KARDAN N.V.
AMSTERDAM, THE NETHERLANDS

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

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CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

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

Equity and liabilities

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

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

CONDENSED INTERIM CONSOLIDATED INCOME STATEMENT

	Note	For the six months ended June 30,		For the three months ended June 30,		For the year ended December 31,
		2020	2019	**2020**	2019	2019
		Unaudited				Audited
		In €'000				
Revenues from sale of apartments		10,284	4,563	5,170	3,448	54,705
Rental revenues		4,535	4,304	2,334	2,213	9,055
Management fees and other revenues		428	399	211	198	791
Total revenues		15,247	9,266	7,715	5,859	64,551
Cost of apartments sold		8,223	4,195	4,502	3,184	46,965
Rental costs		1,299	1,881	593	885	3,482
Management fees and other expenses, net		140	-	77	(10)	135
Total expenses		9,662	6,076	5,172	4,059	50,582
Gross profit		5,585	3,190	2,543	1,800	13,969
Selling and marketing expenses		1,120	1,184	697	700	3,109
General and administration expenses		3,663	4,172	1,706	1,925	6,705
Profit (loss) from operations before fair value adjustments, disposal of assets and investment and other (loss) income		802	(2,166)	140	(825)	4,155
Adjustment to fair value of investment properties	3	(7,711)	(112)	(4,844)	(112)	-
Other income (expenses), net		1,049	-	-	-	(1,555)
Loss from fair value adjustments, disposal of assets and investments and other income		(6,662)	(112)	(4,844)	(112)	(1,555)
Profit (loss) from operations		(5,860)	(2,278)	(4,704)	(937)	2,600
Financial income		2,913	984	690	858	852
Financial expenses		(21,318)	(40,413)	(12,865)	(16,768)	(70,343)
Total financial expenses, net		(18,405)	(39,429)	(12,175)	(15,910)	(69,491)
Loss before share of profit from investments accounted for using the equity method		(24,265)	(41,707)	(16,879)	(16,847)	(66,891)
Share of profit of investments accounted for using the equity method, net	7	4,382	5,631	1,424	2,759	14,667
Loss before income taxes		(19,883)	(36,076)	(15,455)	(14,088)	(52,224)
Income tax expenses (benefit)		(1,469)	113	(811)	46	727
Loss from continuing operations		(18,414)	(36,189)	(14,644)	(14,134)	(52,951)
Loss from discontinued operations	8	(12,648)	(12,526)	(12,963)	(11,310)	(35,477)
Loss for the period		(31,062)	(48,715)	(27,607)	(25,444)	(88,428)
Attributable to:						
Equity holders		(31,232)	(46,575)	(27,462)	(23,070)	(83,712)
Non-controlling interest holders		170	(2,140)	(145)	(2,374)	(4,716)
		(31,062)	(48,715)	(27,607)	(25,444)	(88,428)
Loss per share attributable to shareholders:						
Basic and diluted from continuing operations		(0.15)	(0.29)	(0.12)	(0.11)	(0.43)
Basic and diluted from discontinued operations		(0.10)	(0.10)	(0.11)	(0.09)	(0.29)
		(0.25)	(0.39)	(0.23)	(0.20)	(0.72)

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

CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

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CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	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 holders	Total Equity
	In €'000								
Balance as of January 1, 2020 (Audited)	25,276	206,482	(19,038)	25,179	4,433	(392,934)	(150,602)	(2,121)	(152,723)
Other comprehensive loss	-	-	(3,998)	-	(37)	-	(4,035)	(592)	(4,627)
Profit (loss) for the period	-	-	-	-	-	(31,232)	(31,232)	170	(31,062)
Total comprehensive expenses	-	-	(3,998)	-	(37)	(31,232)	(35,267)	(422)	(35,689)
Reclassification according to the Netherlands civil code requirements, net of tax (*)	-	-	-	(5,783)	-	5,783	-	-	-
Balance as of June 30, 2020 (Unaudited)	25,276	206,482	(23,036)	19,396	4,396	(418,383)	(185,869)	(2,543)	(188,412)

