



# KARDAN N.V.

## Update to the Meeting of the Debenture Holders of Kardan N.V.



- **Kardan Land China**
- **Tahal**
- **Debt Settlement**
- **Other matters**



- With the outbreak of the coronavirus in China at the end of January, activity in the Dalian Mall dropped significantly. Since the removal of the partial lockdown in the city, in April there has been a gradual improvement in the volume of visitors and in the revenue of the stores;
- At the end of July another lockdown was imposed on Dalian due to an increase in infections, which was lifted in mid-August;
- Kardan Land China has taken a number of actions to assist mall tenants, as well as to adjust the level of expenses, such as discounts for tenants and reducing the operating costs of the shopping mall;
- NOI performance remained positive, even if below the annual budget (without the effects of the COVID-19 crisis);
- The loan to finance the mall is expected to be extended in the coming days for another year after a partial early repayment was made; according to the information the Company received, the extension has been approved by the lender and the extension documents are in signing process;



- The terms of the loan did not change, and as part of the extension, the project company undertook to gradually reduce the balance of the debt, by September 2021, by approximately RMB 130 million; after signing is completed, the Company will publish a detailed announcement;
- The project company is preparing to make the required repayments both from the project sources and if necessary, from Kardan Land China;
- In parallel, the possibility of refinancing the loan from a bank will be examined; It is expected that with a total debt of about RMB 500 million and with the recovery of the mall's performance, it will be possible to advance a refinancing process;
- In addition, an examination of the potential of a full / partial sale of the mall has been put on hold due to the COVID-19 crisis, and it will be necessary to decide on the right time to renew it;
- The coming months will be significant, both in light of the above and due to the need to make adjustments in the leasing of the mall, in light of expected tenant changes in a considerable extent;

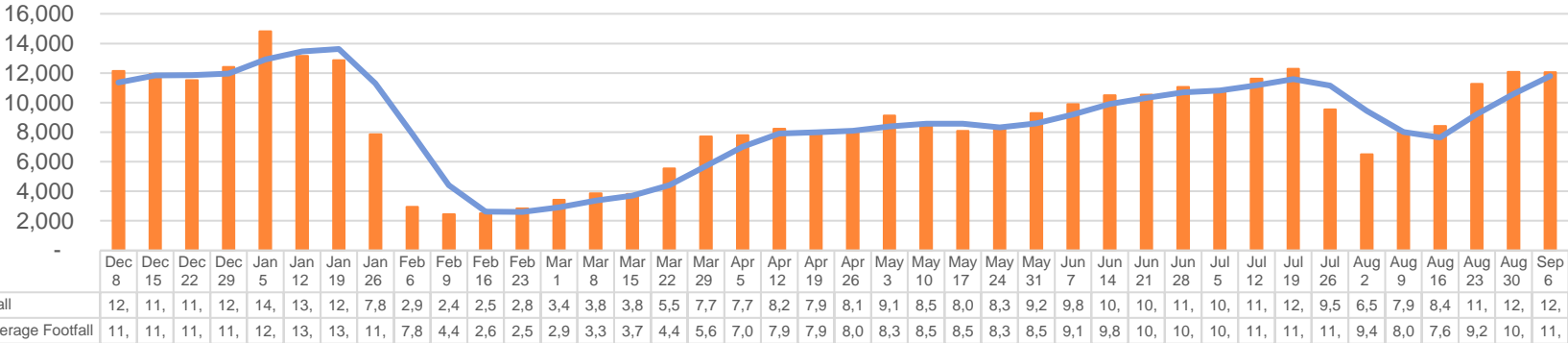




- For conservative reasons, the company made an impairment of about €3.7 million in the value of the mall in its books in the second quarter of 2020 (beyond the impairment resulting from the external valuation);
- Sales of the apartments in the Dalian project have also slowed due to the COVID-19 crisis, but in recent months sales have accelerated again; remaining apartments inventory is limited;
- Lucky Hope projects have shown good sales performance, despite the effects of the COVID-19 crisis;
- Suzy project, in which certain land plots were cleared, displayed higher-than-expected sales;
- Efforts to sell the Palm Garden project have not progressed, and will need to be renewed over the coming year;



### Daily footfall by week and 3 weeks moving average



# KARDAN LAND CHINA – TENANTS / NOI

Item	Jul-19	Aug-19	Sept-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20
Tenants turnover (in millions RMB)	25.2	26.4	27.0	29.6	25.7	27.7	25.3	7.4	11.9	14.8	19.1	20.3	20.7
Occupancy rate %	91.2	92.1	92.9	91.7	92.7	94.1	92.3	91.7	91.8	91.7	91.7	92.0	92.5
Opening rate %	81.8	83.0	87.0	86.2	88.0	92.0	90.0	89.0	89.0	88.0	88.0	88.0	88.4
Opening rate % - COVID-19 impact*	-	-	-	-	-	-	57.0	57.0	57.0	56.0	56.0	67.0	57.0

\* Excluding shops closed due to specific guideline (such as cinema, gym etc.)

