



Notes to the agenda for the annual general meeting of shareholders (“General Meeting”) of Kardán N.V. (“Company”) on May 31, 2011

Agenda item 3

Adoption of the 2010 annual accounts (decision)

The annual accounts for the financial year 2010 which are proposed to be adopted are the statutory annual accounts.

The 2010 financial statements prepared in accordance with IFRS were already approved by the supervisory board and published on March 31, 2011.

Agenda item 4

Dividend Policy

The dividend policy recommends an annual distribution of between 20% and 30% of net income. This recommendation will take into consideration the level of net income, liquidity and the capital position, future financing requirements, and financial covenants of the Company, all within the limitations of the law. It should be noted that due to the nature of the Company’s strategy and the structure of its earnings, dividend distributions may vary from year to year.

Taking into account the negative results during the financial year 2010 no dividend will be declared for the financial year 2010.

Agenda item 5

Corporate Governance

In the financial year 2010 the Company made no significant changes in its corporate governance structure. However, the General Meeting is, in accordance with the Dutch Corporate Governance Code, invited to discuss the Company’s approach towards the implementation of the Dutch Corporate Governance Code as specified in the chapter on corporate governance in the 2010 annual report, which is also attached to these notes as [Annex I](#).

Agenda item 6

Appointment of the external auditor for the financial year 2011 (decision)

The proposal is to reappoint Ernst & Young Accountants, Amsterdam, the Netherlands and Ernst & Young Tel Aviv, Israel, as the external auditors responsible for auditing the annual accounts for the financial year 2011.

Agenda item 7a

Discharge of the members of the management board in respect of their management during the financial year 2010 (decision)

It is proposed to the General Meeting to grant discharge to the members of the management board in relation to the exercise of their duties during the financial year 2010, to the extent that such exercise is apparent from the 2010 annual report or has



been otherwise disclosed to the General Meeting prior to the adoption of the 2010 annual accounts.

Especially for the shareholders in Israel, the Company explains that this agenda item and the next one (item 7b) are standard items in an annual general meeting of shareholders in the Netherlands. A discharge (“*décharge*”) granted to the members of the management board and the members of the supervisory board means a release from actual or potential liability. However, a discharge does not affect the liability of the members of the management board and of the supervisory board towards third parties. The discharge is granted for the management and supervision as described by the 2010 annual report and the information provided during the meeting, and thus does not cover facts that do not appear from these. In addition, the principles of reasonableness and fairness (“*redelijkheid and billijkheid*”) may prevent reliance on a discharge under certain circumstances.

Agenda item 7b

Discharge of the members of the supervisory board in respect of their supervision during the financial year 2010 (decision)

It is proposed to the General Meeting to grant discharge to the members of the supervisory board in respect of their supervision during the financial year 2010, to the extent that such exercise is apparent from the 2010 annual report or has been otherwise disclosed to the General Meeting prior to the adoption of the 2010 annual accounts.

Agenda item 8a

Reappointment of Mr. I. Fink as member of the supervisory board (decision)

The proposal is, in accordance with the nomination of the supervisory board, to reappoint Mr. Fink as member of the supervisory board for a term of one year, ending at the end of the annual general meeting of shareholders to be held in 2012. This in order to create a structured rotation scheme and to avoid that four supervisory board members will have to be replaced in 2015, as 2015 will be the end of the ultimate term for these four supervisory board members.

The relevant personal details of Mr. Fink are available for inspection at the offices of the Company and are included in the 2010 annual report.

Mr. Fink does not hold shares in the capital of the Company.

The supervisory board has nominated Mr. Fink for reappointment based on his performance as member of the supervisory board in the past four years.

Agenda item 8b

Reappointment of Mr. J. Krant as member of the supervisory board (decision)

The proposal is, in accordance with the nomination of the supervisory board, to reappoint Mr. Krant as member of the supervisory board for a term of four years, ending at the end of the annual general meeting of shareholders to be held in 2015.



The relevant personal details of Mr. Krant are available for inspection at the offices of the Company and are included in the 2010 annual report.

Mr. Krant does not hold shares in the capital of the Company.

The supervisory board has nominated Mr. Krant for reappointment based on his performance as member of the supervisory board in the past four years.

Agenda item 8c

Reappointment of Mrs. K. Rechter as member of the supervisory board (decision)

The proposal is, in accordance with the nomination of the supervisory board, to reappoint Mrs. Rechter as member of the supervisory board for a term of one year, ending at the end of the annual general meeting of shareholders to be held in 2012. This in order to create a structured rotation scheme and to avoid that four supervisory board members will have to be replaced in 2015, as 2015 will be the end of the ultimate term for these four supervisory board members.

The relevant personal details of Mrs. Rechter are available for inspection at the offices of the Company and are included in the 2010 annual report.

Mrs. Rechter does not hold shares in the capital of the Company. However, Mrs. Rechter is related by marriage to Mr. Rechter, who receives remuneration in his position of Managing Director of Kardán Israel Ltd. and who holds 3,67% of the share capital in Kardán N.V. Additionally, Mr. Rechter has a voting agreement with Mr. Grunfeld and Mr. Schnur which represents approximately 46%.

The supervisory board has nominated Mrs. Rechter for reappointment based on her performance as member of the supervisory board in the past four years.

Agenda item 8d

Reappointment of Mr. A.A. Schnur as member of the supervisory board (decision)

The proposal is, in accordance with the nomination of the supervisory board, to reappoint Mr. Schnur as member of the supervisory board for a term of four years, ending at the end of the annual general meeting of shareholders to be held in 2015.

The relevant personal details of Mr. Schnur are available for inspection at the offices of the Company and are included in the 2010 annual report.

Mr. Schnur currently holds 17.72% of the issued share capital of Kardán N.V. which represents 19.56% of the voting rights. Additionally, Mr. Schnur has a voting agreement with Mr. Grunfeld and Mr. Rechter which represents approximately 46%.

The supervisory board has nominated Mr. Schnur for reappointment based on his performance as member of the supervisory board in the past four years.



Agenda item 9

Reappointment of Mrs. E. Oz-Gabber as member of the management board (decision)

The proposal is, in accordance with the nomination of the supervisory board, to reappoint Mrs. Einat Oz-Gabber as member of the management board for a term of three years, ending at the end of the annual general meeting of shareholders to be held in 2014. The supervisory board has nominated Mrs. Oz-Gabber for reappointment as member of the management board based on her performance in the past three years.

The relevant personal details of Mrs. Oz-Gabber are available for inspection at the offices of the Company and are included in the 2010 annual report.

