KARDAN N.V.

STANDARD & POOR'S ADJUSTS RATING OF KARDAN DOWNWARDS

Amsterdam, September 4, 2014 - 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"), has today reported that it has adjusted the rating of Kardan to ilCC with outlook Negative, and to ilCC for its Debentures Series A and Series B.
In July last, S&P had retained its rating for Kardan at ilB with Negative outlook for the Company and ilB for its Debentures Series A and Series B.

S&P has adjusted the rating for Kardan and its Debentures Series A and Series B as the Company has not as yet generated cash through the sale of assets in order to repay the upcoming repayment instalments on its debts, and as the Company's H1 2014 financial statements include an emphasis of matter regarding a going concern.

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 three sectors that benefit from the rising middle class: Real Estate, Water Infrastructure and Banking & Retail Lending. 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 June 30, 2014 amounted to EUR 949 mn; revenues totalled EUR 114 mn in the first half year of 2014. Kardan is listed on NYSE Euronext Amsterdam and the Tel Aviv Stock Exchange.

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

STANDARD & POOR'S MAALOT

Kardan N.V.

September 4, 2014

Rating Update

Rating Downgraded to 'ilCC'; No Final and Binding Divestment Agreements; Inclusion of "Going Concern" Disclosure Statement by Auditors

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Overview

- In the two months that have passed since our last review, we have witnessed progress in management’s efforts to sell significant group assets. However, none of these efforts have yet to crystalize into binding divestment agreements. We estimate that the company needs additional sources of about Euro 130 million for repayment of obligations until the the end of February 2015.
- We believe that divestments from privately held assets are particularly challenging, and that time is short. The lack of tangible progress is magnifying the company’s exposure to execution risks, and in turn, increasing Kardan’s credit risk in the immediate term.
- Additionally, the inclusion of a “going concern” disclosure statement by the company’s accounting auditors, in the company’s Q2-2014 financial reports, can potentially serve as a catalyst for unexpected developments that could lead to a Default (D) of both the issuer and issue ratings (series A and B).
- We are downgrading our rating for the Netherlands-based holding company, Kardan N.V., to ‘ilCC’ from ‘ilB’. The outlook is Negative.

Rating Action

On September 4, 2014, Standard & Poor's Maalot lowered the rating on Kardan N.V., a Netherlands-based operating holding company, to 'ilCC' from 'ilB'. The outlook remains negative.

Rationale

Kardan’s downgrade (issuer and issue ratings) reflects its worsening liquidity stress in the very near term, as shown by our base case liquidity scenario which points to an anticipated deficit of about Euro 130 million between the company’s sources and the company’s uses until the end of 2015. While we are aware of the fact that management has made progress towards reaching binding selling agreements for group assets over the past two months since our last review in July 2014, none of these efforts have yet materialized to binding divestment agreements. The company is facing debt amortization of about Euro 28 million in December 2014 and a hefty Euro 100 million (principal and interest) in February 2015. We believe that the company does not have other realistic options available to meet its upcoming maturities, except for the speedy divestment of group assets.

An additional underpinning of Kardan’s rating downgrade is the recent inclusion of a “going concern” disclosure statement in the company’s Q2-2014 financial reports. Based on experience with other companies that have been in this position, the “going concern” statement, in and of itself, is a threat to the company’s solvency, because subject to certain circumstances, it can serve as a catalyst for unexpected developments that could lead to a Default (D) of both the issuer and issue ratings (bond series A and B).

The rating downgrade to ilCC is in accordance with the rationale presented in our previously published outlook statement, as detailed above, that being – a lack of completed divestment agreements and the inclusion of a 'going concern' disclosure statement in the company's financial reports.

Outlook

Kardan's credit rating, as well as the negative outlook, reflect our opinion that there is a relatively high likelihood that the company will reach a near term (up to six months) default, whether as a result of non-payment of a financial obligation for any reason, or as a consequence of a distressed exchange or distressed restructuring agreement with creditors, as per our criteria definitions. The company's severe liquidity stress is reflected in the company's complete dependency on speedy assets sales in the immediate term. As a result, we believe that there is highly significant exposure to execution risks due to the fact that successful and timely divestments are not solely dependent upon the efforts of company management.

We will lower the issuer and issue ratings (bond series A and B) to 'D' (Default) if the Kardan fails to meet any debt repayment according to the existing amortization table, including as a result of an agreement with creditors to restructure the debt maturity schedule (distressed exchange). Under the current circumstances, any kind of debt reorganization stemming from such a development will lead to a 'Default' rating, as per our criteria.

Ratings List

	To	From
Kardan N.V.		
Issuer credit rating	ilCC/Negative	ilB/Negative
Series A	ilCC	ilB
Series B	ilCC	ilB