Results (in € thousands)	HY1 2020	HY1 2019	Q2 2020	Q2 2019	Total 2019
<b>Total Income</b>	4,490	4,247	2,312	2,207	<b>8,901</b>
<b>Total costs</b>	(2,466)	(3,053)	(1,134)	(1,477)	<b>(5,251)</b>
<b>NOI of Galleria Dalian</b>	<b>2,024</b>	<b>1,221</b>	<b>1,179</b>	<b>730</b>	<b>3,650</b>



# KARDAN LAND CHINA – SALE OF APARTMENTS

Project	Number of sold apartments				
	Actual HY1 2020		Actual Q2 2020		Year 2019
Olympic Garden	100		61		135
Suzy	325		203		297
Palm Garden	7		5		2
City Dream	39		29		153
<b>Total</b>	<b>471</b>		<b>298</b>		<b>587</b>
Dalian	35		19		91
<b>Grand Total</b>	<b>506</b>		<b>317</b>		<b>678</b>





# KARDAN LAND CHINA – FINANCIAL RESULTS

(in € millions)	HY1 2020	Q2 2020
Rental revenues and service charge income	4.5	2.3
Cost of rental operations	(1.3)	(0.6)
<b>Gross profit rental activities</b>	<b>3.2</b>	<b>1.7</b>
Revenue from sale of residential units	10.7	5.4
Costs of sale of residential units	(8.3)	(4.6)
<b>Gross profit residential activities</b>	<b>2.4</b>	<b>0.8</b>
SG&A expenses	(3.1)	(1.6)
Adjustment to fair value (impairment) of investment properties	(7.7)	(4.8)
Other income (expenses)	1.0	-
Equity in net earnings of associated companies	4.4	1.4
<b>Result from operations before financing expenses</b>	<b>0.2</b>	<b>(2.5)</b>
Financing income (expenses), net	(5.7)	(3.1)
Income tax (expenses) / benefit	1.5	0.8
<b>Net profit (loss)</b>	<b>(4.0)</b>	<b>(4.8)</b>



- For the past 18 months, Tahal has been facing a financial crisis that makes it difficult to continue its activities;
- Restricting Tahal's credit lines by the banks has hampered its ability to advance projects and generate revenue;
- In August, Mrs. Esther Eldan was recruited to the position of CEO; Esther Eldan has extensive experience in managing companies in general and companies in crisis in particular;
- Led by the new CEO, an agreement was reached with Tahal's financing banks to allocate funding for Tahal to continue its operations;
- Tahal intends to commence a recovery process, in which Tahal will focus on core activities and realize assets both for the purpose of raising resources and for the purpose of focusing;
- The level of risk is still high, but the expectation is that with quality management, Tahal will be able to improve its operations and stabilize;
- A compensation plan was created to incentivize the CEO to improve and bring up value; given Tahal's equity level and financial position, the total options can lead to a substantial holding at high values;



- Kardan continues to consolidate Tahal in its financial statements; it should be noted that after the consolidation of Tahal's losses, the value of the investment in Tahal in Kardan's books is negative; the negative value is expected to be reversed upon realization of the holding in Tahal, when realized



- Discussions regarding a debt settlement outline that will transfer the control over the company to the debenture holders have been agreed between the company and the representatives of series B debenture holders;נייר הסדר הושלם;
- The settlement agreement was completed with respect to all essential aspects and was agreed between the parties several months ago;
- Conditions precedent for the debt settlement such as delisting from trade in the Netherlands, tax certificates, and required legal examinations have been completed or in the final stages of completion;
- The delays in bringing the debt settlement to the debenture holders for voting are due to the lengthening of the discussions between Series A and Series B;
- The company's position is that these delays negatively serve the debenture holders as the real stakeholders in the company;
- Both the unnecessary costs that reduce the ability to repay, and the complexities of managing the company and making decisions in the current situation destroy value for the debenture holders



- Following the completion of the loan extension for the Dalian project, Kardan Land China is expected to pay Kardan a dividend of approximately € 7.5 million; Kardan intends to use the entire amount to make a payment to the debenture holders
- Following the Company's announcement dated September 9<sup>th</sup> , the Company's CEO asked the board to terminate his position; the board intends, in accordance with the recommendation of the debenture holders, to appoint Mr. Guy Elias as the Company's CEO and to recommend his appointment as the Company's executive director





# Forward looking information

*It should be emphasized that the data presented for the projects listed in this presentation, including the Company's assessments regarding the extension of the loan period granted to finance the Dalian project, partial repayments of bonds, refinancing of the Dalian loan, adjustments at the Dalian mall due to expected tenant change, sale of Palm Garden project, receipt of funds from Kardan Land China, partial early repayment, agreement between Tahal and the banks financing its activities, improvement and stabilization of Tahal's activities and the realization of its holdings, are forward-looking information, as defined in the Israeli Securities Law, 1968, the realization of which is uncertain and uncontrolled by the Company and / or corporations under its control and is based, among other things, on the Company's evaluations, its impression and the business plans of the group companies.*

*The realization of the said information largely depends on the following factors: reaching agreements with third parties (banks, tenants, potential buyers), compliance with agreements, authorities' requirements, macroeconomic changes, corona crisis, regulatory effects and tax change, issuance of relevant permits by the Company and that there will be no change in the business environment in which the group's companies operate. It should be emphasized that there is no certainty that this will be the actual situation. These factors may significantly alter the Company's assessments set forth above and below.*

*It should be noted that Slide 3 (regarding the lockdown imposed on Dalian in July 2020, to extend the loan period provided for the Dalian project and the intention to promote a refinancing process), Slide 4 (regarding significant changes that will apply to Dalian Mall due to tenants changes), Slide 6 (regarding average visitors), Slide 7 (regarding sales turnover, percentage of tenants and percentage of open stores), Slide 10 (regarding the appointment of a CEO for Tahal's terms of office and reaching an agreement with Tahal's financing banks) include new information published by the Company in this presentation for the first time.*

*In the Company's opinion, the main factors that may cause the data presented below to not materialize and / or be different from those described above are (as the case may be) failure to reach agreements with banks, tenants, buyers and third parties, deterioration in the economic environment, deterioration in Dalian Mall, construction of various projects will not be possible or will be delayed for various reasons, cost increases, failure to obtain all required approvals, marketing difficulties and the like.*





# Thank you

## Disclaimer

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