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

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CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Attributable to equity holders of the parent							Non-controlling interest holders	Total Equity
	Issued and paid-in capital	Share premium	Foreign currency translation reserve (*)	Property revaluation reserve (*)	Revaluation reserve, other (*)	Accumulated deficit	Total		
	In €'000								
Balance as of January 1, 2019 (Audited)	25,276	206,482	(12,049)	25,179	4,837	(309,222)	(59,497)	5,740	(53,757)
Other comprehensive expense	-	-	(463)	-	(192)	-	(655)	(682)	(1,337)
Loss for the period	-	-	-	-	-	(46,575)	(46,575)	(2,140)	(48,715)
Total comprehensive expense	-	-	(463)	-	(192)	(46,575)	(47,230)	(2,822)	(50,052)
Reclassification according to the Netherlands civil code requirements, net of tax (*)	-	-	-	(84)	-	84	-	-	-
Balance as of June 30, 2019 (Unaudited)	25,276	206,482	(12,512)	25,095	4,645	(355,713)	(106,727)	2,918	(103,809)

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

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CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	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 holders	Total Equity
	In €'000								
Balance as of April 1, 2020 (Unaudited)	25,276	206,482	(19,057)	23,029	4,396	(394,554)	(154,428)	(2,232)	(156,660)
Other comprehensive loss	-	-	(3,979)	-	-	-	(3,979)	(166)	(4,145)
Loss for the period	-	-	-	-	-	(27,462)	(27,462)	(145)	(27,607)
Total comprehensive expenses	-	-	(3,979)	-	-	(27,462)	(31,441)	(311)	(31,752)
Reclassification according to the Netherlands civil code requirements, net of tax (*)	-	-	-	(3,633)	-	3,633	-	-	-
Balance as of June 30, 2020 (Unaudited)	25,276	206,482	(23,036)	19,396	4,396	(418,383)	(185,869)	(2,543)	(188,412)

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

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CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Attributable to equity holders of the parent							Non-controlling interest holders	Total Equity
	Issued and paid-in capital	Share premium	Foreign currency translation reserve (*)	Property revaluation reserve (*)	Revaluation reserve, other (*)	Accumulated deficit	Total		
	In €'000								
Balance as of April 1, 2019 (Unaudited)	25,276	206,482	(5,186)	25,179	4,723	(332,727)	(76,253)	6,051	(70,202)
Other comprehensive expense	-	-	(7,326)	-	(78)	-	(7,404)	(759)	(8,163)
Loss for the period	-	-	-	-	-	(23,070)	(23,070)	(2,374)	(25,444)
Total comprehensive expense	-	-	(7,326)	-	(78)	(23,070)	(30,474)	(3,133)	(33,607)
Reclassification according to the Netherlands civil code requirements, net of tax (*)	-	-	-	(84)	-	84	-	-	-
Balance as of June 30, 2019 (Unaudited)	25,276	206,482	(12,512)	25,095	4,645	(355,713)	(106,727)	2,918	(103,809)

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

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CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	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 holders	Total equity
	In €'000								
Balance as of January 1, 2019 (Audited)	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 (Audited)	25,276	206,482	(19,038)	25,179	4,433	(392,934)	(150,602)	(2,121)	(152,723)

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

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CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT

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

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

CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

	For the six months period ended June 30,		For the three months period ended June 30,		For the year ended December 31,
	2020	2019	**2020**	2019	2019
	Unaudited				Audited
	In €'000				
Cash flows from financing activities					
Repayment of debentures	-	(12,221)	-	(12,221)	(12,221)
Repayment of long-term loans	(11,474)	(2,515)	(11,474)	(2,797)	(6,388)
Decrease in pledge deposit	-	2,549	-	2,549	2,549
Net cash provided in financing activities from discontinued operations	2,481	6,048	1,471	2,402	5,215
Net cash used in financing activities	**(8,993)**	**(6,139)**	**(10,003)**	**(10,067)**	**(10,845)**
Decrease in cash and cash equivalents	**(16,420)**	**(29,540)**	**(9,597)**	**(34,932)**	**(26,496)**
Foreign exchange differences relating to cash and cash equivalents from discontinued operations	(1,077)	(145)	(162)	(1,018)	2,056
Change in cash of assets held for sale	3,247	5,461	2,985	(1,209)	2,133
Foreign exchange differences relating to cash and cash equivalents from continuing operations	(412)	2,938	(949)	1,037	6,253
Cash and cash equivalents at the beginning of the period	35,895	51,949	28,956	66,785	51,949
Cash and cash equivalents at the end of the period	**21,233**	**30,663**	**21,233**	**30,663**	**35,895**

