



S&P UPDATES RATING OF KARDAN

Amsterdam, July 3, 2017 - Kardan N.V. ("Kardan" / "the Company"), active in Real Estate and Water Infrastructure in emerging markets announces that Maalot, the Israeli subsidiary of Standard & Poor's ("S&P"), has reported today that it has affirmed the rating of iIB for Kardan and for its Debentures Series A and Series B.

In addition, S&P has put the Company and the Debentures on CreditWatch with negative implications, due to the pressure on the Company's liquidity profile, for a period of 3 months, when it will again review the ratings.

The release of S&P is attached as an annex to this press release.

DISCLAIMER

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

About Kardan

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

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

For further information please contact:

Eva Lindner / Floor van Maaren
+31 (0) 6 3422 2831 / +31 (0)6 2959 7746

"This press release contains regulated information (gereguleerde informatie) as defined in the Dutch Act on Financial Supervision (Wet op het financieel toezicht)"

Kardan N.V.

July 3, 2017

Research Update

'iIB' Rating Affirmed, Placed On CreditWatch With Negative Implications Due To Lack Of Secured Sources To Repay Upcoming Bond Maturities

Primary Credit Analyst

Tamar Stein, 972-3-7539721 tamar.stein@spglobal.com

Secondary Credit Analyst

Hila Perelmutter, 972-3-7539727 hila.perelmutter@spglobal.com

Table of Contents

Summary

Rating Action

Rationale

CreditWatch

Related Criteria And Research

Please note that this translation was made for convenience purposes and for the company's internal use only and under no circumstances shall obligate S&P Global Ratings Maalot. The translation has no legal status and S&P Global Ratings Maalot does not assume any responsibility whatsoever as to its accuracy and is not bound by its contents. In the case of any discrepancy with the official Hebrew version published on July 3, 2017, the Hebrew version shall apply.

Research Update

'iIB' Rating Affirmed, Placed On CreditWatch With Negative Implications Due To Lack Of Secured Sources To Repay Upcoming Bond Maturities

Summary

- In our opinion, Kardan N.V. is required to sell at least one asset immediately in order to meet its upcoming debt maturities, a total of about €120 million (principal and interest), due in February 2018.
- The Company's financial flexibility is low, due to very high leverage and the fact that it holds a portfolio of private assets. We understand that the Company is currently making efforts to sell a material asset.
- We believe the Company's creditors are currently exposed to execution risks of the asset sale process which is relatively complex and may not be completed on time.
- We are hereby affirming our 'iIB' rating on the Dutch operating holding company Kardan N.V. and placing it on CreditWatch with negative implications, due to the current pressure on the Company's liquidity.

Rating Action

On July 3, 2017, S&P Maalot affirmed its 'iIB' rating on the Dutch operating holding company Kardan N.V., and at the same time placed it on CreditWatch with negative implications.

Rationale

Placing the rating on CreditWatch with negative implications reflects our assessment that there is a higher risk that the Company will default within the next 12 months unless it completes the sale of at least one of its assets in the near future.

According to our base case scenario, the Company must sell a material asset in order to pay €120 million in principal and interest maturities due in February 2018, as its current cash balance is €7 million. We believe that, of the few possible solutions, the Company is likely to attempt to sell its holdings (98.4%) in Tahal Group. The time for this sale is running out, so we believe the Company is under the constant pressure of execution risks.

We estimate that the Company's financial flexibility is very low, due to its high leverage, about 80%, which we believe makes refinancing less likely, and due to the Company's investment portfolio's weak characteristics, including the holding of private assets.

Liquidity

We estimate Kardan N.V.'s liquidity as weak, according to our methodology. This assessment is based on our assessment that the Company's secured sources are insufficient to finance its uses, in particular €120 million in debt maturities (principal and interest) due in February 2018. The Company's ability to meet its maturities in the

next 12 months solely depends on its ability to sell one or more assets in the next few months. The Company's creditors are currently exposed to execution risks of the asset sale process which is relatively complex.

