the above, the result the Investment Property segment came in at a loss of €20.4 million in 2020 (2019 €4 million profit).

Real Estate - Total

Overall, the Real Estate activities reported a loss of €11.9 million in 2020 compared to a profit of €22.7 million in 2019.

'Financing expenses, net, amounted to €11.9 million, compared to €8.3 million in 2019. The financing expenses mainly include interest expenses related to the Europark Dalian project loan, as well as a negative foreign exchange impact of €1.6 million, compared with a positive foreign exchange impact of €0.2 million in 2019.

Tax expenses / benefit in 2020 amounted to a benefit of €4.6 million as a result of the change in deferred tax liabilities related to the value of the investment property (2019: €0.7 million tax benefit).

Net profit / loss in 2020 amounted to €21 million loss (2019: €11.5 million profit).

Loans – The project loan amounted to €95 million as of December 31, 2019 and was presented at that date as a current liability, since its contractual repayment date was set to November 2020. In June and October 2020, KLC made partial early repayments of the Dalian loan in the amount of RMB 135 million (€17.1 million). Following these repayments, and as of 31 December 2020 the outstanding loan balance amounted to RMB 606 million (approximately €75.8 million).
In September 2020, KLC signed an agreement for the extension of the loan period for one year. During 2021, KLC is obliged to make gradual repayments amounting to approximately RMB 132 million (€17.0 million), out of which KLC repaid RMB 36 million in February 2021. The remaining balance of the loan is due to be repaid on 5 November 2021. KLC is working to extend the repayment date of the loan or to obtain refinancing. Since as of 31 December 2020, no binding proposals have been received in that respect, the external auditors of KLC included in their audit opinion on the financial statements for the year ended 31 December 2020, a mandatory emphasis of matter regarding significant doubts in relation to the ability of KLC to continue as a going concern. For more information refer to the announcements issued by the Company on 29 September 2020.

Additional balance sheet information - Kardan Land China

(in €thousands)	2020 (31.12)	2019 (31.12)
Real Estate – Development		
Share of investment in JVs	43,337	47,168
Inventory	24,371	41,728
Real Estate – Investment Property		
Investment Property	182,555	214,577
Cash & short-term investments	22,437	36,619
Total Assets	326,763	386,677
Loans and Borrowings	75,803	95,029
Advance payments from buyers (Real Estate – Development)	1,723	4,657
Total Equity	201,639	226,221

Risks

A global economic crisis and/or a Chinese economic crisis may impact KLC due to, among other things, decrease in real estate demand in China, decrease in consumption which is highly likely to impact the Mall's revenues and, as a result, also impact the value of the Mall, decline in real estate prices and rent, changes in government policies regarding real estate, decrease in available financing sources, and lower financial stability of buyers, tenants and subcontractors.

In December 2019, the coronavirus epidemic broke out across China and was officially declared a pandemic at the end of January 2020. As a result, a health state of emergency was declared, restrictions were placed on gatherings and movement of people, and businesses were closed. Although in May 2020 the situation stabilized, during 2020 there were further local outbreaks, including two more rounds in the city of Dalian, the last of which ended in February 2021. These restrictions, as well as the public's fear of contracting the disease, led people to stay at home. As a result, there was a significant decline in economic activity in China. The continued spread of the coronavirus could compromise the activity of the Dalian Mall, home sales in various projects and their continued construction, and, as a result, materially compromise the performance of KLC and the value of its assets. In addition, the Company estimates that there is risk that, even after the coronavirus crisis will have been concluded, that a long period will have elapsed before the Chinese economy recovers to its pre-crisis condition.

KLC is exposed to the Chinese market in which the government has large-scale involvement in the economy in general and in the real estate segment in particular. This material exposure includes, inter alia, the risks of legislative changes and changes in the regulations that govern the real estate industry, including those resulting from regulatory changes which are already in effect, such as: investment incentives in certain areas in China, regulation of foreign companies' activities, regulations restricting the purchase of apartments, etc.

Additionally, the activity requires dealing with substantial bureaucratic issues and obtaining numerous approvals in the course of the business activity. Business activity in China is substantially impacted by government policy both in the monetary area and the regulatory area. Change of policy whose objective is to cool the residential real estate market or the commercial real estate market, generally in China or in the areas where KLC operates, is liable to negatively impact KLC's ability to initiate new projects and the results of existing projects, as well as to raise debt. The Chinese government, through its policies, intentionally impacts the real estate market. The principal means for this are determining the cost of mortgages and their availability, limitations of the number of apartments for purchase in cities or specific areas and regulating the scope and type of lands that flow to the market for investment, as well as various restrictions on financial institutions in terms of granting credit to real estate projects.

With respect to the retail real estate market: demand for commercial space could decline as a result of an increase in the supply of space and as a result of the ever-growing competition for "quality" tenants (financially robust multinationals and global retail chains). Additionally, changes in demand due to a slower growth rate of households, change in interest rates, change in bank mortgage terms, in expectation of changes in home prices and expectations of return on investment in apartments may have a material adverse effect on the level of demand and on home prices. As a result, the abovementioned exposures may have an adverse effect on KLC's financial performance. The effect may be reflected either directly in KLC's operating revenues and expenses or indirectly - through the revaluations of the income-generating properties owned by the Company. In addition,
a downturn in home sales could adversely affect KLC's financing sources due to a decrease in loan-to-value amounts from customers.

The retail sector has been undergoing rapid changes in recent years, inter alia due to technological changes (e-commerce, digital payments, etc.) In recent years, e-commerce has grown, offering an alternative to brick-and-mortar stores. In addition, the development of new means of payment (including through smartphones), makes it difficult to keep track of tenants' proceeds (a percentage of which is payable in addition to the rent). These changes may further erode Kardan Land China's revenues.
For the majority of its residential real estate projects KLC cooperates in a 50/50 joint venture with a Chinese partner in order to spread its risks and to deal with the political gamesmanship optimally. KLC operates with its ear to the ground: construction of projects is phased according to demand in order to minimize the number of apartments in inventory.

WATER INFRASTRUCTURE

Tahal Group International B.V. (Tahal), Kardan's water infrastructure company, focuses on the design, execution, operation and management of projects in the water and agricultural segments and is active in three different continents: Asia (primarily in India and Israel), Africa (Angola) and Europe (Central and Eastern Europe).

Tahal provides engineering design services, as well as supervision and execution of projects in the water resources and supply sector, water and sewage treatment, agriculture and rural development, environmental engineering, solid waste collection and treatment and the entire value chain of natural gas. In addition, Tahal is engaged in the maintenance and development of water assets, such as water and wastewater treatment plants and permits for the operation and maintenance of municipal water systems.

Market developments

The water market (water transportation and supply, water and wastewater treatment, and water and sewage networks) in developing countries - which has been Tahal's area of activity for many years, and in which Tahal has substantial activity - has been growing constantly, inter alia, as a result of the growing demand for water, that is twice the growth rate of the world's population, the limited redundancy in existing water infrastructures, and regulatory changes.

The main factors affecting the increase in the demand for water are: the rapid growth of the world's population - which is expected to reach more than 9.7 billion people by 2050; economic development, mainly in developing countries; climate change; rapid urbanization processes; the industrialization and agricultural development - mainly in emerging economies, the a growing demand for water by the agricultural and industrial sectors, as well as changes in consumption habits. According to estimates, if investments are not made in water infrastructure, in 2030 the global demand for water will surpass the supply of water infrastructures by a rate of 40%. In order to meet the estimated increase, an increase in investments in water infrastructure are required - 40% globally and 50% in developing countries, amounting to USD 22 trillion between 2005 and 2030. The method of coping with the increasing demand for water varies between the different countries and regions in which Tahal operates.

As of the Report date, the water market is facing challenges and difficulties stemming from climate change, urbanization, and decline in green space. Due to the global water shortage, among other things, more than 1.1 billion people suffer from lack of access to safe potable water, poor agricultural crops, damaged ecosystems and lack of advanced sanitation and water systems, which could result in infections and widespread illnesses.

It should be noted that, despite global recognition of the challenges and risks stemming from the water shortage, there is, in fact, a delay in creating solutions for the problem, mainly in developing countries, mostly on the back of difficulties in raising funding, lack of adequate infrastructure, and the need to coordinate between countries.

It is estimated that due to the effects of the coronavirus crisis, the global water and water treatment industry shrank by 17.7% during 2020.[1]

Operational developments

Agriculture

The international position of Tahal in the agricultural sector was in the past few years strengthened by a number of large agricultural projects. The largest project, the Quiminha Project in Angola, covering more than 5,000 ha, is managed and operated by Tahal together with its partner ZRB.

The deterioration in Angola's economic situation following the coronavirus crisis and Tahal's inability to provide the collateral required for the implementation of the projects, do not allow the projects or a part thereof to be executed. As a result, and in light of Tahal's cash flow issues, Tahal is working to sell its holdings in the projects to third parties, in exchange for reimbursement of its expenses in respect of the projects and additional consideration depending on the third party's revenues from the projects.

It is clarified that as of the report publication date, there is no certainty that the projects or any part thereof will be executed by the Angolan government, and there is no certainty that Tahal will be able to sell the projects or a portion thereof to a third party and, as a result, there is no certainty regarding the receipt of any proceeds in connection with the disposal of the projects.

In addition, in November 2020, the agreement for the sale of all agricultural produce of the Quiminha project through Tahal Angola was terminated, and accordingly - the sale of agricultural produce from the project directly through AgroQuiminha was terminated; therefore, the revenues from this area of activity are not consolidated in Tahal's financial statements.

1 Source: https://www.globenewswire.com/news-release/2020/11/25/2133496/0/en/Global-Water-Market-Report-2020-Digitalization-Powering-the-COVID-19-Stricken-Industry.html

Water

Since 2015, Tahal has been active in the Indian water market, through a range of projects for water supply, construction of effluents treatment infrastructures and even several gas and oil projects. Tahal is currently involved in 10 projects in various Indian states. During 2020, most of Tahal's projects in India were behind schedule, which placed some of them at risk of being canceled. Due to the delays in the projects, some guarantees provided by Tahal were forfeited, and there are also pending letters of demand to forfeit additional guarantees and/or cancellation of some of the projects.

During 2020, Tahal continued to carry out existing projects, but did not compete for, nor promote winning new ones. Due to the status of the projects and the Group's financial position, Tahal is seeking to sell all its interests in its water projects in India, or at least to sell and/or transfer some projects to third parties, usually by way of subcontracting. As of the report date, the responsibility for two projects has been transferred to subcontractors, and advanced negotiations are being held regarding additional projects. It is emphasized that, as of the report date, no sale agreement has yet been signed and there is no certainty regarding the sale of the Group's operations in India as aforesaid.

In Russia, Tahal is in the process of constructing 3 projects in the field of water and wastewater treatment in the Ivanovo region of central Russia. Additionally, Tahal has a project in Orenburg, which is in the testing stages.

Also in the Ukraine and Georgia Tahal is active with a number of projects.

Key figures Water Infrastructure

In thousands of Euro	For the year ended	
	December 31, 2020	December 31, 2019
Contract revenues	85,651	152,844
Contract cost	(75,221)	(145,524)
Gross profit (loss)	**10,430**	**7,320**
SG&A expenses	(7,527)	(11,627)
Share of profit (loss) of investments accounted for using the equity method	3,082	1,028
Other operational expenses	(28,162)	(21,877)
Result from operations before financing expenses	**(22,177)**	**(25,156)**
Financing income (expenses), net	1,134	(5,476)
Income tax (expenses) / benefit	(1,921)	(5,139)
Net result of water infrastructure activities	**(22,964)**	**(35,771)**
Adjustments to investment in TGI	1,178	(1,178)
Net result	**(21,786)**	**(36,949)**
Attributable to:		
Equity holders (Kardan N.V.)	**(20,030)**	**(32,233)**
Non-controlling interest holders	(1,756)	(4,716)
	(21,786)	**(36,949)**

Results analysis

Additional Information Water Infrastructure	**2020 (31.12)**	2019 (31.12)
Balance sheet (in €thousands)		
Cash & short-term investments	7,254	11,653
Total Assets	107,888	183,523
Net debt	(47,259)	(49,363)
Equity attributable to equity holders (Kardan N.V.)	(25,017)	0
Equity/Assets	(23.2%)	0%

In 2020, Tahal presented a loss attributable to equity holders in the amount of €20 million compared to a loss of €32.2 in 2019 mainly due to its financial position. In order to finance its operations, Tahal has utilized short term credit lines amounting to approximately €54.5 million from banks and performance guarantees for projects of €67 million. In addition, Tahal's financing bank will not allow it to use unutilized credit lines. This situation imposes difficulties for Tahal to make payments to various suppliers - which caused delays in the execution of projects and an exposure to forfeiture of guarantees.

During 2020 Tahal conducted ongoing negotiations with its financing banks regarding a restructuring of its debt in parallel with its efforts to reorganize and improve its operations, allowing Tahal to return to a solid financial performance. This plan includes support in the form of a facility consisting of guarantees required to advance projects and cash credit line to support Tahal's working capital.

In September 2020, Tahal reached agreements with the banks, according to which, Tahal received a total of approximately €3.8 million from the proceeds of the sale of the subsidiary Palgey Maim and a performance guarantee in the amount of €4.8 million for a new project. In addition, Since September 2020, Tahal operates within the existing credit lines. The agreements with the banks do not include providing support for Tahal's operations in India. There were no further changes to the terms of the credit lines.

In light of its financial position, Tahal sold its subsidiary Palgey Maim in September 2020, and another small subsidiary was sold subsequent to the balance sheet date. In light of all the above, the external auditors of TAHAL included in their opinion on the financial information of Tahal as of December 31, 2020, a mandatory emphasis of matter regarding significant doubts in relation to Tahal's ability to continue as going concern.

Revenues of the water infrastructure activities decreased in the 2020 to €85.6 million compared to €152.8 million in 2019, mainly due to delays in projects in India and Europe due to the financial position of Tahal.

Other operational expense amounted to €28.2 million in 2020, compared to an expense of €21.9 million in 2019. These expenses included a provision for doubtful debts and impairments. As a result, the operational loss amounted to €22.2 million in 2020 compared to an operational loss of €25.2 million in 2019.

Financing income amounted to €1.1 million in 2020 compared to an expense of €5.5 million in 2019, due to a positive impact of exchange rate Euro/USD in the period. Finance expenses are mostly due to interest expenses on utilization of credit lines.

During 2020 the water infrastructure activities generated a negative cash flow from operating activities of €6.9 million.

As of 31 December 2020, Tahal presented a shareholders' deficit in the amount of €25 million mainly due to the result in the period.

In the past few years, the value of Tahal eroded due to the deterioration of its operational activities which resulted in significant losses. Since the Company is consolidating Tahal in its financial statements, the negative impact on the Company's equity is €25 million, while the Company values its investment in Tahal to be nil. On 29 March 2021, the meetings of the debenture holders decided to give their final and binding approval to receive the right to appoint the members of Tahal's Board of Directors instead of the Company, in such way, that the appointment of Tahal's Board members will be made at the decision of the debenture holders. The Company is examining the implications of the entry into force of the decision on the treatment of Tahal in its financial statements.

Risks

Tahal's ability to take action in the various countries in which it operates is directly influenced by the level of investments in the relevant country and the country's economic ranking according to international indexes. Political stability, improving the economic and security environment, and government decisions for the distribution of resources for the development or promotion of investments and industry are influencing factors for project execution and Tahal's business in these countries. The exposure includes, inter alia, the risks of changes in regulations such as regulations that regulate the business of foreign companies, regulations regarding the environment, and others.

A recession and slowdown in the growth rate in the developing countries is liable to negatively impact Tahal's growth rate. Tahal, the value of its assets, its results, the amount of its capital, the ability to realize assets, the state of its business, and Tahal's ability to fulfill its financial obligations in which it has committed itself to loans and to raise funds and financing packages for projects and for holding assets (including for the matter of financing terms) are exposed to negative repercussions of the macro factors in the short, medium and long term. The global economic situation also influences the readiness of developing countries to offer financing packages or to insure projects in developing countries. Moreover, Tahal's projects require significant capital. In light of the aforesaid, the slowdown in the global economy is liable to adversely affect Tahal's business results and/or development since the Group might not be able to raise the required capital for the aforementioned projects or the capital it raises will be at financing terms that are inferior to those of the past.

The outbreak of the coronavirus in China and the virus's subsequent global spread constitute a global macroeconomic risk, causing uncertainty about future economic activity around the world and the expected impacts on inflation and financial markets. The potential damage embodied in the coronavirus spread to growth and the global economy depends on the speed and ability to stop the spread of the disease across the entire world. At this stage, Tahal is unable to estimate the duration and magnitude of the crisis or its full implications for its activity. However, due to the fact that a material part of Tahal's activities are based on government investments in infrastructure and financing by various international organizations, a global economic crisis, recession and a decline in infrastructure investments by governments, which may be caused by the spread of the coronavirus, may have an adverse effect on the activity and results of Tahal.

The possibility of executing infrastructure development projects or investing in assets usually depends on meeting capital and financing requirements and on providing guarantees. Tahal's financing sources may not be sufficient to execute the projects or investments in assets. Tahal inability to obtain sufficient funding to execute the projects or invest in assets may cause delays in the execution of the projects, abandonment of existing projects, and a failure to take advantage of business opportunities in the future.

Tahal is occasionally required to include a proposal for project financing by third parties in its tender offer. This entails finding a commercial financial institution to provide a loan to the customer for financing a project. In such cases, the effective start of such a loan agreement is usually a precondition for the start of the project. Consequently, as it has become more difficult to attract funding in the past years, this may negatively impact the ability to close a new project or delay the commencing of the project significantly. Tahal has significant experience in facilitating finance for a project and considers this risk element to be part of the project scope.

A drop in global oil prices could cause these countries to reduce the budgets designated for water treatment and agricultural development and could even lead to the delay in receiving new projects by Tahal, the cancellation of agreements for the execution of projects that Tahal has committed to carry out and the delay in receiving compensation for the aforementioned projects. In order to spread its risks, Tahal aims to tender for projects in its core focal areas in diverse geographical markets. At present, Tahal has many such tenders outstanding.

Infrastructure construction and development projects are by nature subject to various performance risks, including the inability to complete the project within the timeframe, budget, guidelines and standards established in the specific agreement. A lot of attention is dedicated to continuous improvement of project management in order to minimize risks. However, risks do occur and at times cannot be avoided. In addition, projects may be delayed as a result of statutory reasons (such as delays in obtaining various permits and licenses, the release of goods from customs, and making the site available for the project). Delays are also liable to cause a rise in costs and lower returns on capital investments and reduce profits as well as a failure to meet the loan payment schedule. In addition, delays by the countries requesting the implementation of the projects may affect the financing packages necessary for the execution of the projects, which could harm the ability of Tahal to complete the project within the determined project schedule established for the project. If the customer does not meet his financial obligations to Tahal and/or when the customer delays, cancels or does not meet his financial obligations to Tahal and/or when the customer delays, cancels or does not act to complete the project, after Tahal has made significant promotional investments this could have a negative impact on Tahal, its business, financial condition and financial results.

Many of Tahal's projects are executed in emerging and frontier countries, represent significant budgets, involve co-operating with sub-contractors and external parties and are frequently dependent on obtaining certain regulatory permissions. These combined factors could lead to situations of corruption, bribery and or fraud. Tahal has an anti-corruption policy in place complementing its existing policies and guidelines.

The environmental risks associated with the activities of Tahal are characterized by the type of activity and include groundwater and river pollution, soil pollution and air pollution. In general, Tahal has quality standards requiring its employees to apply high standards on environmental issues and environmental control procedures, procurement, hiring sub-contractors, project management method, submission of bids etc. In addition, there is an integrated quality system which is designated to enable systematic and organized work, control and monitoring of processes and protecting the environment and safety at work.

RISK MANAGEMENT

Kardan's business strategy inherently comprises risks

Kardan is inherently exposed to a relatively high degree of entrepreneurial, geopolitical, financial and legal risks in the markets in which its subsidiaries operate. The Kardan Group operates primarily in emerging and developing countries, such as China, which, by nature, have a different risk profile than developed markets. Kardan has two outstanding series of Debentures – which were issued in 2007 and 2008 by Kardan and are listed on the Tel Aviv Stock Exchange. In the past years, the repayment of these Debentures puts a heavy burden on the financial position of the Company, and as of February 2018 the Company is unable to meet the repayment obligations. Kardan is therefore in discussions with the debenture holders on concluding a debt settlement and repaying its liabilities. This entails generating cash by means of selling assets or attracting partners in projects whilst simultaneously continuing to focus on further improving our subsidiaries' results and therefore value. For more details, including on the progress of the negotiations with the debenture holders regarding a debt settlement, please refer to the Kardan Group's Business Strategy chapter.

Our risk management approach

Taking risks is an integral part of doing business and can create opportunities which in turn can lead to positive results. We therefore deem it important to have a proper 'risk culture' throughout the Kardan Group, entailing that all employees share a joint responsibility in being risk aware and acting accordingly. Likewise, we believe that management should lead the way through example.

Risk management is, clearly, an integral part of our daily management responsibility. In order to ensure adequate knowledge and understanding of our local business environments, and thus to minimize risks, our management teams in all the markets in which we are active consist of local and international members.

We have a transparent and structured management information system in place, based on periodic management reports submitted and presented by the subsidiaries to enable sound analysis and decisions. Kardan is listed on the Tel Aviv Stock Exchange and was listed on Euronext Amsterdam until end of August 2020. Our governance structures are therefore solid and, given our listing, we are obliged to publicly report on the quarterly results of the Group. As a result, Executive Management discusses strategic, operational and budgetary issues with the management and boards of our subsidiaries at least on a quarterly basis.

Our risk management framework and processes

Our risk management framework was originally based on the principles of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and has been updated to incorporate the updates to the COSO frameworks.

We consider our risk management framework and approach to constitute a link between strategy, policy-making and operational execution and to be instrumental in obtaining a clear view on our business environment and the challenges we face, and accordingly to provide us with reasonable assurance that we have sufficient and appropriate control measures in place to support the Group in achieving its objectives.

The Board holds at least one formal budget meeting per year, when the objectives of Kardan, and consequently the strategy and business development of its subsidiaries, are discussed at length. Furthermore, this topic is a recurring item on the agenda of Board meetings during the year. Given the debt situation of Kardan, the Board has emphasized that the repayment of its Debentures is Kardan's prime objective. This has accordingly been discussed by the Executive Management with the managers of the subsidiaries in order for them to take this into consideration in their budgets and strategic plans. Furthermore, the Board and the Executive Management require the main subsidiaries to identify business and operational risk factors and the relating control measures they have taken and implemented. After approval of the subsidiaries' budgets and strategic plans, the Executive Management prepares the final budget and strategic plan for the Board. The main risks identified by each subsidiary are disclosed in Kardan's Israeli Annual Report.

Kardan has engaged an external advisory firm to provide internal audit services. In 2017 this advisor prepared an internal audit plan which is being executed.

Besides complying with relevant Securities Law regulations, Kardan also complies with Israel's Securities Law regulations relating to the effectiveness of internal control over financial reporting and disclosure (Israeli SOX). During 2020 all steps have been taken to be able to provide a declaration regarding the effectiveness of the internal control as referred to previously. Due to the financial position of the subsidiary Tahal, Kardan's management identified a material weakness in the internal control components of this subsidiary, involving a lack of adequate internal controls on the financial reporting in this subsidiary. The weakness was mainly due to a significant reduction in the workforce in this subsidiary, which did not allow Tahal to perform adequate controls. As a result, the CEO and the CFO of Kardan N.V. have made a statement in the Israeli Annual Report that as per December 31, 2020 the control over financial reporting and disclosure is not effective. The Group's external auditors in Israel audit the effectiveness of the above mentioned internal controls over financial reporting and disclosure and referred to this weakness in their audit opinion.

Main risk categories and measures

Kardan's risk categories are assessed on the likelihood of a certain risk occurring, the impact this risk could have on the objectives and results of Kardan and possible additional measures to be taken. As a result of a combination of factors, including risk control measures taken by the Group's management, the changed circumstances in the markets in which we operate and the financial situation of Kardan, the main risk categories are determined. The composition of the main risks may therefore vary year by year. The risk of capital availability, and more specifically the risk of not being able to timely repay the debt, materialized in February 2018. This has been a key priority for Executive Management and the Board of Kardan throughout the year. Also, the risks in subsidiaries have been discussed during the risk assessment: on the one hand the improved financial performance of Galleria Dalian, which relieves some risk categories such as financial markets and capital availability of Kardan Land China, and on the other hand the deteriorated financial situation of Tahal which significantly increased the risk of insufficient capital availability for Tahal.

The ten most important risk categories (per type of risk and in alphabetical order) that Kardan currently faces are presented below, as well as the risk appetite, and the related measures in place to control these risks. Also, the impact and likelihood of each risk category is presented. Reference is also made to the financial risks, as described in the 2019 Statutory Financial Statements. We note that there are other risks that were assessed as having a less significant potential impact on the business. In this respect, the Board has decided to put special attention to the Human Resources risk, in particular, in relation to succession plan for key managers in the Group. The Board is of the opinion that given the downsizing of the operations of the Group, there is increased level of dependency on only a few key managers. The Board will continue monitoring this risk closely and will follow-up on its likelihood to materialize while taking necessary steps to mitigate.

Any significant new or changed risk exposure identified during the year is brought to the Executive Board's attention and the risk profile and corresponding control measures are revised as necessary.

Please note that in our view, the risk categories listed below should be seen as general guidance for considering the main risks related to our businesses and strategy. We deem all risk categories, as discussed during our annual risk assessments, to be relevant for our business performance and hence conscientiously monitor all of them.

	Degree of Effect			Risk Appetite
	Low	Moderate	High	
Macroeconomic risk factors				
Investment in emerging markets			X	Medium
Legal and regulatory systems in countries of operation			X	Medium – low
Exchange, inflation and interest rate fluctuations			X (*)	High
Spread of the coronavirus			X (*)	Medium
Industry-specific risk factors				
Safety and hygiene	X			Low
Fraud and illegal acts		X		Low
Project management			X (*)	Low
Market concentration			X	Medium - high
Budget and planning			X (*)	High
Competition and customer needs			X	Medium
Unique risk factors				
Capital availability			X (*)	Low
Difficulty in realizing assets			X (*)	Low
Dependence on business partners		X		Low
Compliance with mandatory financial and other reporting requirements			X	Low

(*) Kardan estimates that these risks have a critical impact on the operations thereof.

CORPORATE AND SOCIAL RESPONSIBILITY

Focused on delivering sustainable solution

Kardan incorporated Corporate and Social Responsibility (CSR) in its Group strategy and its subsidiaries. Kardan focuses on emerging markets; economies characterized by a high growth rate.

Economic development in emerging markets frequently comes at the expense of the environment. As populations grow, there is an increasing need for food, water and energy and this frequently leads to significant pollution. Moreover, urbanization and industrialization have an exacerbating effect on the environment and climate. Kardan focuses on business opportunities arising in emerging markets economies, by also addressing global challenges resulting from the growth rate in these regions. As such, Kardan turns environmental and social challenges into business opportunities, and Corporate and Social Responsibility as an integral part Kardan's overall strategy and a core value of the Group as a whole. CSR is also integrated in our (risk) management framework. Kardan is committed to observing environmental standards in all countries in which the group operates. Kardan strives to minimize the negative impact of its business on the environment and attaches importance to durable innovative measures which lower total costs and raise flexibility, whilst simultaneously relieving the pressure on the environment.

All our activities have incorporated CSR principles and progressively aim to contribute to a more sustainable future. In our real estate activities, we aim to combine our tangible high-quality real estate assets with 'intangible values' in environmental aspects. Next to using sustainable materials and incorporating sustainability measures in the design and construction of properties, this also includes contributing to a healthy living environment, safety, providing facilities for disabled people, and encouraging a sustainable way of using properties. The water infrastructure activities specifically focus on providing access to potable water and on agricultural projects, such as design and installation of water irrigation systems.

