



KARDAN N.V.

STANDARD & POOR'S REVISES RATING OF KARDAN DOWNWARDS FOLLOWING PLAN TO PURCHASE DEBENTURES

Amsterdam, July 16, 2012 - Kardan N.V. ("Kardan" or "the Company"), active in Real Estate, Water Infrastructure and Financial Services in emerging markets, announces that Maalot, the Israeli subsidiary of Standard & Poor's ("S&P"), reported that – following the announcement on July 12 last of the Company to initiate a new repurchase plan of its debentures to an amount of EUR 50 million- it has changed the rating of the Company from i BBB+ negative outlook into i ICC as well as for the Debentures Series A of the Company.

However, immediately after Kardan announces to have prematurely ended / finalized the Plan, S&P will change the rating to a new applicable rating. The rating of Debentures Series B has not been adjusted by S&P.

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 NYSE 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 2011 and in the "Periodic Report for 2011" published by Kardan N.V. in Israel on March 30, 2012 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 the CEE, CIS and China. Its activities are mainly focused on three sectors that benefit from the rising middle class: Real Estate, Water Infrastructure and Retail Lending. Company headquarters are in the Netherlands. Kardan aims at holding controlling interests in its investments and, through the



KARDAN N.V.

development of local business platforms, is actively involved in the definition and implementation of their strategy. Total assets as of March 31, 2012 amounted to EUR 4.3 billion; revenues totaled EUR 85 million in Q1 - 2012. Kardan is listed on NYSE Euronext Amsterdam and the Tel-Aviv Stock Exchange.

The Q2 – 2012 and H1 - 2012 results of Kardan N.V. will be published on August 30, 2012.

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

Annex: Rating Report Maalot

Please note that this translation was made for the company's use only and under no circumstances obligates Standard & Poor's Maalot. In the case of any discrepancy with the official Hebrew version published on July 16, 2012, the Hebrew version shall apply.

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16 July 2012

Kardan N.V.

Rating Downgraded To 'ilCC' On Expected 'Distressed Exchange' As A Result Of Bond Repurchase Program

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Overview

- In July 2012, the Kardan Group announced its intention to implement a plan to repurchase up to €50 million of its Series A or/and B bonds, further to a repurchase program of a similar amount, almost completely implemented in 2012, and which resulted in the group so far acquiring about 22% of the total par value outstanding of Series A at a price some 20% below its adjusted par value.
- We believe there is a high likelihood that management will implement the additional repurchase program, which will result in a significant portion (34%-45%) of Series A bonds being acquired, on aggregate, at prices significantly lower than their adjusted par value, while the quantities of Series B bonds repurchased, at prices significantly lower than their par value, will be less than 14% of the total par value (of Series B) in circulation.
- Following the implementation of the new repurchase program, we believe that the company's liquidity profile will deteriorate to "weak", the lowest of our liquidity descriptors, reflecting in this case the group's very aggressive cash management policy, which while lowering leverage somewhat, will increase the deficit expected in 2014 between the group's cash sources and uses.
- We are lowering our rating on Netherlands-based operating holding company, Kardan N.V. to 'ilCC' from 'ilBBB'.
- The negative outlook reflects our expectation of a further downgrade in the near future, after significant implementation of the repurchase program, at which time we expect to lower the issuer rating to 'SD' and the bond rating on Series A to 'D'.

Rating Action

On July 16, 2012, Standard & Poor's Maalot lowered the rating on Kardan N.V., a Netherlands-based operating holding company, to 'ilCC' from 'ilBBB'. The outlook remains negative.

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Rationale

Our downgrade of Kardan is a result of the group's intention to implement a further round of repurchasing of its bonds in the secondary market, in quantities and at prices that we believe will lead, in the short term, to a "distressed exchange", an event we consider equivalent to a default (with a selective default rating, SD, for the issuer), as per our rating methodology. The planned repurchase program follows a recent program that the group implemented under similar conditions, in an amount approaching €50 million.

The repurchase of Series A bonds, mostly executed in the first half of 2012, reflected an average price of about 20% below the adjusted par value, and included about 22% of the series' par value in circulation. Assuming the new program is implemented, we estimate that the group will repurchase about 34%-45% of the total series, by par value, at a price of at least 25% below its adjusted par value. We note that Series A bonds are currently trading at about 35% below their adjusted par value. Regarding the Series B bonds, though the expected repurchases will be at a significant discount to the adjusted par value (note that series B is currently trading at about 45% below their adjusted par value), we believe that the group will acquire more modest amounts of up to about 14% of the series in circulation, by par value, and we therefore do not currently anticipate that the repurchases will reach critical mass in this series, according to our definition.

Subject to certain conditions and features, we could interpret such acquisitions as a "distressed exchange" which we consider as an event equivalent to a default. We note that our definition is not a legal one, but an expression of our independent opinion as to the circumstances surrounding the bond repurchase. In this case, we believe that the circumstances in which repurchases will have been made (on aggregate) indicate an informal "debt settlement" between the company and a portion of its creditors, via the market.

To meet the definition of a distressed exchange and reach the conclusion described above, we examine three criteria points, which must all be met, as follows:

- The buyback, in our view, is carried out by the company as a "stressed buyer", as indicated by its credit rating.
- The buyback, in our opinion, testifies to the investor receiving significantly less in value that was promised as embodied in the original security.
- The buyback in percentage terms is a significant portion of outstanding bonds in circulation (measure per series).