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

CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

	For the six months period ended June 30,		For the three months period ended June 30,		For the year ended December 31,
	2020	2019	**2020**	2019	2019
	Unaudited				Audited
	In €'000				
A. Adjustments to reconcile net profit (loss) to net cash					
Charges / (credits) to profit (loss) not affecting operating cash flows:					
Share of profit of companies accounted for using the equity method	(4,382)	(5,631)	(1,424)	(2,759)	(14,667)
Loss on disposal of assets and investments in associates, net	-	-	-	-	1,555
Depreciation and amortization	236	105	121	45	631
Fair value adjustments of investment property	7,711	112	4,844	112	-
Financial expense (income) and exchange differences, net	18,622	(5,827)	12,375	(1,371)	69,934
Capital gain from sale tangible fixed assets	-	-	-	-	2
Fair value adjustments of derivative financial instruments	-	-	-	-	681
Changes in operating assets and liabilities:					
Change in trade and other receivables	(1,519)	(2,118)	511	301	(10,206)
Change in inventories, net of advances from customers	4,560	58	3,148	108	(5,240)
Change in trade and other payables	(4,114)	46,398	1,439	17,812	16,601
Dividend received	3,398	-	3,398	-	3,728
Interest paid	(5,710)	(30,034)	(2,837)	(26,950)	(35,859)
Interest received	148	225	43	170	631
Income taxes paid	(2,279)	(992)	(1,736)	(697)	(4,276)
	16,671	**2,296**	**19,882**	**(13,229)**	**23,515**

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

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020

1. GENERAL

A. Corporate information

Kardan N.V. ('Kardan' or 'the Company') having its legal seat in Amsterdam, The Netherlands, was incorporated on May 2, 2003, and acts as an operating holding company whose shares are listed for trade on Euronext Amsterdam and on the Tel-Aviv Stock Exchange, which is engaged in the development of real estate and (water) infrastructure projects (discontinued operations, see Note 8), through its subsidiaries, joint ventures and associated companies.

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

The Company and its subsidiaries are referred to as 'the Group'.

These condensed interim consolidated financial statements were approved by the Board of Directors on August 31, 2020.

B. Financial Position and Going Concern

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

(2) On January 11, 2018 the Company announced that it would not be able to complete a transaction for the sale of its holdings in TGI in a manner that would enable the Company to meet the scheduled payments to the debenture holders in February 2018. Further to this announcement, the Company has not repaid the principal and interest payments which were due in February 2018. Consequently, the Company is in default according to the Deeds of Trust as of February 2018. Accordingly, from March 31, 2018, the debentures are presented as current liabilities. Management continues the discussions with the representatives of the Debenture Holders in order to reach an agreement on postponing the payments as part of a new debt settlement, see also 3 below.
In February 2018, following the announcement that the Company will not make the February 2018 repayments, Maalot, the Israeli subsidiary of Standard & Poor's, has adjusted the rating of the Company and its Debentures Series A and Series B to "D".

(3) In October 2018, the Company has published the main principles of a debt settlement as negotiated and agreed with debenture holders series B, which include among others, the following: the principal amount of the Debentures and the interest rate will remain unchanged;

the final repayment date of the Debentures will be postponed to December 2021, and in parallel the Company will commit to sell assets and to use the funds received from such disposals for early repayment of Debentures A and B , the Company shall issue to Debenture Holders A and B shares of the Company; each material transaction of the Company and its subsidiaries will be subject to approval of a joint meeting of the debenture holders A and B.

In April 2019, each of the meetings of debentures A and of debentures B approved the understandings reached by the representatives of both debenture series in relation to the balance payments. Accordingly, it was agreed that up to the date on which debenture holders B will be paid the full amount of the balance payments (approximately NIS 373 million), no payment will be made to debenture holders A. After the balance payments to debentures B are completed a balance payment of NIS 10 million will be paid to debenture holders A; and thereafter, each repayment will be made pro-rata between series A and B. Following this approval, in June 2019 the Company repaid NIS 145 million (approximately €36.5 million) to debenture holders B.