Mrs. Oz-Gabber holds 149,360 option rights under the 2006 Kardán Stock Option Plan and did not exercise any of these option rights until now. Mrs. Oz-Gabber holds 3,290 shares in the capital of the Company.

Agenda item 10

Reappointment of Mr. J. Slootweg as member of the management board (decision)

The proposal is, in accordance with the nomination of the supervisory board, to reappoint Mr. Jan Slootweg as member of the management board for a term of three years, ending at the end of the annual general meeting of shareholders to be held in 2014. The supervisory board has nominated Mr. Slootweg for reappointment as member of the management board based on his performance in the past three years.

The relevant personal details of Mr. Slootweg are available for inspection at the offices of the Company and are included in the 2010 annual report.

Mr. Slootweg holds 175,000 option rights under the 2006 Kardán Stock Option Plan and did not exercise any of these option rights until now. Mr. Slootweg does not hold shares in the capital of the Company.

Agenda item 11a

Determination of the remuneration of members of the management board (decision)

The general meeting is requested to determine, in accordance with a proposal of the supervisory board based on a recommendation of the Company's remuneration, appointment and selection committee, the following fixed remuneration for the members of the management board:



	Total Kardan Group 12 months period	Kardan N.V. only 12 months period	% of increase
Mrs. E. Oz-Gabber (1)	EUR 173,283	EUR 173,283	5%
Mr. A. Ickovics (2)	EUR 259,573	EUR 187,000	5%
Mr. W. van Damme (3)	EUR 207,467	EUR 207,467	10%
Mr. J. Slootweg (4)	EUR 235,383	EUR 235,383	3%

- (1) including holiday allowance (EUR 11,669) and pension (EUR 15,753) and excluding car costs of EUR 18,000 per 12 months;
- (2) excluding car costs of EUR 12,000 per 12 months. The Kardan Group remuneration is higher than the Kardan N.V. only remuneration because of the remuneration Mr. Ickovics receives from GTC (GTC Real Estate Holding B.V.) and Tahal;
- (3) including holiday allowance (EUR 13,971) and pension (EUR 18,861) and excluding car costs of EUR 13,200 per 12 months;
- (4) including holiday allowance (EUR 15,851) and pension (EUR 21,398) and excluding car costs of EUR 16,200 per 12 months.

The proposed increases are deemed necessary to bring the fixed remuneration of the members of the management board more in line with the fixed remuneration in companies that are regarded as the Company's peers.

The amounts to be determined by the General Meeting are the "Kardan N.V. only 12 months period" remuneration per January 1, 2011.

Agenda item 11b

2010 bonuses for members of the management board (decision)

The supervisory board, on proposal of the remuneration, appointment and selection committee, proposes to grant a short-term variable remuneration over 2010 to the members of the management board. The proposal is as follows, but under the provisions as set out below:

Mr. A. Ickovics:	EUR 67,365
Mr. A. Shlank:	EUR 57,380
Mrs. E. Oz-Gabber:	EUR 43,133
Mr. W. van Damme	EUR 46,723
Mr. J. Slootweg	EUR 53,496



The bonuses have been determined after evaluating the management board members' performance in 2010 by the Company's remuneration, appointment and selection committee, on the basis of measuring if and to what extent the members of the management board met the short-term individual and collective targets as adopted by the Company's supervisory board for the year 2010.

However, the supervisory board proposes that only 50% of the bonuses as mentioned above will be immediately payable upon approval of the general meeting and the remaining 50% of the bonuses as mentioned above may be granted at the full discretion of the Supervisory Board in 2011, without further reverting to the general meeting.

The management board endorses this proposal. Although the members of the management board are entitled to a short-term variable remuneration over 2010, as set out above and based on the targets they have met, the members of the management board agree that payment at this point in time of 100% of the bonuses 2010, in view of the Company's losses over the last two years, is not appropriate.

Agenda item 12

Approval of the Remuneration Report

The Remuneration Report, as included in the 2010 Annual Report and attached hereto as Annex II, is submitted for approval, respecting the outcome of the earlier votes on the remuneration of the management board.

Agenda item 13

Amendment of the Articles of Association

It is proposed to amend the following Articles of the Articles of Association of the Company: 1.1, 20.2, 38.2, 38.3, 38.4, 38.7, 41 (heading), 41.3, 42.5, 42.6, 43.6, 44.1, and 44.2, all in accordance with the draft deed of amendment prepared by Houthoff Buruma dated March 24, 2011, and attached to these notes as Annex III (the "**Deed**"), and to authorise each member of the management board of the Company and every (candidate) civil-law notary of Houthoff Buruma with the power of substitution to apply for a declaration of no objection in relation to the Deed and to have this Deed executed. The full text of the Deed in Dutch and in English and a version which marks the proposed changes in Dutch and in English are made available and a summary of the proposed amendments can be found below.

The reason for the proposed amendments to the Company's Articles of Association lies to the larger extent with the coming into effect of the Dutch act on the implementation of the European Shareholders' Rights Directive (2007/36/EG) (the "**Act**") per 1 July 2010. This Act changes, amongst others, in respect of listed companies, the convocation term for general meetings of shareholders, facilitates convocation via a company website and introduces a mandatory record date for shareholders. Additionally, it prescribes certain information that needs to be available on a company website prior to a general meeting of shareholders and afterwards and provides shareholders with a less restricted right to place items on the agenda.



In accordance with the new corporate governance code, it is proposed to decide on each material amendment to the Articles of Association separately.

A further description of the amendments can be found below (definitions that are used and that are not defined in these notes are defined in the Company's Articles of Association).

Agenda item 13a

Amendment of Article 1.1 (insertion of definition "Record Date"), amendment of Article 42.5 (replacement of text by reference to Record Date) and amendment of Article 42.6 (amendment to the extent that voting rights shall accrue to those registered in a designated register on the Record Date (decision))

As a result of the coming into effect of the Act, the Articles of Association refer to the Record Date more frequently. Therefore, the definition of Record Date is inserted in Article 1.1.

The deleted part of the text of Article 42.5 reflected the possibility for the management board to set a record date. Pursuant to the Act, the setting of a record date is now mandatory for listed companies and therefore this Article has been amended accordingly.

The amendments to Article 42.6 reflect the mandatory record date which is set at the twenty-eighth day before the day of the General Meeting of Shareholders.

The Company's management board, with approval of the supervisory board, proposes to the General Meeting of Shareholders, to resolve to amend Articles 1.1 42.5, and 42.6 of the Company's Articles of Association in accordance with the Deed and to authorise each member of the Company's management board and every (candidate) civil-law notary of Houthoff Buruma with the power of substitution to apply for a declaration of no objection in relation to the Deed and to have this Deed executed.