Implementing CSR

On a practical level we have introduced a number of guidelines. Each operating company implements its own CSR strategy, taking into account the effects of its activities on people, planet and profit.

Being a good corporate citizen

An important area in pursuing good corporate citizenship is living up to the established set of core values. Kardan calls on its people to comply with its code of conduct, and to act accordingly in all interactions. In particular in emerging markets, being alert on human rights and a zero tolerance regarding unethical behavior of any kind is essential. All Kardan companies and Kardan-operated joint ventures must comply with local legislation and regulations and must conduct their activities in line with Kardan's core values.

Human rights

Respect for human rights is reflected in our Code of Conduct. Certain areas of our supply chain may pose a higher risk to labor rights due to their location and the nature of the goods and services we procure. In these cases, we use criteria to identify potential supply-chain risks and, where we see risk, we ask suppliers to undertake due diligence studies before considering awarding a contract. Kardan also has a Whistleblower policy in place, providing employees the opportunity to report on incidents in violation of the Code of Conduct to the Group's senior management or to a third party advisor, upon which an investigation should be executed.

Anti-bribery

Kardan strives to deal with all its customers, suppliers and government agencies in a straightforward and aboveboard manner and in strict compliance with any legal requirements. Employees are prohibited from paying any bribe, kick-back or other similar unlawful payment to any public official, or government, or other individual, regardless of nationality, to secure any concession, contract or favorable treatment for Kardan or the employee. No undisclosed or unrecorded fund or asset of Kardan may be established. Payments on behalf of Kardan can be made only on the basis of adequate supporting documentation, may be made only for the purpose described by the documents supporting the payment, and must be made in accordance with appropriate corporate accounting procedures. Employees are encouraged to report any violation of any of the standards and practices as laid down in the Code of Conduct to their direct supervisor or a senior executive. Such report may be made anonymously via the Company's Whistleblower Policy, as posted on the Company's website. In the past year no such incident has been reported.

Local employment and community activities

It is also the Group's strategy to attract and incorporate mainly local employees in its various local organizations. With the development of our organizations and through establishing new project locations, the Group creates positions for mainly local professionals, which we deem important as this ameliorates our insights into customers' requirements and market opportunities.

Contributing to a more sustainable world

We aim to be energy-conscious, both in how we execute our business activities and how we operate as a corporate. In our real estate activities, we take environmental and social aspects into account. Our water infrastructure activities provide essential resources including safe drinking water and sanitation.

Being a good employer

Kardan aims to attract and retain people, develop human capital and grow the talent potential of its employees. Kardan is a decentralized organization with majority owned subsidiaries that operate fairly autonomously in many different countries. Given this international character and our practice to 'be global but to act local', Kardan pursues a diverse workforce, meaning an inclusive approach for people of various genders, ages, and cultural backgrounds. The decentralized and broadly diversified organization, both in terms of activities as geographies, requires tailored personnel policies for its individual businesses. Kardan therefore does not have a centralized personnel policy in place, Nevertheless, there is one key common denominator throughout the Group; we consider our employees as fundamental to our success. In order to be able to attract and retain highly competent personnel, Kardan puts a lot of effort in being an attractive employer by providing international career and talent development opportunities.

Kardan does not tolerate discrimination on the basis of race, color, religion, ethnic or national origin, political opinion, gender, sexual preference, age or disability, as defined in the Code of Conduct. This applies to recruitment, hiring, training, promotion, and other terms and conditions of employment. No incidents have been reported in this respect.

Employees in numbers

At year-end 2020, the number of people employed by Kardan Group totaled 618 compared to 1,492 employees as of December 31, 2019.

GOVERNANCE AND COMPLIANCE

Introduction

Kardan is managed by a one-tier board, which per 31 December 2020 consisted of one executive Board Member and six non-executive Board Members. The Board reports to the General Meeting of Shareholders of Kardan. The Board as a whole bears the ultimate responsibility for the management of Kardan, whilst the responsibility for the day-to-day management is assigned to the Chief Executive Officer (CEO) of Kardan jointly with Executive Management, based on a power of attorney provided by the Board. During 2020, the Executive Management consisted of the CEO and the CFO. The CFO joins the meetings of the Board.

Corporate Governance Statement

Companies seated in the Netherlands who have been admitted to trading on a regulated market or a comparable system are required to comply with the Dutch Corporate Governance Code (the 'Code'), or in case of non-compliance explain the reason thereof. The full text of the Code can be found on www.commissiecorporategovernance.nl. The Code sets out sound business principles of corporate governance and contains certain normative standards that pertain, among other things, to the relationship between the various corporate bodies of a company.

In the Code, long-term value creation forms the starting point for corporate governance. The Code stipulates that the executive board should focus on long-term value creation and take the stakeholder interests that are relevant in this context into account. The way in which the Board puts this into practice must be explained in the annual board report.

Focusing on long-term value creation is an ongoing process. Depending on the dynamics of the market within which the Company is operating, it may be necessary to make short-term adjustments to strategy. Discussions about larger trends, and asking disruptive questions, will help keep the Company on the right track. In some situations, a company may explicitly decide to focus on the short term. Kardan's current strategy is primarily focused on the repayment of its Debentures through generating cash by selling assets, whilst continuing to also focus on further improving the results of the subsidiaries and therefore their value.

Although the Code is focused on a dualistic governance model (i.e. two-tier governance structure), it also provides guidelines for companies with a one-tier governance system, which are laid down in Chapter 5 of the Code.

The Board attributes great value to clear and transparent reporting, which it believes to benefit all of its stakeholders, and fully endorses the main principle of the Code, namely that compliance with the Code is more a matter of tailored governance than checking boxes. The Board takes a pragmatic approach in applying the Code to its one-tier governance system and will consequently explain where and why Kardan deviates from the Code. When it is deemed necessary, the Board will explain how certain principles and provisions of the Code are applied to Kardan's one-tier governance system.

Deviations from the Code

Provision 2.1.7 and 2.1.8 – Independence of the non-executive Board Members: As of 31 December 2020, and the date of this report, the Board comprises a majority of independent non-executive Board Members. The non-executive Board Members which are non-independent are two of the founders of Kardan and given their extensive knowledge of the sectors in which Kardan operates, which bring invaluable expertise to the Board, this justifies the deviation from the Code.

Provision 2.2.1 – Appointment management board: Given the fact that the operations and the business model of Kardan are by nature long term, it is deemed in the best interest of Kardan and its stakeholders to include in the Articles the provision that the CEO is appointed for a period of five years with the possibility of reappointment. The intention of this is to establish a stable, long-term commitment of management. Although this term constitutes a deviation from the Code, Kardan is of the opinion that it contributes to the (long-term) best interests of Kardan and its stakeholders and as such adheres to the broader sense and interpretation of the Code.

Provision 2.3.6 – Tasks of the Chairman: Under the Whistleblower Policy (published on www.kardan.nl) currently in place, (suspicions of) material misconduct and irregularities are in first instance reported to the compliance officer who reports this to the CEO. Under specific circumstances as further specified in the Whistleblower Policy, suspicions are reported directly to the Chairman of the Board.

2. The risk management and internal control systems

Taking risks is an integral part of doing business and can create opportunities which in turn can lead to positive results. Kardan therefore deems it important to have a proper 'risk culture' throughout the Kardan Group, entailing that all employees share a joint responsibility in being risk aware and acting accordingly. Likewise, Kardan believes that management should lead the way by example.

Kardan considers risk management to be an integral part of the daily management responsibility. In order to ensure adequate knowledge and understanding of local business environments, and thus to minimize risks, the management teams of all Kardan group companies consist of both local and international members. The risk management and internal control system is outlined in more detail on page 22-23 and further of this annual report.

3. General Meeting of Shareholders

General Meeting

The Annual General Meeting of Shareholders is the forum in which the Board accounts for the manner in which it has performed its duties. The CEO gives a presentation on business developments over the preceding year and shareholders are given the opportunity to raise questions on the business and current matters. Kardan considers it to be in its interest that the shareholders take part in the decision-making process in the General Meeting of Shareholders as much as possible.

Each shareholder has the right to attend the General Meeting of Shareholders which is held in the Netherlands, either in person or represented by proxy, and to address the meeting and to exercise voting rights subject to the provisions of the Articles and Dutch law. A shareholder has the aforementioned rights if he/she is registered as a shareholder on the applicable record date as set by the Board and announced in the convocation notice. To the extent practically feasible, investors located in Israel can participate in a General Meeting of Shareholders by means of a conference call or a video conference.

A General Meeting of Shareholders is held at least once a year in order to, among other things, discuss the report of the Board, to adopt the statutory financial statements, to appoint the external auditor, to adopt any proposal concerning dividends, to, if applicable, appoint and reappoint board members, to amend the Articles and to consider any other matters proposed by the Board or the shareholders in accordance with the Articles and Dutch law. Pursuant to both Dutch law and the Articles, the General Meeting of Shareholders discusses and passes, under a separate agenda item, resolutions discharging board members from their responsibilities for the performance of their respective duties in the preceding financial year. This discharge only pertains to matters known to Kardan and the shareholders at the time the resolution is adopted. The external auditor will attend and be entitled to address the General Meeting of Shareholders.

Other General Meetings of Shareholders may be held as often as the Board deems necessary. In addition, one or more shareholders holding at least 10% of Kardan's issued share capital can request the Board, in writing, to convene a General Meeting of Shareholders, specifying in detail the items to be discussed. If the Board fails to convene and hold a meeting, the requesting shareholder(s) may call the meeting, observing Dutch law and the Articles.

Shares

Each share carries one vote. Kardan has only one class of shares, being ordinary shares with a nominal value of €0.20 each. Dutch law requires Kardan to set the record date for the exercise of the voting rights and the rights relating to General Meetings of Shareholders on the twenty-eight day prior to the day of the General Meeting of Shareholders. Unless provided otherwise by Dutch law or the Articles, there are no quorum requirements. At present, Kardan does not facilitate electronic voting.

As a general rule, resolutions are adopted by an absolute majority of the votes cast. Dutch law and the Articles can stipulate that certain resolutions are adopted by a qualified or special majority of the votes cast.

Furthermore, the Articles and Dutch law require that certain important resolutions made by the Board are subject to the prior approval of the General Meeting of Shareholders, for example the entering into Extraordinary Transactions, as defined in the Articles.

Proposed resolutions

One or more shareholders representing at least 3% of Kardan's issued share capital has/have the right to request the Board to place items on the agenda of a General Meeting of Shareholders provided such request is duly motivated and explained or accompanied by a draft resolution. The Board shall then add the item to the meeting's agenda, provided that the request is received by the Board in writing no later than on the sixtieth day before the day of the General Meeting of Shareholders.

Notice of a General Meeting of Shareholders shall be given ultimately on the forty-second day prior to the day of the General Meeting of Shareholders.

Changes to rights

Rights of shareholders may change pursuant to an amendment of the Articles, a statutory merger or demerger or dissolution of the Company. A resolution of the General Meeting of Shareholders is required to effect these changes.

Annual General Meeting 2020

The Annual General Meeting of Shareholders was held on 30 June 2020 by video conference. The meeting topics included amongst others the Annual Report 2019, the adoption of the remuneration policy, the reappointment of Mr. Sheldon as chairman of the Board, the approval of the delegation of the authority to the Board to acquire shares in the Company for a period of 18 months as of 30 June 2020 and the details on the delisting of the shares in the capital of the Company requested form Euronext Amsterdam.

4. Board

Board and CEO

As mentioned, Kardan is managed by a one-tier Board consisting, at the date of this Annual Report, six non-executive Board Members and one executive Board Member. The Board reports to the General Meeting of Shareholders of Kardan. The Board Members have a shared responsibility for Kardan's general course of affairs and are collectively responsible for: a) Kardan's strategy and objectives; b) Kardan's financial status; c) Kardan's organizational structure; d) the publication of prospectuses or shelf prospectuses by Kardan; e) the financial and periodic reports issued by Kardan; f) the fairness and reasonableness of the highest remunerated employees within the Kardan Group; and g) issuance of debenture series and/or other securities.

The responsibility for the day-to-day management is assigned to the CEO based on a power of attorney provided by the Board. The CEO is authorized to represent Kardan, jointly with a member of the Executive Management, but needs the Board's prior approval with respect to material transactions such as, but not limited to acquiring or alienating assets with a value exceeding € 10,000,000 or providing guarantees to parties outside the Kardan Group for an amount exceeding € 10,000,000. These restrictions are included in the Articles and in the Board Regulations. Moreover, the CEO will ensure that he provides the Board Members with all information required to carry out their duties in a timely and well-founded manner.

In any case, certain duties remain the exclusive domain of the non-executive Board Members, such as supervising the CEO and nominating Board Members for appointment by the General Meeting of Shareholders.

Although management and supervisory duties are allocated between executive and non-executive Board Members, the principle of collective responsibility applies to the entire Board, executive and non-executive Board Members alike.

The Board supervises the performance of the CEO's duties by assessing, for example: a) the achievement of Kardan's objectives; b) the implementation of the corporate strategy; c) the risks inherent in the business activities and the design and effectiveness of the internal risk management and control systems; d) the financial reporting process; e) compliance with legislation and regulations; f) close involvement in the case of a takeover bid; and g) the company/shareholder relationship.

The Board acts in accordance with the Articles and Board Regulations, both published on Kardan's website. The Board is supported by the Company Secretary who ensures that the correct procedures are followed and that the Board acts in accordance with its statutory obligations and its obligations under the Articles and the Code.

Chairman

The Chairman of the Board is an independent, non-executive Board Member. The Chairman sets the agenda, chairs the Board meetings and monitors the proper composition and functioning of the Board, the Audit Committee and the Remuneration, Appointment and Selection (RAS) Committee. Furthermore, the Chairman is responsible for ensuring that the members of the Board receive, in a timely manner, all information from the CEO and other senior members of the management team, which is required for the proper performance of their duties. He also oversees the decision-making process itself and actively monitors any potential conflict of interest when matters are discussed and decisions need to be taken by the Board. In the absence of the Chairman, the Vice-Chairman shall replace him. The Chairman meets, at least once a year, individually with each non-executive director to ensure that any issues of interest or concern to either party in relation to the Board and its functioning are fully aired.

Appointment and composition of the Board

Following a recommendation of the RAS Committee, the Board has the right to make nominations for Board candidates that are subsequently put forward for appointment by the General Meeting of Shareholders. Each non-executive Board Member is appointed for a period of four years, ending no later than at the end of the General Meeting of Shareholders held in the fourth year after the year of appointment. Each non-executive Board Member may be reappointed for a new term of office. The executive Board Member (CEO) is appointed for a period of five years.

The Board itself determines its size, provided that the Board must comprise at least three members and a maximum of fifteen, of which at least one Board member has to be appointed as executive Board Member. Each Board Member must be capable of assessing the broad outline of Kardan's overall policy and must have the specific expertise required for the fulfillment of the duties assigned to the role designated to him/her in the Board profile. In addition, a Board Member must have sufficient time to allocate to the duties required from him/her.

The Board can request its members to retire early in the event of inadequate performance or a structural incompatibility of interests. It is considered desirable for the Board to represent, to the extent possible, a wide range of expertise so that it has relevant knowledge of, and experience in, business management, financial administration, legal and accounting for listed companies.

The Board Members comply with the rules under Dutch corporate law pertaining to the limitation of the number of board positions in Dutch large companies. Pursuant to Kardan's insider trading policy, the Board Members cannot trade in Kardan's securities during closed periods prior to the publication of annual or periodic results.

Composition, Mutations and Reappointment schedule

During 2020 there were no changes to the composition of the Board. Mr. Sheldon has been re-elected during the Annual General Meeting 2020 for a period of two years, ending at the end of the Annual General Meeting 2022. This is in line with the Dutch Corporate Governance Code. This re-election is important for Kardan as Mr. Sheldon has extensive knowledge of the current situation the Company faces and plays an instrumental and very valuable role in the ongoing discussions with the Company's stakeholders, and in particular the Debenture Holders. The composition of the Board has changed in 2021, following the resignation of Mr. Hasson as executive Board Member and the appointment of Mr. Elias as executive Board Member at the EGM of 13 January 2021

Peter Sheldon (1941, male) – *Chairman*

Chairman of the Board, non-executive Board Member, member of the Audit Committee and member of the RAS Committee

Nationality: British and Israeli

Mr. Sheldon started his career as a chartered accountant in London, UK, in 1958 and since 1971, when he left professional practice, has built a very successful international career in senior, executive and non-executive positions in a wide range of international listed and private companies, including Hambros Bank plc. Mr. Sheldon served as non-executive chairman of BATM Advanced Communications Ltd., an Israeli technology company listed on the London and Tel Aviv Stock Exchanges for 15 years until December 31, 2014. As a result of his varied professional and commercial career, Mr. Sheldon has acquired total familiarity with the capital markets, their institutions and all aspects of corporate governance.

Date of first appointment: 31 May 2012

End of current term: AGM 2022

Ariel Hasson (1973, male) – *Executive Board Member / CEO until 1 October 2020*

Executive Board Member and CEO

Nationality: Dutch

Mr. A. Hasson holds a BA in management and economics from the Tel Aviv University as well as an MBA from the Kellogg School of Management at the Northwestern University (Illinois, US). He worked for the Boston Consulting Group and subsequently joined Bank Hapoalim, Israel's largest bank, as chief advisor to the CEO and later as Executive Vice President, Head of Emerging Markets Banking. Since 2010 Mr. Hasson served as the CEO of TBIF Financial Services B.V., a former fully-owned subsidiary of Kardan N.V. which held the group's banking and retail lending businesses. In 2016 Mr. Hasson was appointed as CEO of Kardan N.V.

Other positions: Chairman of the board of Kardan Land China and Tahal Group International

Date of appointment: 26 May 2016

End of term: 13 January 2021

Cor van den Bos (1952, male) – *Vice-Chairman*

Vice-Chairman of the Board, non-executive Board Member and chairman of the Audit Committee

Nationality: Dutch

Mr. Van den Bos has a master's degree in business economics and in auditing/accountancy from Erasmus University Rotterdam. He started his extensive career at AEGON, a Dutch insurance company, where he ultimately served on the executive board of AEGON Netherlands N.V. In this capacity he was responsible for, among other things, general insurance business lines, Life Insurance Bank, ICT, and finance. Mr. Van den Bos consecutively served as a member of the executive boards of Athlon Groep N.V., a Dutch listed leasing company and SNS Reaal N.V., a bank and insurance company, which became listed during his tenure.

Other former positions: Vice Chairman of the Supervisory Board of ASR Nederland N.V. and Chairman of the Audit and Risk Committee.

Date of first appointment: 6 February 2013

End of current term: AGM 2021

Yosef Grunfeld (1942, male)

Non-executive Board Member

Nationality: Israeli

After founding the Kardan group of companies in 1990, Mr. Grunfeld was active as a director in various Israeli companies that were or still are either subsidiaries of, or associated with the Kardan Group. Currently, Mr. Grunfeld is chairman of the Board of Directors of Kardan Israel Ltd., as well as Director in various other companies in Israel. He currently holds 13.96% of the issued share capital and voting rights of Kardan. Additionally, Mr. Grunfeld has a voting agreement with Mr. Rechter and Mr. Schnur (a former member of the Board). Given the above, Mr. Grunfeld is considered a non-independent, non-executive Board Member within the meaning of the Code.

Other positions: chairman of the board of Kardan Israel and Kardan Real Estate

Date of first appointment: 6 February 2013

End of current term: AGM 2021

Ferry Houterman (1949, male)

Non-executive Board Member

Nationality: Dutch

Mr. Houterman holds a teaching degree business administration and the NIMA marketing certificates A and B. Mr. Houterman has extensive experience as executive and non-executive director of various companies, such as Rabobank Amsterdam and Eden Hotel Group. Mr. Houterman is the current owner of HMC B.V., a consultancy firm.

Other positions: Supervisory Board member of Tahal Group International B.V.

Date of first appointment: 30 May 2018

End of current term: AGM 2022

Eytan Rechter (1949, male)

Non-executive Board Member

Nationality: Israeli

As one of the founders of the Kardan Group, Mr. Rechter has a long-term involvement in the Kardan Group. Mr. Rechter currently holds board positions in various companies including Kardan Israel Ltd., Kardan Real Estate Ltd. and Kardan Technologies Ltd. (none of which are part of the Kardan Group).

Mr. Rechter currently holds 0.54% of the issued share capital and voting rights of Kardan. Additionally, Mr. Rechter has a voting agreement with Mr. Grunfeld and Mr. Schnur (a former member of the Board). Furthermore, Mr. Rechter holds 14,930.26 Debentures Series B as issued by Kardan. Given the above, Mr. Rechter is considered a non-independent, non-executive Board Member within the meaning of the Code.

Other positions: Member of the Supervisory Board of Tahal Group International B.V.

Date of first appointment: 6 February 2013

End of current term: AGM 2021

Cécile Tall (1967, female)

Non-executive Board Member, chairman of the RAS Committee

Nationality: French

Mrs. Tall holds master degrees in corporate law, international and European law, as well as in public and private law, and a master degree in tax and finance from the ESCP Business School. She held various positions at Polyconcept Investments BV in the Netherlands and Polyconcept Holding in Paris. Currently Mrs. Tall is a consultant at Poseidon Consulting SAS.

Date of first appointment: 4 May 2017

End of current term: AGM 2021

Guy Elias (1972, male) – *Executive Board Member as of 13 January 2021 / CEO as of 1 October 2020*

Executive Board Member and CEO

Nationality: Israeli

Mr. Elias holds a master's degree in business administration. He held various CEO positions at Aviv Arlon Ltd., CLT Laminations Israel Ltd. ELIGUY Holdings Ltd., Kardan N.V. (business development and deputy CEO) and Aspen Group. In 2020 Mr. Elias was appointed as CEO of Kardan N.V. A proposal to appoint Mr. Elias as Executive Board Member was approved at the EGM on 13 January 2021.

Other positions: Director of GTC Real Estate Holding B.V. and Member of the Supervisory Board of Tahal Group International B.V.

Date of first appointment: 13 January 2021 (CEO as of 1 October 2020)

End of current term: AGM 2024

Board Meetings

The Board meets at least once every quarter, principally at Kardan's headquarters in Amsterdam or, when necessary, by conference call. In 2020, the Board met eight times. All Board Members attended all Board meetings. Resolutions of the Board are generally adopted by an absolute majority of the votes cast as defined in the Articles, except for extraordinary transactions, in which case resolutions made by the Board are adopted by a special Board majority. Each Board Member has one vote, except in the event of a conflict of interest, in which case the respective Board Member can neither participate in the relevant discussions nor vote on the subject matter. When deemed necessary, the Board consulted outside experts for advice and invited them to attend Board meetings.

Important topics during 2020 were obviously the Company's ability to service its debts, particularly in light of the Company's repayment obligations towards its debenture holders and the financial position of the company. Also, the financial situation of Tahal, its relationship with its financing banks, the sale process and the discussions with investors on an investment transaction relating to Tahal were frequently discussed. Furthermore, financial forecasts, results, the negative equity position and cash flow projections were topics on the agenda. The CEO updated the Board frequently on the discussions and negotiations to reach a settlement with the debenture holders. Furthermore, the CEO provided detailed business updates to the Board through Board meetings and via e-mail, addressing major developments and events in all segments of the Kardan Group.

Once every year, the Board is given a presentation on the main risks for the Kardan Group and the Executive Management's conclusions after a structured process is conducted on how these risks are being – or should be – managed. As part of risk management, the Board discusses the main risk categories of the Company, mainly in relation to capital availability and foreign exchange impact and topics such as project management and planning within the Kardan Group as well as its internal control systems. The Board was periodically updated by the chairman respectively chairwoman of both the Audit Committee and the RAS Committee on the discussions that took place in the meetings of their respective committees. If so required, the Board was asked to resolve matters that were brought to the Board by the respective committees.

Board evaluation
As part of a self-assessment process, Board Members have submitted an extensive questionnaire to the RAS Committee relating to the performance during 2020. The outcome of the Board evaluation shows that the Board Members acknowledge the increasing complexity of the Company's situation and the impact of the current Covid pandemic. Notwithstanding the above the Board remains positive about the functioning of the Board. Board Members are satisfied with the Information provided by Executive Management, feel free to openly discuss topics and find Management accessible for discussions. Moreover, Executive Management provides the Board members with a good understanding of the relevant businesses of the Company and the developments to follow. The Board is of the opinion that as a result it can provide sufficient supervision of the risks inherent to the Company's business. Board Members believe that there is room for further improvement in the interaction between the CEO and Board Members, the policies and processes for identification, monitoring and management of risks and the effective use of Board Committees. The RAS Committee recommends having an additional Q&A session, when the Covid situation returns to normal, to discuss, review and clarify the Board's functioning.

Board Committees
The Board has established an Audit Committee and a RAS Committee, comprising only non-executive independent Board Members, without in any way derogating from the primary responsibilities of the Board as a whole. The respective chairman and chairwoman of these committees report on their activities periodically to the entire Board. Both committees are subject to specific regulations, which form part of the Board Regulations.

Audit Committee
The members of the Audit Committee all possess extensive financial knowledge. The Audit Committee in 2020 consisted of Mr. Van den Bos (Chairman) and Mr. Sheldon.

The Audit Committee met six times during 2020 and extensively discussed the periodic and annual financial statements in the presence of Kardan's CEO, CFO and external auditor. Accounting issues and main assumptions, judgments and valuations were discussed, and the external auditor reported his findings. The Audit Committee specifically discussed the Company's going-concern assumption, also in light of its inability to service its obligations towards its debenture holders, the financial position of Tahal, the financial impact of currency fluctuations on the Company's equity, its negative equity and the possibilities of hedging foreign exchange risks, cash flow forecasts of Kardan, the valuation of real estate properties and inventory in China and bad debt provisions. Furthermore, the Audit Committee reviewed and discussed the internal control systems, the result of the internal audit and compliance and legal updates.

After reviewing the performance of PricewaterhouseCoopers Accountants N.V. as Kardan's external auditor for the financial year 2019 and taking into account that after the delisting, the Company is no longer obliged to publish quarterly reports, the Audit Committee recommended to the Board to propose the appointment of IUS Statutory Audits Coörperatie U.A. as Kardan's external auditor for the financial year 2020, which proposal was adopted at the EGM 2021. In addition, the Audit Committee discussed internal audits and annual compliance and integrity updates, from both the Dutch and the Israeli perspectives, pursuant to which internal procedures have been implemented and/or updated.

During the course of 2020, the chairman of the Audit Committee had frequent meetings with Kardan's financial executives and the external auditors in preparation of the Audit Committee meetings. Before every quarterly Board meeting the chairman of the Audit Committee met with the external auditors without the Executive Management being present.

Remuneration, Appointment and Selection Committee
The RAS Committee met three times during 2020 and discussed the performance of the Executive Board member in 2020 (Mr. Hasson), the appointment of Mr. Elias as CEO (according to the recommendation of the debenture holders) and the appointment of Mr. Elias as Executive Board member. Subsequently, the RAS Committee discussed the management agreement including the fixed and variable remuneration for the Executive Board Member in 2021 (Mr. Elias). Furthermore, the adjustments to the remuneration policy to comply with the Shareholder Rights Directive were discussed. The outcome of the discussions is outlined in more detail in the remuneration report on page 35. In 2020, the RAS Committee consisted of Mrs. Tall (Chairwoman) and Mr. Sheldon.