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

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

(4) Given the current adverse financial position of TGI, the Board has noted the outmost importance of strengthening the equity of TGI to support its operations. With that respect and given the fact that the Company is not able to support such capital increase into TGI, management has been searching for such investment into TGI. At this stage TGI is negotiating a restructuring plan with its financing banks. Such transaction should provide TGI the required resources to continue its operation and improve its financial standings. The Company anticipates that after such improvement in the financial performance of TGI subsequent such capital increase and further advancement in various business initiatives it would be feasible to divest the holding in TGI . In this respect, please refer to Note 8 below for additional information regarding the financial position of TGI and the Company’s investment in TGI.
In addition, the Company is acting to improve its assets in China and to refinance the project loan (see Note 6 below); assuming the Company will have sufficient time to continue improving

these assets, the Company estimates it will be able to maximize their value in future sales transactions while making an orderly sale.

In order to assess the liquidity position of the Company, management prepared a two-year liquidity analysis (cash flow forecast), which indicates the required liquidity to be able to repay interest and principal of the Company's debentures and to finance its operating activities. Included in this analysis are, among others, the current cash balances and the projected cash from future operations and transactions. Due to the financial position of TGI, the cash flow forecast of Kardan does not include any cash generated from selling the investment in TGI.

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

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

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

C. Impact of the Corona Virus

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

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

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

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

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

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

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

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

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

2. BASIS OF PRESENTATION AND PREPARATION

A. General

The condensed interim consolidated financial statements as at June 30, 2020 have been prepared in accordance with International Accounting Standard (IAS) 34 as defined by the International Accounting Standards Board and as endorsed by the European Union to be used for the preparation of interim consolidated financial statements.

The condensed interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as at December 31, 2019 ('the 2019 annual financial statements').

The accounting policies adopted in the preparation of these condensed interim consolidated financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended December 31, 2019.

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

Amendments to IFRS 3 - Definition of a Business

The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term 'outputs' is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits.
The amendment to IFRS 3 will be applied prospectively for annual periods beginning on or after January 1, 2020. In accordance with the amendment provisions, its early application is possible. The first application of the amendment to IFRS 3 is not expected to have a material impact on the Company's financial statements.

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

The amendment to IAS 8, the amendment to IAS 1 and the subsequent amendments to other international financial reporting standards:
Use a consistent definition of materiality across the various accounting standards and framework;
Clarify the explanation of the definition of materiality; also
Integrate some of the guidelines in IAS 1 information which is not considered to be material.

The amended definition is as follows:
"Information is material if it can reasonably be expected that its omission, misrepresentation or concealment will influence decisions that major general purpose financial reporting users make based on such financial reporting, which provides information about a specific reporting entity."
The said amendments will be applied prospectively with respect to annual periods beginning on or after January 1, 2020. In accordance with the provisions of the amendments, their early application is possible. The first implementation of the amendments is not expected to have a material effect on the Company's financial statements.

3. INVESTMENT PROPERTY

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

A. The movements in investment property are as follows:

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

B. Fair value adjustments comprise:

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

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

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

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

As of June 30, 2020 and December 31, 2019, a weighted average between the DCF Approach and the Direct Comparison Method has been adopted to assess the fair value of the investment property. In view of the impacts caused by the outbreak of COVID-19 (see also Note 1C), adjustments were made to the valuation assumptions and changes in the weighting between the two valuation methods were adopted compared to the previous valuation report dated December 31, 2019, as described below.

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

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

Sensitivity analysis:

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

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

4. SEGMENT INFORMATION

A. Segments results:

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

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

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

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

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

Unaudited

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

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

Unaudited

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

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

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

B. Segments assets

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

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

C. Segments liabilities

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

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

5. SHARE CAPITAL

Composition

	June 30, 2020		December 31, 2019	
	Unaudited		Audited	
	Authorized	Issued and Paid-in	Authorized	Issued and Paid-in
	Number of shares		Number of shares	
Ordinary shares with nominal value of €0.20 each	225,000,000	123,022,256	225,000,000	123,022,256

6. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Further to Note 32 to the 2019 financial statements, set out below is additional information regarding financial instruments and risk management:

A. Set out below is a comparison by class of the differences between the carrying amounts and fair values of the Group's financial instruments:

Fair value schedule

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

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

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

B. Level 3 financial assets and liabilities reconciliation

There were no material changes in the valuation processes, the valuation methods used, and the assumptions applied and (narrative) sensitivities, for recurring fair value measurements of level 3 financial assets and liabilities, compared to December 31, 2019.