Agenda item 13b

Amendment of Article 20.2 (insertion of possibility for the general meeting of shareholders to, in addition to the right to determine, adjust the remuneration and further conditions of employment for members of the management board) (decision)

By adding the wording "and adjust", the General Meeting of Shareholders is granted the right to, in addition to the right to determine, adjust the remuneration and further conditions of employment for members of the management board. This right can be executed on the proposal of the supervisory board and in observance of the management remuneration policy.

The management board of Kardan, with approval of the supervisory board, proposes to the General Meeting of Shareholders, to resolve to amend Article 20.2 of the Company's Articles of Association in accordance with the Deed and to authorise each member of the Company's management board and every (candidate) civil-law



notary of Houthoff Buruma with the power of substitution to apply for a declaration of no objection in relation to the Deed and to have this Deed executed.

Agenda item 13c

Amendment of Article 38.2 (addition of information to be available at least forty-second days prior to a general meeting of shareholders on the Company website and which information shall remain available for at least one year thereon) and amendment of Article 38.7 (insertion of reference to paragraph 2 of article 38) (decision)

Pursuant to the introduction of the Act, a listed company needs to place certain information on its website, ultimately forty-two (42) days prior to a general meeting of shareholders, which information is required to remain available for consultation for at least one (1) year after the general meeting of shareholders. For the avoidance of doubt, please note that the notice should now therefore be given at least forty-two (42) days prior to the general meeting of shareholders, instead of fifteen days. The amendments to Article 38.2 reflect the above, and meet the requirements of Israeli Security Regulations.

With the introduction of the forty-two (42) days notice period, a reference hereto is inserted in Article 38.7 with respect to the availability of documents related to the agenda items of a general meeting of shareholders.

The management board of Kardán, with approval of the supervisory board, proposes to the General Meeting of Shareholders, to resolve to amend Articles 38.2 and 38.7 of the Company's Articles of Association in accordance with the Deed and to authorise each member of the Company's management board and every (candidate) civil-law notary of Houthoff Buruma with the power of substitution to apply for a declaration of no objection in relation to the Deed and to have this Deed executed.

Agenda item 13d

Amendment of Article 38.3 (deletion of availability of agenda items of general meeting of shareholders at Company's office and amendment to the extent that eligible shareholders may request to add a subject on the notice of a general meeting of shareholders at least sixty days prior to such meeting) (decision)

Pursuant to the introduction of the Act, listed companies cannot state in the notice of the general meeting of shareholders that details of agenda items are available to the shareholders at the company's office. As such, this part has been deleted from the Company's Articles of Association.

According to Dutch law, eligible shareholders are allowed to submit, at least sixty days prior to the day of the general meeting of shareholders, in principle, a request to add a subject on the notice of the meeting, but the articles may provide that the period for lodging the request is shortened. In the current Articles of Association, the term was fourteen days before the day of convocation. As a consequence of the extension of the term for convening the General Meeting to 42 days, it is proposed to – in accordance with Dutch law – include the general term of 60 days prior to the day of the General Meeting. As a result of the coming into effect of the Act, the request



must include its underlying reasons. In addition, the management board no longer has the ability to refuse adding the requested subject if it deems that the company has a serious interest in not adding the subject on the notice of the meeting. In that sense, the shareholders' rights in this respect have somewhat improved. The amendments to this Article reflect the above.

The management board of Kardan, with approval of the supervisory board, proposes to the General Meeting of Shareholders, to resolve to amend Article 38.3 of the Company's Articles of Association in accordance with the Deed and to authorise each member of the Company's management board and every (candidate) civil-law notary of Houthoff Buruma with the power of substitution to apply for a declaration of no objection in relation to the Deed and to have this Deed executed.

Agenda item 13e

Amendment of Article 38.4 (addition of items to include in the notice of a general meeting of shareholders) (decision)

As a result of the coming into effect of the Act, a listed company is obliged to include certain items in the notice of meeting, including a record date and its website. The amendments to this Article reflect these requirements.

The management board of Kardan, with approval of the supervisory board, proposes to the General Meeting of Shareholders, to resolve to amend Article 38.4 of the Company's Articles of Association in accordance with the Deed and to authorise each member of the Company's management board and every (candidate) civil-law notary of Houthoff Buruma with the power of substitution to apply for a declaration of no objection in relation to the Deed and to have this Deed executed.

Agenda item 13f

Amendment of Article 41 (heading, addition) and amendment of Article 41.3 (addition of information related to voting results that needs to be published on the Company website within fifteen days of a general meeting of shareholders) (decision)

"Voting results" has been added to the header of Article 41.

Pursuant to the Act, a listed company is obliged to publish on its website certain information related to the voting results within fifteen (15) days of a general meeting of shareholders. This information should be specified per voted item and includes:

- a) the number of shares which have been validly voted on;
- b) the percentage the number of shares which have been validly voted on represents of the total issued capital of the company;
- c) the total number of validly exercised votes;
- d) the number of votes i) in favour, ii) against and iii) abstentions

The amendments to Article 41.3 reflect these requirements.

The management board of Kardan, with approval of the supervisory board, proposes to the General Meeting of Shareholders, to resolve to amend Articles 41 and 41.3 of the Company's Articles of Association in accordance with the Deed and to authorise each member of the Company's management board and every (candidate) civil-law



notary of Houthoff Buruma with the power of substitution to apply for a declaration of no objection in relation to the Deed and to have this Deed executed.

Agenda item 13g

Amendment of Article 43.6 (addition of possibility to vote prior to a general meeting of shareholders, but not earlier than the Record Date) (decision)

The addition to this Article provides the shareholders the possibility to cast votes prior to the General Meeting of Shareholders, either via electronic means or in writing, but not earlier than the Record Date.

The management board of Kardán, with approval of the supervisory board, proposes to the General Meeting of Shareholders, to resolve to amend Article 43.6 of the Company's Articles of Association in accordance with the Deed and to authorise each member of the Company's management board and every (candidate) civil-law notary of Houthoff Buruma with the power of substitution to apply for a declaration of no objection in relation to the Deed and to have this Deed executed.