Internal regulations and conflicts of interest of Board Members
Kardan's Articles include extensive provisions on conflicts of interest between Kardan and Holders of Control (as defined in the Articles), which are also applicable if these Holders of Control hold a position on the Board (for a further description of these provisions, see the section 'Related Party Transactions' in this chapter). In addition, Kardan endorses the principles and provisions of the Code that address conflicts of interest between Kardan and one or more Board Members. To this effect, provisions have been included in the Board Regulations covering best practice provisions 2.7.1. through 2.7.6 of the Code, which were adhered to in light of the conflicts of interest described hereafter. At the beginning of each Board meeting the Chairman verifies whether any Board Member has a (potential) conflict of interest with respect to any item on the agenda.

Remuneration and shareholdings of Board Members

The shareholders approved a remuneration policy for the Board at the AGM 2015 according to which non-executive Board Members receive a fixed remuneration only. At the AGM 2016, a specific remuneration package was adopted for the executive Board Member. At the EGM held in October 2019, a proposal for the variable remuneration for the executive Board Member was adopted. At the AGM 2020, small adjustments to the remuneration policy were adopted to comply with the new Dutch legislation on the revised Shareholders Rights Directive.

The remuneration of the non-executive Board Members does not depend on the performance of Kardan's shares, and rights to shares are not granted to the Board Members as remuneration. Kardan has not granted personal loans, guarantees or the like to Board Members, all of which are prohibited by the Board Regulations unless in the normal course of business and with prior approval granted by the Board.

According to the available information there are two non-executive Board Members who hold shares in the capital of Kardan: Mr. Grunfeld and Mr. Rechter.

Detailed information on the remuneration of all Board Members can be found in the Remuneration Report on page 35 of this Annual Report.

Executive Management

Kardan has opted for the installation of an Executive Management team, consisting of the CEO, Mr. Hasson until 1 October 2020 and Mr. Elias as of 1 October 2020, and the CFO, Mrs. E. Oz-Gabber. The Executive Management is entrusted with the day-to-day management of the Company. As member of the Executive Management team, the CFO attends all Board meetings as well as the meetings of the Audit Committee and provides the Board, if so requested by the Board all such information to allow the Board to properly perform its duties.

Diversity policy for the Board

Kardan aims to attract and retain people, develop human capital and grow the talent potential for all its employees, including the Board. Kardan pursues a diverse workforce, meaning an inclusive approach for people of various genders, ages and cultural background throughout its entire organization. The Board regulations stipulate that the Board should have broad representation with respect to expertise in financial and accounting areas and specific know-how in various aspects of the Company's business. The Board has a diverse composition in terms of knowledge and expertise, gender, age and nationality. The Board will continue to strive for a diverse composition in the process of appointing and reappointment. Kardan does not comply with article, which requires the Board to be composed in a balanced way, meaning that at least 30% of the seats in the Board are to be occupied by women and at least 30% by men. Kardan strives to arrive at a balanced apportionment of the seats in the Board with new appointments, to the extent that suitable candidates are available.

5. Related Party Transactions

Articles 7, 8 and 9 of the Articles of Kardan contain rules on the corporate resolution process in the case of dealings between Kardan and one or more Holders of Control, as defined in the Articles (Special Approval Procedure). Holders of Control are deemed to be any Person (as defined in the Articles) holding 25% or more of the voting rights in the General Meeting of Shareholders, if there is no other Person holding more than 50% of the voting rights. Certain transactions, as described in Kardan's Articles, between Kardan and a Holder of Control require special approval, as follows: (i) Board approval with an absolute majority of votes, including the affirmative vote of the majority of the independent Board Members (as defined in the Articles) and (ii) approval of the General Meeting of Shareholders with an absolute majority of votes, provided that either (a) such a majority includes the affirmative votes of at least half of all the votes of the shareholders who are present at the meeting and who do not have a personal interest (as defined in the Articles), or (b) the opposition votes of those shareholders who are present at the meeting and who do not have a Personal Interest, do not constitute more than 2% of the total number of votes that can be cast in a General Meeting of Shareholders. In 2020 no new related party transactions were executed.

6. Investor Relations

Kardan acknowledges the importance of being transparent towards its shareholders and other investors. As such, management engages, from time to time, in meetings with investors and shareholders. Shareholders are given the opportunity to ask questions at the General Meetings of Shareholders and, in addition, can contact the Investor Relations office of Kardan during the course of the year. All is done in accordance with Kardan's Investor Relations Policy, as published on Kardan's website.

7. Compliance

Kardan was delisted from Euronext Amsterdam on 31 August 2020. As a company listed on Euronext in Amsterdam (until 31 August 2020) and the Tel Aviv Stock Exchange, Kardan is subject to laws and regulations in the countries of listing. Moreover, as an internationally operating company, Kardan must comply with laws and regulations in every country in which it conducts its business. Compliance with applicable laws and regulations is embedded in Kardan's organization, amongst others by means of internal rules and procedures that have been put into place to safeguard compliance. In light thereof, Kardan has a Whistleblower Policy in place, enabling employees to adequately and safely report any suspicions they may have of irregularities of a general, operational or financial nature. In addition, Kardan also adopted a Code of Conduct designed to provide its employees with guidelines for their behavior and activities to comply with laws, regulations and ethical standards that govern Kardan's businesses. In order to safeguard a level playing field for investors, Kardan furthermore adopted an Insider Trading Policy and an Investor Relations Policy. All of the aforementioned policies are regularly updated and can be found on Kardan's website under 'Governance Policies and Documents'.

Due to its listing on Euronext Amsterdam (until 31 August 2020) Kardan is required to comply, until 31 August 2020, with the Dutch Securities Law and listing standards of Euronext as available on https://www.euronext.com/en/regulation. Supervision of the Dutch Securities Law is, to the extent relevant for Kardan, carried out by the Dutch Authority for Financial Markets ('AFM'), who is responsible for supervising the efficient operation of the financial markets in the Netherlands. During 2020, Kardan issued 9 press releases in the Netherlands. Moreover, as required by the Euronext Amsterdam Rules, Kardan has appointed ING and ABN AMRO Bank as its paying agent in 2020.

Due to its listing on the Tel Aviv Stock Exchange, Kardan is required to comply with Israeli Securities Regulations and listing standards of the Tel Aviv Stock Exchange (TASE), as available on www.tase.co.il/eng/pages/homepage.aspx. Supervision of the Israeli Securities Regulations is carried out by the Israeli Securities Authority (ISA). Any report required in Israel is conducted through the Electronic Disclosure System (MAGNA). Through the MAGNA system, the reports are sent to ISA and TASE, and can be reviewed online by any investor.

Reporting requirements in the Netherlands and Israel partly overlap and include (but are not limited to) the following:

(i) any Interested Party and any senior office holder (as defined in the Articles) of Kardan is required to report to Kardan about any change in their holdings in Kardan's shares, and Kardan has to report this via the MAGNA system (Israel);
(ii) Kardan has to make public material events which are not in the ordinary course of business or which can materially affect Kardan or which can be considered as price-sensitive information;
(iii) Kardan has to publish an Immediate Report about convening a General Meeting of Shareholders and the resolutions adopted in such meeting (Israel);
(iv) Kardan is required to publish its periodic reports, which include quarterly and annual financial statements and additional information. The additional information may differ between the Dutch and Israeli reporting requirements, in timing or in content. Both Dutch and Israeli reports are published on the Company's website; and
(v) Kardan is required to publish reports with respect to any change in its issued share capital including, inter alia, distribution of dividends (in cash or in kind), issuance of any new securities (including shares, options, debentures, etc.), conversion of any securities, the lapse of options on shares, purchase plans (buy back) and creation of treasury shares.

Given the fact that Kardan is not incorporated under Israeli law, it is not subject to Israeli Companies Law. However, where deemed appropriate, Kardan has adopted certain principles from Israeli Companies Law such as, but not limited to, the Special Approval Procedure for Extraordinary Transactions which are implemented in Kardan's Articles.

8. Statement in light of Article 10 of the European Takeover Directive

In accordance with Article 10 of the European Takeover Directive, companies with securities that are admitted to trading on a regulated market are obliged to disclose certain information in their annual report. As Kardan was delisted from Euronext Amsterdam on 31 August 2020, Kardan must disclose the following information and/or make the following statements until 31 August 2020:

a. An overview of Kardan's capital structure is included on page 84 of the Annual Report 2020.
b. Shares in the capital of Kardan are freely transferable.
c. There are no special control rights attached to Kardan's shares.
d. There are no limitations to voting rights on the shares of Kardan's capital.
e. Kardan is not aware of any agreements that might result in a limitation of the transferability of the voting rights on shares in Kardan's capital.
f. The provisions regarding the appointment and dismissal of Board Members, and the provisions regarding amendments of the Articles are described in the Articles, which are available on Kardan's website.
g. The General Meeting of Shareholders may authorize the Board (i) to purchase shares in its own capital, and (ii) to issue and grant rights to subscribe for shares and to limit or exclude pre-emptive rights of shareholders in the event of issuing and granting rights to subscribe for shares. Further information can be found in Kardan's Articles and in the minutes of the relevant General Meetings of Shareholders of Kardan with respect to authorizations that have been granted to the Board.
   At the AGM 2020, the shareholders authorized the Board for a period of eighteen months as of 30 June 2020 to resolve for the Company to acquire shares in the capital of the Company, within the limits of the law and the Articles of the Company, which acquisition may not result in the Company (and/or one of its subsidiaries) holding (jointly) more than ten percent (10%) of the shares in the Company's capital and

at a price lying between the par value of such shares and 110% of the market value, whereby market value has the following meaning: the average of the highest price per share on each of the last five trading days on the Euronext Amsterdam prior to the date of acquisition, as published in the Daily Official List of Euronext Amsterdam. At the AGM 2018 the authorization to issue and grant rights to subscribe for shares and to limit or exclude pre-emptive rights of shareholders in the event of issuing and granting rights to subscribe for shares which was granted at the AGM 2015 for a period of five years was extended with one year, i.e. until 29 May 2021, taking into account the limits provided by law and the Articles and provided that no more than 10% of the non-issued shares of the Company's authorized capital can be issued annually and that with respect to no more than 5% of the total number of the issued shares at any time, rights to issue shares can be granted. Furthermore, at the AGM 2019, it was resolved that the Board is authorized to resolve (i) to issue shares and/or grant rights to subscribe for shares to the Debenture Holders, up to three tranches and each time up to a maximum of 15% of the Company's issued share capital at the issuance date of each tranche and (ii) to limit or exclude pre-emptive rights in connection with the foregoing. This authorization was granted for a period of five years starting at the date of the AGM, i.e until 29 May 2024.

h. There are no important agreements to which Kardan is a party and which will come into force, be amended or be terminated under the condition of a change of control over Kardan as a result of a public offer.

i. There are no agreements between Kardan and Board Members or other employees that entitle them to any compensation rights upon termination of their employment as a result of the completion of a public offer on Kardan's shares.

REMUNERATION REPORT

The Remuneration, Appointment and Selection Committee (RAS) makes, among others, proposals to the Board regarding the fixed and variable remuneration (as applicable) of the individual Board Members. In accordance with the Articles, the final determination of the Board Members' remuneration (amount and composition) lies with the Company's General Meeting of Shareholders. This Remuneration Report will be put up for advisory vote in the Annual General Meeting.

Remuneration policy for the non-executive Board Members

The remuneration of the non-executive Board Members is based on the remuneration policy as adopted at the AGM of May 28, 2015: each non-executive Board Member receives a basic fee of € 26,000 per year; the Chairman of the Board receives a total fee of € 58,000 per year, including all committee fees; a committee chairman receives an additional fee of € 10,000 and committee members receive an additional € 8,000. The remuneration for non-executive Board Members consists of fixed remuneration only.

Pursuant to new legislation based on the revised Shareholders Rights Directive (SRD II) of the European Parliament and of the European Council (2017/828/EU), the annual general meeting of Kardan has to adopt the remuneration policy of Kardan at least every four years. In 2020, the Board has reviewed the remuneration policy of Kardan and has adopted a revised remuneration policy for the financial year 2020 up to and including the financial year 2024. This revised remuneration policy was approved by the shareholders at the AGM held on 30 June 2020. Minor, non-substantive changes were made to the remuneration policy. A breakdown of the total remuneration as paid in 2020 is presented in the table on the right.

Changes in Board positions during 2020

There were no changes in the Board composition during 2020.

Changes in Committee positions during 2020

During 2020 there were no changes in Committee positions.

Non-executive Board Member [1]		Gross Remuneration in 2020 in €
Mr. P. Sheldon	Chairman of the Board; member of the Audit Committee and of the RAS Committee	58,000
Mr. C. van den Bos	Vice-Chairman of the Board and Chairman of the Audit Committee	36,000
Mr. Y. Grunfeld [1]		26,000
Mr. F. Houterman		26,000
Mr. E. Rechter [1]		26,000
Mrs. C. Tall	Chairwoman of the RAS Committee	36,000

1 Pursuant to the Articles, all Board Members receive indemnification for losses, damages and costs which they may incur as a result of a claim or proceedings related to the fulfillment of their duties as Board Members (willful misconduct and gross negligence excluded). The Company accordingly has entered into indemnity agreements with the Board Members and certain members of the Executive Management. It is noted that any agreement with a Board Member who is also Holder of Control is only effective upon approval of the General Meeting of Shareholders. No indemnification was granted in 2020.

Remuneration of the CEO's in 2020

In 2020 two CEO's have served the Company: Mr. Hasson until 1 October 2020 and Mr. Elias as of 1 October 2020. The remuneration of Mr. Hasson, the CEO of Kardan until 1 October 2020, was approved by the shareholders during the AGM of 2016. The remuneration package entails an annual fixed remuneration, including allowances, and a variable remuneration consisting of a discretionary bonus and a severance payment as further detailed below. During the AGM held on 30 June 2020, the General Meeting approved the variable remuneration plan for the CEO for 2020. The remuneration package of Mr. Elias, the CEO of Kardan as of 1 October 2020, entails an annual fixed remuneration, including allowances, and a variable remuneration consisting of a discretionary bonus and a severance payment as further detailed below. The fixed remuneration was approved by the shareholders during the EGM held on 13 January 2021.

Remuneration of Mr. Hasson

Fixed remuneration

Mr. Hasson is entitled to receive a fixed monthly remuneration consisting of a salary and customary social benefits in the Netherlands, car, mobile telephone, etc.

Variable remuneration – short term

According to the remuneration package of the former CEO, the Board could have decided to propose to grant Mr. Hasson a variable remuneration in the form of a bonus for each calendar year, based on his achievements during the relevant year and taking into account his total remuneration package. A proposal for the CEO variable remuneration 2020 was submitted to the AGM held on 30 June 2020. The RAS Committee recommended to the Board that it would be appropriate to grant Mr. Hasson a conditional variable bonus for 2020, along the lines of that agreed for 2019. However, Mr. Hasson has informed the Board that, due to the precarious financial position of the Company and the impact of the Covid-19 virus on the business of the Company, he decided to waive his entitlement to a variable bonus for the financial year 2020. Accordingly, no bonus was proposed and no bonus was granted for the financial year 2020.

Severance Payment

In accordance with the agreement between Kardan and Mr. Hasson, Mr. Hasson gave a 6 months' notice (the 'Notice Period'), and accordingly he received payment for the period in which he rendered services to the Company during the Notice Period.

Remuneration Mr. Elias

Fixed remuneration

As from the date of Mr. Elias' appointment as CEO of the Company, he is entitled to receive a fixed monthly remuneration consisting of a salary and customary fridge benefits such as car allowance, holiday allowance, mobile telephone etc.

Variable remuneration – short term

A proposal for the variable remuneration plan for Mr. Elias is planned to be included on the agenda of the AGM 2021.

Severance Payment

The agreement between Kardan and Mr. Elias can be terminated by either party. Each party has to give a [4 months' notice] (the 'Notice Period') of an intention to terminate the agreement. If Mr. Elias gives such notice, at any time, he will only be entitled to receive payment for the period in which he rendered services to the Company during the Notice Period. Should the Board decide that Mr. Elias' services are not required during the entire Notice Period, he would still be entitled to receive the full [four months' payment]. If the Company initiates the termination, Mr. Elias will be entitled to receive a full payment during the Notice Period, even if he was requested not to render any services to the Company during the Notice Period. No severance payment will be due in the event that the Company terminates Mr. Elias' engagement for cause.

Total remuneration

A breakdown of the total costs of the remuneration for the CEO's in 2020, Mr. Hasson and Mr. Elias as of 1 October 2020, is presented in the following table:

Element	Remuneration in 2020
Mr. Hasson	
Base remuneration (including social benefits and allowances)	€ 367
Allowances in kind	company car/allowance, cell phone (costs are included in base remuneration)
Annual Bonus	€ 0
Pension	included in base remuneration
Mr. Elias	
Base remuneration	€ 70
Allowances in kind	Car allowance, cell phone (costs are included in base remuneration)
Total	**€ 437**

Pay-ratio

In line with the revised Dutch Corporate Governance Code, the internal ratio of the remuneration of directors of the Company and that of a representative reference group needs to be determined. For this ratio, Kardan deems most relevant the total remuneration of the executive Board member (the Total Remuneration as specified in the table above) compared to the total average remuneration of all the employees of Kardan in the Netherlands. For the CEO until 1 October 2020, Mr. Hasson, a ratio of 3.7 (on an annual basis) applies (2019: 3.5). For the CEO as of 1 October 2020, Mr. Elias, an annualized ratio of 2.5 applies.

Employee Options

In 2020 no options to acquire shares in Kardan were granted. There are no outstanding options granted to senior employees as at December 31, 2020.

Remuneration 2021

The remuneration package for the CEO as of 1 October 2020, Mr. G. Elias, entails a yearly fixed remuneration and a variable remuneration. The fixed remuneration of Mr. Elias consists of a salary for his management services and certain social benefits and allowances ('Base Remuneration'). The amount of the Base Remuneration remains unchanged. The total annual cost for the Base Remuneration for 2021 is therefore estimated at € 250,000 (base remuneration as approved in the EGM dated 13 January 2021 of NIS 1,027,000 plus indexation).

A proposal for the variable remuneration plan for Mr. Elias is planned to be included on the agenda of the AGM 2021.

Mr. Elias has shared his view on his own remuneration with the RAS Committee, which view was considered in the formulation of Mr. Elias's remuneration package.

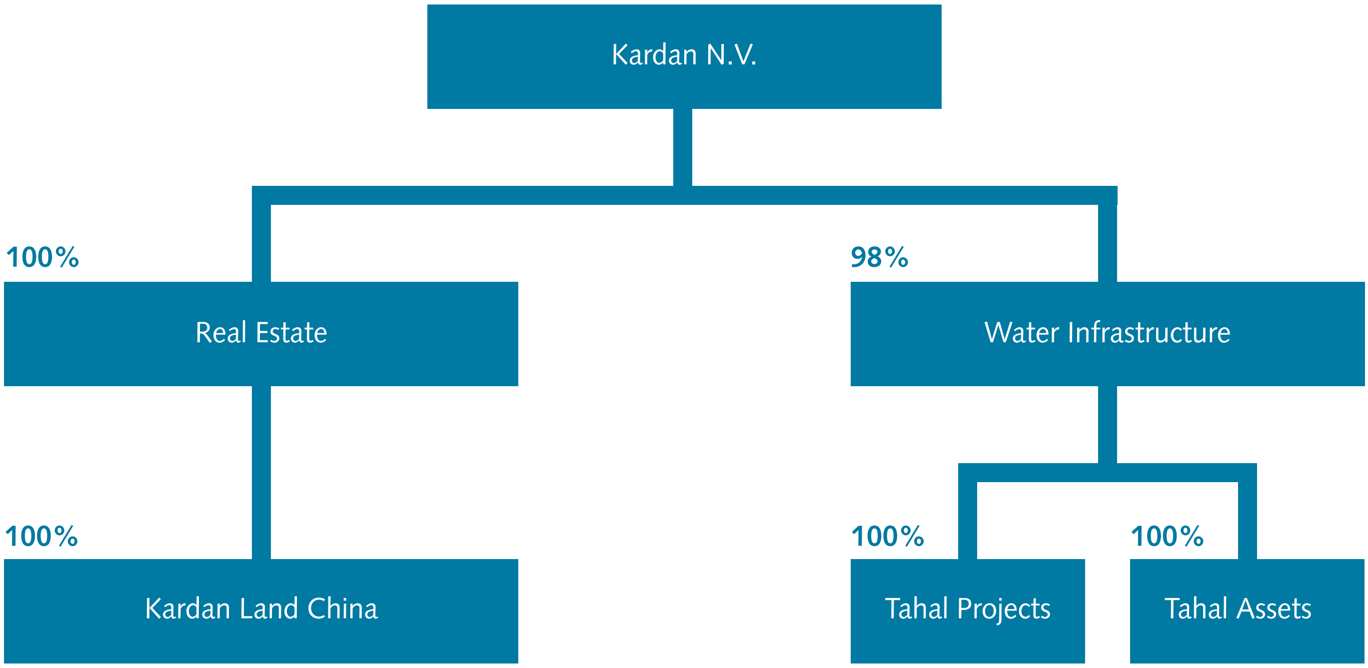
The Board believes that the proposal for the remuneration of Mr. Elias for 2021 is appropriate, given his education, his professional experience, the previous CEO terms of employment, the Company's Remuneration Policy, the recommendation of the Debenture Holders and Company's financial situation. In additional, the members of the Board believe that the fact that Mr. Elias previously served in the company as senior officer and that he is familiar with the Company's assets may contribute to the company in realizing its assets in order to repay the debt to the Debenture Holders. Moreover, the remuneration is reasonable compared to average and median remuneration of the rest the employees employed by Kardan Group.

Amsterdam, 10 May 2021

Board of Directors

P. Sheldon *(Chairman)*
G. Elias *(CEO)*
C. van den Bos *(Vice-Chairman)*
Y. Grunfeld
F. Houterman
E. Rechter
C. Tall

ORGANIZATIONAL CHART KARDAN N.V.



FINANCIAL STATEMENTS

2020

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In €'000	Note	December 31, 2020	December 31, 2019
Assets			
Non-current assets			
Deferred tax assets	30	582	314
Tangible fixed assets, net	6	502	620
Investment property	7	182,555	214,577
Investments in joint ventures	8	28,222	32,408
Loans to joint ventures	8	15,115	15,059
Long-term loans and receivables	9	1,059	1,028
		228,035	**264,006**
Current assets			
Apartments inventory	10	24,371	42,144
Trade receivables	11	5,769	5,501
Current tax assets		3,273	2,937
Other receivables and prepayments	12	1,873	3,692
Short-term investments	13	798	5,677
Cash and cash equivalents	14	24,697	35,895
		60,781	**95,846**
Assets classified as held for sale	5	107,888	183,523
Total current assets		168,669	279,369
Total assets		396,704	543,375

The accompanying Notes are an integral part of these IFRS consolidated financial statements.

EQUITY AND LIABILITIES

In €'000	Note	December 31, 2020	December 31, 2019
Equity attributable to equity holders of the parent	15		
Issued and paid-in capital		25,276	25,276
Share premium		206,482	206,482
Foreign currency translation reserve		(28,323)	(19,038)
Property revaluation reserve		5,158	25,179
Revaluation reserve, other		4,396	4,433
Accumulated deficit		(440,941)	(392,934)
		(227,952)	**(150,602)**
Non-controlling interests		**(9,848)**	**(2,121)**
Total equity		**(237,800)**	**(152,723)**
Non-current liabilities			
Other long-term liabilities	18	1,801	1,610
Deferred tax liabilities	30	-	5,227
		1,801	6,837
Current liabilities			
Trade payables		1,373	2,413
Current maturities of debentures	20	292,024	298,913
Interest-bearing loans and borrowings	17	75,803	95,029
Current tax liabilities		1,168	1,131
Advances from apartment buyers	10	1,723	4,658
Other payables and accrued expenses	21	117,859	101,473
		489,950	503,617
Liabilities directly associated with assets classified as held for sale	5	**142,753**	**185,644**
Total current liabilities		**632,703**	**689,261**
Total liabilities		**634,504**	**696,098**
Total equity and liabilities		**396,704**	**543,375**

The accompanying Notes are an integral part of these IFRS consolidated financial statements

CONSOLIDATED INCOME STATEMENT

In €'000	Note	For the year ended December 31		
		2020	2019	2018
Continuing Operations				
Revenues from sale of apartments		19,286	54,705	72,711
Rental revenues		9,308	9,055	5,384
Management fees and other revenues		840	791	923
Total revenues		**29,434**	**64,551**	**79,018**
Cost of apartments sold	24	18,945	46,965	69,002
Rental costs	24	2,363	3,482	3,738
Management fees and other expenses (income), net	25	151	135	82
Total expenses		**21,459**	**50,582**	**72,822**
Gross profit		**7,975**	**13,969**	**6,196**
Selling and marketing expenses	26	2,426	3,109	4,083
General and administration expenses	27	6,838	6,705	8,126
Profit (loss) from operations before fair value adjustments, disposal of assets and investment and other (loss) income		**(1,289)**	**4,155**	**(6,013)**
Adjustment to fair value of investment properties	7	(26,723)	-	(8,610)
Gain (loss) on disposal of assets and other income, net	28	1,049	(1,555)	1,507
Loss from fair value adjustments, disposal of assets and investments and other income, net		(25,674)	(1,555)	(7,103)
Profit (loss) from operations		**(26,963)**	**2,600**	**(13,116)**
Financial income	29	6,999	852	12,111
Financial expenses	29	(42,549)	(70,343)	(35,516)
Total financial expenses, net		**(35,550)**	**(69,491)**	**(23,405)**
Loss before share of profit from investments accounted for using the equity method		**(62,513)**	**(66,891)**	**(36,521)**
Share of profit of investments accounted for using the equity method, net	8	9,935	14,667	1,491
Loss before income taxes		**(52,578)**	**(52,224)**	**(35,030)**
Income tax expenses (benefit)	30	(4,580)	727	(605)
Loss for the period from continuing operations		**(47,998)**	**(52,951)**	**(34,425)**
Loss from discontinued operations	5	(21,786)	(35,477)	(311)
Loss for the year		**(69,784)**	**(88,428)**	**(34,736)**
Attributable to:				
Equity holders		(68,028)	(83,712)	(36,775)
Non-controlling interest holders		(1,756)	(4,716)	2,039
		(69,784)	**(88,428)**	**(34,736)**
Earnings (loss) per share attributable to shareholders	31			
Basic and diluted from continuing operations		(0.39)	(0.43)	(0.27)
Basic and diluted from discontinued operations		(0.18)	(0.29)	-
		(0.57)	**(0.72)**	**(0.27)**

The accompanying Notes are an integral part of these IFRS consolidated financial statements

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

In €'000	For the year ended December 31		
	2020	2019	2018
Net loss for the year	**(69,784)**	**(88,428)**	**(34,736)**
Foreign currency translation differences	(10,221)	(10,134)	(16,293)
Change in hedge reserve, net of tax (1)	(37)	(404)	(751)
Other comprehensive expense for the year to be reclassified to profit or loss in subsequent periods	(10,258)	(10,538)	(17,044)
Total comprehensive expenses	**(80,042)**	**(98,966)**	**(51,780)**
Attributable to:			
Equity holders	(77,350)	(91,105)	(49,612)
Non-controlling interests holders	(2,692)	(7,861)	(2,168)
	(80,042)	**(98,966)**	**(51,780)**

(1) Mainly relates to unwinding of hedge transactions in prior periods. The amounts are presented net of tax amounting to €0 thousand, €65 thousand, and €250 thousand for the years ended December 31, 2020, 2019 and 2018, respectively.