We believe that Kardan's credit rating and liquidity profile point to the fact that it is a stressed buyer, according to our criteria. We also believe that the price of the buyback is significantly below the adjusted par value of the bonds and that the quantities purchased constitute a critical mass of the bonds in circulation (for Series A only). Therefore, according to S&P methodology, we estimate that the new repurchase program will lead to an SD rating for the issuer and a D (default) rating for Series A. In addition, we believe the damage caused to the group's liquidity profile will be a constraining factor for the rating of Series B bonds.

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Kardan is conducting aggressive bond repurchases through the secondary market, whereby lenders forego much of the adjusted par value of their debt. When the response to such an "offer" is material, we regard the repurchase as a default event. In other words, the company's very weak financial profile, prior to the repurchase, indicates the necessity of the buybacks to prevent a conventional payment default that could potentially have occurred in the medium term. Therefore, we believe that the repurchase characteristics indicate that it is motivated by financial distress and not just inspired by opportunity, since we assume that a significant proportion of the bondholders have concluded that it would be difficult to achieve better alternatives than to accept the company's "offer" to buy back the bonds at prices significantly lower than the adjusted value.

Liquidity

Since the company is planning an aggressive repurchase, we assess Kardan's liquidity as "weak" according to our criteria. The aggressive deployment of the group's liquid reserves will increase the pressure to take significant steps in preparation for 2014, increasing the group's exposure to execution risks of asset disposals, especially given the illiquid nature of the company's assets and the fact that Kardan operates in emerging markets, which are, by nature, riskier and more volatile. After the implementation of the just announced repurchase program, we estimate that the company's deficit will reach about €70 million in 2014, compared to €30 million without further repurchases.

As of July 1, 2012, the company (including its wholly owned holding company GTC Real Estate Holding B.V.) had cash and cash equivalents (swap contract) of about €105 million. Assuming that the group will purchase some €50 million of bonds, we believe the company's liquidity balances, together with the proceeds stemming from repayment of loans given to subsidiaries, will be sufficient for payment of debt maturities and general and administrative expenses for 18 months, i.e. up to the fourth quarter of 2013. Cash flow at the holding companies' level is negative, and Kardan will have to cover financing expenses through its cash balances, additional debt or realization of investments.

The sum effects of the repurchasing will be most dominant in 2014. We estimate that the company will require about €70 million (the exact amount depends on the proportion of repurchases between Series A and Series B bonds) to bridge the gap between its sources and uses, and we believe that the company will need to dispose of assets on a large scale (ahead of time) in order to meet debt repayments of about €110 million in 2014. We therefore estimate that the ratio of group sources to uses will be 1.3x in 2012, 1.3x in 2013 and 0.3x in 2014.

In our base-case scenario we assume that the sources available to the company as of July 1, 2012 are:

- Cash and liquid financial assets of about €105 million;
- Repayment of shareholder loans from subsidiaries and management fees of about €60 million to the end of 2014;
- And asset disposal, which we consider as highly likely, of €12 million by the end of 2013.

Our assumptions about the uses of the company as of July 1, 2012 are:

- Debt maturities (principal and interest) of about €190 million to the end of 2014;
- General and administrative expenses of about €13 million to the end of 2014;

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- And bond repurchase program of €50 million in 2012.

Outlook

The negative outlook reflects our expectation of a further downgrade in the short term, upon significant progress with the repurchase program. When we are convinced that the group has acquired a critical mass of Series A bonds (aggregately with the recently completed repurchase program) at prices significantly lower than the bond's adjusted par value, then we will lower the company's rating to SD, and the Series A bonds' rating to D. We do not anticipate a sharp downgrade on Series B bonds, although the rating on that series will likely be adversely affected by the worsening of the group's liquidity profile, as described above.

After the repurchases and the associated lowering of the ratings, we will re-examine the company's rating and that of its bonds (both Series A and Series B), in light of the new conditions after the repurchase, and shall revise the ratings upward.

Related Criteria And Research

Rating Implications Of Exchange Offers And Similar Restructurings, Update, May 12, 2009.

This may be found at <http://www.standardandpoors.com>:

<http://www.standardandpoors.com/general/generalsearch/en/us/?search=Rating+Implications+of+Exchange+Offers+and+Similar+Restructurings>

Ratings List:

| | To | From |
|----------------|---------------|----------------|
| Kardan N.V. | ilCC/Negative | ilBBB/Negative |
| Series A bonds | ilCC | ilBBB |
| Series B Bonds | ilBBB | ilBBB |

Standard & Poor's Maalot ratings are based on information received from the Company and from other sources that Standard & Poor's Maalot believes to be reliable. Standard & Poor's Maalot does not audit the information it receives nor does it verify the correctness or completeness of such information.

It is hereby clarified that Standard & Poor's Maalot rating does not reflect risks relating to and/or arising from breaches, through intent or oversight, of any of the obligations included in the bond documents and/or the incorrectness or inaccuracy of any of the representations contained in the documents relating to the bond offering that is the subject of this rating, Standard & Poor's Maalot report or the facts that form the basis for the opinions expressed to Standard & Poor's Maalot as a condition for the giving of the rating, fraudulent or dishonest acts of commission or omission, or any other act that contravenes the law.

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