Agenda item 13h

Amendment of Article 44.1 (deletion of obligation to publish a notice of a general meeting of shareholders in a Dutch national daily paper and replaced with obligation to publish such notice on the Company website and addition that publication in Israel will take place in the Hebrew language and via the 'Magna' system) and amendment of Article 44.2 (addition of reference to Article 44.1) (decision)

Pursuant to the Act, listed companies are no longer required to publish a notice of a general meeting of shareholders in a Dutch national daily paper. Instead, such notice can be published on the listed company's website. Article 44.1 has been amended accordingly. In order to meet mandatory convocation requirements in Israel, publication of the notice in two Israeli newspapers remains in place. The requirement that such publication takes place in the Hebrew language has been added and the Tel Aviv Stock Exchange has been replaced with the Electronic Discloser System ("MAGNA").

A reference is inserted to Article 44.1 in Article 44.2.

The management board of Kardán, with approval of the supervisory board, proposes to the General Meeting of Shareholders, to resolve to amend Articles 44.1 and 44.2 of the Company's Articles of Association in accordance with the Deed and to authorise each member of the Company's management board and every (candidate) civil-law notary of Houthoff Buruma with the power of substitution to apply for a declaration of no objection in relation to the Deed and to have this Deed executed.

Agenda item 14

Approval of employment agreement Yuval Rechter pursuant to the Special Approval Procedure as set out in the Company's Articles of Association (decision)



Due to the listing of the Company on the Tel Aviv Stock Exchange, the Company included in its Articles of Association certain clauses which give rights to minority shareholders in connection with the approval of transactions with Holders of Control (as defined in the Articles of Association), similar to the rights they would have under the Israeli Companies Law (the “**Special Approval Procedure**”).

In relation to this Special Approval Procedure the General Meeting is requested to approve that Milgam Cellular Parking Ltd. (“**Milgam**”), an Israeli private company indirectly controlled by the Company, will enter into a new contract relating to the terms of employment of Mr. Yuval Rechter (“**Y. Rechter**”), the son of Mr. Eytan Rechter, who is a Holder of Control in the Company. Mr. Y. Rechter will serve as Business Development Manager of Milgam businesses out of Israel, and will be stationed in Israel. His employment agreement will be for a fulltime position as of May 1, 2011 for a period of 3 years. At the end of this period, the agreement will be terminated or will be reapproved by the general meeting of shareholders. The employment conditions will be as follows: (1) remuneration of NIS 10,000 per month (approximately EUR 2,000) (2) standard social conditions (3) cell phone (4) annual bonus of up to 3 months’ salary upon recommendation of his direct manager. Upon Milgam starting business operations outside of Israel, the conditions will be changed as follows: (1) the monthly remuneration will increase to NIS 13,500 (approximately EUR 2,700) (2) Mr. Y. Rechter will be entitled to receive a company car.

The management board has established that the conditions of employment of Mr. Y. Rechter are fair and reasonable taking into account Mr. Y. Rechter has been elected from many other candidates for this role and taking into account the nature of the role, Mr. Y. Rechter’s education, working experience out of Israel and qualifications. The conditions have been determined through negotiations between Milgam and Mr. Y. Rechter.

The approval (in accordance with the Special Approval Procedure) of both the supervisory board and the management board has been given already. It is noted that this resolution of the General Meeting of Shareholders requires a Special GM Majority (as defined in the Company’s Articles of Association).

Agenda item 15a

Authorisation of the management board to resolve to issue shares and to grant rights to subscribe for shares (decision)

The proposal is to adopt the following:

The management board is authorised, subject to the approval of the supervisory board, for a period of five years as of May 31, 2011 and within the limits of the law and the Articles of Association, to resolve to issue shares in the capital of the Company and to grant rights to subscribe for such shares, relating to annually 10% of the non-issued shares of the Company’s authorized capital at the time of such decision.



Agenda item 15b

Authorisation of the management board to resolve to restrict or exclude pre-emptive rights (decision)

The proposal is to adopt the following:

The management board is authorised, subject to the approval of the supervisory board, for a period of five years as of May 31, 2011 and within the limits of the law and the Articles of Association, to resolve to restrict or exclude pre-emptive rights when issuing shares or granting rights to subscribe for shares.

Agenda item 16

Authorisation of the management board to resolve for the Company to acquire shares in its own capital

The proposal is to adopt the following:

The management board is authorised, subject to the approval of the supervisory board, up to eighteen months after May 31, 2011 and within the limits of the law and the Articles of Association to resolve for the Company to acquire, on the stock exchange or otherwise in return for payment, shares in the capital of the Company at a price lying between the par value of such shares and 110% of the market value, whereby market value has the following meaning: the average of the highest price per share on each of the last five trading days on the NYSE Euronext Stock Exchange in Amsterdam prior to the date of acquisition, as published in the Daily Official List of Euronext Amsterdam.

Amsterdam, April 15, 2011

The management board and the supervisory board

ANNEX I

Paragraph on Corporate Governance in the 2010 Annual Report

ANNEX II

Remuneration Report in the 2010 Annual Report

ANNEX III

Draft Deed of Amendment Articles of Association



KARDAN N.V.

ANNEX I

Paragraph on Corporate Governance in the 2010 Annual Report

Corporate Governance

Introduction

As a company listed in the Netherlands, Kardan N.V. adheres, to the fullest extent it deems fit, to the Dutch Corporate Governance Code adopted on December 9, 2003, and amended as of January 1, 2009 (the Code). Pursuant to the Dutch governmental Decree of December 23, 2004 establishing further instructions concerning the content of the annual report (Besluit van 23 december 2004 tot vaststelling van nadere voorschriften omtrent de inhoud van het jaarverslag) (the Decree), listed companies are required to comply with the Code, or explain deviations therefrom. The full text of the Code can be found on www.commissiecorporategovernance.nl for reference, as well as the first report on compliance with the new Code dated December 14, 2010 as issued by the Corporate Governance Code Monitoring Committee.

The Code refers to the relationship between the main bodies of companies, being the General Meeting of Shareholders, the Supervisory Board and the Management Board. This chapter describes the general corporate governance structure of Kardan N.V., the deviations from the Code, and covers the items of the corporate governance statement (the Corporate Governance Statement) introduced by aforementioned Decree. The Management Board and the Supervisory Board of Kardan N.V. acknowledge their responsibility for Kardan N.V.'s corporate governance and for compliance with the Code. Kardan N.V. applies the Code's principles and best practice provisions, except for the following principles and best practice provisions that are not fully applied:

- *Best practice provision II.1.2 d* – approval of corporate social responsibility issues by the Supervisory Board: during 2010, Kardan N.V.'s Management Board conveyed the message of importance to create long-term, sustainable solutions throughout the Kardan Group and communicated on this topic towards its stakeholders. Reference is made to the chapter on Environmental and Social Governance included as of page 61 of

this report. Additionally, an Environmental, Social & Governance (ESG) vision document was presented by the Management Board to the Supervisory Board, outlining the envisaged company policy with regard to ESG. The Supervisory Board supports the Management Board's vision on ESG matters and its importance for future growth of the Kardan Group. It is the intention of Kardan N.V. to provide to its subsidiaries the tools required to implement ESG. In as far as it concerns matters regarding the operational and financial objectives of Kardan N.V. and the strategy designed to achieve these objectives, support of the Supervisory Board will be sought. On matters that lie within the managing authority of the Management Board, such as operational and/or investor relations matters, the Management Board may decide on an approach on ESG without the prior approval of the Supervisory Board.

