



LETTER FROM THE DEBENTURE HOLDERS

Amsterdam, November 21, 2017 – Kardan N.V. ('Kardan' or 'the Company'), active in Real Estate and Water Infrastructure in emerging markets, announces it received a letter from the representatives of the trustee of debenture holders series B ('the Trustee'). In this letter, the debenture holders of series B claim that the financial situation of the Company has deteriorated since the date of signing the deeds of trust of the debentures in July 2015 ('the Deeds of Trust' and 'the 2015 Debt Settlement'), which, in their view, places the Company in breach based on the terms and definitions of article 43 to the Deeds of Trust. Therefore series B debenture holders claim that the balance payments between the debentures of series A and series B, as defined in article 43 to the Deeds of Trust, should be implemented and that the Company should be making payments to repay debentures series B before making any payments to debenture holders of series A, due to an expected immediate repayment and the implication of the said article 43.

The letter include various claims regarding the deterioration in the financial position of the Company compared to 2015, and the right of debenture holders B to ask for immediate repayment, as follows:

- The Trustee claims that according to the press release dated 13.11.2017, the Company approached the debenture holders to enter into discussions with a view to reach certain agreements with respect to amendments to the Deeds of Trust, also in relation to the timetables of making payments to the debenture holders. According to the Trustee, this publication affirms the significant concerns the Trustee has warned about and it should be regarded as an announcement of the Company that it will not be able to meet its obligations as they fall due.
- The Trustee claims that there are many additional signs that point out significant deterioration since the 2015 Debt Settlement, including: mandatory emphasis of matter in its financial statements since June 2017; weak liquidity in the immediate and expected term which is reflected in a decrease of the cash balances of the Company; significant decrease in the equity of the Company; decrease in the values of the assets securing the debentures; downgrading of the rating of the Company to iiCCC; and the fact that the debentures are traded at high yield.
- The Trustee claims that the assets of the Company in China, especially the mall in Dalian, did not meet the expectations of increase in value and even decreased by 10%. In this respect it is further claimed by the Trustee that based on the reported information on the mall there are indications that the situation is worse than presented by the Company, in relation to the forecasted revenues, NOI and the negative operating cash flow despite increase in occupancy rates.
- In addition, the Trustee claims that according to initial professional advice he received, it appears that the valuation of the shopping mall in Dalian is based on parameters which are too optimistic, wrong or not relevant, in relation to the forecasted revenues, occupancy rates, increase in rental revenues and the comparable assets, and therefore the realistic value of the mall is significantly lower than the value presented in the financial statements of the Company, and therefore, the Trustee claims that the external appraiser should have made a higher impairment in its valuation report. Furthermore, the Trustee claims that the valuation should have assumed immediate sale of the asset and not in 11 years.



- It is also claimed that according to checks performed by the Trustee, selling real estate assets in China is a very complicated and is not certain with respect to consideration and timing. In addition the holding structure of the assets in China should be taken into consideration (which, according to the Trustee, makes a sale difficult and decreases the net consideration to the Company)
- The Trustee claims that the assumption in the cash flow forecast of the Company to obtain €120 million in 2018 is not substantiated. The Trustee also claims that even if the Company will receive such amount, this will require the sale of assets in a manner that will not benefit the Company and its creditors, under distress sale assumptions.

Under these circumstances, the Trustee claims that according to the Deeds of Trust, Debenture Holders B have the right to call the debt for immediate repayment.

The Company is examining the claims detailed in the letter and the requests elaborated in the letter and their potential implications. Without derogating from the aforesaid, the Company is of the opinion that there is no base to the claims detailed in the letter regarding the value of shopping mall in Dalian.

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.

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



KARDAN N.V.

its local business platforms. Total assets as of June 30, 2017 amounted to € 637 million; revenues totalled € 4.3 million in the first six months of 2017. Kardan is listed on Euronext Amsterdam and the Tel Aviv Stock Exchange.

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