The accompanying Notes are an integral part of these IFRS consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In €'000	Attributable to equity holders of the parent								
	Issued and paid-in capital	Share premium	Foreign currency translation reserve (*)	Property revaluation reserve (*)	Revaluation reserve, other (*)	Accumu-lated deficit (*)	**Total**	Non-con-trolling interest holders	**Total equity**
Balance as of January 1, 2020	**25,276**	**206,482**	**(19,038)**	**25,179**	**4,433**	**(392,934)**	**(150,602)**	**(2,121)**	**(152,723)**
Other comprehensive expense	-	-	(9,285)	-	(37)	-	(9,322)	(936)	(10,258)
Loss for the period	-	-	-	-	-	(68,028)	(68,028)	(1,756)	(69,784)
Total comprehensive expense	**-**	**-**	**(9,285)**	**25,179**	**(37)**	**(68,028)**	**(77,350)**	**(2,692)**	**(80,042)**
Dividend distributed to Non-controlling interest holders	-	-	-	-	-	-	-	(277)	(277)
Sale of a subsidiary	-	-	-	-	-	-	-	(4,305)	(4,305)
Transaction with Non-controlling interest	-	-	-	-	-	-	-	(453)	(453)
Reclassification according to the Netherlands civil code requirements, net of tax (*)	-	-	-	(20,021)	-	20,021	-	-	-
Balance as of December 31, 2020	**25,276**	**206,482**	**(28,323)**	**5,158**	**4,396**	**(440,941)**	**(227,952)**	**(9,848)**	**(237,800)**

(*) In accordance with the Netherlands civil code, part of the equity is restricted for distribution (see Note 7B and 15E).

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In €'000	Attributable to equity holders of the parent								
	Issued and paid-in capital	Share premium	Foreign currency translation reserve (*)	Property revaluation reserve (*)	Revaluation reserve, other (*)	Accumu-lated deficit (*)	Total	Non-con-trolling interest holders	Total equity
Balance as of January 1, 2019	**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)**
Balance as of December 31, 2019	**25,276**	**206,482**	**(19,038)**	**25,179**	**4,433**	**(392,934)**	**(150,602)**	**(2,121)**	**(152,723)**

(*) In accordance with the Netherlands civil code, part of the equity is restricted for distribution (see Note 7B and 15E).

The accompanying Notes are an integral part of these IFRS consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

In €'000	Attributable to equity holders of the parent								
	Issued and paid-in capital	Share premium	Foreign currency translation reserve (*)	Property revaluation reserve (*)	Revaluation reserve, other (*)	Accumulated deficit (*)	Total	Non-controlling interest	Total equity
Balance as of January 1, 2018	**25,276**	**206,482**	**37**	**31,637**	**5,586**	**(273,386)**	**(4,368)**	**3,542**	**(826)**
Adjustments on adoption of IFRS 15	-	-	-	-	-	688	688	-	688
Adjustments on adoption of IFRS 9	-	-	-	-	-	(7,246)	(7,246)	-	(7,246)
Balance as of January 1, 2018 (after adjustments on the adoption of IFRS 15 and IFRS 9)	**25,276**	**206,482**	**37**	**31,637**	**5,586**	**(279,944)**	**(10,926)**	**3,542**	**(7,384)**
Other comprehensive expense	-	-	(12,086)	-	(751)	-	(12,837)	(4,207)	(17,044)
Loss for the year	-	-	-	-	-	(36,775)	(36,775)	2,039	(34,736)
Total comprehensive expense	**-**	**-**	**(12,086)**	**-**	**(751)**	**(36,775)**	**(49,612)**	**(2,168)**	**(51,780)**
Share-based payment (Note 16)	-	-	-	-	2	-	2	289	291
Transaction with non-controlling interest (Note 19, 33)	-	-	-	-	-	1,039	1,039	4,077	5,116
Reclassification according to the Netherlands civil code requirements, net of tax (*)	-	-	-	(6,458)	-	6,458	-	-	-
Balance as of December 31, 2018	**25,276**	**206,482**	**(12,049)**	**25,179**	**4,837**	**(309,222)**	**(59,497)**	**5,740**	**(53,757)**

(*) In accordance with the Netherlands civil code, part of the equity is restricted for distribution (see Note 7B and 15E).

The accompanying Notes are an integral part of these IFRS consolidated financial statements

CONSOLIDATED CASH FLOW STATEMENT

In €'000	Note	For the year ended December 31		
		2020	2019	2018
Cash flow from operating activities				
Loss from continuing operations before taxes on income		(52,578)	(52,224)	(35,030)
Adjustments to reconcile net loss to net cash (see A below)		56,023	23,515	55,637
Net cash provided by (used in) operating activities of continuing operations		3,445	(28,709)	20,607
Net cash used in operating activities of discontinued operations	5	(6,870)	(12,805)	(17,317)
Net cash provided by (used in) operating activities		**(3,425)**	**(41,514)**	**3,290**
Cash flow from investing activities				
Acquisition of tangible fixed assets and investment properties		(531)	(583)	(2,572)
Investments and collecting of loans to companies accounted for using the equity method, net		-	-	14,050
Proceeds from sale of assets and investments in associates	5	-	12,600	-
Change in short-term investments		4,811	9,314	(2,911)
Change in long-term loans		-	1,131	-
Net cash provided by (used in) investing activities of discontinued operation		2,648	3,401	(7,220)
Net cash provided by investing activities		**6,928**	**25,863**	**1,347**

The accompanying Notes are an integral part of these IFRS consolidated financial statements

CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

In €'000	Note	For the year ended December 31		
		2020	2019	2018
Cash flows from financing activities				
Repayment of debentures	20	-	(12,221)	-
Repayment of long-term loans		(17,075)	(6,388)	(16,540)
Change in pledged deposit, net		(61)	2,549	16
Net cash provided by financing activities of discontinued operations		(1,073)	5,215	28,348
Net cash provided by (used in) financing activities		**(18,209)**	**(10,845)**	**11,824**
Increase (decrease) in cash and cash equivalents		**(14,706)**	**(26,496)**	**16,461**
Foreign exchange differences relating to cash and cash equivalents from discontinued operation		**(229)**	**2,056**	**820**
Change in cash of assets held for sale	5	5,524	2,133	(4,631)
Foreign exchange differences relating to cash and cash equivalents from continuing operation		**(1,787)**	**6,253**	**2,159**
Cash and cash equivalents at the beginning of the year		**35,895**	**51,949**	**37,140**
Cash and cash equivalents at the end of the year		**24,697**	**35,895**	**51,949**

The accompanying Notes are an integral part of these IFRS consolidated financial statements

CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

In €'000	Note	For the year ended December 31		
		2020	2019	2018
A. Adjustments to reconcile net profit (loss) to net cash charges / (credits) to profit (loss) not affecting operating cash flows:				
Share in profit of companies accounted for using the equity method, net	5,8	(9,935)	(14,667)	(1,491)
Loss on disposal of assets and investments in associates, net	5	-	1,555	-
Share-based payment		-	-	446
Depreciation and amortization		552	631	262
Fair value adjustments and impairment of investment properties	7	26,723	-	8,610
Financial expense and exchange differences, net		33,076	69,934	23,692
Loss from disposal of tangible fixed assets		23	2	-
Fair value adjustments of financial instrument		-	681	(184)
Changes in operating assets and liabilities:				
Change in trade and other receivables		2,240	(10,206)	(1,333)
Change in inventories, net of advances from customers		14,839	(5,240)	24,489
Change in trade and other payables		(3,231)	16,601	4,699
Dividend received	8	12,716	3,728	12,160
Interest paid		(17,858)	(35,859)	(11,083)
Interest received		691	631	889
Income taxes paid		(3,813)	(4,276)	(5,519)
		56,023	**23,515**	**55,637**

The accompanying Notes are an integral part of these IFRS consolidated financial statements

1. GENERAL

A. Introduction

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 the Tel-Aviv Stock Exchange, which is engaged in the development of real estate and (water) infrastructure projects (discontinued operations, see Note 5), 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 took 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'.

The total number of employees in the Company and its subsidiaries as of December 31, 2020 was 618 (December 31, 2019 – 1,492) of which 95 are part of the real estate segments, 516 are part of the water infrastructure activity (discontinued operations – see Note 5) and 7 form the headquarters of the Company.

The registered office address of the Company is located at De Cuserstraat 85B, Amsterdam, the Netherlands.

These financial statements were approved by the Board of Directors of the Company on May 9, 2021.

B. Financial Position and Going Concern

a. As at December 31, 2020 the Company had a working capital deficit of €464 million, mainly as a result of classification of the debentures as short-term liabilities, as detailed below. For the year ended on December 31, 2020, the Company recorded a consolidated net loss of €69.8 million, and generated negative cash flow from operating activities of €3.4 million on a consolidated basis. In addition, as at December 31, 2020 the Company had a deficit of €228 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.

b. On January 11, 2018 the Company announced that it would not be able to complete a transaction for the sale of its holdings in TGI in a manner that would enable the Company to meet the scheduled payments to the debenture holders in February 2018. Further to this announcement, the Company has not repaid the principal and interest payments which were due in February 2018. Consequently, the Company is in default according to the 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".

c. Given 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 converting a portion of the Company's debt into the Company's shares in such a way that it is expected that the Debenture Holders will obtain a vast majority of the Company, and in a framework that will 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. Accordingly, the Company and the representatives of the Debenture Holders conducted negotiations for a debt settlement.

   In November 2020, the trustee submitted an application to the Israeli Court requesting an exemption from appointing an expert in relation to the debt settlement. The court granted the exemption in December 2020.

In January 2021, an extraordinary meeting of the shareholders of the Company was held, in which the framework of the debt settlement was presented, and the shareholders approved allocation of shares to the debenture holders, according to the presented framework, if the debt settlement will be completed.

In March 2021, a meeting of the Company's debenture holders (Series A and Series B) was held in which, among other things, the outline of the debt settlement was presented, as detailed below. After the meeting, the debenture holders voted and gave an indicative approval to advance the debt settlement between the Company and the debenture holders, as presented.

The main principles of the debt settlement are: (1) conversion of part of the Company's debt against the allocation of shares to the debenture holders, which will constitute approximately 89.9% of the Company's issued and paid-in capital after the issue; (2) the balance of the debt remaining after the conversion will be NIS 725 million; (3) the entire debt will be repaid on December 31, 2023 and will bear an annual interest rate of 6.8%; early repayment will bear additional fees; (5) the new shareholders will be entitled to appoint a majority of the members of the Company's Board of Directors.

On April 7, 2021 a voting meeting of the debenture holders approved advancing the debt settlement between the Company and the debenture holders on the basis of the abovementioned outline. After receiving the said approval, the Company estimates that the approval process of the debt settlement can be completed in the coming months. The continuation of the approval process includes, among other things, applying to the court for approval of the settlement, convening creditors' meetings and approving the settlement, and receiving a binding order from the court.

d. 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, according to the framework of the proposed debt settlement. 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, as detailed in Note 5, the cash flow forecast of Kardan does not include any cash generated from selling the investment in TGI. In relation to the loan granted to Europark Dalian project in China and its refinancing, see Note 17.

e. For information regarding the impact of the Corona crisis, please refer to Note 1C below.

f. The realization of the Company's plans, including approval and completion of the debt settlement with the debenture holders, selling and transaction value of the Company's assets, refinancing and restructuring of loans, the impact of the Corona virus, and macroeconomic developments, depends on factors that are not within the Company's control and therefore there is uncertainty regarding the ability to complete the debt settlement, and that transactions for sale of assets will be entered into or completed. 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 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 in 2020 affected the Group's real estate operations as follows:

- In the investment property activity (Galleria Dalian shopping mall), due to the restrictions imposed by the authorities in China, many tenants had to temporarily close their shops in the lockdown periods, which resulted in a sharp decrease in footfall and shops turnover, mainly in the first quarter of the year. As of the date of approval of these financial statements, no shops remained closed due to the COVID-19 crisis.
- During 2020, as a result of the COVID-19 crisis, KLC granted rent discount to its tenants in an accumulated amount of €0.8 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 €0.5 million in the year 2020.
- In light of the expected changes in Galleria Dalian's forecasted cash flows, an updated valuation was made as of December 31, 2020. The various estimates and parameters included in the valuation as of December 31, 2019 and in each of the interim periods in 2020 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 relative weight taken in the valuation report of each valuation method (the comparison method and the DCF method). Accordingly, the Company recognized an impairment of €26.7 million in 2020 (for additional information see note 7)
- 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 is a need to make a provision for impairment of the car parks in Europark project in the amount of €2.3 million which was included in the cost of apartments sold.

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 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. Management estimates that the economic crisis in certain countries 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.

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 PREPARATION

A. Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for investment properties, derivative financial instruments; cash settled share-based payment liabilities and other financial assets and liabilities that have been measured at fair value.

The consolidated financial statements are presented in Euros and all values are rounded to the nearest thousand (€ in thousands) except when otherwise indicated.

The Company has elected to present the comprehensive income in two statements – the income statement and the statement of comprehensive income.

The period of the operational cycle of the Group exceeds one year (real estate projects may last for 2-4 years). Accordingly, assets and liabilities derived from construction works include items that may be realized within the abovementioned operational business cycle.

B. Statement of compliance

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ('IFRS') as endorsed by the European Union ('EU').

C. Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at December 31, 2020.

Subsidiaries are fully consolidated from the date the Group obtains control. Control is present when the Group is exposed, or has rights, to variable returns from its involvement with the investee companies and has the ability to affect those returns through its power over the investee companies. This principle applies to all investees companies, including structured entities.

Determination of control

Existence of control over investee companies is determined by management by examining if the Group has the influence over the investee company and is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Non-controlling interests ('NCI') represent the portion of profit or loss and net assets not held by the Group and are presented separately in the income statement and within equity in the consolidated statement of financial position, separately from equity attributable to the equity holders of the parent. Losses within a subsidiary are attributed to the NCI even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. In addition, any directly attributable incremental transaction costs incurred to acquire outstanding NCI in a subsidiary or to sell NCI in a subsidiary without loss of control are deducted from equity. The Group also re-attributes 'Other Comprehensive Income' ('OCI') in transactions that do not result in the loss of control of a subsidiary.

Upon partial disposal of a subsidiary without loss of control, the adjustment of NCI comprises a portion of the net assets of the subsidiary. Furthermore, a proportion of the goodwill is reallocated between the controlling and the non-controlling interest.

If the Group loses control over a subsidiary, it:
- Derecognizes all assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the entire carrying amount of any NCI;
- Derecognizes amounts of other comprehensive income deferred in equity, as appropriate;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in the income statement;
- Reclassifies the parent's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

D. Changes in accounting policies and disclosures

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2020.
The adoption of these amendments had a material impact on the current period or any prior period (for additional information see note 4Z and 4AA).

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements necessitates the use of judgments, estimates and assumptions. These judgments, estimates and assumptions affect the reported amounts of the assets and liabilities and the amounts of the contingent liabilities disclosed in the notes as of the date of the financial position as well as reported income and expenses for the period.

The key judgments, estimates and assumptions concerning the future and other key sources of estimation uncertainty at the financial position date, which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Going Concern

The financial statements have been prepared on a going concern basis – for additional information see Note 1B.

Revaluation of investment properties

Completed investment properties are measured at fair value as at the balance sheet date. Any changes in the fair value are included in the income statement. Change in fair value is usually determined by independent real estate valuation experts in accordance with recognized valuation techniques. These techniques include among others: the Income Approach to Value (which includes the Discounted Cash Flow Method and the Yield Method), and the Direct Comparison Method. These methods include estimate future cash flows from assets and estimates of discount rates applicable to those assets. In some cases the fair values are determined based on recent real estate transactions with similar characteristics and location to those of the company's assets (Direct Comparison Method).

Fair value of investment properties is based on independent appraisal values. Independent appraisal values are, however, in their turn subject to judgments, estimates and assumptions and do not take into account estimation uncertainty, if any, about key assumptions concerning the future as property valuations are based on market conditions in effect as at balance sheet date.

Refer to Note 7 for a sensitivity analysis of profit (loss) before tax due to changes in certain key parameters.

Estimates about key assumptions include among others: future revenue streams, vacancy rate and discount rates applicable to those assets. Future revenue streams, inter alia, comprise contracted rent (passing rent) and estimated rental income (ERV) after the contract period. In estimating ERV, the potential impact of vacancy and future lease incentives to be granted to secure new contracts is taken into consideration. All these estimates are based on local market conditions existing at the reporting date.

Impairment losses on inventory

Inventory is stated at the lower of cost and net realizable value ('NRV'). NRV is assessed with reference to market conditions and prices existing at the reporting date and is determined by the Group having taken suitable external advice and in the light of recent market transactions. In connection with residential units under construction which classify as inventory, impairment is tested by comparing the estimated selling price per unit and the expected cost per unit on completion.

Asset held for sale and discontinued operation

When certain conditions are met, the Company presents certain operations as discontinued and classify their assets and liabilities as held for sale. The Company presents TGI's operations as discontinued operations and classify TGI's assets and liabilities as held for sale in accordance with IFRS 5. The Company estimates that although the sale process of TGI is beyond two years, the classification as (assets and liabilities) held for sale is appropriate as the conditions of IFRS 5 are still met.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

On the basis of the aforementioned presentation and estimation techniques applied, a summary of significant accounting policies is presented below:

A. Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date at fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the NCI in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Other equity instruments not entitled to a proportionate share of net assets should be measured at fair value on the acquisition date unless another measurement basis is required by IFRS such as IFRS 2. Acquisition costs incurred are expensed and included in 'Other expenses'.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. If the business combination is achieved in stages, the fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through the income statement. Amounts of other comprehensive income items deferred in equity are reclassified to the income statement or transferred directly to retained earnings.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.
Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

B. Investment in associates and joint ventures

The Group's investments in its associates and in joint ventures (both equity and loans) are accounted for using the equity method. An associate is an entity in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.
A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Under the equity method, the investment in the associate or a joint venture is initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition changes in the Group's share of net assets of the associate or joint venture. Goodwill relating to associates or joint ventures is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The income statement reflects the share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI.
In addition, where there has been a change recognized directly in the equity of the associate or joint venture, the Group recognizes its share of any changes and discloses this, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

When the group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

The share of profit of an associate and a joint venture is shown on the face of the income statement. This is the profit attributable to equity holders of the associate or joint venture and therefore is profit after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an additional impairment loss on the Group's investment in its associates or joint ventures. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate or joint venture is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the amount as impairment in the income statement.

When the group no longer applies the equity method over the associate or joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in the income statement. Amounts deferred in OCI are reclassified to the income statement or transferred directly to retained earnings.

C. Foreign currency translation

The consolidated financial statements are presented in Euros, which is the Company's functional and presentation currency of the primary economic environment in which the entity operates. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using the functional currency. Transactions in foreign currencies are initially recorded at the foreign currency exchange rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the foreign currency rate of exchange ruling at the financial position date. All differences are taken to the income statement with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity, and for which hedge accounting requirements are met. These are recognized in OCI until the disposal of the net investment, at which time they are recognized in the income statement. Tax charges and credits attributable to exchange differences on those borrowings are also recognized in OCI. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates ruling on the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.
As of the reporting date, the assets and liabilities of the foreign operations are translated into the presentation currency of the Company at the rate of exchange ruling on the balance sheet date and their income statements are translated at weighted average exchange rates for the year. The exchange differences arising on the translation are recognized in OCI. On disposal of a foreign entity, the deferred cumulative amount recognized in OCI relating to that particular foreign operation is recognized in the income statement.

D. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

E. Fair value measurement

The Group measures financial instruments such as derivatives, and non-financial assets such as investment properties, at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

In the principal market for the asset or liability

Or

In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

A. Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

B. Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

C. Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The management determines the policies and procedures for both recurring fair value measurement, such as investment properties and unquoted assets measured at fair value through profit or loss, and for non-recurring measurement, such as assets held for sale in discontinued operations.

External valuers are involved for valuation of significant assets, such as investment property. Involvement of external valuers is decided upon annually by the management after discussion with the Company's Audit Committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The management decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, the management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The management, in conjunction with the Group's external valuers, also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

F. Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups classified as held-for-sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held-for-sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. Costs to sell are the incremental costs directly attributable to the sale or distribution, excluding the finance costs and income tax expense. This condition is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition.

Discontinued operation is defined as a component of an entity that either has been disposed of or is classified as held for sale and:

a. represents a major separate line of business or geographical area of operations;
b. is a part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
c. is a subsidiary acquired with a view to resale.

In the consolidated income statement of the reporting period, and of the comparable periods of the previous years, income and expenses from discontinued operations are reported separate from normal income and expenses down to the level of profit after taxes, even when the Group retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss is reported separately in the income statement. The cash flow effect of the discontinued operation is separately disclosed in Note 5.

Tangible fixed assets and intangible assets once classified as held-for-sale are not depreciated or amortized.

G. Tangible fixed assets

Tangible fixed assets, which do not qualify as investment property, are stated at cost, less accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of such property and equipment when that cost is incurred, providing the recognition criteria are met. Land is not depreciated.
The initial cost of property and equipment comprise its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Depreciation is computed from the moment the asset is ready for use on a straight-line basis over the following estimated useful lives of the assets:

Office furniture and equipment	3-16 years (mainly 10 years)
Property, plant and equipment	10-20 years (mainly 10 years)
Motor vehicles	2-7 years (mainly 5 years)
Buildings (not including land)	25-50 years (mainly 50 years)
Leasehold improvements	Over the shorter of the term of the lease or useful lives (mainly 5 years)

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate. Any item of tangible fixed assets is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognized.

H. Investment properties

Investment properties comprises a land plot or a building or a part of a building held to earn rental income and/or for capital appreciation and property that is being constructed or developed for future use as investment property (investment property under construction).

Right of use that meet the fulfil the definition of investment property are presented in the statement of financial position as investment property. The Company applies the fair value model as in IAS 40 for its investment property and accordingly applies the fair value model for the right of use assets that apply with the definition of investment property according to IAS 40.

Investment properties is initially stated at cost and subsequently is measured at fair value according to the fair value model, which reflects market conditions at the balance sheet date. Gains or losses arising from a change in the fair value of the investment properties are included in the income statement in the year in which they arise.

Investment properties where management deemed that fair value can be reliably measured, are externally valued (in most cases) based on open market values. For a description of these valuation techniques and assumptions, see Note 7 and Note 3.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use. Any gains or losses on the retirement or disposal of an investment property are recognized in the income statement in the year of retirement or disposal.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Lease origination costs /deferred brokerage fees

The costs incurred to originate a lease as well as broker fees for available rental space are added to the carrying value of investment property until the date of revaluation of the related investment property to its fair value. Upon measurement of investment property to its fair value, these balances are released as part of a fair value adjustment.

I. Apartments inventory in progress

Costs relating to the construction of the residential properties are stated at the lower of cost and net realizable value NRV. NRV is assessed with reference to market conditions and prices existing at the reporting date and is determined by the Group having taken suitable external advice and in light of recent market transactions. Costs relating to the construction of a project are included in inventory as follows:

- Costs incurred relating to phases of the project that are not available for sale; and
- Costs incurred relating to units unsold associated with a phase of the project that is available for sale.

Costs related to the phase of the project that is not available for sale may include:

- ii. Capitalized costs, which include borrowing costs, planning and design costs, construction overheads and other related costs.

The carrying amounts are tested for impairment as of each reporting date. Impairment is assessed to have occurred if the estimated future selling price of the residential units falls below the estimated cost per unit. Impairment is subsequently calculated on a discounted cash flow basis. Commissions paid to sales or marketing agents on the sale of pre-completed real estate units, which are not refundable, are expensed in full when payable.
The Company classifies cost of building in progress as current or non-current based on the operating cycle of the related projects. Ongoing projects are presented as current. Projects where the construction date has not yet been determined are presented as non-current.

J. Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs of disposal and value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining the fair value less costs to sell, an appropriate valuation model is used.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the income statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

Goodwill
Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized. Impairment losses recognized in relation to goodwill are not reversed for subsequent increases in its recoverable amount.

Investment in associates or Joint ventures
After applying the equity method, the Company examines whether it is necessary to recognize an additional impairment of investment in associates or in joint ventures. Each balance sheet date an examination is carried out to check if there is objective evidence of impairment of an investment in an associate or joint venture. The assessment of impairment is made considering the total investment, including the goodwill attributable to the associates or joint ventures.

K. Investments and other financial assets

Classification
From 1 January 2018, the group classifies its financial assets in the following measurement categories:
- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The group reclassifies debt investments when and only when its business model for managing those assets changes.

Recognition and derecognition
Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

Measurement
At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.
Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Impairment
From 1 January 2018, the group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 12(c) for further details.

Debt instruments
Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:
- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.
- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The group subsequently measures all equity investments at fair value. Where the group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

L. Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less.

M. Borrowing costs

Borrowing costs are accrued and expensed in the period in which they are incurred. Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset.

Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded. Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds, including exchange differences arising from foreign currency borrowings used to finance these projects to the extent that they are regarded as an adjustment to interest costs.

Borrowing costs are either based on the actual borrowing costs incurred for the purchase of a qualifying asset or at a capitalization rate representing the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs that the Group capitalizes during any period will not exceed the amount of borrowing costs it incurred during that period.

N. Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings, and derivative financial instruments.

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified at fair value through profit or loss if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as at fair value through profit or loss unless they are designated as effective hedging instruments.

Gains or losses on liabilities at fair value through profit or loss are recognised in the statement of profit or loss.
Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings.

Debentures
Debentures are initially recognized at fair value net of costs associated with the issuance of the Debentures. After initial recognition, the Debentures are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the consideration and using the effective interest method. The proceeds received in consideration for the issuance of Debentures and detachable warrants are allocated between the Debentures and warrants based on their relative fair value.

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading, and financial liabilities designated upon initial recognition at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognized in profit or loss.

Loans and borrowings
After initial recognition, all interest-bearing loans and borrowings are subsequently measured at amortized cost. Amortized cost is calculated by taking into account premiums paid at initiation of the loans and using the effective interest method.

Gains and losses are recognized in the income statement when the liabilities are derecognized as well as through the amortization process.

O. Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

P. Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

Q. Share-based payment transactions

Employees (including senior executives) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ('equity-settled transactions'). Some employees are granted share appreciation rights, which can only be settled in cash ('cash-settled transactions').

Equity-settled transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value is determined by using an appropriate pricing model, further details of which are given in Note 16.

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest.

The income statement expense or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognized is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (further details are given in Note 31).

Cash-settled transactions

The cost of cash-settled transactions is measured initially at fair value at the grant date using mostly the binomial model, further details of which are given in Note 17. This fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The liability is re-measured to fair value at each reporting date up to and including the settlement date, with changes in fair value recognized in employee benefits expense (see Note 17 and 20).

R. Leases

As described in Note 4 on the first implementation of International Financial Reporting Standard No. 16 - Leases (hereinafter "the Standard"), the Company has chosen to apply the Standard's provisions retroactively (without restating comparative figures).
The accounting policies applied as of January 1, 2019 in respect of leases are as follows:

The Company account the contract as a lease when, under the terms of the contract, the right to control the asset (or assets) is transferred for an identified period of time for an agreed consideration.

Group as a lessee

For transactions in which the Company is a lessee, it recognizes on the date of commencement of the lease the right of use against a lease obligation, with the exception of lease transactions for a period of up to 12 months and lease transactions in which the low value underlying asset, which the Company has chosen to recognize the lease payments as an expense in profit or loss in a straight line over the lease term. As part of the measurement of the lease obligation, the Company chose to implement the standard relief and did not separate leasing components from non-leasing components such as: management services, maintenance services and more, which are included in the same transaction.

At the commencement date, a lease obligation includes all unpaid lease payments discounted at the implied interest rate on the lease when it is easily determinable or at the Company's additional interest rate. After the date commenced, the Company measures the liability for the lease using the effective interest method.

The right-of-use right asset is recognized at the amount of the lease for a lease plus lease payments paid on or before the commencement date plus the incurred transaction costs.