- *Best practice provisions relating to principle II.2 – remuneration and composition of the remuneration:* Kardan N.V. is not yet fully compliant with the best practice provisions relating to the remuneration of the members of its Management Board, especially with regard to the Stock Option Plan 2006 currently still in force, e.g. as granting thereunder is not subject to certain performance criteria (for more information in this respect, reference is made to the paragraph 'Remuneration and shareholdings of the Management Board' on page 75 of this chapter). In addition, the General Meeting of Shareholders (instead of the Supervisory Board) determines the remuneration amounts and other remuneration components of the members of the Management Board, but this takes place on a proposal of the Supervisory Board (refer to Article 20.2 of Kardan N.V.'s Articles of Association).

On May 20, 2009, the General Meeting of Shareholders adopted the Remuneration Policy. The Remuneration Policy provides for fixed and variable (both short- and long-term) components, whereby the fixed part needs to be in line with market standards and the variable components will take into

consideration both collective and personal targets. For the purpose of the long-term variable remuneration, a share plan was developed which was adopted by the General Meeting on May 26, 2010 (Share Plan 2010). The Management Board and Supervisory Board of Kardan N.V. take the view that the Share Plan 2010 is in compliance with the Code, provided that one deviation is applicable in respect of the retention of shares. In respect of the first possible grant of shares (three years after the adoption of the targets) a retention period of two years will apply, so that this in essence complies with best practice provision II.2.5 of the Code, which prescribes a retention period of five years. However, for further grants of shares under the Share Plan 2010, which will only be granted once every three years providing the collective long-term targets having been met, no further retention period will apply if at the time of grant the member of the Management Board has been in office for a period of at least five years. Standard good leaver/bad leaver provisions will apply though. Kardan N.V. takes the view that with this measure the long-term character of the share remuneration and retention of the Management Board are sufficiently met.

- *Best practice provision III.2.1* – independence of the Supervisory Board members: five members of the Supervisory Board of Kardan N.V. can be regarded as independent under the criteria laid down in the Code. These are Mr. Krant, Mr. Fink, Mr. Pomrenze, Mr. Groen and Mr. Benjamins. The other members, being Mr. Schnur and Ms. Rechter, are not independent under these criteria. Mr. Schnur is holding more than ten percent of the issued share capital of Kardan N.V. and Ms. Rechter is related by marriage to Mr. Rechter, who receives a remuneration in his position of Managing Director of Kardan Israel Ltd. Kardan N.V. does not follow best practice provision III.2.1 because it takes the view that a long-term alliance with non-independent Supervisory Board members can be vitally important to all the stakeholders involved in Kardan N.V. Given the extensive provisions on conflicts of interest in its Articles of Association and the Supervisory Board

Regulations, Kardan N.V. feels that there are – without jeopardizing the corporate governance system – sufficient safeguards for not following this provision.

- *Best practice provision III.3.3* – introductions and education or training program: Kardan N.V. does not consider it necessary to make an introduction program mandatory for each newly appointed Supervisory Board member. If a newly appointed Supervisory Board member considers it necessary or desirable, he or she may follow an introduction program that covers general financial and legal matters, financial reporting within the Kardan Group, any specific aspects that are unique to Kardan N.V. and its business activities, and the collective and individual responsibilities of a Supervisory Board member.
- *Best practice provision III.3.4* – limitation of number of Supervisory Board positions at Dutch listed companies: although in practice, Kardan N.V. currently complies with this best practice provision as none of the Supervisory Board members serves in more than five Supervisory Boards of listed Dutch companies, it does not comply with the Code in a strict sense, as no numerical maximum is set. However, the Supervisory Board Regulations prescribe that the Supervisory Board shall decide on a case-by-case basis whether the acceptance of another position would conflict with the ability of the Supervisory Board member to properly perform its role within Kardan N.V., in which case the relevant member is requested to resign in the event of acceptance of the conflicting position. Kardan N.V. believes that a case-by-case assessment better serves the principle behind this provision of the Code than applying absolute numerical criteria.
- *Best practice provision III.4.1(f) and III.4.4* – the election of a vice chairman by the Supervisory Board: the Supervisory Board of Kardan N.V. has not appointed a vice chairman as it does not consider it necessary for a proper functioning of the Supervisory Board to have a vice chairman.

- *Best practice provision III.4.2* – the chairman of the Supervisory Board shall not be a former member of the Management Board: although the current chairman, Mr. Krant, is not a former member of the Management Board, Kardan N.V. does not consider it appropriate to exclude such a situation for the future, taking into account the specific knowledge and experience that rest with its Management Board and from which a Supervisory Board may well benefit when performing its tasks.
- *Best practice provision III.5.6* – the chairman of the Audit Committee shall not be a former member of the Management Board: although Kardan N.V. is currently in compliance with the Code, as Mr. Groen, the current chairman of the Audit Committee, is not a former member of the Management Board, it considers it in the interest of Kardan not to exclude this situation for the future, taking into account the specific knowledge and experience that rest with its Management Board and from which an Audit Committee may well benefit when performing its tasks. This vision has been enforced in the Terms of Reference of the Audit Committee.
- *Best practice provision III.5.11* – the chairman of the Remuneration, Appointment and Selection Committee shall not be a former member of the Management Board: although Kardan N.V. is currently in compliance with the Code, as Mr. Benjamins, the current chairman of the Remuneration, Appointment and Selection Committee, is not a former member of the Management Board, it considers it in the interest of Kardan not to exclude this situation for the future taking into account the specific knowledge and experience that rest with its Management Board and from which a Remuneration, Appointment and Selection Committee may well benefit when performing its tasks.
- *Best practice provision III.6.4* – transactions between Kardan N.V. and legal or natural persons holding at least ten percent of the shares in the capital of Kardan N.V.: although Kardan N.V. does not regulate these transactions as provided for in this best practice provision, it takes the view that the provisions on conflicts of interest as provided for in its Articles of Association, the Management Board Regulations and the Supervisory Board Regulations, in combination with the provisions on transactions with Holders of Control (as defined in the Articles of Association and as further described in the paragraph 'Related Party Transactions' on page 78 of this chapter), provide suitable protection in this respect.
- *Best practice provision IV.1.1* – the adoption of a resolution to cancel the binding nature of a nomination for the appointment of a member of the Management Board or the Supervisory Board and/or a resolution to dismiss a member of the Management Board or the Supervisory Board: Kardan N.V. considers it in its own interest that the Supervisory Board's right of nomination shall be binding, unless the General Meeting of Shareholders cancels the binding character by a resolution passed with a two-thirds majority vote, representing more than half of Kardan N.V.'s issued share capital.
- *Best practice provision IV.3.1* – meetings with analysts, presentations to analysts and presentations to investors shall be announced in advance on Kardan N.V.'s website and by means of press releases, and provisions shall be made for all shareholders to follow these meetings and presentations in real time: while generally complying with the rules and regulations on fair and non-selective disclosure and equal treatment of shareholders, in view of the number of meetings and the sensitive nature of the identity of (some of) the investors, not all of these meetings are announced or can be followed by all shareholders in accordance with this best practice provision. In the event presentations held contain relevant information, these are posted on Kardan N.V.'s website afterwards in accordance with the applicable rules.
- *Best practice provision IV.3.4* – analyst meetings, presentations to investors and direct discussions with investors: Kardan N.V. has adopted a policy on bilateral contacts in accordance with best practice provision IV.3.13, which policy has been published on its website. Kardan N.V.'s contacts with investors will at all times be conducted with due regard to the applicable rules and regulations, in particular those