According to our methodology, our base case scenario does not include the proceeds from future asset sales, as they are uncertain.

We estimate that the Company's liquidity sources from June 1, 2017, until May 30, 2018, are:

- About €7 million in cash and short-term investments (available for debt service).

We estimate that the Company's uses during the same period are:

- About €120 million in debt maturities (principal and interest);
- General and administrative expenses of about €4 million.

In addition, the Company faces principal and interest payments of about €116 million in 2019 and €106 million in 2020.

CreditWatch

Placing the rating on CreditWatch with negative implications reflects the pressure on the Company's liquidity profile, resulting, among other things, from high debt maturities due in February 2018, which casts doubt on the Company's ability to meet its upcoming obligations.

If, within three months, the Company fails to reach a final and binding agreement to sell an asset, or to raise capital in any other way sufficient to cover its uses in 2018, we will lower the rating by several notches. We will be surveilling the Company's liquidity in order to resolve the CreditWatch in the next two months, among other things in terms of its ability to meet 2018 maturities on time.

Related Criteria And Research

- [Use Of CreditWatch And Outlooks](#), September 14, 2009
- [Methodology: Management And Governance Credit Factors For Corporate Entities And Insurers](#), November 13, 2012
- [Methodology: Timeliness Of Payments: Grace Periods, Guarantees, And Use Of 'D' And 'SD' Ratings](#), October 24, 2013
- [Group Rating Methodology](#), November 19, 2013
- [Corporate Methodology: Ratios And Adjustments](#), November 19, 2013
- [Corporate Methodology](#), November 19, 2013
- [Standard & Poor's Maalot \(Israel\) National Scale: Methodology For Nonfinancial Corporate Issue Ratings](#), September 22, 2014
- [Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers](#), December 16, 2014
- [Criteria For Assigning 'CCC+', 'CCC', 'CCC-', And 'CC' Ratings](#), October 1, 2010
- [Methodology: Investment Holding Companies](#), December 1, 2015
- [S&P Global Ratings' National And Regional Scale Mapping Tables](#), June 1, 2016

- [S&P Global Ratings Definitions](#), June 20, 2017

Rating Details (As of 03-July-2017)

Kardan N.V.

Issuer rating(s)

Local Currency LT	iIB/Watch Neg
-------------------	---------------

Issue rating(s)

Senior Unsecured Debt

Series A, B	iIB/Watch Neg
-------------	---------------

Issuer Rating history

Local Currency LT	
-------------------	--

03-July-2017	iIB/Watch Neg
09-July-2015	iIB/Negative
07-Jan-2015	iCCC/Negative
06-Jan-2015	D
03-Sept-2014	iICC/Negative
06-Aug-2013	iIB/Negative
19-March-2013	iIBB/Watch Neg
12-Aug-2012	iIBBB-/Negative
12-Aug-2012	SD
16-July-2012	iICC/Negative
18-June-2012	iIBBB/Negative
13-June-2011	iIBBB+/Positive
24-Jan-2011	iIBBB+/Stable
06-May-2010	iIBBB+/Negative
13-April-2010	iIA-/Watch Neg
12-Nov-2008	iIA-/Negative
19-Feb-2007	iIAA-/Stable

Other Details

Time of the event	15:51 29/06/2017
Time when the analyst first learned of the event	15:51 29/06/2017
Rating requested by	Issuer

Credit Rating Surveillance

S&P Maalot is the commercial name of S&P Global Ratings Maalot Ltd. S&P Maalot conducts surveillance activities on developments which may affect the creditworthiness of issuers and specific bond series which it rates, on an ongoing basis. The purpose of such surveillance is to identify parameters which may lead to a change in the rating.

All rights reserved © No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of S&P Maalot Ltd. or its affiliates (collectively, S&P). S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis.

In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses, and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process. S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on S&P Maalot's website, www.maalot.co.il, and S&P Global's website, www.standardandpoors.com and may be distributed through other means, including via S&P publications and third-party redistributors.