In case the fair value model in IAS 40 to investment property is applied, then the right-of-use assets meet the definition of investment property

The right of use is measured in the cost model and amortized over its useful life, or the lease term according to the shortest of them.

When there are signs of impairment, the Company examines impairment of the right of use in accordance with IAS 36.

Group as a lessor

The tests for classifying a lease as financing or as operating are based on the nature of the agreement and are tested at the date of the contract according to the rules set out in the standard:

Finance lease

A lease transaction in which all risks and rewards associated with ownership of the property are transferred to the lessee is classified as a finance lease.

When the lease began, the leased asset was derecognized and against the seller of a "finance lease receivable" property equal to the present value of the lease receipts capitalized at the interest embodied in the lease. Any difference between the balance of the leased property before the lien and the balance of the debtors for a finance lease is recognized in profit or loss.

After the commencement date, the leasing receipts are allocated between financing income that reflects a fixed periodic rate of return on debtors for a finance lease, and the repayment of debtors for a finance lease. The balance of receivables for financing leases is treated for impairment and subtraction according to IFRS 9.

Operating lease

A lease transaction in which all the risks and rewards associated with owning the property are not substantially transferred is classified as an operating lease. Lease receipts are recognized as straight-line income or loss over the lease term. Initial direct costs incurred in respect of the lease agreement are added to the cost of the leased property and recognized as an expense over the lease term on the same basis.

The accounting policies applied till December 31, 2018 in respect of leases are as follows:

Group as a lessee

Finance leases which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the income statement.

Leased assets, which are not classified as investment properties, are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognized as an operating expense in the income statement on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rental income.

Contingent rents are recognized as revenue in the period in which they are earned.

P. Revenue recognition

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms. Costs of rental operations are recorded in the same period as rental income is recognized. The aggregate cost of rental incentives is recognized as a reduction of rental income over the lease term on a straight-line basis.

Sale of apartments

The Group develops and sells residential properties. Revenue is recognised when or as the control of the goods or service is transferred to the customer. Depending on the terms of the contract and laws that apply to the contract, control of the properties may be transferred over time or at a point in time. In most cases for the Company it will at a point in time. Revenue is recognised when a performance obligation is satisfied by transferring control of the promised properties to a customer in an amount that reflects the consideration expected to be collected in exchange for those properties.

The Group determines whether control of a property is transferred to a customer over time or at a point in time based on the analysis of the following three criteria. Revenue is recognised over time if any of such criteria are met that the Group:

- provide all of the benefits received and consumed simultaneously by the customer; or
- create and enhance an asset that the customer controls as the Group perform; or
- do not create an asset with an alternative use of the Group and the Group have an enforceable right to payment for performance completed to date.

A performance obligation is satisfied at a point in time if none of the above criteria for satisfying a performance obligation over time are met.

The revenue is measured at the transaction price agreed under the contract. In most cases, the consideration is due when legal title has been transferred. While deferred payment terms may be agreed in rare circumstances, the deferral never exceeds twelve months. The transaction price is therefore not adjusted for the effects of a significant financing component.

The costs related to the real estate development incurred during the construction period are capitalised in inventory. Once revenue is recognised, the costs in respect of sold units are expensed.

T. Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted at the balance sheet date.

Current income tax relating to items recognized outside the income statement is recognized in OCI or equity, in correlation to the underlying transaction, and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to the situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary difference, except:

- Where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be used except:

- Where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax relating to items recognized outside the income statement is recognized outside the income statement. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority and expected to settle net or simultaneously.

At each balance sheet date, the Group companies re-assess unrecognized deferred tax assets and the carrying amount of deferred tax assets. The companies recognize a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Conversely, the companies reduce the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or that entire deferred tax asset to be utilized.

U. Fair value of financial INSTRUMENTS

The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted market bid prices for assets and offer prices for liabilities, at the close of business on the balance sheet date. If quoted market prices are not available, reference can also be made to broker or dealer price quotations.

For financial instruments where there is no active market, the estimated fair value is determined by the Group by using valuation models.

The Group has estimated that the fair value of some of the financial instruments does not differ significantly from their current carrying amounts. This is valid for cash items, receivables from banks and other current receivables and current liabilities. The Group believes that the current carrying amount of these assets and liabilities approximates their fair value, especially when they are short term, or their interest rates are changing together with the change in the current market conditions.

V. Derivative financial instruments and hedging

The Group uses derivative financial instruments such as forward currency contracts to hedge its risks associated with interest rate and foreign currency fluctuations. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to the income statement.
The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by independent valuators using agreed-upon valuation models.

At the inception of the hedge relationship, the Group classifies and documents the type of hedge it wishes, the use for the purpose of financial reporting and its strategic goals for risk management relating to the specific hedging relationship. The documentation includes identification of the hedging instrument, the hedged item, and the nature of the hedged risk and how the Group assesses hedge effectiveness.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Fair value hedges

Fair value hedges are hedges of the Group's exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect the income statement. For fair value hedges, the carrying amount of the hedged item is adjusted for gains and losses attributable to the risk being hedged, the derivative is remeasured at fair value and gains and losses from both are taken to the income statement.

For fair value hedges relating to items carried at amortized cost, the adjustment to carrying value is amortized through the income statement over the remaining term to maturity. Amortization may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedged item is derecognized, the unamortized fair value is recognized immediately in the income statement.

When an unrecognized firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognized as an asset or liability with a corresponding gain or loss recognized in the income statement. The changes in the fair value of the hedging instrument are also recognized in the income statement.

The Group discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the Group revokes the designation.

W. Earnings per share

Basic earnings per share are calculated by dividing the net profit for the period attributable to the equity holders of the parent by the weighted average number of ordinary shares outstanding during the period (after adjusting for treasury shares).

Diluted earnings per share amounts are calculated by dividing the net profit attributable to the equity holders of the parent (after adjusting for interest on convertible Debentures and options classified as derivative instruments) by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. In addition, securities that were converted during the period are included in the diluted earnings per share calculation to the date of conversion, and from that date they are included in the basic earnings per share. Potential ordinary shares are only included in diluted earnings per share when their conversion would decrease earnings per share (or increase loss per share) from continuing operations. Options and warrants are dilutive when they would result in the issue of ordinary shares for less than the average market price of ordinary shares during the period.

X. Cash flow statement

Cash flow statements are prepared using the indirect method. Cash flows in foreign currencies have been translated into Euros using the weighted average rates of exchange for the periods involved. Cash flows from derivative instruments that are accounted for as fair value hedges or cash flow hedges are classified in the same category as the cash flows from the hedged items. Cash flows from other derivative instruments are classified consistent with the nature of the instrument.

Y. Change in accounting policies

Amendment to IFRS 3, "Business Combinations":
The Amendment clarifies that in order to meet the definition of a "business", an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. The Amendment also clarifies that a business can exist without including all of the inputs and processes necessary to create outputs. The Amendment includes an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business, with no need for other assessments.

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. In addition, no further assessment is required as to whether market participants can replace missing elements in the acquisition, or to integrate the inputs and processes acquired into their own inputs and processes.

Instead of the aforesaid, an entity may choose to apply the "concentration test". Under this optional test, when in essence all the fair value of the assets acquired (gross) is concentrated in a single asset or in a group of similar assets, the assets acquired do not constitute a "business". In such a case, there is no need for further evaluation.

The Company has prospectively implemented the amendment to IFRS 3. The initial application of the Amendment did not have a material effect on the Company's financial statements.

Amendment to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" and IAS 1 "Presentation of Financial Statements":
The amendment to IAS8, IAS 1 and the subsequent amendments to other international financial accounting standards:

1. Use a consistent definition of materiality across the various standards and conceptual framework;
2. Clarify the explanation of the definition of materiality; also
3. Incorporate some of the directives in IAS 1 relating to non-material information.

The amended definition is as follows:

" Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity".

The Company has prospectively implemented the amendment. The initial application of the Amendment did not have a material effect on the Company's financial statements.

Amendments to IFRS 9, "Financial Instruments", IFRS 7, "Financial Instruments: Disclosures" and IAS 39," Financial Instruments: Recognition and Measurement" (collectively - "the Amendment"):
The Amendment permits certain temporary reliefs for entities applying hedge accounting for IBOR-based instruments which are affected by the uncertainty involving the expected interest rate benchmark reform. This reform has caused uncertainty relating to the timing and amounts of future cash flows from both hedging instruments and hedged items. However, ineffectiveness will be recognised in profit or loss. The amendments also require certain disclosure requirements.

The Company has prospectively implemented the amendment. The initial application of the Amendment did not have a material effect on the Company's financial statements.

Z. New Standards and Amendments NOT YET ADOPTED BY THE GROUP

Amendment to IAS 1, "Presentation of Financial Statements":

The International Accounting Standards Board (IASB or the Board) issued amendments to IAS 1 Presentation of Financial Statements (the amendments) to clarify the requirements for classifying liabilities as current or non-current. More specifically:

1. The amendments specify that the conditions which exist at the end of the reporting period are those which will be used to determine if a right to defer settlement of a liability exists.
2. Management expectations about events after the balance sheet date, for example on whether a covenant will be breached, or whether early settlement will take place, are not relevant.
3. The amendments clarify the situations that are considered settlement of a liability.

The Amendment is effective for annual periods beginning on or after January 1, 2023 and must be applied retrospectively. The initial application of the Amendment did not have a material effect on the Company's financial statements.

Amendment to IAS 16, "Property, Plant and Equipment":

In May 2020, the IASB issued an amendment to IAS 16, "Property, Plant and Equipment" ("the Amendment"). The Amendment prohibits a company from deducting from the cost of property, plant and equipment ("PP&E") consideration received from the sales of items produced while the company is preparing the asset for its intended use. Instead, the company should recognize such consideration and related costs in profit or loss.

The Amendment is effective for annual reporting periods beginning on or after January 1, 2022, with earlier application permitted. The Amendment is to be applied retrospectively, but only to items of PP&E made available for use on or after the beginning of the earliest period presented in the financial statements in which the company first applies the Amendment. The company should recognize the cumulative effect of initially applying the Amendment as an adjustment to the opening balance of retained earnings at the beginning of the earliest period presented.

The Company estimates that the application of the Amendment is not expected to have a material impact on the financial statements.

Amendment to IAS 37, "Provisions, Contingent Liabilities and Contingent Assets":

In May 2020, the IASB issued an amendment to IAS 37, regarding which costs a company should include when assessing whether a contract is onerous ("the Amendment"). According to the Amendment, costs of fulfilling a contract include both the incremental costs (for example, raw materials and direct labor) and an allocation of other costs that relate directly to fulfilling a contract (for example, depreciation of an item of property, plant and equipment used in fulfilling the contract).

The Amendment is effective for annual periods beginning on or after January 1, 2022 and applies to contracts for which all obligations in respect thereof have not yet been fulfilled as of January 1, 2022. Early application is permitted.

The Company estimates that the application of the Amendment is not expected to have a material impact on the financial statements.

Amendment to IFRS 3, "Business Combinations":

The amendment updates IFRS 3 so that it addresses to the conceptual framework for financial reporting as published in 2018, for the purpose of determining which assets acquired and liabilities taken out meet the definitions of assets and liabilities. Prior to the amendment, the reference was to the conceptual framework for financial reporting as published in 2001.

The amendment also adds to IFRS 3 a requirement that, for transactions and other events within the scope of IAS 37 or IFRIC 21, an acquirer applies IAS 37 or IFRIC 21 (instead of the Conceptual Framework) to identify the liabilities it has assumed in a business combination; and an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The amendments are effective for annual periods beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

The initial application of the Amendment is not expected to have a material impact on the financial statements.

Amendments to IFRS 9, "Financial Instruments", IFRS 7, "Financial Instruments: Disclosures", IAS 39, "Financial Instruments: Recognition and Measurement", IFRS 4, "Insurance Contracts", and IFRS 16, "Leases" ("the Amendments"), IAS 37, "Provisions, Contingent Liabilities and Contingent Assets":
The Amendments provide practical expedients when accounting for the effects of the replacement of benchmark InterBank Offered Rates (IBORs) by alternative Risk Free Interest Rates (RFRs).

Pursuant to one of the practical expedients, an entity will treat contractual changes or changes to cash flows that are directly required by the reform as changes to a floating interest rate. That is, an entity recognizes the changes in interest rates as an adjustment of the effective interest rate without adjusting the carrying amount of the financial instrument. The use of this practical expedient is subject to the condition that the transition from IBOR to RFR takes place on an economically equivalent basis.

In addition, the Amendments permit changes required by the IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued, provided certain conditions are met. The Amendments also provide temporary relief from having to meet the "separately identifiable" requirement according to which a risk component must also be separately identifiable to be eligible for hedge accounting.

The Amendments include new disclosure requirements in connection with the expected effect of the reform on an entity's financial statements, such as how the entity is managing the process to transition to the interest rate reform, the risks to which it is exposed due to the reform and quantitative information about IBOR-referenced financial instruments that are expected to change.

The Amendments are effective for annual periods beginning on or after January 1, 2021. The Amendments are to be applied retrospectively. However, restatement of comparative periods is not required. Early application is permitted.

The Company estimates that the application of the Amendments is not expected to have a material impact on the financial statements.

Amendments to IFRS 10 and IAS 28 regarding sale or transfer of assets between an investor and its associate or joint venture:
The Amendments to IFRS 10 and IAS 28 deal with the sale or transfer of assets between an investor and its associate or joint venture and resolve an inconsistency that exists between IFRS 10 and IAS 28. Those changes affect how an entity should determine any gain or loss it recognizes when assets are sold or contributed between the entity and an associate or joint venture in which it invests. The changes do not affect other aspects of how entities account for their investments in associates and joint ventures.
In December 2015, it was decided to postpone the effective date of the amendments. The Amendments are to be applied prospectively. A mandatory effective date has not yet been determined by the IASB but early adoption is permitted. The initial application of the Amendment is not expected to have a material impact on the financial statements.

DEFINITIONS
The following definitions are used throughout these financial statements:

Kardan or the Company – *Kardan N.V.*
The Group or Kardan Group – *Kardan N.V. and its subsidiaries*
GTC RE – *GTC Real Estate Holding B.V.*
GTC Group – *GTC RE and its subsidiaries, joint ventures and associates*
KFS – Kardan *Financial Services B.V.*
KFS Group – K*FS and its subsidiaries, joint ventures and associates*
Kardan Israel – *Kardan Israel Ltd.*
TGA - *Tahal Group Assets B.V.*
TGI – *Tahal Group International B.V.*
TGI Group – *TGI and its subsidiaries, joint ventures and associates*
Kardan Land China or KLC – *Kardan Land China Ltd.*
KLC Group – *Kardan Land China, its subsidiaries and joint ventures*
TASE – *The Tel-Aviv Stock Exchange*
EI XII- *Emerging Investment XII B.V.*

5. BUSINESS COMBINATIONS AND INVESTMENT IN SUBSIDIARIES

A. Principle subsidiaries (consolidated into the Group)

The consolidated financial statements include the financial statements of the Company and its subsidiaries. Following is a list of the main Company's directly and indirectly held subsidiaries.

Holding company	Name of subsidiary	Country of incorporation	% equity interest by the direct and indirect holding as of December 31	
			2020	2019
Kardan N.V.	Kardan Financial Services B.V.	The Netherlands	100	100
	GTC Real Estate Holding B.V.	The Netherlands	100	100
	Emerging Investments XII B.V.	The Netherlands	-	100
GTC Real Estate Holding B.V.	Kardan Land China Limited	Hong Kong	100	100
Kardan Land China Limited	Kardan Land (BJ) Management & Consulting Co. Ltd.	China	100	100
	Kardan Land Dalian (HK) Ltd.	Hong Kong	100	100
Main subsidiaries presented in Assets held for sale				
Kardan N.V.	Tahal Group International B.V.	The Netherlands	98.43	98.43
Tahal Group International B.V.	Tahal Group B.V.	The Netherlands	100	100
	Tahal Group Assets B.V.	The Netherlands	100	100
Tahal Group B.V.	Tahal Consulting Engineers Ltd.	Israel	100	100
	Water Planning for Israel Ltd.	Israel	99.99	99.99
	Sitahal 'Hagal' (Talia) Partnership	Israel	100	100
	Palgey Maim Ltd.	Israel	-	55.5
	Tahal Angola Ltd.	Angola	70	70
	Tahal Consulting Engineers India Pvt. Ltd.	India	100	100
	Evergreen for Development B.V.	The Netherlands	100	100
	Tahal Romania Ltd.	Romania	100	100
	Tahal Russ	Russia	100	100
	Sterna B.V.	The Netherlands	90.75	90.75
	TMNG Ltd.	Israel	62.9	62.9
Tahal Group Assets B.V.	Task Water B.V.	The Netherlands	100	100
	Mast Foods S.A.	Greece	60.7	60.7

B. Significant transactions and business combinations

Sale of the investment in Joint venture – TBIF Dan Leasing ('Avis Ukraine')

In January 2019, KFS, a 100% subsidiary of Kardan, signed an agreement to sell its 66% stake in TBIF Dan Leasing Limited ('TDLL') and its shareholder's loans to its partner in TDLL, Universal Transportation Solutions Ltd. ('UTS'). TDLL is the sole shareholder of 'company with Foreign Investment VIP Rent' which operates the AVIS franchise in the Ukraine ('AVIS Ukraine').
The consideration for KFS' 66% stake in TDLL will amount to USD 14.2 million (approximately €12.4 million).
In accordance with IFRS 5, the investment in Avis Ukraine was presented as Held for Sale and measured at the lower of carrying amount and fair value less costs to sell, which resulted in devaluation of the investment of approximately €3.3 million in the fourth quarter of 2018. The transaction was completed on March 14, 2019. Following the completion of the transaction, the company estimate it will release a capital reserve in the amount of €1.3 million.

Sale of Palgey Maim

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, in September 2020, TGI was paid in cash the amount of NIS 21.4 million (€5.3 million), less the Adjustment Amounts. The balance, in the amount of NIS 4.1 million (approximately €1 million), was deposited in trust on the completion date and will be used to ensure presentations and adjustments, in respect of certain payments specified in the agreement.

In view of the financial situation of TGI, the mentioned 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.

C. Discontinued operations and assets held for sale

Further to Note 1B above, due to the various sale transactions conducted by the Company, the terms of classifying the investment in TGI and Avis Ukraine as Held-For-Sale and its results as discontinued operations, in accordance with IFRS 5, were met.
Regarding the financial position of TGI, see also 4 below.

1. Assets held for sale and liabilities associated with assets held for sale:

€ '000	December 31	
	2020	2019
	TGI	TGI
Assets		
Trade receivable	22,333	30,419
Accrued income	9,135	52,408
Other current assets	41,739	41,459
Tangible fixed assets, net	17,772	20,567
Right-of-use assets	1,750	9,035
Other non-current assets	9,136	18,088
Cash and cash equivalents	6,023	11,547
Investment in Joint venture Avis Ukraine	-	-
Total assets	**107,888**	**183,523**
Liabilities		
Interest bearing loans and borrowings	54,513	61,018
Advances from customers	23,813	28,008
Lease liabilities	2,491	9,216
Other liabilities	61,936	87,402
Total liabilities	**142,753**	**185,644**
Net asset value (deficit)	**(34,865)**	**(2,121)**
Attributable to equity holders of the parent	(25,017)	-
Non-controlling interests holders	(9,848)	(2,121)
	(34,865)	**(2,121)**

2. Net (loss) profit from discontinued operations:

€ in thousands	For the year ended December 31						
	2020	2019			2018		
	TGI	Avis Ukraine	TGI	Total	Avis Ukraine	TGI	Total
Income	85,651	-	152,844	152,844	-	175,397	175,397
Operating and finance expenses and Share of profit of investments accounted for using the equity method, net	(114,200)	-	(191,508)	(191,508)	908	(173,344)	(172,436)
Profit (loss) before tax	**(28,549)**	**-**	**(38,664)**	**(38,664)**	**908**	**2,053**	**2,961**
Income tax expenses, net	1,921	-	5,139	5,139	-	1,995	1,995
Profit (loss) from discontinued operations	**(30,470)**	**-**	**(43,803)**	**(43,803)**	**908**	**58**	**966**
Company level adjustments required for the presentation as discontinued operation	7,506	-	8,031	8,031	-	2,046	2,046
Profit (loss) from discontinued operations	**(22,964)**	**-**	**(35,772)**	**(35,772)**	**908**	**2,104**	**3,012**
Discontinued operation related items:							
Net gain (impairment) from revaluation of investment	1,178	174	(1,178)	(1,004)	(3,323)	-	(3,323)
Release of capital reserves due to sale	-	1,299	-	1,299	-	-	-
Net (loss) profit from discontinued operations	**(21,786)**	**1,473**	**(36,950)**	**(35,477)**	**(2,415)**	**2,104**	**(311)**
Attributable to:							
Equity holders	(20,030)	1,473	(32,234)	(30,761)	(2,415)	65	(2,350)
Non-controlling interest holders	(1,756)	-	(4,716)	(4,716)	-	2,039	2,039
	(21,786)	**1,473**	**(36,950)**	**(35,477)**	**(2,415)**	**2,104**	**(311)**

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

€ in thousands	For the year ended December 31						
	2020	2019			2018		
	TGI	Avis Ukraine	TGI	Total	Avis Ukraine	TGI	Total
Adjustments arising from translating financial statements of foreign operations	(5,038)	(1,299)	(9,458)	(10,757)	409	(13,338)	(12,929)
Changes in other reserves, net	(737)	-	-	-	-	-	-
Total other comprehensive income (expense)	**(5,775)**	**(1,299)**	**(9,458)**	**(10,757)**	**409**	**(13,338)**	**(12,929)**
Attributable to:							
Equity holders	(4,936)	(1,299)	(6,313)	(7,612)	409	(9,280)	(8,871)
Non-controlling interest holders	(839)	-	(3,145)	(3,145)	-	(4,058)	(4,058)
	(5,775)	**(1,299)**	**(9,458)**	**(10,757)**	**409**	**(13,338)**	**(12,929)**

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

a. In 2020 TGI presents a loss of €21.8 million, a negative cash flow from operating activities of €6.9 million and negative working capital of €56.4 million (in 2019 a loss of €36.9 million, a negative cash flow from operating activities of €12.8 million and negative working capital of €27.9 million). The shareholders' equity of TGI attributed to Kardan was €25 million (after adjustments at the holding Company level) as at December 31, 2020 (in 2019, the equity attributed to Kardan was immaterial).

b. In order to finance its operations, TGI uses short term credit lines from banks amounting to US$54.5 million and guarantees for projects amounting to US$66.8 million.
As of December 31, 2020, covenants in relation to the above credit lines have not been met (see also section 5)b) below). It is noted that TGI did not meet its covenants also in previous periods (since September 2018), for which waivers have been received only until September 2019.
Although TGI is in breach towards the banks, as of the date of signing these financial statements the banks did not pursue any legal action towards TGI.

c. During 2020, TGI conducted 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 included support in the form of a guarantees facility required to advance projects and cash credit line to support TGI's working capital.
In September 2020, agreements were reached with the banks, according to which, TGI received a total of approximately €3.8 million from the proceeds of the sale of the subsidiary Palgey Maim sale (as detailed in 2 above) and received a performance guarantee for a new project amounting to €4.8 million. In addition, TGI continues to operate in coordination with the banks within the credit facilities as stated in section (2) above. It should be noted that the agreements with the banks do not include any support for TGI's operation in India. No additional changes were made to the terms of the credit lines. However, there is no certainty that the continuing discussions with the banks will result in a binding agreement, or its terms and/or the date of any approval.

d. Due to the adverse financial position of TGI, as described above, 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 the Company will lose control over TGI.

e. In a voting meeting that was held on March 29, 2021, the Debenture Holders gave their final and binding approval to receive from the Company the right to appoint all the directors in TGI's board (instead of the Company), in such way that the appointment of TGI's board members will be according to the decision of the Debenture Holders solely.

f. In their report of the financial information of TGI as of December 31, 2020, the external auditors of TGI included a mandatory emphasis of matter paragraph regarding significant doubts regarding TGI's ability to continue as going concern. The statements do not include any adjustments to t he carrying amounts and classifications of assets and liabilities of TGI that would be required if TGI is not presented as a going concern.

5. Additional information regarding TGI:

a. Provisions:
In 2020, TGI recorded provisions and impairments of financial and other assets amounting to €33 million, net, mainly in relation to provisions for losses on various projects (see note C below).

b. Financial covenants:
TGI Group committed towards banks, with respect to long-term and short-term loans, credit facilities and guarantees, to maintain certain financial covenants such as minimum equity and EBITDA, the ratio of equity to total assets, the ratio of equity to net debt and the ratio of financial debt to total assets. Furthermore, some restrictions relating to dividend distribution were imposed on TCE (a subsidiary of TGI). As of December 31, 2020, TGI Group companies were in breach of part of the abovementioned financial covenants. As of the date of signing these financial statements, waivers have not been received, however, to date no legal action has been taken by the lending banks.

c. Guarantees:

As of December 31, 2020 and 2019, TGI provided bank guarantees in an aggregate amount of approximately €66.8 million and €96 million, respectively, in favor of customers in respect of advances received from them and performance guarantees. During 2020, TGI experienced difficulties to grant guarantees and collaterals to project which caused delays in the commencement of projects and in receiving proceeds from the work performed. Due to delays in the project, guarantees in the amount of €4.6 million that were provided by the group, were forfeited. Close to the date of the report, one of the banks that issued guarantees demanded a payment of the guarantees in a total amount of approximately $4 million. In addition, there are pending demand letters for the forfeiture of additional guarantees and/or the cancellation of some of the projects. TGI's financial statements include appropriate provisions for the above.

d. Legal claims and contingencies:

1. In February and May 2020 TGI has received claim letters from a bank, which is not one of TGI's financing banks, for the repayment of a debt in the amount of approximately €1.5 million, which, according to the bank, has not been paid when due. In addition, the letters from the bank stipulates its right to full repayment of the outstanding loan, due to breach, in the amount of approximately €3.2 million. TGI had replied , rejecting the bank's claims except for the late payment. In a meeting with the banks representatives it was agreed that the parties will renegotiate the debt after formulating a final debt service framework with TGI's financing banks. A of the date of approval of these financial statements, the negotiation has not started yet.
2. In April 2018 TGI had received a notice from Sociedad Espaniola de Montajes Industrials S.A ('SEMI'), in regard of the electrification of the Israeli railways project, according to which the agreement between SEMI and TGI, which was signed in 2016, is terminated due to, according to SEMI, a contractual breach. In July 2019 TGI filed a law suit against SEMI of approximately €10.5 million for damages and contractual rights in relation to, amongst other, the remaining of SEMI's debt due to the work that has been done in the project by TGI and not yet paid in and compensation for damages. Following that, SEMI had filed a plea and a counter lawsuit in the amount of approximately €14.5 million, for overpayments made to TGI as well as damages due to alleged delays in the projects, which according to SEMI, TGI is responsible for.
   The parties began an arbitration process, and in parallel, the parties agreed on a mediation procedure and an expert was appointed in order to examine TGI's allegations. According to the agreement between the parties – insofar the mediation does not end successfully – the opinion of the said expert will constitute an expert opinion on behalf of the arbitrator. Given the preliminary stage of these legal proceeding, and based on TGI's factual claims and arguments, as well as the engineering opinions and estimations stipulated therein, TGI's legal advisors believe it is more likely than not that SEMI's counter lawsuit shall be rejected. TGI's financial statements include a provision according to management's estimates.

e. Operating lease payments commitments:

TGI Group companies have entered into operating lease agreements with respect of office buildings rental. Future minimum rentals payables under non-cancellable operating leases as of December 31, 2020 and 2019:

€ in thousands	2020	2019
First year	1,245	2,025
Second to fifth year	-	5,041
After the fifth Year	-	2,521
	1,245	**9,587**

D. Collaterals

As of December 31, 2020, the shares the Company (indirectly) owns in GTC RE, KLC, KFS, and TGI are pledged in favor of the trustees of the Company's debenture holders.