concerning selective disclosure, price-sensitive information and equal treatment. However, Kardan N.V. does not fully comply with best practice provision IV.3.4 as it cannot exclude upfront that discussions with investors will take place during a closed period before the publication of regular financial information, as Kardan N.V. deems it important to be in regular contact with its investors' base, and contacts with potential new investors may be deemed necessary at any given time when opportunities arise. In addition, in Israel, where Kardan N.V. is also listed, there is no such restriction in place.

Each important change to Kardan N.V.'s Corporate Governance structure and any alterations in the compliance to the Code will be submitted to the Annual General Meeting of Shareholders for discussion as a separate agenda item. At the latest Annual General Meeting of Shareholders, held on May 26, 2010, 'Corporate Governance' was a separate agenda item under which the shareholders were invited to discuss Kardan N.V.'s chosen approach towards the implementation of the Code. The shareholders did not have comments on this subject.

Further details on the extent and manner of implementation of the Code and the information to be included in the Corporate Governance Statement are found (i) in the remainder of this chapter regarding the functioning of the General Meeting of Shareholders and the composition and functioning of the Management Board and Supervisory Board, and in the Risk Management chapter (page 55 of this Annual Report) regarding the main characteristics of the risk management and internal control systems connected with the company's financial reporting process and (ii) in Kardan's Articles of Association, the Supervisory Board Regulations (including profile, Audit Committee Terms of Reference and the rules governing the Remuneration, Appointment and Selection Committee) and the Management Board Regulations which have all been posted on Kardan N.V.'s website (www.kardan.nl).

Structure

Kardan N.V. has a two-tier structure with a Management Board and a Supervisory Board. The members of the Management Board are all executive directors and the members of the Supervisory Board are all non-executive directors.

Kardan N.V.'s overall management is entrusted to the Management Board, which means, among other things, that the Management Board is responsible for the development and implementation of Kardan's objectives, strategy, risk management, financial performance, policies and corporate social responsibility issues that are relevant to the enterprise. Under Dutch law, the members of the Management Board hold their duties and responsibilities collectively, meaning that each individual Managing Director may, in principle, be held accountable for the execution of the Management Board's tasks as a whole. The Management Board is accountable to the Supervisory Board and to the General Meeting of Shareholders. In performing its duties and responsibilities, the Management Board is guided by Kardan N.V.'s corporate interests and its affiliated enterprises, while taking all stakeholders' interests into consideration. The Management Board is subject to the Management Board Regulations.

The Supervisory Board acts separately from and independently of the Management Board. The Supervisory Board supervises the policies of the Management Board and the general affairs of Kardan N.V. and its business, as well as assists the Management Board by providing advice. The supervision of the Management Board by the Supervisory Board includes the following:

- (i) achievement of Kardan N.V.'s objectives,
- (ii) corporate strategy and the risks inherent in the business activities,
- (iii) the design and effectiveness of the risk management and internal control systems,
- (iv) the financial reporting process,
- (v) compliance with primary and secondary regulations,
- (vi) the company-shareholder relationship and
- (vii) in as far as deemed

necessary by the Management Board, corporate social responsibility issues. In its supervisory capacity, the Supervisory Board supervises and advises the Management Board in the performance of its managerial duties. In performing their duties, the members of the Supervisory Board shall act in accordance with the interests of Kardan N.V. and the business connected with it, and shall take into account the relevant interests of Kardan N.V.'s stakeholders. The Supervisory Board is responsible for the quality of its own performance and is subject to the Supervisory Board Regulations.

The Management Board provides the Supervisory Board in a timely manner with all information necessary for exercising the duties of the Supervisory Board. The Articles of Association and the Supervisory Board Regulations provide that certain substantial resolutions of the Management Board are subject to the prior approval of the Supervisory Board.

Appointment and composition of the Management Board

The Supervisory Board has the right to make binding nominations for candidates for the Management Board that are subsequently appointed by the General Meeting of Shareholders. Each member of the Management Board is appointed for a period of three years, but may be reappointed following the expiration of his/her term of office. At present, there are four Management Board members; their profiles and an appointment scheme can be found on pages 66 and 67 of this Annual Report.

A member of the Management Board may not be a supervisory director of more than two listed companies. Currently, no member of the Management Board serves as a member of a supervisory board of another listed company outside the Kardan Group. Moreover, a member of the Management Board may not be the chairman of the supervisory board of a listed company. Membership on the supervisory board

of another company within the Kardan Group of Companies does not count for this purpose. The acceptance by a member of the Management Board of membership on the supervisory board of a listed company outside the Kardan Group requires the approval of the Supervisory Board. Other important positions held by a member of the Management Board have to be reported to the Supervisory Board.

The Supervisory Board may elect one of the members of the Management Board as chairman of the Management Board. In the event that no chairman has been elected by the Supervisory Board, the meeting of the Management Board will itself designate a chairman for each separate meeting. The Management Board meets regularly. It also meets whenever the chairman or two other members of the Management Board or the Supervisory Board consider a meeting necessary.