C. Extention or refinancing of Dalian project loan

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

provided by KLC. In June 2020, KLC made a partial early repayment of the loan in the amount of RMB 90 million (approximately €11.5 mllion), afterwhich the outstanding balance amounts to RMB 651 million (€82 million).
The parties are negotiating the aforesaid extension of the loan for an additional year, and have agreed on all material terms. The management of KLC expects that the extension will be signed in September 2020.

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

7. JOINT VENTURES

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

Shaanxi GTC Lucky Hope Real Estate Development Ltd.

	June 30, 2020	June 30, 2019	December 31, 2019
	Unaudited		Audited
	In €'000		
Current assets (not including cash and cash equivalent)	68,889	74,072	83,954
Cash and cash equivalent	37,061	33,524	29,546
Non-current assets	5,565	9,189	4,123
Current liabilities	(52,458)	(65,837)	(69,909)
Current financial liabilities	(19,889)	(7,536)	(8,929)
Total equity attributed to the owners	39,168	43,412	38,785
% held in the joint venture	50%	50%	50%
Total investment in joint ventures	19,584	21,706	19,393

	For the six months period ended June 30,		For the three months period ended June 30,		For the year ended December 31, 2019
	2020	2019	**2020**	2019	
	Unaudited				Audited
	In €'000				
Revenues from operations	28,966	44,468	10,789	18,973	52,681
Cost of operations	(9,652)	(25,707)	(3,794)	(10,329)	(25,573)
Selling and marketing, other (income) expenses, and administrative expenses	(2,368)	(2,809)	(1,123)	(1,380)	(7,537)
Other financial income	488	686	248	354	1,032
Profit before tax	17,434	16,638	6,120	7,618	20,603
Income tax expenses	(9,354)	(4,938)	(3,305)	(2,195)	(6,125)
Profit attributed to equity holders	8,080	11,700	2,815	5,423	14,478
% held of the joint venture	50%	50%	50%	50%	50%
Group's share of profit for the period	4,040	5,850	1,407	2,711	7,239
Total comprehensive income attributed to equity holders	7,138	12,824	1,902	5,288	14,398
% held of the joint venture	50%	50%	50%	50%	50%
Group share of the total comprehensive income	3,569	6,412	951	2,644	7,199

<u>Green Power Development Ltd.</u>

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

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

8. DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE

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

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

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

In accordance with IFRS 5, the net asset value of TGI is presented as held for sale at carrying amount which is lower than fair value less costs to sell.

C. Net (loss) profit from discontinued operations:

	For the six months period ended June 30,				For the three months period ended June 30,		For the year ended December 31,		
	2020	2019			**2020**	2019	2019		
	Unaudited						Audited		
	TGI	Avis Ukraine	TGI	Total	TGI	TGI	Avis Ukraine	TGI	Total
	In €'000								
Income	48,242	-	78,814	78,814	23,984	43,399	-	152,844	152,844
Operating and finance expenses and Share of profit of investments accounted for using the equity method, net	(62,903)	-	(94,127)	(94,127)	(37,875)	(54,228)	-	(191,508)	(191,508)
Loss before tax	(14,661)	-	(15,313)	(15,313)	(13,891)	(10,829)	-	(38,664)	(38,664)
Income tax expenses (benefit), net	842	-	(943)	(943)	483	(335)	-	5,139	5,139
Loss from discontinued operations	(15,503)	-	(14,370)	(14,370)	(14,374)	(10,494)	-	(43,803)	(43,803)
Company level adjustments required for the presentation as discontinued operation	2,855	-	371	371	1,411	(816)	-	8,031	8,031
Loss from discontinued operations	(12,648)	-	(13,999)	(13,999)	(12,963)	(11,310)	-	(35,772)	(35,772)
Discontinued operation items related to the sales transactions:									
Net profit (loss) from revaluation (devaluation) of investment	-	174	-	174	-	-	174	(1,178)	(1,004)
Release of capital reserves due to sale	-	1,299	-	1,299	-	-	1,299	-	1,299
Net (loss) profit from discontinued operations	(12,648)	1,473	(13,999)	(12,526)	(12,963)	(11,310)	1,473	(36,950)	(35,477)
Attributable to:									
Equity holders	(12,818)	1,473	(11,859)	(10,386)	(12,818)	(8,936)	1,473	(32,234)	(30,761)
Non-controlling interest holders	170	-	(2,140)	(2,140)	(145)	(2,374)	-	(4,716)	(4,716)
	(12,648)	1,473	(13,999)	(12,526)	(12,963)	(11,310)	1,473	(36,950)	(35,477)