E. Dividend

The following dividend amounts were received in the reporting period:

€ in thousands	2020	2019
Subsidiaries	12,740	18,224

6. TANGIBLE FIXED ASSETS

2019 € in thousands	Motor vehicles	Office furniture and equipment	Leasehold improvements	Total
Cost:				
Balance as of January 1, 2019	188	1,807	1,088	3,083
Additions	-	110	-	110
Disposals	(57)	-	-	(57)
Exchange rate differences	1	(6)	4	(1)
Balance as of December 31, 2019	**132**	**1,911**	**1,092**	**3,135**
Accumulated depreciation:				
Balance as of January 1, 2019	153	1,269	913	2,335
Depreciation for the year	17	186	37	240
Disposals	(55)	-	-	(55)
Exchange rate differences	1	(9)	3	(5)
Balance as of December 31, 2019	**116**	**1,446**	**953**	**2,515**
Net book value December 31, 2019	**16**	**465**	**139**	**620**

2020 € in thousands	Motor vehicles	Office furniture and equipment	Leasehold improvements	Total
Cost:				
Balance as of January 1, 2020	132	1,911	1,092	3,135
Additions	-	99	34	133
Disposals	-	(9)	(90)	(99)
Exchange rate differences	(3)	(46)	(25)	(74)
Balance as of December 31, 2020	**129**	**1,955**	**1,011**	**3,095**
Accumulated depreciation:				
Balance as of January 1, 2020	116	1,446	953	2,515
Depreciation for the year	3	170	41	214
Disposals	-	(6)	(69)	(75)
Exchange rate differences	(2)	(37)	(22)	(61)
Balance as of December 31, 2020	**117**	**1,573**	**903**	**2,593**
Net book value December 31, 2020	**12**	**382**	**108**	**502**

7. INVESTMENT PROPERTY

A. General

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

B. The movements in investment property are as follows:

€ in thousands	2020	2019
Opening balance	214,577	213,577
Capital expenditure	128	146
Fair value adjustments	(26,723)	-
Foreign currency translation differences	(5,427)	854
Closing balance	**182,555**	**214,577**
Total accumulated unrealized gains as of the end of the period which recognized in the statement of profit and loss	**7,898**	**33,572**

The investment property is pledged as security to a loan (see Note 17).

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 December 31, 2020 and 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.

Significant assumptions used in the valuation of the investment property:

	December 31, 2020	December 31, 2019
DCF method		
Estimated rental value per sqm per month (in €)	26	34
Discount rate	10.5%	10.5%
Rental growth	0% - (Y) 1	3% - (Y) 1
	10%-13% (Y) 2-4	10%-15% (Y) 2-5
	8% (Y) 5-6	8% (Y) 6-7
	5% (Y) 7-8	5% (Y) 8-9
	3% (Y) 9-11	3% (Y) 10
Terminal cap rate	5.5%	5.25%
Occupancy rate	88%-96%	95%-97%
Capitalization rate - car parks	6.5%	6.5%
Direct Comparison method		
Adopted unit rate (RMB/sqm)	14,906	16,600

D. Sensitivity analysis:

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

€ in thousands	December 31, 2020
Increase of 25 BP in discount rate and terminal cap	(6,946)
Decrease of 25 BP in discount rate and terminal cap	7,815
Increase of 5% in estimated rental income	8,559
Decrease of 5% in estimated rental income	(8,435)
Increase in general vacancy by 1%	(1,489)

8. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

A. Main Joint Ventures:

The Company indirectly holds through its subsidiaries the following main joint ventures that are accounted using the equity method:

		% of ownership by the direct holding company as of December 31			
Holding company	Name of joint venture	2020	2019	Country	Nature of activities
Kardan Land China Limited	GTC Lucky Hope Dadong Ltd.	50.0	50.0	Hong Kong	Holding
	Green Power Development Ltd.	50.0	50.0	Hong Kong	Holding
	Rainfield Development Ltd.	50.0	50.0	Hong Kong	Holding
	Shaanxi GTC Lucky Hope Real Estate Development Ltd.	50.0	50.0	China	Real estate development, property lease and property management
GTC Real estate Holding B.V.	GTC Investments B.V.	48.75	48.75	Netherlands	Holding
Joint ventures and associates included in Assets held for sale (see Note 5):					
Task Water B.V.	Akfen SU Kanalizasyon	50.0	50.0	Turkey	Management and construction of establishments for producing drinking water
Sitahal 'Hagal' (Talia) Partnership	Energy Hagal- Talia Partnership	50.0	50.0	Israel	Biogas projects
Tahal Group B.V.	Agroquiminha	20.0	20.0	Angola	Agriculture
Tahal Group Assets B.V.	MVV Water Utility Pvt Ltd.	23.0	23.0	India	
Kardan Financial Services B.V.	TBIF-Dan Leasing Ltd.	-	66.0	Cyprus	Holding

B. The composition of the investment in joint venture is as follows:

€ in thousands	December 31, 2020	December 31, 2019
Total of equity investments	32,115	36,293
Deemed cost on real estate projects (*)	77	105
Less impairments	(3,970)	(3,990)
	28,222	**32,408**
Loans and other long-term balances	15,115	15,059
Total investment in joint ventures	**43,337**	**47,467**

During the years 2019 and 2020, dividends in the amounts of €3.7 million and €12.7 million, respectively were distributed by joint venture companies.

(*) Deemed cost is the Group's financial cost which was capitalized to projects in joint ventures in previous periods.

C. Loans:

The investment in joint ventures companies includes loans as follows:

€ in thousands	December 31, 2020	December 31, 2019
In EUR	7,062	7,062
In USD	8,033	7,975
In HKD	20	22
	15,115	**15,059**

The loans are note bearing interest and are expected to be repaid according to the liquidity position of the joint ventures.

D. Summary of financial data of immaterial joint ventures on aggregated level

€ in thousands	For the year ended		
	2020	2019	2018
(Loss) profit from continuing operations	795	(1,068)	(1,103)
Other comprehensive expense	(377)	88	(919)
Total comprehensive (expense) income	**418**	**(980)**	**(2,022)**

The total investment in immaterial joint ventures for the year 2020 amounts to €5.6 million.

E. Summary of financial data of material joint venture company accounted using the equity method:

Shaanxi GTC Lucky Hope Real Estate Development Ltd.

Summary of financial data from the statement of financial position:

€ in thousands	December 31, 2020	December 31, 2019
Current assets (not including cash and cash equivalent)	62,991	83,954
Cash and cash equivalent	43,355	29,546
Non-current assets	3,113	4,123
Current liabilities	(50,866)	(69,909)
Current financial liabilities	**(18,426)**	**(8,929)**
Total equity attributed to the owners	40,167	38,785
% held in the joint venture	50	50
Total investment in the joint venture	**20,084**	**19,393**

Summary of financial data from the income statement:

€ in thousands	For the year ended		
	2020	2019	2018
Revenues from operations	45,508	52,681	31,376
Cost of operations	(15,670)	(25,573)	(18,193)
Selling and marketing, other expenses and administrative expenses (*)	(3,047)	(7,537)	(4,237)
Other Financial income	973	1,032	963
Profit before tax	**27,764**	**20,603**	**9,909**
Income tax expenses	**(11,789)**	**(6,125)**	**(2,378)**
Profit for the year	15,975	14,478	7,531
% held of the joint venture	50	50	50
Group's share of profit for the year	**7,988**	**7,239**	**3,765**
Total comprehensive income attributed to equity holders	14,584	14,398	7,326
% held of the joint venture	50	50	50
Group share of the total comprehensive income	**7,292**	**7,199**	**3,663**

(*) Depreciation and amortization expenses for the years 2020, 2019 and 2018 are immaterial.

GREEN POWER Development Ltd.

Summary of financial data from the statement of financial position:

€ in thousands	**December 31, 2020**	December 31, 2019
Current assets (not including cash and cash equivalent)	34,564	47,303
Cash and cash equivalent	10,246	15,275
Non-current assets	3,898	2,428
Current liabilities	(10,808)	(24,532)
Current financial liabilities	(24,324)	(15,442)
Non controlling interest holders	**(538)**	**(1,388)**
Total equity attributed to the owners	13,038	23,644
% held in the joint venture	50	50
Total investment in the joint venture	**6,519**	**11,822**

Summary of financial data from the income statement:

€ in thousands	For the year ended		
	2020	2019	2018
Revenues from operations	20,032	54,100	13,409
Cost of operations	(10,122)	(20,005)	(9,665)
Selling and marketing, other expenses and administrative expenses (*)	(1,849)	(3,308)	(2,453)
Financial (expense) income	403	73	(517)
Profit before tax	**8,464**	**30,860**	**774**
Income tax expenses	(5,869)	(12,438)	(3,136)
Profit (loss) for the year	**2,595**	**18,422**	**(2,362)**
Gain (loss) attributed to non-controlling interest	(290)	(1,429)	21
Profit (loss) for the year	2,305	16,993	(2,341)
% held of the joint venture	50	50	50
Group's share of profit (loss) for the year	**1,153**	**8,497**	**(1,170)**
Total comprehensive income (expense) attributed to equity holders	1,626	16,720	(2,516)
% held of the joint venture	50	50	50
Group share of the total comprehensive income (expense)	**813**	**8,360**	**(1,258)**

(*) Depreciation and amortization expenses for the years 2020, 2019 and 2018 are immaterial.

F. Additional information

1. Capital commitments:

As of December 31, 2020, KLC's share in the contractual commitments of its joint ventures amounted to €18,826 thousand (December 31, 2019: €9,883 thousand).

2. Guarantees:

As of December 31, 2020, the joint ventures of KLC provided guarantees amounting to €63.4 million (December 31, 2019: €87.8 million) in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of properties of the joint ventures of KLC, which were not provided for in the financial statements. Pursuant to the terms of the guarantees, upon default on mortgage payments by these purchasers before the expiration date of the guarantees, the joint ventures of KLC are responsible for repaying the outstanding mortgage principals and interest to the banks.

The guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon the issuance of real estate ownership certificates to the purchasers, which will generally be available within one to two years after the purchasers take possession of the relevant properties. The fair value of the guarantees is not significant. The management of the joint ventures of Kardan Land China consider that in the case of default on payments, the net realizable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalties, and therefore no provision has been made in the financial statements for the guarantees.

9. LONG-TERM LOANS AND RECEIVABLES

Composition:

€ in thousands	December 31, 2020	December 31, 2019
Long term prepaid expenses	769	1,006
Other	290	22
	1,059	**1,028**

10. APARTMENTS INVENTORY

Composition of cost of buildings and apartments inventory:

€ in thousands	December 31, 2020	December 31, 2019
Composition:		
Completed	24,371	40,214
Under construction	-	1,930
	24,371	**42,144**

a. As of December 31, 2020 and 2019 inventory in the amount of €19,682 thousand and €34,720 thousand, respectively, is pledged as security for a loan (see also Note 22).

b. Inventory is presented at cost including finance expenses capitalized during the construction of the project.

c. Buildings and apartments inventory is stated in gross figures. Advances from apartment buyers are presented under current liabilities and amount to €1,723 thousand as of December 31, 2020 (December 31, 2019: €4,658 thousand).

d. During the past year the Group entered into 67 sale contracts of apartments, for which the total consideration is estimated at €17.6 million (RMB 139.6 million) (in 2019 – 93 contracts with revenues of €26.9 million (RMB 207.5 million)). As of December 31, 2020, the aggregated number of signed contracts of existing projects for which revenues were not recognized yet was nil (in 2019 – 6 contracts with aggregated estimated revenues of €2.9 million (RMB 22.3 million)).

e. Additional information concerning long-term construction works in inventory:

€ in thousands	Residential construction			
	2020		2019	
	For the year 2020	Cumulative up to the end of the reporting period	For the year 2019	Cumulative up to the end of the reporting period
Revenues recognized	19,286	227,660	54,705	208,374
Cost recognized	18,945	207,420	46,965	188,475

11. TRADE RECEIVABLES

A. Composition:

€ in thousands	December 31, 2020	December 31, 2019
Trade receivables	7,960	7,122
Less provision for doubtful debts	(2,191)	(1,621)
	5,769	**5,501**

Trade receivables are non-interest-bearing and are generally on 0-120 days terms.

B. The aging analysis of trade receivables, net of provision for doubtful debts is as follows:

€ in thousands		Past due (net of impairment)						
December 31,	Neither past due nor impaired	< 30 days	30 – 60 days	60 – 90 days	90 – 120 days	120 – 365 days	>365 days	Total
2020	5,157	135	9	62	61	197	148	5,769
2019	4,334	323	178	124	82	305	155	5,501

C. Movement in the provision for doubtful debts:

€ in thousands	2020	2019
Opening balance	1,621	1,791
Addition during the year	1,148	836
Collection during the year	(526)	(1,016)
Foreign currency translation	(52)	10
Closing balance	**2,191**	**1,621**

12. OTHER RECEIVABLES AND PREPAYMENTS

€ in thousands	December 31, 2020	December 31, 2019
VAT receivable	28	26
Receivables from joint ventures of KLC	797	872
Prepaid expenses	322	312
Deposit receivable	492	246
Short term loan	-	1,563
Other	234	673
	1,873	**3,692**

13. SHORT-TERM INVESTMENTS

€ in thousands	December 31, 2020		December 31, 2019
	Average interest rate		
Bank deposits in NIS	0%-0.5%	255	134
Bank deposits in RMB	1.1%-4.4%	374	5,374
Restricted bank deposits in EUR	0%	169	169
		798	**5,677**

14. CASH AND CASH EQUIVALENTS

€ in thousands	December 31, 2020	December 31, 2019
Cash at bank and in hand	24,672	20,462
Short-term deposits *)	25	15,433
	24,697	**35,895**

*) As of December 31, 2020 and 2019 the range of the annual interest rate earned on short-term deposits was 0.5%-1.5%.

15. ISSUED AND PAID-IN CAPITAL

A. Composition:

	December 31, 2020		December 31, 2019	
	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

B. Movement in issued and paid-in shares:

During 2020 and 2019 there were no movements in the issued and paid-in shares.

	Number of shares	par value in €
Balance as of December 31, 2019 and 2020	123,022,256	24,604,451

C. Changes in share capital and treasury shares

1. During 2020, 2019 and 2018, no transactions took place.
2. The extraordinary meeting of the shareholders of the Company held in January 2021 approved the issue of shares to the Debenture Holders as part of the new debt settlement between the Company and the Debenture Holders, if completed. The new shores, if issued, will comprise, after the issue, 89.9% of the issued and paid-in capital of the Company. For details see Note 1B.

D. Dividend:

In 2020 and 2019, the Company did not distribute dividends.

E. Restrictions on distribution:

In accordance with the Netherlands civil code, part of the retained earnings is restricted for distribution following the regulation to maintain reserves in respect of unrealized fair value revaluation of real estate ('Property Revaluation Reserve'), cash flow hedges, foreign currency translation differences on investment in foreign operations, and equity gains from associates and joint ventures ('Other revaluation reserve').
It is further noted that according to the Deeds of Trust there are limitations of distribution of dividend: dividend will not be distributed before 75% of the debentures outstanding as at December 31, 2014 are repaid.

16. SHARE-BASED PAYMENTS

In 2020, following the appointment of a new CEO to TGI, an option plan for the new CEO was approved, according to which the CEO was granted 2,785 stock options, which, after exercising them, constitute approximately 9.99% of TGI's capital. The options will vest in three installments on August 1 of each of the years 2021, 2022 and 2023. The options many be exercised until July 31, 2025 upon occurrence of an eligible event (sale of TGI shares or listing for trading), as specified in the options grant agreement, according to a minimum transaction price, which will also constitute the exercise price of the options. As of December 31, 2020, the Company estimated that according to TGI's fair value, the value of the options is immaterial, and accordingly no expense has been recognized.

In 2012-2016, the Supervisory Board of TGI decided, on several dates, to grant options to a some of the senior executives in TGI and its subsidiaries. In 2020, all the options expired, except for 560 options that expired on January 30, 2021.

17. NON-CURRENT INTEREST-BEARING LOANS AND BORROWINGS

A. Composition:

	December 31, 2020		December 31, 2019	
	Weighted interest rate as of %	€ in thousands	Weighted interest rate as of %	€ in thousands
Banks:				
Others - In RMB	11.8	75,803	11.6-13.3	95,029
Less:				
- Current maturities		(75,803)		(95,029)
		-		-

Interest-bearing loans and borrowings relate to a credit facility having an initial amount 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 €183 million as of December 31, 2020), the equity shares of the Project Company as well as guarantees provided by KLC.
In June and October 2020, KLC made a partial early repayment of the loan in the amount of RMB 135 million (approximately €17.1 million), after which the outstanding balance amounted to RMB 606 million (€75.8 million).
In September 2020, KLC signed an extension agreement to extend the loan period for one additional year, with largely similar terms as in the original loan agreement (including annual interest rate of 11.84%). During 2021, KLC is obliged to make partial repayment amounting to approximately RMB 132 million. The remaining balance of the loan will be repaid on November 5, 2021. Subsequent to the balance sheet date, in February 2021, KLC made an early repayment of RMB 36 million.
As an extension / refinancing agreement was not yet signed as of December 31, 2020, the loan balance at that date is presented as current liability. As a result, the external auditors of KLC include in their opinion over the financial statements of KLC as of December 31, 2020 a mandatory emphasis of matter paragraph regarding significant doubts in relation to KLC's ability to continue as going concern.

For additional information regarding collaterals and covenants, see Note 22.

18. OTHER LONG-TERM LIABILITIES

€ in thousands	December 31, 2020	December 31, 2019
Deferred revenues	1,692	1,610
Other	109	-
	1,801	**1,610**

19. FINANCIAL INSTRUMENTS: OPTIONS AND WARRANTS

The Company entered into a PUT option agreement with a CEO of a subsidiary, according to which the Company granted the CEO an option to sell to the Company (following the employment termination date) all the shares which he will choose to exercise under his option agreement with the subsidiary. The exercise price of the PUT option will be determined based on the fair value of the option shares as of the date of the PUT notice. In 2018, the parties entered into an agreement cancelling 50% of the PUT option. As a result of the cancellation an amount of €0.4 million was recorded in the non-controlling interest reserve. During 2019, due to a decrease in the value of the underlining asset, the option has been valued at nil, and accordingly the Company recorded a gain of €0.6 million in the General and administrative expenses. During 2020, following the termination of employment of the CEO, the PUT option was canceled.

20. DEBENTURES

Composition:

	Par value (net) as of December 31, 2020	Balance as of December 31, 2020	Balance as of December 31, 2019	Nominal Interest rate%	Effective interest rate%	Currency and linkage	Maturities principal
	NIS	€ in thousands	€ in thousands				
Issuer:							
The Company – 2007	160,993,885	49,379	50,519	6.325	4.45%	(a)	2017-2018
The Company – 2008	792,167,672	242,645	248,394	6.775	4.9%	(a)	2017-2020
		292,024	298,913				
Less – current maturities		(292,024)	(298,913)				
		-	-				

a. The Company's Debentures (series A and series B) are traded on the TASE. The Debentures are denominated in NIS and are linked to the Israeli CPI. The amount presented above is net of Debentures held by the Company's subsidiaries.

b. The Company has not repaid the principal and interest payments which were due in February 2018, 2019 and 2020. Consequently, the Company is in default according to the Deed of Trust as of February 2018. Accordingly, from March 31, 2018 and until the repayments are rescheduled, the debentures are presented as current liabilities. As a result, the Company and the representatives of the Debenture Holders conducted negotiations with respect to a new debt settlement. In March 2021, a meeting of the Company's debenture holders (Series A and Series B) was held in which, among other things, the outline of the debt settlement was presented, as detailed below. The main principles of the debt settlement are: (1) conversion of part of the Company's debt against the allocation of shares to the debenture holders, which will constitute approximately 89.9% of the Company's issued and paid-in capital after the issue; (2) the balance of the debt remaining after the conversion will be NIS 725 million; (3) the entire debt will be repaid on December 31, 2023 and will bear an annual interest rate of 6.8%; early repayment will bear additional fees; (4) the new shareholders will be entitled to appoint a majority of the members of the Company's Board of Directors. On April 7, 2021 a voting meeting of the Debenture Holders approved advancing the debt settlement between the Company and the Debenture Holders.

c. On November 10, 2020 the Company partially paid to Debenture Holders Series B accumulated interest of approximately €7.5 (approximately NIS 29.5 million).

d. On June 3, 2019 the Company partially repaid to Debenture Holders Series B principal amounting to approximately €12.2 million and accumulated interest of approximately €23.8 (net of the relative portion of debentures held by the Company's subsidiaries). The total repayment amounted to approximately €36 million (approximately NIS 145 million).

e. **2015 Debt settlement between the Company and its Debenture Holders**

In 2015 the Company reached a debt settlement with its Debenture Holders. The amended Deeds of Trust dated July 3, 2015 constitute new deeds of trust to series A and B and replace the original deeds of trust, including all related amendments ('the Deeds of Trust'). This debt settlement postponed the debt repayment dates that were determined in the original deeds of trust while repaying the debt in full to the Debenture Holders.

The settlement also included an increase to the interest rate as well as register primary, exclusive pledges with no limitations of amounts over all of the Group's interests in GTC RE, KLC, KFS, and TGI (the 'Pledged Subsidiaries'). In addition, to secure the Company's commitments, KLC provided a guarantee in favor of the trustees limited to an amount of €100 million. The trustees will not be able to use the guarantee or to take any action against KLC as long as the construction loan to the Dalian project has not been fully repaid, as well as loans that will be obtained, if obtained, in relation to the Dalian project.

In addition, the Company established in favor of the trustees primary exclusive pledges with no limitations of amounts over the bank accounts of the Company ('the Pledged Accounts'). All the funds in the Company's possession, were deposited and kept in the Pledged Accounts, excluding the Free Amount ('Free Amount' signifies a maximum of €3 million, which will serve for the payment of the Company's general and administrative expenses), which will not be pledged in favor of the trustees and which can be deposited in a bank account which is not pledged in favor of the trustees. Insofar the said pledge has not been exercised, the Company may use the funds freely.

Financial Covenants

The Company's debt coverage ratio shall not be below 100% during the years 2015 till 2017 (including) and shall not be below 120% from 2018 onwards. If the Company's coverage ratio in the years 2015-2017 shall be lower than 110%, and as of 2018 – lower than 130%, KLC's coverage ratio shall not be lower than 180%. As of December 31, 2020 the Company did not meet the abovementioned coverage ratio. For additional details see Note 22.

Restrictions on business activities

It was agreed that the Company and its subsidiaries will have certain restrictions which related mostly to initiate any new business activity, making new investments and shall not be allowed to raise any new credit.

f. Interest payable amounting to approx. €73.2 million, is presented as part of the accrued expenses and was calculated according to the Deeds of Trust, considering the Company's breach. As of the date of this report, the Company is negotiating with the representatives of the Debenture Holders a new debt settlement for the rescheduling of future payments and their amounts.

g. For details regarding financial covenants and pledges, please refer to the above and to Note 22.

21. OTHER PAYABLES AND ACCRUED EXPENSES

€ in thousands	December 31, 2020	December 31, 2019
Financial:		
Accrued expenses	99,567	82,355
Payroll and related expenses	754	1,055
Payable to joint ventures of KLC accounted using the equity method	12,229	12,462
Deposit from tenants	2,928	2,928
Other	2,381	2,673
	117,859	**101,473**

22. LIENS, CONTINGENT LIABILITIES AND COMMITMENTS

For information regarding contingencies, liabilities and commitments of the discontinued operation - see Note 5

A. Financial covenants, Liens and collaterals:

1. Financial Covenants

a. The Company's financial covenants, as defined within the framework of the Deeds of Trust, as described in Note 20 above, relate to the debt coverage ratio of the Company. Non-compliance with the debt coverage ratio for two consecutive quarters would be considered as a breach of the covenants. As at December 31, 2020, the Company did not meet the coverage ratio as agreed with the Company's debenture holders. In addition, in February 2018, February 2019 and February 2020, the Company did not make the scheduled repayments to the debenture holders. Accordingly, as of the date of this report, the debenture holders have the right to call the debentures for immediate repayment.

b. KLC Group committed towards financial institutions which granted a project loan amounting to €75.8 million (RMB 651 million), as described in Note 17 above, to meet an initial loan-to-value ratio of not more than 50%. As of December 31, 2020 the covenant was met.

2. Pledges

a. Within the framework of the Deeds of Trust, as described in Note 20 above, the Company pledged in favor of the trustees of the debenture holders of the Company all its rights in shares and loans of the subsidiaries GTC RE, KLC, TGI and KFS, certain bank accounts.

b. As of December 31, 2020, loans amounting to €75.8 million granted to a subsidiary of KLC was secured by mortgages over investment property, inventory and trade receivables (see note 17).

3. Guarantees:

a. As at December 31, 2020, Kardan Land China provided guarantees of €1,860 thousand (December 31, 2019 - €13,950 thousand) in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Kardan Land China Group's properties, which were not provided for in the financial statements. Pursuant to the terms of the guarantees, upon default on mortgage payments by these purchasers before the expiry of the guarantees, the Kardan Land China Group is responsible for repaying the outstanding mortgage principals and interest to the banks.

   Kardan Land China guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon the issuance of real estate ownership certificates to the purchasers, which will generally be available within one to two years after the purchasers take possession of the relevant properties. The fair value of the guarantees is not significant. The management of Kardan Land China considers that in the case of default on payments, the net realizable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalties and therefore no provision has been made in the financial statements for the guarantees.

b. With respect to such guarantees provided in joint ventures companies, refer to Note 8.

4. Legal claims and contingencies:

a. The Company and its main subsidiaries do not have any material legal claims.

b. From time to time, Kardan Land China is involved in discussions with customers relating to the fulfillment of certain contractual obligations. To the extent there are gaps between the current performance of KLC and the relevant terms in the underlying agreements, these gaps may expose KLC to risks which may result in future cash out flows. As of the date of issuance of these financial statements, none such discussions resulted in legal claims being lodged or asserted and management of KLC concluded that the exposure to such risks is, in most cases, remote, and when the exposure is assessed to be between remote and probable, it is not practicable to estimate the related amount. Consequently, no provision is included in the accounts in respect of any such risks.

5. Commitments:

a. With respect to commitments towards the debenture holders of the Company as outlined in the Deeds of Trust, refer to Note 20.

b. As of December 31, 2020, Kardan Land China Group had commitments of €1.1 million (December 31, 2019: €1.1 million) principally relating to the property development cost of the construction projects of the KLC Group.

c. With respect to such guarantees provided in joint ventures companies, refer to Note 8.

B. Lease commitments:

1. Lease commitments – Group as lessor

KLC Group has entered into various lease contracts with tenants related to its property portfolio. The commercial property leases typically have lease terms between 2 and 20 years and include clauses to enable periodically upward revision of the rental charge according to prevailing market conditions. Some leases contain options to break before the end of the lease terms.

Future minimum rentals receivable under non-cancellable leases as of December 31, 2020 and 2019:

€ in thousands	2020	2019
First year	7,637	7,322
Second to fifth year	15,879	16,324
After the fifth Year	6,700	8,878
	30,216	**32,524**

2. Lease commitments – Group as lessee

a. During 2020, KLC has entered a lease contract for a period of over than 1 year. Right of use of assets and lease liabilities in the amount of €0.3 million each, were recognized as of December 31, 2020.

Future minimum rental payables:

€ in thousands	2020	2019
First year	150	170
Second year	124	-
	274	170

b. The Company leases offices under non-cancellable lease agreements. The lease period is 5 years ending on December 31, 2022.