Resolutions of the Management Board are adopted if an absolute majority of the votes cast are in favor. In case, and as long as, the Management Board consists of an equal number of members, the chairman of the Management Board has a casting vote in case of a tie of votes.

Internal regulations and conflicts of interest in the Management Board

Kardan N.V. considers it important that employees are able to report in an adequate and safe manner any suspicions they may have of irregularities of a general, operational or financial nature. Since proper procedural provisions play an important part in reporting such concerns, the Management Board has adopted a Whistleblower Policy which has been posted on Kardan N.V.'s website (www.kardan.nl). In addition, Kardan has adopted a Code of Conduct, designated to provide its employees with guidelines for the behavior and activities of the employees and for compliance with laws, regulations and ethical standards that govern the business of Kardan N.V., which can also be found on Kardan N.V.'s website.

The Articles of Association of Kardan N.V. include extensive provisions on conflicts of interest between Kardan N.V. and Holders of Control (as defined in the Articles of Association), which are also applicable if these Holders of Control hold a position on the Management Board (for a further description of these provisions, reference is made to the paragraph 'Related Party Transactions' in this chapter). In addition, Kardan N.V. endorses the principles and provisions of the Code that address conflicts of interest between Kardan N.V. and one or more members of the Management Board. To this effect, provisions have also been included in the Management Board Regulations covering best practice provisions II.3.1 through II.3.4 of the Code. In 2010, no transactions have been reported involving conflicts of interest of members of the Management Board.

Remuneration and shareholdings of the Management Board

On May 20, 2009, the General Meeting of Shareholders adopted the Remuneration Policy. The Remuneration Policy provides for fixed and variable (both short- and long-term) components whereby the fixed part needs to be in line with market standards and the variable components will take into consideration both collective and personal targets. These long-term targets were adopted by the Supervisory Board during 2009 and were, in summary and to the extent allowed due to their sensitive nature, published on Kardan N.V.'s website. For the purpose of the long-term variable remuneration, a share plan was developed which was adopted by the General Meeting of Shareholders on May 26, 2010 (Share Plan 2010). On May 26, 2010, the General Meeting of Shareholders adopted a revised version of the Remuneration Policy, implementing the changes required pursuant to the adoption of the Share Plan 2010. For more details on the Remuneration Policy, the targets for the members of the Management Board and the Share Plan 2010, reference is made to the Remuneration Report, page 87.

In addition, the General Meeting of Shareholders (instead of the Supervisory Board) determines the remuneration amounts and other remuneration components of the members of the Management Board, but this takes place on a proposal of the Supervisory Board (refer to Article 20.2 of Kardan N.V.'s Articles of Association).

Detailed information about the remuneration of the members of the Management Board can be found in the notes to the financial statements on page 274 of this Annual Report.

Currently, no member of the Management Board has been granted a loan, guarantee or the like and no member of the Management Board has been granted shares in the capital of Kardan N.V. by way of remuneration.

The members of the Management Board who hold shares in the capital of Kardan N.V. are Mr. A. Ickovics, who currently holds 3,312,975 shares in the capital of Kardan N.V., Mr. A. Shlank, who currently holds 40,676 shares in the capital of Kardan N.V., and Ms. E. Oz-Gabber, who currently holds 3,290 shares in the capital of Kardan N.V. Furthermore, the only member of the Management Board holding shares in Kardan Group companies is Mr. A. Ickovics, holding 148,038 shares in Kardan Israel Ltd., an Israeli company listed on the Tel Aviv Stock Exchange, and 225 shares in GTC Investments B.V.

Kardan N.V. granted the following number of options on shares in Kardan N.V. to the following members of the Management Board under the terms and conditions as laid down in the Stock Option Plan 2006 and the individual award agreements, for which approval was granted by the General Meeting of Shareholders during the Extraordinary General Meeting of Shareholders of Kardan N.V. held on October 26, 2006 (for the grants to Mr. A. Ickovics, Mr. A. Shlank and Ms. E. Oz-Gabber) and by the General Meeting of Shareholders during the Annual

General Meeting of Shareholders held on June 19, 2008 (Mr. W. van Damme and Mr. J. Slootweg):

- 179,232 options to Mr. A. Ickovics;
- 179,232 options to Mr. A. Shlank;
- 149,360 options to Ms. E. Oz-Gabber;
- 150,000 options to Mr. W. van Damme; and
- 175,000 options to Mr. J. Slootweg.

No options were granted in the General Meetings of Shareholders held in 2009 and 2010.

Kardan N.V. believes that its senior management team is a major asset. In order to minimize the risk of management changes, Kardan considers it to be in the best interest of Kardan N.V. that incentive-based policies be applied throughout the Kardan Group. A key element of these policies is the granting of share options or shares.

Grants under the Stock Option Plan 2006 are not subject to fulfillment of certain performance criteria. This is a deviation from the Code. Furthermore, the allocation to the members of the Management Board under the Stock Option Plan 2006 is not considered best practice under the Code as the options will vest in three equal annual installments, commencing on the first anniversary of the date of grant, and the exercise price of options can be set lower than the closing share price at the date of grant. Kardan believes that it is not necessary to completely adhere to these provisions of the Code and because (i) the same Stock Option Plan 2006 rules apply to the other employees and, therefore, for the sake of unity, clarity and ease of administration, no differences are made between the members of the Management Board and the other employees, (ii) annual vesting of options is appropriate and market practice in an international environment, and (iii) the discounted exercise price reflects the depreciating effect of the fact that the participant can neither sell nor exercise the options during the vesting period. However, under the Share Plan 2010, as adopted in the General Meeting of Shareholders of May 26, 2010, shares are granted in the form of long-term variable remuneration and, as such, the

granting is subject to specific targets that are to be met by the Management Board. Therefore, the Management Board and Supervisory Board of Kardan N.V. take the view that the Share Plan 2010 is in compliance with the Code, provided that one deviation is applicable in respect of the retention of shares. In respect of the first possible grant of shares (three years after the adoption of the targets, being January 2012), a retention period of two years will apply, so that this in essence complies with best practice provision II.2.5 of the Code, which prescribes a retention period of five years. However, for further grants of shares under the Share Plan 2010, which will only be granted once every three years providing the collective long-term targets having been met, no further retention period will apply if at the time of grant the member of the Management Board has been in office for a period of at least five years. Standard good leaver/bad leaver provisions will apply though. Kardan N.V. takes the view that with this measure the long-term character of the share remuneration and retention of management are sufficiently met.

