



STANDARD & POOR ADJUSTS RATING OF KARDAN TO iICC

Amsterdam, January 18, 2018 - 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 adjusted the rating to iICC with negative outlook, for Kardan and for its Debentures Series A and Series B.

The adjustment of the rating is due to S&P's assessment that the Company will fail to meet the upcoming debentures maturities in February 2018. The negative outlook is due to S&P's assessment for a default (D rating), according to its methodology, in the short term. In addition, S&P indicated that, according to its methodology, a debt settlement with the debenture holders will also be considered as a default.

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

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 September 30, 2017 amounted to € 643 million; revenues totalled € 7.1 million in the first nine months of 2017. Kardan is listed on Euronext Amsterdam and the Tel Aviv Stock Exchange.

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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.

"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.

January 18, 2018

Research Update

Rating Lowered To 'ilCC' On Our Assessment That The Company Will Fail To Meet Debt Payments Due February 2018

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Please note that this translation was made for convenience purposes and for the company's 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 January 18, 2018, the Hebrew version shall apply.

Research Update

Rating Lowered To 'ilCC' On Our Assessment That The Company Will Fail To Meet Debt Payments Due February 2018

Summary

- Kardan N.V. must sell one or more of its assets in the immediate future in order to meet debt payments of about €114 million (principal and interest) due in February 2018. As far as we know, currently the company does not have enough cash reserves to meet these payments.
- Considering the company's announcement that it will not be able to complete the sale of its holdings in Tahal before the payments' due date and lack of other financing sources, we expect a default ('D' rating) of the company and its rated bonds to occur in February 2018.
- The Company's financial flexibility is low due to very high leverage and the fact that its portfolio holds only private assets.
- We are lowering our rating on Netherlands-based operating holding company Kardan N.V. to 'ilCC' from 'ilCCC'.
- The negative outlook reflects our assessment of a near certitude that a default event, as defined by S&P Global Ratings, will occur in the immediate future.

Rating Action

On January 18, 2018, S&P Maalot lowered its rating on Netherlands-based operating holding company Kardan N.V. to 'ilCC' from 'ilCCC'. The outlook is negative.

Rationale

The downgrade on Kardan N.V. is based on our assessment of a near certitude that the company will fail to meet its debt maturities at their current conditions. This assessment is based on the company's announcement that it will not be able to complete a deal to sell its holdings in its subsidiary Tahal Group International B.V. (hereinafter, "Tahal") and that it intends to approach its bond holders in order to negotiate on a new debt restructuring settlement.

The company is facing material debt maturities of about €114 to Series A bond holders (due February 25, 2018) and to Series B bond holders (due February 1, 2018). The company does not have enough cash on hand and is therefore significantly dependent on the sale of a material asset, Tahal, in order to meet its maturities. Selling non-tradable assets is extremely challenging, and the short time until the upcoming maturities aggravate the execution risk of planned sales and hence the company's credit risk, in the immediate future. Considering the company's

announcement that it will not be able to complete the sale of its holdings in Tahal before the payments' due date and lack of other financing sources, we expect a default ('D' rating) of the company and its rated bonds to occur.

We estimate the Company's financial flexibility as very low, considering its high leverage reflected in an LTV (loan to value) ratio above 80%. We believe this level of leverage minimizes the chance of debt refinancing. The Company's weak financial flexibility also stems from the weakness of its portfolio, including the fact that it holds only private assets.

Liquidity

We estimate Kardan N.V.'s liquidity as weak, according to our criteria. This assessment is based on our assessment that the company's secured sources are insufficient to finance its uses, in particular €114 million in debt payments (principal and interest) due in February 2018. The company's ability to meet its upcoming maturities depends exclusively on its ability to sell one or more assets in February 2018. The company's creditors are currently exposed to execution risks of the relatively complex asset sale process.

According to our criteria, 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 January 1, 2018, until December 31, 2018, are:

- About €6 million in cash and short-term investments (available for debt service).

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

- About €114 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 €109 million in 2019 and about €102 million in 2020.

The company has several covenants vis-à-vis its creditors, and it meets them as of September 30, 2017.

Outlook

The negative outlook reflects our assessment of the high likelihood that the company will default in the immediate future, either by nonpayment, for any reason, of financial debt in its original due date, or as a result of reaching a debt settlement or restructuring agreement. The company's liquidity distress is reflected in its complete dependence on fast sales of non-tradable assets in the immediate future. We therefore identify a material exposure to execution risks of transactions which naturally do not depend only on the company's management.

Downside Scenario

We may lower the rating to 'D' if the Company fails to meet its debt maturities according to the current schedule, including nonpayment due to a distressed exchange. Under the current circumstances, we will see any agreement with the company's creditors as a default, according to our criteria.

Upside Scenario

Given the company's high leverage levels and its weak liquidity profile, we do not expect a positive rating action in the short term.

Related Criteria And Research

- [Use Of CreditWatch And Outlooks](#), September 14, 2009
- [Criteria For Assigning 'CCC+', 'CCC', 'CCC-', And 'CC' Ratings](#), October 1, 2010
- [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
- [National And Regional Scale Credit Ratings](#), September 22, 2014
- [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
- [Methodology: Investment Holding Companies](#), December 1, 2015
- [S&P Global Ratings' National And Regional Scale Mapping Tables](#), August 14, 2017
- [S&P Global Ratings Definitions](#), June 26, 2017

Rating Details (As of 18-Jan-2018)

Kardan N.V.

Issuer rating(s)

Local Currency LT	iICC/Negative
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Issue rating(s)

Senior Secured Debt

Series A, B	iICC
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Issuer Rating history

Local Currency LT	
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03-Oct-2017	iICCC
03-July-2017	iIB/Watch Neg
09-July-2015	iIB/Negative
07-Jan-2015	iICCC/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	18/01/2018 10:09
Time when the analyst first learned of the event	18/01/2018 10:09
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.

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