Future minimum rental payables:

€ in thousands	2020	2019
First year	111	93
Second year	111	111
Third year	-	111
	222	**315**

23. OPERATING SEGMENTS

A. General:

The Group's operating businesses are organized and managed separately. Each segment represents a strategic business activity that offers different products and serves different markets. The segmentation was determined by the Company's CODM – the CEO Allocated segment assets and liabilities are those directly linked to the segment activities in the operating companies. In most cases assets and liabilities of the holding companies are considered unallocated.

Real Estate

The real estate activities are incorporated under GTC RE and currently include real estate in China. The real estate activity is divided into 2 separate segments: the development and sale of residential property, and the development and lease of investment properties ('Real Estate development' segment and 'Real Estate investment property' segment).

The CODM examines the various segments performances in terms of various line of activity on the basis of the segment revenues, cost of sales, selling and marketing expenses, and general and administration expenses. The Investment Property segment also includes adjustments to fair value of investment property. The Real Estate Development segment also includes the share in the profit of investments accounted for using the equity method, which comprise a significant part of the results of this segment of operations.

Water Infrastructure

Further to Note 1B above, due to the sale process of the Company's holdings in TGI, the terms of classifying the investment in TGI as Held-For-Sale and its results as discontinued operations, in accordance with IFRS 5, were met (see note 5). Accordingly, the results of TGI are no longer presented as an operating segment and are included in 'Profit (loss) from discontinued operations'.

B. Segments results

For the year ended December 31, 2020:

€ in thousands	Real Estate		**Total**
	Development	Investment property	
Revenues	20,127	9,307	29,434
Fair value adjustments of investment property	-	(26,723)	(26,723)
Total Income	**20,127**	**(17,416)**	**2,711**
Share in profit of investment accounted using the equity method	**9,935**	**-**	**9,935**
Segment result	**8,499**	**(20,414)**	**(11,915)**
Unallocated expenses			(5,113)
Gain from operations and share in profit of investment accounted using the equity method before finance expenses, net			(17,028)
Finance expenses, net			(35,550)
Loss before income tax			(52,578)
Income tax expense			4,580
Loss from continuing operations			(47,998)
Loss from discontinued operations			(21,786)
Loss for the period			**(69,784)**

For the year ended December 31, 2019:

€ in thousands	Real Estate		Total
	Development	Investment property	
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)
Gain 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 period			**(88,428)**

For the year ended December 31, 2018:

€ in thousands	Real Estate		Total
	Development	Investment property	
Revenues	73,634	5,384	79,018
Fair value adjustments of investment property	-	(8,610)	(8,610)
Total Income	**73,634**	**(3,226)**	**70,408**
Share in profit of investment accounted using the equity method	**1,491**	**-**	**1,491**
Segment result	**5,632**	**(11,330)**	**(5,698)**
Unallocated expenses			(5,927)
Loss from operations and share in profit of investment accounted using the equity method before finance expenses, net			(11,625)
Finance expenses, net			(23,405)
Loss before income tax			(35,030)
Income tax benefit			(605)
Loss from continuing operations			(34,425)
Loss from discontinued operations			(311)
Loss for the period			**(34,736)**

C. Segments assets

€ in thousands	December 31, 2020	December 31, 2019
Real Estate – Residential	68,421	93,176
Real Estate – Commercial	190,206	218,447
	258,627	**311,623**
Assets held for sale	107,888	183,523
Unallocated assets (*)	30,189	48,229
	396,704	**543,375**

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

D. Segments liabilities

€ in thousands	December 31, 2020	December 31, 2019
Real Estate – Residential	29,009	36,451
Real Estate – Commercial	5,647	14,044
	34,656	**50,495**
Liabilities associated with assets held for sale	142,753	185,644
Unallocated liabilities (*)	457,095	459,959
	634,504	**696,098**

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

E. Information about geographical areas:

1. Revenues by geographical markets (according to location of customers):

€ in thousands	For the year ended December 31		
	2020	2019	2018
China	29,434	64,551	79,458

The Company does not have any income generating activity in the Netherlands.

2. Non-current assets by geographical areas (according to location of assets):

€ in thousands	December 31, 2020	December 31, 2019
China	183,013	215,108
Other	45	89

Non-current assets include investment properties and property plant and equipment.
The Company does not have material non-current assets in the Netherlands.

3. Revenues from major customers, responsible for more than 10% of the revenues:

€ in thousands	For the year ended December 31		
	2020	2019	2018
Costumer A	-	-	57,251

24. COST OF SALES

A. Rental cost:

€ in thousands	For the year ended December 31		
	2020	2019	2018
Payroll and related expenses	420	859	742
Property management fee	509	527	397
Cleaning related cost	58	144	154
Safety and engineering system management fee	230	236	378
Car park management fee	142	186	137
Utility fees	264	367	840
Property Tax	612	998	911
Others	128	165	179
	2,363	**3,482**	**3,738**

B. Cost of appartments sold:

€ in thousands	For the year ended December 31		
	2020	2019	2018
Land Cost	5,252	14,728	21,869
Construction Cost	7,519	21,262	36,958
Project Management and supervision	945	2,566	3,588
Finance Cost	1,061	2,977	3,179
Impairment of car parks	2,316	-	-
Other	1,852	5,432	3,408
	18,945	**46,965**	**69,002**

25. MANAGEMENT FEES AND OTHER EXPENSES, NET

€ in thousands	For the year ended December 31		
	2020	2019	2018
Payroll and related expenses	204	103	56
Flights and accommodation	7	34	8
Consulting services	2	2	11
Rent	18	14	12
Other expenses/(income), net	(80)	(18)	(5)
	151	**135**	**82**

26. SELLING AND MARKETING EXPENSES

€ in thousands	For the year ended December 31		
	2020	2019	2018
Payroll and related expenses	686	646	746
Commissions	577	761	338
Marketing and advertising	783	1,324	1,907
Other	380	378	1,092
	2,426	**3,109**	**4,083**

27. GENERAL AND ADMINISTRATIVE EXPENSES

€ in thousands	For the year ended December 31		
	2020	2019	2018
Payroll and related expenses (*)	3,083	3,356	3,740
Share-based payment (see Note 16)	-	-	2
Management fees	251	343	439
Office maintenance	390	437	520
Professional fees	1,679	2,581	2,447
Depreciation and amortization	85	92	86
Other	1,350	(104)	892
	6,838	**6,705**	**8,126**

(*) Payroll and related expenses are as follows:

€ in thousands	For the year ended December 31		
	2020	2019	2018
Wages and salaries	2,734	2,766	3,142
Social security contributions	239	441	429
Other social expenses	110	149	169
	3,083	**3,356**	**3,740**

Payroll and related expenses are also included in the income statement under various expense categories.

28. GAIN (LOSS) ON DISPOSAL OF ASSETS AND OTHER INCOME

€ in thousands	For the year ended December 31		
	2020	2019	2018
Impairment of investment in joint venture	-	(1,555)	-
Gain (loss) on disposal of investment in companies (1)	-	-	2,322
Other	1,049	-	(815)
	1,049	**(1,555)**	**1,507**

29. FINANCIAL INCOME AND EXPENSES

€ in thousands	For the year ended December 31		
	2020	2019	2018
Income:			
Income from bank deposits	192	779	919
Exchange differences, net	4,694	-	11,082
Other	2,113	73	110
Total financing income	**6,999**	**852**	**12,111**
Expenses:			
Interest on long-term loans and borrowings	10,455	9,239	11,083
Interest on debentures	32,032	26,499	20,378
Exchange differences, net	-	33,192	-
Other	62	1,413	4,055
Total financing expenses	**42,549**	**70,343**	**35,516**

30. TAXES ON INCOME

A. The Company has its statutory seat in the Netherlands and is therefore subject to taxation according to the Dutch law.

For 2020, the standard Dutch corporate income tax rate amounts to 25% (2019: 25%). A tax rate of 16.5% applies to the first €200 thousand of taxable income (2019: 19%).

Dutch Participation Exemption

The Company benefits from the Dutch Participation Exemption regime ("Participation Exemption"). The Participation Exemption exempts income, such as dividends, capital gains, but also capital losses realized with respect to a qualifying participation, held by a Dutch shareholder.

Interest deduction limitation rule (earning stripping rule)

Effective from 1 January 2019, the Netherlands introduced the 30% Earnings Before Interest Tax, Depreciation and Amortization (EBITDA) rule in line with the interest deduction limitation rules as outlined in the EU Anti-Tax Avoidance Directive (earnings stripping rule). The earning stripping rule is a general limitation based on which net borrowing costs on debt attracted from both related and unrelated parties by a Dutch taxpayer will only be tax-deductible up to 30% of a taxpayer's corrected taxable profit with a minimum of € 1 million. The non-deductible amount of net borrowing costs can be carried forward indefinitely in time. The Company has reviewed the impact of the earning stripping rule and concluded that the net borrowing costs (including foreign currency results) will not be fully tax-deductible in 2020 and 2019.

Amendments of Dutch fiscal unity regime

The Company is the parent of a fiscal unity for Dutch corporate income tax purposes with its subsidiaries GTC Real Estate Holding B.V. and Emerging Investments XII BV. On 22 February 2018 it was ruled by the European Court of Justice that some elements of the Dutch fiscal unity regime are not compatible with EU law. In response to this decision, the Dutch government enacted legislation to amend the Dutch fiscal unity regime with retroactive effect to 1 January 2018. As a result, a fiscal unity is deemed not to exist for the application of certain provisions in Dutch tax law. These provisions include an interest deduction limitation rule, specific elements of the participation exemption regime and loss and interest relief rules in case of change of ownership.

The Company has analyzed the impact of the amendment of the fiscal unity regime and concluded that the impact is remote.

Controlled Foreign Company (CFC) rules

Effective from 1 January 2019, the Netherlands introduced Controlled Foreign Company-rules (or CFC-rules) as outlined in the EU Anti-Tax Avoidance Directive. Based on these rules, all undistributed passive income of a CFC will be included in the Dutch taxpayer's taxable income. A company or permanent establishment qualifies as a CFC if both of the following conditions are met:

- A Dutch taxpayer has an interest of more than 50% in that foreign company or a permanent establishment.
- The entity or permanent establishment is tax resident in a jurisdiction listed on the EU list of non-cooperative jurisdictions (EU Blacklist) or in a jurisdiction with a statutory corporate income tax rate below 9% (exhaustive list of such countries will be published by the Ministry of Finance on an annual basis).

If the above conditions are satisfied, the undistributed profit of the CFC is to be included in the Dutch tax base on a pro rata basis. The income to be included in the Dutch tax base consists of specific categories of passive income (dividends, interest, financial lease income, royalties and others). As an exception, the Dutch CFC rule does not apply if the CFC has substantial economic activities.

The Company analyzed the impact of the new CFC-rules and concluded it should not have any impact on the Company, nor on other Dutch group companies.

Measures to counter hybrid mismatches

The Netherlands has implemented the EU Anti-Tax Avoidance Directive 2 covering hybrid mismatches. These rules aim to limit the deductibility of payments by or to hybrid entities or on hybrid financial instruments that result in a double deduction or a deduction without an inclusion.

The Company is in the process of analyzing the impact of the new anti-hybrid mismatch rules, but expects it should not have any material impact on the tax position of the Company or other Dutch group companies.

Transfer pricing documentation requirements

As per 2016, additional transfer pricing documentation requirements have been introduced for Dutch taxpayers that are part of a multinational group. These revised standards consist of:

- a "Master file" containing high-level information regarding the Company's global business operations and transfer pricing policies; and
- a specific "Local file" containing information regarding material related party transactions and the company's analysis of the transfer pricing determinations; and
- a Country-by-Country Reporting ("CbCR") template containing aggregate information relating to the amount of revenue, profit (loss) before income tax, income tax paid and accrued, number of employees, stated capital, accumulated earnings and tangible assets other than cash or cash equivalents per entity in each jurisdiction in which the group operates.

Although the Company is not required to submit the CbCR template regarding financial year 2019 to the Dutch Tax Authorities, it has the obligation to prepare a Master file and Local file for financial year 2020 before filing of the 2020 corporate income tax return.

B. The statutory corporate income tax rates in the main various countries were as follows:

	Tax rate	
Country	2020	2019
China	25%	25%
Hong-Kong	16.5%	16.5%
Israel	23%	23%
The Netherlands	16.5-25%	19-25%

C. Tax presented in the consolidated income statement is broken down as follows:

€ in thousands	For the year ended December 31		
	2020	2019	2018
Current taxes	805	452	649
Tax expenses related to previous years	-	5	(22)
Deferred taxes (see also E below)	(5,385)	270	(1,232)
	(4,580)	**727**	**(605)**

D. The reconciliation between tax expense and the product of accounting profit multiplied by the applicable tax rate is as follows:

€ in thousands	For the year ended December 31		
	2020	2019	2018
Accounting loss	**(52,578)**	**(52,224)**	**(35,030)**
Tax (tax benefit) expense computed at the statutory tax rate 25%	(13,144)	(13,056)	(8,757)
Increase (decrease) in tax expense (tax benefit) due to:			
Carry forwards tax losses for which no deferred tax assets were recognized	7,023	14,341	4,928
Adjustment in respect to tax of previous years	-	5	(22)
Share of results of investments accounted using the equity method	(2,484)	(3,667)	(373)
Withholding tax for dividends distributed from joint ventures	-	-	407
Impact of different tax rates	3,368	2,736	3,078
Other	657	368	134
	(4,580)	**727**	**(605)**

E. Composition of deferred taxes

€ in thousands	Consolidated statement of financial position		Recorded in the income statement		
			Movement for the year ended December 31		
	December 31, 2020	December 31, 2019	2020	2019	2018
Deferred income (tax liabilities) tax assets with respect to:					
Investment properties	(1,572)	(8,430)	6,674	253	(2,149)
Carry forwards losses available for offset against future taxable income	1,369	3,499	(885)	-	681
Differences in measurement basis	-	-	-	-	219
Other	785	18	(404)	17	-
	582	**(4,913)**	**5,385**	**270**	**(1,249)**

Tax presented in the consolidated statement of financial position is broken down as follows:

€ in thousands	December 31, 2020	December 31, 2019
Net deferred income tax asset (Non-current)	2,574	314
Net deferred income tax liability (Non-current)	(1,992)	(5,227)
	582	**(4,913)**

F. Losses carry-forward and final tax assessments

Tax losses of a company may be carried back one year and carried forward six years. Losses incurred before 2020 are grandfathered and are available for nine years. It is noted that legislation is announced based on which tax losses may be carried forward indefinitely. However, the offset of losses against profits of a year will be limited to € 1 million plus 50% of the taxable profit exceeding € 1 million. The measure, when (substantively) enacted through the issuance of a Royal Decree, is set to enter into effect by 1 January 2022. Tax losses of Kardan N.V. incurred as of 2013 will then become available for carry forward indefinitely.

The accumulated unused tax losses up to 2018 of Kardan N.V. company-only amount to €314.5 million (according to the filed 2018 tax return, net of tax losses evaporated as per 1 January 2019). Based on current legislation, the tax losses expire as follows: €85.5 million on 1 January 2020, €29.1 million on 1 January 2021, €41.1 million on 1 January 2023, €24.1 million on 1 January 2024, €61.7 million on 1 January 2025, €39.5 million on 1 January 2026, €16.7 million on 1 January 2027, and €16.8 million on 1 January 2028. The Company did not recognized any deferred taxes due to the above losses.

The Company received final tax assessments up to and including the year 2018. The Company does not expect the year 2020 to result with a tax liability.

31. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.
Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent, after adjusting for interests on convertible shares of the Company and Group companies, by the weighted average number of ordinary shares outstanding during (less the weighted average number of treasury shares) the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares, adjusted for the effects of dilutive options and dilutive convertible Debentures of the Company and of Group companies.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

€ in thousands	2020	2019	2018
Net loss attributable to ordinary equity holders of the parent (€ in thousands)	(68,028)	(83,712)	(36,775)
Effect of dilution of losses of group companies	-	-	-
	(68,028)	**(83,712)**	**(36,775)**
Weighted average number of ordinary shares for basic earnings per share (in thousands)	123,022	123,022	123,022
Effect of dilution:			
Shares options	-	-	-
Adjusted weighted average number of ordinary shares for diluted earnings per share	**123,022**	**123,022**	**123,022**

Certain warrants and employee options issued by the Group were excluded from the calculation of diluted earnings per share as they did not result in a dilutive effect (‘out of the money’) as of December 31, 2020, 2019 and 2018.

To calculate earnings per share amounts for discontinued operations, the weighted average number of ordinary shares for both basic and diluted amounts is as per the table above. The profit (loss) used is € (21,786) thousand, € (35,477) thousand and € (311) thousand for the years 2020, 2019 and 2018, respectively.

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

A. Introduction

This Note deals with various disclosures required by IFRS 7 pertaining to risk management.
Section B addresses the following risks on a consolidated basis:

1. Risk Management (financial and capital risk management and structuring thereof);
2. Liquidity risk including maturity profile of financial assets, liabilities and guarantees;
3. Foreign currency risk including sensitivity analysis;
4. Market risk;
5. Price risk;
6. Political risk;
7. Credit risks;
8. Interest rate risk;
9. Fair value disclosures.

B. The Kardan Group

1. Risk management

Financial risk management

The Group's principle financial instruments comprise of bank loans, debentures, receivables and cash deposits. The main purpose of these financial instruments is to finance the Group's operations. The Group has various other financial instruments such as trade receivables and trade payables, which arise directly from its operations.

The operations of the Group expose it to various financial risks, e.g. market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

Significant changes affecting the worldwide economic development could have consequences for the future results of the Group, its equity base, the value of its assets, its ability to comply with the covenants agreed upon with lenders, its ability to raise financing, as well as the terms of such financing and collection risks.

Kardan Group is active in Real Estate in China, and has water infrastructure operations mainly in India, Israel and CIS countries. In its operations the Group is therefore inherently exposed to a relatively high degree of entrepreneurial, geopolitical and legal risks in these markets which, by nature, have a different risk profile than developed markets. Moreover, particularly in the real estate market in which it operates, the Group is exposed to fluctuations in supply and demand.

In their regular business updates, the boards of directors (as applicable) of the various Group companies provide overall risk-management principles and specific measures with respect to certain risks to which they are exposed, e.g. exchange rate risk, interest rate risk, credit risk.

Capital risk management

The primary objective of the Group's capital management is to ensure capital preservation and maintain healthy capital ratios in order to support its business activities, optimize stakeholder value and monitor the status of existing covenants.

The Group manages its capital structure and adjusts it, according to changes in economic conditions. To maintain or adjust the capital structure, the Group decides on leverage policy, repayment and restructuring of debt and loans, investment or divestment of assets, dividend policy and the need, if any, to issue new shares or Debentures.

It should be noted that in light of the Company's losses in recent years, as well as the significant negative impact of changes in foreign currency rates, the Company has a capital deficit and it does not meet the covenants in accordance with the existing debt settlement.

Risk management structuring

The Board of Kardan N.V. and of each Group company is responsible for identifying and controlling risks.

(i) Corporate level

The Executive Management of Kardan N.V. (CEO, CFO) work closely with chief risk managers within the Group, by means of functional lines of responsibility and jointly they have overall responsibility for the execution of the risk strategy and implementation of principles, frameworks, policies and limits. The Board of Kardan N.V. is responsible for monitoring the overall risk process, including the overall risk-management approach and for approving the risk strategies and principles.

(ii) Group companies

Some of the Kardan Group companies have appointed risk managers at their corporate levels as well as at country levels or subsidiary levels.

(iii) Risk mitigation

Kardan uses the analysis of the structure of its portfolios in order to mitigate excessive risk. The risk is spread among the different activities of the Kardan Group and in the countries of operation. The diversification of the businesses (investment property and development real estate, water infrastructure projects) as well as collateral management are useful risk mitigation tools as well. In addition, management may change its targets in order to mitigate specific (excessive) risks.

(iv) Excessive risk concentration

A concentration of risk may arise from financial instruments with similar characteristics that are affected likewise by changes in economic or other conditions. Concentrations indicate the relative sensitivity of Kardan's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentration of risks, Kardan's policy is to maintain a diversified portfolio in terms of geography, industry, products and product features – geographical diversification (China, India, CIS, Israel, etc.); industry diversification (real estate and water infrastructure); product diversification (investment property and residential real estate, different types of water infrastructure projects).

2. Liquidity risk

Liquidity risk is defined as the risk that the Group will encounter difficulty in meeting its obligations associated with financial liabilities that are settled by delivering cash or another financial asset.
To limit this risk, the Group finances its operations through diversified, short-term and long-term credit obtained from the public and institutional investors and from financial institutions. The Group raises financing according to needs and market conditions when required.

The Company has not repaid the principal and interest payments which were due in February 2018, 2019 and 2020. Consequently, the Company is in default according to the Deed of Trust as of February 2018. Accordingly, the debentures are presented as current liabilities. For details regarding a new debt settlement, please see Note 1B.

The following tables present the payment dates for financial liabilities as of December 31, 2020 and 2019 of the consolidated Group companies (except TGI). The financial liabilities are presented according to the non-capitalized contractual cash flow. The table includes repayments of principal and interest. The forecasted interest is calculated according to the maturity tables of the financial liabilities.

Liquidity table 2020:

€ in thousands	0-3 months	4-12 months	1 to 2 years	Total
Liabilities				
Trade payables	1,373	-	-	1,373
Other payables and accrued expenses	1,448	35,540	7,802	44,790
Interest-bearing loans and borrowings	4,516	71,287	-	75,803
Debentures	365,237	-	-	365,237
Total liabilities	**372,574**	**106,827**	**7,802**	**487,203**

Liquidity table 2019:

€ in thousands	0-3 months	4-12 months	1 to 2 years	Total
Liabilities				
Trade payables	2,413	-	-	2,413
Other payables and accrued expenses	2,252	41,651	7,800	51,703
Interest-bearing loans and borrowings	2,913	102,202	-	105,115
Debentures	351,051	-	-	351,051
Total liabilities	**358,629**	**143,853**	**7,800**	**510,282**

3. Market risk

Market risk is the risk that the fair value or future cash flows from a financial instrument will change as a result of changes in market prices. Market risk includes three types of risk: interest rate risk, currency risk, and other price risks such as share price risk and commodity price risk. Financial instruments that are affected by market risk include, inter alia, loans and credits, deposits and investments available for sale.

The Company operates in different segments, mainly emerging and developing markets. The Group is therefore exposed to structured risks, especially political and others that include economic and local legal matters.

Achieving the Group's objectives depends on, among others, the pace of economic development of these markets and in particular the pace of development of the real estate sector and water infrastructure sectors. Low development pace in these markets and sectors may have a negative impact on Group's business objectives.

The Company closely monitors the economic developments in the countries of operations and directs management and financial resources to and from these regions based on its current strategy. China is considered to be the largest emerging economy in the world, which has been gradually shifting over the last decades from a central government-controlled economy to an open market economy and consequently more interlinked with international markets.

The management of the Company believes that the following factors are instrumental in handling the above-mentioned risks:

1. Skilled and experienced management team, combining local expertise with international experience in the countries of operation.
2. Focus on selection of major projects which are developed in stages, according to demand (real estate).
3. Strict due diligence before embarking on a project combined with high quality project management.

4. Foreign currency risk

The foreign currency exchange rate risk arises from transactions conducted in a currency that is not the functional currency of the relevant company in the Group.
Because of the Company's activities in different countries, it is exposed to changes in the exchange rates of different currencies primarily Euro, NIS and RMB. In its water infrastructure activities, there is also exposure to US Dollar and Kwanza. In order to mitigate these risks, the Group companies evaluate, from time to time, the need to hedge the different currencies transactions.
Most of the Company's assets are denominated in RMB whereas it has NIS denominated debt. Consequently, changes in the currency rates have a significant effect both on Kardan NV's results and equity. Foreign currency changes during 2020 had a material effect on the Group's financial statements, in light of the weakening of EUR against the NIS.

Linkage terms of monetary balances:

As of December 31, 2020:

€ in thousands	In euros	In US dollars	In NIS (Israel)	In RMB (China)	In other currencies	Non-monetary	Total
Assets							
Property and equipment	-	-	-	-	-	502	502
Investment properties	-	-	-	-	-	182,555	182,555
Investments in companies accounted for using the equity method	7,062	8,033	-	-	20	28,222	43,337
Long-term receivables	23	-	-	-	-	1,036	1,059
Deferred tax assets	-	-	-	-	-	582	582
Inventory	-	-	-	-	-	24,371	24,371
Trade receivables	-	-	-	5,769	-	-	5,769
Other receivables	17	-	-	1,513	-	3,616	5,146
Short-term investments	169	-	255	374	-	-	798
Cash and cash equivalents	2,408	2,460	14	19,714	101	-	24,697
Assets classified as held for sale	-	-	-	-	-	107,888	107,888
	9,679	**10,493**	**269**	**27,370**	**121**	**348,772**	**396,704**
Liabilities							
Deferred tax liability	-	-	-	-	-	-	-
Interest-bearing loans and borrowing	-	-	-	75,803	-	-	75,803
Debentures	-	-	292,024	-	-	-	292,024
Other long-term liabilities	-	-	-	109	-	1,692	1,801
Other payables and accrued expenses	993	-	73,218	43,648	-	-	117,859
Trade payables	449	-	-	924	-	-	1,373
Advances from apartment buyers	-	-	-	-	-	1,723	1,723
Income tax payable	-	-	-	-	-	1,168	1,168
Liabilities associated with assets held for sale	-	-	-	-	-	142,753	142,753
	1,442	**-**	**365,242**	**120,484**	**-**	**147,336**	**634,504**
Differences between assets and liabilities	**8,237**	**10,493**	**(364,973)**	**(93,114)**	**121**	**201,436**	**(237,800)**

As of December 31, 2019:

€ in thousands	In euros	In US dollars	In NIS (Israel)	In RMB (China)	In other currencies	Non-monetary	Total
Assets							
Property and equipment	-	-	-	-	-	620	620
Investment properties	-	-	-	-	-	214,577	214,577
Investments in companies accounted for using the equity method	7,062	7,975	-	-	22	32,408	47,467
Long-term receivables	23	-	-	-	-	1,005	1,028
Deferred tax assets	-	-	-	-	-	314	314
Inventory	-	-	-	-	-	42,144	42,144
Trade receivables	-	-	-	5,501	-	-	5,501
Other receivables	1,285	303	-	1,778	-	3,263	6,629
Short-term investments	169	-	134	5,374	-	-	5,677
Cash and cash equivalents	4,533	4,628	122	26,579	33	-	35,895
Assets classified as held for sale	-	-	-	-	-	183,523	183,523
	13,072	**12,906**	**256**	**39,232**	**55**	**477,854**	**543,375**
Liabilities							
Deferred tax liability	-	-	-	-	-	5,227	5,227
Interest-bearing loans and borrowing	-	-	-	95,029	-	-	95,029
Debentures	-	-	298,913	-	-	-	298,913
Other long-term liabilities	-	-	-	-	-	1,610	1,610
Other payables and accrued expenses	1,134	-	49,769	50,570	-	-	101,473
Trade payables	169	-	-	2,244	-	-	2,413
Advances from apartment buyers	-	-	-	-	-	4,658	4,658
Income tax payable	-	-	-	-	-	1,131	1,131
Liabilities associated with assets held for sale	-	-	-	-	-	185,644	185,644
	1,303	**-**	**348,682**	**147,843**	**-**	**198,270**	**696,098**
Differences between assets and liabilities	**11,769**	**12,906**	**(348,426)**	**(108,611)**	**55**	**279,584**	**(152,723)**

The following tables present the sensitivity of the Group's profit and loss before tax to a reasonably realistic change in exchange rates compared to other main currencies in which the Group operates, when all other variables are held constant. The Company is also exposed to changes to Israeli CPI, due to its debentures. The sensitivity analysis to this exposure is also presented in this section.