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

	For the six months period ended June 30,		For the three months period ended June 30,		For the year ended December 31,		
	2020	2019	**2020**	2019	2019		
	Unaudited				Audited		
	TGI	TGI	TGI	TGI	Avis Ukraine	TGI	Total
	In €'000						
Adjustments arising from translating financial statements of foreign operations	(1,635)	(461)	(912)	(2,478)	(1,299)	(9,458)	(10,757)
Total other comprehensive expense	(1,635)	(461)	(912)	(2,478)	(1,299)	(9,458)	(10,757)
Attributable to:							
Equity holders	(1,068)	230	(759)	(1,742)	(1,299)	(6,313)	(7,612)
Non-controlling interest holders	(567)	(691)	(153)	(736)	-	(3,145)	(3,145)
	(1,635)	(461)	(912)	(2,478)	(1,299)	(9,458)	(10,757)

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

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

(2) In order to finance its operations, TGI uses short term credit lines amounting to approximately US$ 61 million, from banks. As a result of its financial position, TGI had to extend those credit lines until December 2019. As of the date of approval of these condensed interim financial statements, one bank has approved an extension of the actual usage of the credit line of approximately US$ 25.6 million until December 31, 2020. As of the date of approval of these financial statements, extension of remaining credit lines has not been approved yet by the other banks.
As of June 30, 2020, covenants in relation to the above credit lines have not been met. It is noted that TGI did not meet its covenants also in previous periods (since September 2018), for which waivers have been received until September 2019. As of the date of the approval of these condensed interim financial statements, the financing banks restricted the access of TGI to further financing, beyond the utilized credit lines as mentioned above.
It is noted that although TGI is in breach towards the banks, as of the date of signing these condensed interim financial statements the banks did not pursue any legal action towards TGI.

(3) During 2020 and as of the date of the approval of these condensed interim financial statements, TGI has been conducting ongoing negotiations with its financing banks a restructuring plan where the banks will continue supporting TGI through its efforts to reorganize and improve its operation and return to solid financial performance. This plan includes support in the form of a guarantees facility required to advance projects and cash credit line to support TGI's working capital.
In parallel, as part of the agreements with the banks, in order to limit the exposure, TGI is negotiating with several parties to sell its holdings in certain activities. The terms of such transactions have not been finalized yet.
Management of TGI expects that with the support of the banks, TGI will have the resources allowing it to improve its financial position. However, there is no certainty that any of the negotiations will result in a binding agreement, or its terms and/or the date of any approval. However, in view of the uncertainty regarding reaching an agreement with TGI's financing banks, at of the date of approving these financial statements, TGI's management, together with its financial and legal advisors, is considering additional alternatives to continue its operations if discussions with the banks do not mature into such agreement.

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

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

(6) Additional information:

Sale of Palgey Maim
Subsequent to the balance sheet date, on August 6, 2020, TGI has entered into an agreement with a third party for the sale of its entire holdings (55.49%) in an Israeli subsidiary (Palgey Maim Ltd.), for a consideration in the amount of between NIS 22.5 million and NIS 25.5 million (between € 5.6 million and € 6.3 million), less payments to be made (or already paid) by the subsidiary to TGI ('the Adjustment Amounts').
At the time of completion of the sale of the subsidiary, TGI will be paid in cash in the amount of approximately NIS 22.5 million, minus the Adjustment Amounts. The balance, in the amount of approximately NIS 3 million (approximately € 0.7 million), will be deposited in trust and will be used to ensure presentations and adjustments, in respect of certain payments specified in the agreement.
Completion of the transaction is subject to the fulfillment of a number of conditions precedent, the main ones being the approval of the competition commissioner, the approval of the financing banks of TGI, and the approval of certain third parties.
The Company does not expect to recognize a profit on completion of the transaction. Also, in view of the financial situation of TGI, the proceeds are expected to be used to finance TGI Group's activities and to repay its debts to the banks that finance its activities, all as agreed with the banks.

9. FINANCIAL COVENANTS

As of June 30, 2020 the Company did not meet its financial covenant, as agreed with the Company's debenture holders.
As of June 30, 2020 some group companies of TGI did not meet certain financial covenants (see also Note 8).
KLC and its group companies met their financial covenants as of June 30, 2020.

10. SUBSEQUENT EVENTS

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

Review report

To: the board of directors of Kardan N.V.

