

PRESS RELEASE**Amsterdam/Tel Aviv, August 31, 2011****PUBLICATION OF PROSPECTUS FOR
SPIN-OFF OF ISRAELI ACTIVITIES**

Amsterdam, August 31, 2011 – Kardan N.V. ("Kardan"), active in Real Estate, Water Infrastructure and Financial Services in emerging markets, announces that, as required by the applicable Israeli law and regulations, today it has published a prospectus ("Prospectus") with regard to the proposed spin-off by way of distribution of shares in the capital of Kardan Yazamut (2011) Ltd. ("Yazamut") whereby each Kardan share will give right to one Yazamut share (the "Distribution").

The Israeli Securities Authority has granted its approval for the publication of the Prospectus. Additionally, the Tel Aviv Stock Exchange ("**TASE**") has provided its approval for the listing of Yazamut shares on the TASE, subject to the fulfillment, *inter alia*, of all of the following conditions: (i) the publication of a press release on the approval by the Kardan Extraordinary Meeting of Shareholders ("**EGM**") of the Distribution; and (ii) Yazamut meeting the TASE requirements concerning minimum equity and minimum value and percentages of public holdings for new companies of the type of Yazamut. The Netherlands Authority for the Financial Markets has confirmed that Kardan is not required to publish a prospectus in the Netherlands in connection with the contemplated Distribution.

As of today an informal English translation of the Prospectus will be available on the Media / Company Information section on Kardan's website: www.kardan.nl. Furthermore, the Prospectus (in Hebrew) is available via the website of the TASE: www.maya.tase.co.il and the website of the Israeli Securities Authority: www.magna.isa.gov.il.

As announced on June 22, 2011, Kardan intends to spin-off its direct 74% stake in Kardan Israel Limited ("**KIL**") and its 100% holding in Kardan Municipal Services Ltd. (formerly Tahal Assets Israel Ltd.), whose sole holding as of the date hereof is a 97% stake in Milgam Municipal Services Ltd. The intended spin-off is in line with Kardan's strategy to create a clear and focused portfolio of activities in emerging markets, further optimizing the efficiency and transparency of Kardan. In addition, as a result of the spin-off the combined net debt of Kardan and its intermediate holding companies, is expected to be further reduced and the shareholders' equity of Kardan may increase (which increase is currently estimated as approximately EUR 5 million). The latter expectation may result, amongst others, from the fact that Kardan's shares which are currently held by KIL will no longer be considered treasury shares as KIL will cease to be a subsidiary of Kardan. These estimates are based on the equity capital of Kardan and the (pro-forma) equity of Yazamut as of June 30, 2011, the price of the shares of Kardan and KIL and the exchange rate of the NIS compared to the Euro as of August 23, 2011, and the expected debt of Yazamut.

As announced on August 4, 2011, Kardan's Management Board, with the approval of its Supervisory Board, convened an EGM to be held on September 15, 2011, and proposed to the EGM to resolve to effectuate the Distribution. The Distribution is subject to the availability of sufficient freely distributable reserves to make the Distribution. Kardan's Management Board and Supervisory Board currently estimate that there are sufficient freely distributable reserves for the effectuation of the Distribution, based on Kardan's condensed interim consolidated financial statements for June 30, 2011, that were published yesterday.

The EGM convening notice and agenda, the explanatory notes and other relevant information can be found under the Governance section on Kardan's website www.kardan.nl. Kardan shareholders are encouraged to carefully review the Prospectus for more information on Yazamut (including its business activities, governance, share capital upon Distribution, financial statements, governance and risk factors) and the Distribution (including information on taxation and lock-up arrangements entered into with Kardan's controlling shareholders).

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 ("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's listings 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's ability to achieve its objectives and (v) from any of the risk factors specified in Kardan's Annual Report 2010 and in the "Periodic Report for 2010" published by Kardan N.V. in Israel on March 31, 2011 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. In addition, the company has some investment activities in Israel. Company headquarters are in the Netherlands. Kardan aims at holding controlling interests in its investments and, through the development of local business platforms, is actively involved in the definition and implementation of their strategy. Total assets as of June 30, 2011 amounted to EUR 5.6 billion; revenues totaled EUR 395 million in the first half year of 2011. Kardan is listed on NYSE Euronext Amsterdam and the Tel-Aviv Stock Exchange.

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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)"