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14 April 2010

Kardan NV

'ilA-' Rating Placed On CreditWatch Negative On Increased Leverage and Challenging Economic Conditions In Its Fields Of Activity

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Overview

- Our assessment of a higher leverage than at the time of the previous rating and greater uncertainty concerning the economic conditions of the company's major fields of activity have led to an increase in the business and financial risk profile of the operating holding company, Kardan NV.
- The company's rating could be impacted by the relatively weak features of the asset portfolio (level of negotiability of shares held and the credit quality of some of the portfolio) and low coverage ratios at the holding company level in the long term.
- We are placing Kardan NV's 'ilA-' rating on CreditWatch with negative implications.

Rating action

On 13 April, 2010 Standard & Poor's Maalot placed the ratings of Kardan NV, an operating holding company, on CreditWatch with negative implications.

Rationale

The placement of the company's ratings on CreditWatch with negative implications reflects the change in its financial risk profile as well as a possible worsening in the company's business risk. This is due to an increase of leverage, as

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measured by the ratio of portfolio value to debt, net, since the previous rating, given our assessment of the overall asset portfolio quality, and the relatively high level of uncertainty concerning the economic conditions surrounding the company's major fields of activities. The cash flow at the holding company level remains negative due to the company's strategy of not withdrawing dividends from its held companies and to invest this money, which forces the company to use its cash to cover interest payments and its general and administrative expenses. Furthermore, the company's plans to sell Kardan Israel Ltd. could weaken the quality of the asset portfolio given that this is one of the two most tradable companies in Kardan's portfolio.

Liquidity

In our assessment, Kardan's level of liquidity is adequate, though lower than at the time of the previous rating. At the end of 2009, Kardan's holding companies had a cash balance of about 68 million euro, against financial debt repayments of about 21 million euro and interest payments of about 77 million euro at the end of 2011. In the first quarter of 2010, Kardan increased its cash balance, though we believe that Kardan will continue to finance its finance costs through cash in hand, additional debt or realization of investments. Kardan has no investment liabilities in its subsidiaries and it has sufficient headroom above its financial covenants.

CreditWatch

Placing the company's ratings on CreditWatch with negative implications stems from the worsening of the financial profile and the increase that we see in the business risk level. Furthermore, we believe that despite some recovery in the major fields of activity, there is still relatively high uncertainty regarding the economic conditions of the company's fields of activity, and the values of the private companies. However, a rating cut - should it occur - is not expected to be more than one notch.

We intend to reexamine the company's financial and business profiles in the coming period, given the changes seen in the level of risk. We intend to take the company off CreditWatch by the end of April, after we have met with the company management.



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Ratings List:

	To	From
Kardan NV	IlA-/Watch Negative	ilA-/Negative
Series A bonds	ilA-/Watch Negative	ilA-
Series B Bonds	ilA-/Watch Negative	ilA-

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.

The ratings could be revised as a result of changes to the information received or for other reasons. The rating should not be perceived as expressing any opinion concerning the price of the securities on the primary or secondary market. The rating should not be perceived as expressing any opinion concerning the advisability of buying, selling or holding any security.

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