Introduction

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

Scope

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

Conclusion

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

Emphasis of uncertainty with respect to the going concern assumption

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

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

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

Rotterdam, 31 August 2020
PricewaterhouseCoopers Accountants N.V.

M.P.A. Corver RA

ADDITIONAL FINANCIAL INFORMATION

Required under to rule 38(D) of the Israeli Securities and exchange regulations
(Periodic and immediate reports), 1970

KARDAN N.V.

Presentation of separate financial information (stand-alone) annexed to the

Consolidated financial Statements

As of June 30, 2020

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

June 30, 2020

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

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

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

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

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

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

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

ADDITIONAL INFORMATION

1. General

A. This condensed interim separate financial information is presented in accordance to rule 38(D) of the Israeli Securities and Exchange Regulations (periodic and immediate reports), 1970.

This condensed interim separate financial information should be read in conjunction with the additional separate financial information for the year ended December 31, 2019 and the accompanying notes, and in conjunction to the condensed interim consolidated financial statements for the six months ended June 30, 2020.

B. Financial position and going concern

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

(2) On January 11, 2018 the Company announced that it would not be able to complete a transaction for the sale of its holdings in TGI in a manner that would enable the Company to meet the scheduled payments to the debenture holders in February 2018. Further to this announcement, the Company has not repaid the principal and interest payments which were due in February 2018. Consequently, the Company is in default according to the Deeds of Trust as of February 2018. Accordingly, from March 31, 2018, the debentures are presented as current liabilities. Management continues the discussions with the representatives of the Debenture Holders in order to reach an agreement on postponing the payments as part of a new debt settlement, see also 3 below.
In February 2018, following the announcement that the Company will not make the February 2018 repayments, Maalot, the Israeli subsidiary of Standard & Poor's, has adjusted the rating of the Company and its Debentures Series A and Series B to "D".

(3) In October 2018, the Company has published the main principles of a debt settlement as negotiated and agreed with debenture holders series B, which include among others, the following: the principal amount of the Debentures and the interest rate will remain unchanged; the final repayment date of the Debentures will be postponed to December 2021, and in parallel the Company will commit to sell assets and to use the funds received from such disposals for early repayment of Debentures A and B , the Company shall issue to Debenture Holders A and B shares of the Company; each material transaction of the Company and its subsidiaries will be subject to approval of a joint meeting of the debenture holders A and B.

In April 2019, each of the meetings of debentures A and of debentures B approved the understandings reached by the representatives of both debenture series in relation to the balance payments. Accordingly, it was agreed that up to the date on which debenture holders B will be paid the full amount of the balance payments (approximately NIS 373 million), no payment will be made to debenture holders A. After the balance payments to debentures B are completed a balance payment of NIS 10 million will be paid to debenture holders A; and thereafter, each repayment will be made pro-rata between series A and B. Following this approval, in June 2019 the Company repaid NIS 145 million (approximately €36.5 million) to debenture holders B.

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

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

(4) Given the current adverse financial position of TGI, the Board has noted the outmost importance of strengthening the equity of TGI to support its operations. With that respect and given the fact that the Company is not able to support such capital increase into TGI, management has been searching for such investment into TGI. At this stage TGI is negotiating a restructuring plan with its financing banks. Such transaction should provide TGI the required resources to continue its operation and improve its financial standings. The Company anticipates that after such improvement in the financial performance of TGI subsequent such capital increase and further advancement in various business initiatives it would be feasible to divest the holding in TGI . In this respect, please refer to Note 8 to the interim consolidated financial statements for additional information regarding the financial position of TGI and the Company's investment in TGI.
In addition, the Company is acting to improve its assets in China and to refinance the project loan (see Note 6 to the interim consolidated financial statements); assuming the Company will have sufficient time to continue improving these assets, the Company estimates it will be able to maximize their value in future sales transactions while making an orderly sale.

In order to assess the liquidity position of the Company, management prepared a two-year liquidity analysis (cash flow forecast), which indicates the required liquidity to be able to repay interest and principal of the Company's debentures and to finance its operating activities. Included in this analysis are, among others, the current cash balances and the projected cash from future operations and transactions. Due to the financial position of TGI, the cash flow forecast of Kardan does not include any cash generated from selling the investment in TGI.

(5) For information regarding the impact of the Corona crisis, please refer to Note 1C to the interim consolidated financial statements.

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

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