	Sensitivity to change in EUR\USD Effect on profit and loss € in thousands			
	+10%	+5%	-5%	-10%
2020	**(158)**	**(79)**	**79**	**158**
2019	(158)	(79)	79	158

	Sensitivity to change in EUR\ NIS Effect on profit and loss € in thousands			
	+10%	+5%	-5%	-10%
2020	**(36,522)**	**(18,261)**	**18,261**	**36,522**
2019	(34,856)	(17,428)	17,428	34,856

	Sensitivity to change in RMB/EUR Effect on profit and loss € in thousands			
	+10%	+5%	-5%	-10%
2020	**(8)**	**(4)**	**4**	**8**
2019	215	107	(107)	(215)

	Sensitivity to change in Israeli CPI Effect on profit and loss € in thousands			
	+3%	+2%	-2%	-3%
2020	**(8,761)**	**(5,840)**	**5,840**	**8,761**
2019	(8,967)	(5,978)	5,978	8,967

5. Price risk

Price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer or factors affecting all similar financial instruments traded in the market.
Kardan's price risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans, and limits on investments in each country.

The Group does not have a material exposure to financial instruments which are impacted by market prices, therefore it has no significant price risk.

6. Political risk

The Group has significant business activities predominantly in China, Israel, India and CIS. Political and economic changes in these regions can have consequences on the Group's activities, as well as an impact on the results and financial positions of the Group. The management is mitigating the risks which might derive from changes in the political trends by strict supervision, keeping up with changes and working closely with consultants in the field and relevant countries.

7. Credit risk

Credit risk is the risk that the counterparty will not meet its obligations as a customer or its liabilities arising from a financial instrument and as a result the Group will incur a loss. Credit risk is also applicable to derivatives, financial guarantees and loan commitments. The Group is exposed to credit risk regarding its trade receivables, cash and cash equivalents, deposits, and other financial assets, financial guarantees and loan commitments. It is the policy of the Group, in general, to enter into trade agreements with reputable third parties with good credit ratings.

Credit risk is controlled by the application of credit approvals, limits and monitoring procedures. To manage this risk, the Group companies periodically and regularly assess the financial viability of their customers and monitor their credit status. Based on these assessments the Group records appropriate provisions for the possibility of losses that may be incurred from provision of credit, with respect to specific debts whose collection is doubtful, according to relevant adopted policies. It should be noted that for TGI, most of its customers are various government and municipal entities, and the projects usually include a guaranteed financial closing. However, there are delays, sometimes significant, in payments and in financial closing that may cause the Group losses due to the need to use credit lines.

A concentration of credit risk exists when changes in economic, industry, or geographic factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Group's total credit exposure. The Group's portfolio of financial instruments is diversified along product and geographic lines and transactions are entered into with various creditworthy counterparties, thereby mitigating any significant concentration of credit risk.

Counterparties to financial instruments consist of a large number of financial institutions. The Group has no significant concentration of credit risk with any single counterpart or group of counterparties.

With respect to trade receivables, the maximum exposure is equal to the amount on the face of the statement of financial position. Refer to Note 11 for more information regarding trade receivables and their aging analysis.

As of December 31, 2020 and 2019, cash and cash equivalent amounted to €24,697 thousand and €35,895 thousand, respectively, and deposits in banks amounted to €798 thousand and €5,677 thousand, respectively (see Note 13 and 14). All deposits are deposited with highly rated financial institutions primarily in the countries of operation. As of December 31, 2020, the Group operates primarily in PRC, where a majority of the banks and financial institutions are endorsed by the national credit and therefore the credit risks for banks and financial institutions are considered remote.

Maximum exposure to credit risk

The sum of all financial assets presented in the table 9B below and the sum of all financial guarantees is presented in the table below, showing the maximum exposure to credit risk for the components of the Group. The maximum exposure is presented gross, before the effect of mitigation through the use of collateral agreements.

8. Interest-rate risk

Interest risk is the risk that the fair value or future cash flows from a financial instrument will change as a result of changes in market interest rates.

The Group's exposure to market risk for changes in interest rates usually relates primarily to the Group's long-term debt obligations. The Group's policy is to manage its interest cost using a combination of debt with fixed and variable interest rates. Interest rate risk management aims to limit the impact of fluctuations in interest rates on the results and reduce total interest expenses as much as possible.

The majority of the Group's financial liabilities (debentures, loans and borrowings) bear a fixed interest rate. fair value approximates carrying value, due to the short term nature and hence not exposed to interest rate risk

9. Fair value disclosure

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.

2020	Methods of determining fair value	Carrying value	Fair Value	Comment
			€ in thousands	
Liabilities				
Debentures	(1)	365,237	52,201	1
Interest-bearing loans and borrowings	(3)	75,803	75,803	2

2019	Methods of determining fair value	Carrying value	Fair Value	Comment
			€ in thousands	
Liabilities				
Debentures	(1)	348,677	52,381	1
Interest-bearing loans and borrowings	(3)	95,029	95,029	2

Methods of determining the fair value of the financial assets and liabilities:

Level 1 – Quoted (unadjusted) prices in active markets for identical assets or liabilities
Level 2 – Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
Level 3 – Techniques which use inputs which have a significant effect on the recorded fair value that is not based on observable market data.

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

Comments regarding determining the fair value:

1. Market prices of Debentures Series A and Series B of the Company have been used to determine the fair value of the listed Debentures which were issued by the Company. A part of Debentures Series B which were not repaid nor extended, were delisted from trade. In order to determine their fair value, the market price of the traded Debentures Series B has been used. The carrying value includes accrued interest in the amount €73,213 thousand in 2020 and €49,764 thousand in 2019.
2. As of December 31, 2020 and 2019 most of the loans bear a fixed interest rate, and management estimates that this rate is approximately the same as the one at yearend. Refer to Note 17 for additional information.
3. The carrying value of cash and cash equivalent, short term investments and other financial instruments such as trade and other receivables, trade and other payables, which were not included in the table above, is assumed to approximate their fair value due to their short-term nature.

B. Financial assets and liabilities measured at fair value through profit and loss

€ in thousands			December 31, 2020	
	Level 1	Level 2	Level 3	Total
Financial assets:				
Held for trading securities and other	379	-	-	379

€ in thousands			December 31, 2019	
	Level 1	Level 2	Level 3	Total
Financial assets:				
Held for trading securities and other	5,374	-	-	5,374

During 2020 and 2019 there have been no transfers between financial instruments valuated in Level 1 to Level 2 or between Level 2 to Level 1.

C. Changes in financial liabilities that the cash flows from which are classified as cash flows from financing activities

Interest bearing loans and borrowings € in thousands	2020	2019
Opening balance	95,029	100,979
Cash paid	(17,075)	(6,388)
Amounts recorded in P&L	82	(54)
Amounts recorded in equity	(2,233)	492
Closing balance	**75,803**	**95,029**

Debentures € in thousands	2020	2019
Opening balance	298,913	282,703
Cash paid	-	(12,221)
Amounts recorded in P&L	(6,889)	28,431
Closing balance	**292,024**	**298,913**

D. IFRS 9 classification of financial assets and liabilities:

€ in thousands	December 31, 2020	December 31, 2019
Financial assets:		
Cash and cash equivalent, loans and receivables	75,886	65,521
Financial liabilities:		
Financial liabilities presented at amortized cost	488,336	498,959
	488,336	**498,959**

33. RELATED PARTIES

The Group has entered into a variety of transactions with its related parties. The Group has adopted the policy to enter into such transactions, which are being concluded in the normal course of business, on an arm's-length basis. The sales and purchases from related parties are made at comparable normal market prices. Outstanding balances relating to such sales and purchases at year-end are unsecured, interest free, and settlement occurs in cash. Outstanding loans from related parties are unsecured and presented with accrued interest. The significant of these balances and transactions are as follows:

A. Balances:

€ in thousands	Note	December 31, 2020	December 31, 2019
			Joint ventures
Trade receivables	11	-	415
Other receivables and prepayments	12	797	872
Loans to companies accounted for using the equity method	9	15,115	15,059
Other payables and accrued expenses	21	12,229	12,462

B. Transactions

€ in thousands	Note	Joint ventures	Other related parties
For the year ended December 31, 2020:			
Management fee, net		859	(7)
For the year ended December 31, 2019:			
Management fee, net		822	(40)
For the year ended December 31, 2018:			
Management fee, net		962	(48)
Finance income	29	109	-

1. Management fees for the years 2020, 2019 and 2018 relate mostly to management fees from joint ventures received by Kardan Land China. Finance income from joint ventures is generated from loans granted to joint ventures.

1. In April 2019, the service agreement between the Company and Kardan Israel Ltd. has been amended. According to the amendment, effective June 6, 2019, the scope of services will be reduced and accordingly, the corresponding service fees would be reduced to a total of approximately €33 thousand per year (128 NIS thousand per year), linked to Israeli CPI.
   In January 2020, the parties have agreed to terminate the service agreement, effective March 16, 2020.

C. Remuneration to related parties:

Remuneration of members of the Board of Directors and executive management, of the Company:

1. Board (*):

In € '000	For the year ended December 31		
	2020	2019	2018
	208	208	204

(*) The amounts for the years 2020, 2019 and 2018 related to 6, 6 and 8 Board members, respectively.

2. Executive Management (*):

In € '000 For the year ended December 31,	Short-term employee benefits (**)	Post-employment pension and medical benefits	Share-based payment transaction	Total
2020	710	21	-	731
2019	592	21	-	613
2018	592	21	3	616

(*) The amounts relate to 2 executives in the years 2018 and 2019. In 2020 there were 3 executives starting October 1, 2020.

(**) Short term employee benefits include bonuses over the years 2018 and 2019.

COMPANY-ONLY FINANCIAL STATEMENTS

2020

COMPANY-ONLY STATEMENT OF FINANCIAL POSITION

December 31, 2020

After appropriation of net result

In €'000	Note	December 31, 2020	December 31, 2019
Assets			
Non-current assets			
Tangible fixed assets		44	88
Financial assets	4	160,787	288,098
		160,831	**288,186**
Current assets			
Short-term investments	6	419	297
Other receivables	3	234	1,868
Cash and cash equivalents	5	1,573	3,858
		2,226	6,023
Total current assets		**2,226**	**6,023**
Total assets		**163,057**	**294,209**
Equity and liabilities			
Equity			
Share capital		25,276	25,276
Share premium		206,482	206,482
Foreign currency translation reserve		(28,323)	(19,038)
Property revaluation reserve		5,158	25,944
Revaluation reserve, other		4,396	4,433
Accumulated deficit		(440,941)	(393,699)
		(227,952)	**(150,602)**
Current liabilities			
Current portion of debentures	7	292,024	377,670
Other payables	9	73,675	67,141
		365,699	**444,811**
Liabilities directly associated with the assets classified as held for sale	13	**25,310**	-
Total equity and liabilities		**163,057**	**294,209**

See accompanying notes.

COMPANY-ONLY INCOME STATEMENT

For the year ended December 31, 2020

In €'000	Note	2020	2019
General and administration expenses	10	(363)	(2,077)
Loss from operations			
Financial Income (expenses), net	11	53,879	(78,265)
Profit (loss) before share of profit from investments accounted for using the equity method		**53,516**	**(80,342)**
Share of (loss) profit of subsidiaries	4	(99,653)	29,026
Loss before income taxes		**(46,137)**	**(51,316)**
Income tax expenses	8	-	65
Loss for the period from continuing operations		**(46,137)**	**(51,381)**
Loss from discontinued operations	13	(21,891)	(32,331)
Loss for the year		**(68,028)**	**(83,712)**

See accompanying notes.

COMPANY-ONLY STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2020

In €'000	2020	2019
Net loss for the year	(68,028)	(83,712)
Foreign currency translation differences	(9,285)	(6,989)
Change in hedge reserve, net	(37)	(404)
Other comprehensive expense for the year to be reclassified to profit or loss in subsequent periods	(9,322)	(7,393)
Total comprehensive expense	**(77,350)**	**(91,105)**

COMPANY-ONLY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Year ended December 31, 2020

In €'000	Issued and paid-in capital	Share premium	Property revaluation reserve (*)	Revaluation reserve, other (*)	Foreign currency translation reserve (*)	Accumulated deficit (*)	Total
Balance as of January 1, 2020	**25,276**	**206,482**	**25,944**	**4,433**	**(19,038)**	**(393,699)**	**(150,602)**
Other comprehensive expense	-	-	-	(37)	(9,285)	-	(9,322)
Loss for the year	-	-	-	-	-	(68,028)	(68,028)
Total comprehensive expense	**-**	**-**	**-**	**(37)**	**(9,285)**	**(68,028)**	**(77,350)**
Reclassification according to the Netherlands civil code requirements, net of tax (*)	-	-	(20,786)	-	-	20,786	-
Balance as of December 31, 2020	**25,276**	**206,482**	**5,158**	**4,396**	**(28,323)**	**(440,941)**	**(227,952)**

COMPANY-ONLY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Year ended December 31, 2019

In €'000	Issued and paid-in capital	Share premium	Property revaluation reserve (*)	Revaluation reserve, other (*)	Foreign currency translation reserve (*)	Accumulated deficit (*)	Total
Balance as of January 1, 2019	**25,276**	**206,482**	**25,179**	**4,837**	**(12,049)**	**(309,222)**	**(59,497)**
Other comprehensive expense	-	-	-	(404)	(6,989)	-	(7,393)
Loss for the year	-	-	-	-	-	(83,712)	(83,712)
Total comprehensive expense	**-**	**-**	**-**	**(404)**	**(6,989)**	**(83,712)**	**(91,105)**
Reclassification according to the Netherlands civil code requirements, net of tax (*)	-	-	765	-	-	(765)	-
Balance as of December 31, 2019	**25,276**	**206,482**	**25,944**	**4,433**	**(19,038)**	**(393,699)**	**(150,602)**

(*) In accordance with the Dutch civil code, equity attributable to equity holders is restricted for distribution following the regulation to maintain reserves in respect of real estate unrealized fair value revaluations, cash flow hedges, foreign currency differences from investments in foreign operations and equity gains from associates and joint ventures (as also disclosed in Note 7B and 15E to the Consolidated Financial Statements).
(**) As of December 31, 2020 and 2019 amounts of €77,724 thousand and €67,789 thousand, respectively, resulted from equity gains in associates and joint ventures held by the Company subsidiaries, and therefore the distribution of these amounts is pending on approval of the shareholders and partners. This part of the accumulated deficit is therefore restricted for distribution.

COMPANY-ONLY CASH FLOW STATEMENT

For the year ended December 31, 2020

In €'000	2020	2019
Cash flow from operating activities of the Company		
Loss for the year	(68,028)	(83,712)
Adjustments to reconcile profit (loss) to net cash of the Company		
Financial expense	24,939	78,469
Equity earnings	121,544	3,305
Profit from early repayment of debentures	(78,676)	-
Fair value adjustments of derivative financial instrument	-	681
Changes in working capital of the Company		
Change in receivables	2,159	(524)
Change in payables	1,116	11,374
Cash amounts paid and received during the year		
Dividend received	2,568	13,000
Interest paid	(7,382)	(23,901)
Net cash used in operating activities of the Company	**(1,760)**	**(1,308)**
Cash flow from investing activities of the Company		
Short term investments, net	(122)	(128)
Investments in subsidiary	(500)	(170)
Net cash used in investing activities of the Company	**(622)**	**(298)**
Cash flow from financing activities		
Repayment of long-term debt	-	(12,221)
Net cash used in financing activities of the Company	**-**	**(12,221)**
Increase (decrease) in cash and cash equivalents of the Company	**(2,382)**	**(13,827)**
Foreign exchange differences relating to cash and cash equivalents	97	90
Cash and cash equivalents at beginning of the year	3,858	17,595
Cash and cash equivalents of the Company at end of the year	**1,573**	**3,858**

NOTES TO THE COMPANY-ONLY FINANCIAL STATEMENTS

December 31, 2020

1. GENERAL

The description of the Company's activity and the Group structure, as included in the Notes to the consolidated financial statements, also apply to the Company-only financial statements, unless otherwise stated.

2. SIGNIFICANT ACCOUNTING POLICIES

The Company prepared its financial statements in accordance with the International Financial Reporting Standards ('IFRS') as adopted by the European Union. In case no other policies are mentioned, refer to the accounting policies as described in the accounting policies in the consolidated financial statements. For an appropriate interpretation, the company-only financial statements of Kardan N.V. should be read in conjunction with the consolidated financial statements.
The company financial statements are presented in Euros and all values are rounded to the nearest thousand (€ in thousands) except when otherwise indicated.

3. OTHER RECEIVABLES

In €'000	**December 31, 2020**	December 31, 2019
Intercompany debtors	156	1,865
Prepaid expenses	78	3
	234	**1,868**

4. FINANCIAL ASSETS

Investments in consolidated subsidiaries are accounted for using the equity method.

1. The movement in the investment in consolidated subsidiaries can be summarized as follows:

In €'000	**2020**	2019
Balance as of January 1	288,098	290,634
Investment in a subsidiary	882	170
Change in capital reserves (*)	(3,601)	(707)
Dividend distributed (**)	(23,449)	(18,222)
Share of (loss) profit of subsidiaries	(99,653)	29,026
Loan received from a subsidiary	(1,490)	(12,803)
Balance as of December 31	**160,787**	**288,098**

(*) Primarily relates to foreign currency exchange differences arising on translation of foreign operations.

(**) Including cash and non-cash distributions.

Loans granted and received from subsidiaries are presented net of the investment in subsidiaries.

2. Further specification of the investments in subsidiaries is as follows:

	2020		2019	
Names of subsidiaries	Owner ship	Total Value	Owner ship	Total Value
	%	In €'000	%	In €'000
GTC Real Estate Holding B.V.	100	160,275	100	206,392
Kardan Financial Services B.V.	100	512	100	2,331
Emerging Investments XII B.V. (*)	-	-	100	79,375
Total investments in significant consolidated subsidiaries		**160,787**		**288,098**

(*) In November 2020, Emerging Investments XII B.V. was dissolved.

5. CASH AND CASH EQUIVALENTS

In €'000	December 31, 2020	December 31, 2019
EURO	1,230	3,732
NIS	17	122
USD	326	4
	1,573	**3,858**

The cash is primarily composed of short-term deposits.

The average interest rate on short term deposits is 0.5%-1.5% p.a. in 2020 and 2019.

6. SHORT-TERM INVESTMENTS

In €'000	December 31, 2020	December 31, 2019
Deposits	419	297

7. DEBENTURES

Composition:

In €'000	Par value as of December 31, 2020 NIS	Balance as of December 31, 2020	Balance as of December 31, 2019	Interest rate %	Maturities principal
Issuer:					
The Company – 2007	160,993,885	49,379	93,354	6.325	2017-2018
The Company – 2008	792,167,672	242,645	284,316	6.775	2017-2020
		292,024	**377,670**		

1. The Company has not repaid the principal and interest payments which were due in February 2018, February 2019 and February 2020. Consequently, the Company is in default according to the Deed of Trust as of February 2018. Accordingly, from March 31, 2018 and until the repayments are rescheduled, the debentures are presented as current liabilities. For additional information see note 1B to the consolidate financial statements.

2. On August 10, 2020, the subsidiaries Emerging Investment XII and GTC RE transferred to the Company their holding in Debentures of 136,506,115 par value Series A and 114,555,778 par value series B. Following the transfer, these debentures were cancelled and delisted from trade. The Company recognized a profit from early repayment of the debentures in the amount of €78.7 million. This profit is recorded only in the Company's stand-alone financial statements (and not in the consolidated financial statements). This profit was generated due to the difference between the market value of the debentures and the book value of the liability. The subsidiaries recorded a loss of a similar amount, which is included in the 'Share of profit (loss) of investee companies'.

3. On November 10, 2020 the Company partially paid to Debenture Holders Series B accumulated interest of approximately €7.5 (approximately NIS 29.5 million).

4. On June 3, 2019 the Company partially repaid to Debenture Holders Series B principal amounting to approximately €12.2 million and accumulated interest of approximately €23.8 (net of the relative portion of debentures held by the Company's subsidiaries). The total repayment amounted to approximately €36 million (approximately NIS 145 million).

8. INCOME TAX EXPENSES

The Company has received final tax assessments for all the years up to and including 2018. Loss for the year amounts to €68 million (2019: €83.7 million), including net result from investments of €121.5 million loss (2019: €3.3 million loss), which is not deductible/taxable under the Participation Exemption.

Effective from 1 January 2019, the Netherlands introduced the 30% Earnings Before Interest Tax, Depreciation and Amortization (EBITDA) rule in line with the interest deduction limitation rules as outlined in the EU Anti-Tax Avoidance Directive (earnings stripping rule). The earning stripping rule is a general limitation based on which net borrowing costs on debt attracted from both related and unrelated parties by a Dutch taxpayer will only be tax-deductible up to 30% of a taxpayer's corrected taxable profit with a minimum of € 1 million. The non-deductible amount of net borrowing costs can be carried forward indefinitely in time. The Company has reviewed the impact of the earning stripping rule and concluded that the net borrowing costs (including foreign currency results) will not be fully tax-deductible in 2020. The Company assumes that the remaining other expenses and income will not result in tax benefits or tax expenses due to the available tax losses from previous years of the Company.

Up to 2018, Kardan N.V. has estimated tax losses of €314.5 million that are available for carry forward (according to the filed 2018 tax return, net of tax losses evaporated as per 1 January 2019). Tax losses of a company may be carried back one year and carried forward six years. Losses incurred before 2019 are grandfathered and are available for nine years. Because certain losses would be available for nine years and certain for six years, losses incurred in 2019 will be used before losses incurred in 2017 and 2018, while losses incurred in 2020 will be used before losses incurred in 2018. It is noted that legislation is announced based on which tax losses may be carried forward indefinitely. However, the offset of losses against profits of a year will be limited to € 1 million plus 50% of the taxable profit exceeding € 1 million. The measure, when (substantively) enacted through the issuance of a Royal Decree, is set to enter into effect by 1 January 2022. Tax losses of Kardan N.V. incurred as of 2013 will then become available for carry forward indefinitely.

Deferred tax assets have been recognized only with respect to potential tax liability in relation with the Company's former hedge transactions. Deferred taxes amounted to nil as of December 31, 2019 and December 31, 2020. As of December 31, 2019, no deferred tax assets are presented in the balance sheet. For more information regarding to taxes on income refer to Note 30 to the Consolidated Financial Statements.

9. OTHER PAYABLES

In €'000	**December 31, 2020**	December 31, 2019
Accrued expenses (mainly accrued interest on debentures)	73,213	66,358
Others	462	783
	73,675	**67,141**

10. GENERAL AND ADMINISTRATION EXPENSES

In €'000	For the year ended December 31	
	2020	2019
Payroll and related expenses	702	729
Management fees	282	248
Office maintenance	138	140
Professional fees	1,121	1,797
Depreciation and amortization	42	31
Revaluation income of PUT option, (net)	-	(681)
Other income (net)	(1,922)	(187)
	363	**2,077**

11. FINANCIAL EXPENSES, NET

In €'000	For the year ended December 31	
	2020	2019
Income:		
Profit from debentures write-off	78,676	-
Other	2,702	-
Exchange differences	9,341	574
Total financing income	**90,719**	**574**
Expenses:		
Interest on debentures	36,818	34,130
Exchange differences	-	43,204
Other	22	1,505
Total financing expenses	**36,840**	**78,839**
Total financing income (expenses)	**53,879**	**(78,265)**

12. AUDIT FEES

The table below summarizes the fees invoiced to the Company's by its independent external auditors, in 2020 and in 2019, respectively:

In €'000	**In 2020**	In 2019
Audit services – Kardan N.V.	240	475
Audit services – subsidiaries	515	579
Total statutory audit fees	**755**	**1,054**
Other services relevant to taxation	-	-
Total	**755**	**1,054**

13. ASSETS HELD FOR SALE

The composition of the investment in a subsidiary presented as assets held for sale is as follows:

	2020		2019	
Names of subsidiaries	Owner ship %	Total Value In €'000	Owner ship %	Total Value In €'000
Tahal Group International B.V.	98.43	(26,058)	98.43	-

For additional information relating to assets held for sale see note 5C to the consolidated financial statements.

14. REMUNERATION OF MANAGEMENT AND BOARD OF DIRECTORS

The Company's management and Board received remuneration in 2020 and 2019 as described in Note 33 to the Consolidated Financial Statements.

15. COMMITMENTS, CONTINGENT LIABILITIES, GUARANTEES, AND SUBSEQUENT EVENTS

For commitments, contingent liabilities, guarantees, please refer to Note 22 of the Consolidated Financial Statements.

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

For disclosures required by IFRS 7 regarding financial instruments and risk management, refer to Note 32 to the Consolidated Financial Statements.

INDEPENDENT AUDITOR'S REPORT

To: The general meeting of shareholders and the board of directors of Kardan N.V.

A. Report on the audit of the financial statements 2020 included in the annual report

Our opinion

We have audited the financial statements 2020 of Kardan N.V. based in Amsterdam.
In our opinion, the accompanying financial statements give a true and fair view of the financial position of Kardan N.V. as at 31 December 2020 and of its result and its cash flows for 2020 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.
The financial statements comprise:

the consolidated and company statement of financial position as at 31 December 2020;

1. the following statements for 2020:
2. the consolidated and company income statement, the consolidated and company statements of comprehensive income, changes in equity and cash flows; and
3. the notes comprising a summary of the significant accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards of Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.
We are independent of Kardan N.V. in accordance with the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).
We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to the going concern section in note 1B of the financial statements which indicates that the company as at December 31, 2020 had a working capital deficit of €464 million. For the year ended on December 31, 2020, the Company recorded a consolidated net loss of €69.8 million, and generated negative cash flow from operating activities of €3.4 million on a consolidated basis. In addition, as at December 31, 2020 the Company had a deficit of €228 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.
On April 7, 2021 a voting meeting of the debenture holders approved advancing the debt settlement between the Company and the debenture holders.

The realization of the Company's plans, including approval and completion of the debt settlement with the debenture holders, selling and transaction value of the Company's assets, refinancing and restructuring of loans, the impact of the Corona virus, and macroeconomic developments, depends on factors that are not within the Company's control and therefore there is uncertainty regarding the ability to complete the debt settlement, and that transactions for sale of assets will be entered into or completed.

These conditions indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

B. Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- the Board report;
- other information as required by Part 9 of Book 2 of the Dutch Civil Code;

Based on the following procedures performed, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.
By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.
Management is responsible for the preparation of the other information, including the management report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information as required by Part 9 of Book 2 of the Dutch Civil Code.

C. Description of responsibilities regarding the financial statements

Responsibilities of management for the financial statements

The board of directors is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the board of directors is responsible for such internal control as the board of directors determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the board of directors is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the board of directors should prepare the financial statements using the going concern basis of accounting, unless the board of directors either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.
The board of directors should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion. Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.
Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.
We have exercised professional judgement and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

- identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control;
- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- concluding on the appropriateness of the board of director's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern.
- evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Considering our ultimate responsibility for the opinion on the statutory financial statements, we are responsible for the direction, supervision and performance of the group audit. In this context, we have determined the nature and extent of the audit procedures for components of the Group to ensure that we performed enough work to be able to give an opinion on the statutory financial statements as a whole. Determining factors are the geographic structure of the Group, the significance and/or risk profile of group entities or activities, the accounting processes and controls, and the industry in which the Group operates. On this basis, we selected group entities for which an audit or review of financial information or specific balances was considered necessary.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

Amstelveen, 10th of May 2021

IUS Statutory Audits Coöperatie U.A.

Original is signed by R.A. Groen
registeraccountant

Ref: IUS-KARD-RG-WC-JR20-10/5/2021