Until now, none of the aforementioned options that were granted to the members of the Management Board have been exercised.

The members of the Management Board are subject to the insider trading policy of Kardan N.V. which, amongst others, contains rules of conduct to prevent trading in Kardan N.V.'s securities when holding inside information. In addition, the members of the Management Board are subject to a policy on the ownership of and transactions in securities other than Kardan N.V.'s financial instruments. Both policies are published on Kardan N.V.'s website.

Appointment and composition of the Supervisory Board

The Supervisory Board itself has the right to make binding nominations of candidates for the position of member of the Supervisory Board, which are subsequently appointed by the General Meeting of

Shareholders. Each member of the Supervisory Board is appointed for a period of four years and may be reappointed for a maximum of two more terms. The Supervisory Board itself determines the number of Supervisory Board members, but there must always be at least three members. At present, the Supervisory Board consists of seven members; their profiles and an appointment scheme can be found on pages 68 and 69 of this Annual Report. Furthermore, the Supervisory Board Regulations include a profile of the Supervisory Board's size and composition.

Each member of the Supervisory Board must be capable of assessing the broad outline of Kardan N.V.'s overall policy and must have the specific expertise required for the fulfillment of the duties assigned to the role designated to him/her in the Supervisory Board profile. It is considered desirable for the Supervisory Board to represent, to the extent possible, a wide range of expertise so that it has relevant knowledge of and experience in business management, financial administration and accounting for listed companies and other large legal entities.

The Supervisory Board can request its members to retire early in the event of inadequate performance or a structural incompatibility of interests.

The Supervisory Board shall elect a chairman from its members. The chairman of the Supervisory Board sets the agenda, chairs the Supervisory Board meetings, monitors the proper functioning of the Supervisory Board, the Audit Committee, the Remuneration, Appointment and Selection Committee, and ensures the adequate provision of information to the Supervisory Board. Furthermore, the chairman ensures that there is sufficient time for decision-making, and acts on behalf of the Supervisory Board as the main point of contact for the Management Board. The chairman of the Supervisory Board is also the chairman of the General Meeting of Shareholders. The chairman of the Supervisory Board arranges for the Supervisory Board to discuss its own functioning and that of its individual members, and the conclusions which can be

drawn. The desired profile, composition and competence of the Supervisory Board shall also be discussed.

Adoption of resolutions by the Supervisory Board requires an absolute majority of the votes cast. Members of the Supervisory Board who are frequently absent from the meetings, may be asked by the Supervisory Board to account for their absence.

Conflict of Interest and remuneration of the Supervisory Board

The Articles of Association of Kardan N.V. include extensive provisions on conflicts of interest between Kardan N.V. and Holders of Control (as defined in the Articles of Association), which are also applicable if these Holders of Control hold a position on the Supervisory Board (for a further description of these provisions, reference is made to the paragraph 'Related Party Transactions' in this chapter). In addition, Kardan N.V. endorses the principles and provisions of the Code that address conflicts of interest between Kardan N.V. and one or more members of the Supervisory Board. To this effect, provisions have been included in the Supervisory Board Regulations covering best practice provisions III.6.1 through III.6.3 of the Code. In 2010, no transactions have been reported involving conflicts of interest of members of the Supervisory Board.

The General Meeting of Shareholders determines the remuneration of each Supervisory Board member. The remuneration of a member of the Supervisory Board is currently not dependent on the results of Kardan N.V. shares, and rights to shares are currently not granted to members of the Supervisory Board as remuneration. Kardan N.V. has not granted personal loans, guarantees or the like to members of the Supervisory Board and the same is prohibited by the Supervisory Board Regulations, unless Supervisory Board approval has been granted. Detailed information on the remuneration of the members of the Supervisory

Board can be found in the notes to the financial statements on page 273 of this Annual Report.

There are two members of the Supervisory Board who hold shares in the capital of Kardan N.V.: Mr. A. Schnur currently holds 19,818,466 shares and Mr. J. Pomrenze currently holds 150,052 shares. It is noted that Mr. E. Rechter, via the company Shamait Ltd., in which he holds 97.5% of the shares, holds 4,098,719 shares in Kardan N.V. Ms. K. Rechter, related by marriage to Mr. E. Rechter, holds 2.5% of the shares in Shamait Ltd.

The members of the Supervisory Board are subject to the insider trading policy of Kardan N.V. which, among others, contains rules of conduct to prevent trade in Kardan N.V.'s securities when holding inside information. In addition, the members of the Supervisory Board are subject to a policy on the ownership of and transactions in securities other than Kardan N.V.'s financial instruments. Both policies are published on Kardan N.V.'s website.

Audit Committee

The Supervisory Board has appointed an Audit Committee from among its members, without in any way derogating from its primary responsibilities. The Audit Committee is subject to the Terms of Reference which form part of the Supervisory Board Regulations.

The Audit Committee has the general task of preparing and advising the Supervisory Board on matters concerning financial administrative control, financial reporting, and internal and external auditing. The Audit Committee shall act as the principal contact for the external auditor, should the auditor discover irregularities in the content of the financial reports. The Audit Committee is authorized to request advice from outside experts if it considers such necessary. If possible, the Audit Committee should comprise at least one financial expert. The chairman of the Supervisory Board does not chair the Audit Committee. If and to

the extent practically feasible, a maximum of one member may be not independent.

For the Audit Committee's work and focus during the financial year 2010, reference is made to the Supervisory Board Report as included in this Annual Report.

Remuneration, Appointment and Selection Committee

The Supervisory Board has elected three of its members to form a Remuneration, Appointment and Selection Committee, without in any way derogating from its primary responsibilities. The Remuneration, Appointment and Selection Committee is subject to the rules governing the Remuneration, Appointment and Selection Committee.

The tasks of this Committee include, among others, (i) preparing a remuneration policy for the Supervisory Board and Management Board, to be adopted by the General Meeting of Shareholders, (ii) preparing the Supervisory Board's remuneration report for inclusion in Kardan N.V.'s Annual Report, (iii) preparing the selection criteria and appointment procedures for members of the Supervisory Board and the Management Board, (iv) periodically evaluating the scope and composition of the Management Board and Supervisory Board and (v) periodically evaluating the functioning of individual members of the Management Board and Supervisory Board.

For the Remuneration, Appointment and Selection Committee's work and focus during the financial year 2010, reference is made to the Supervisory Board Report as included in this Annual Report.

Related Party Transactions

Articles 7, 8 and 9 of the Articles of Association of Kardan N.V. contain rules on the corporate resolution process in the case of dealings between Kardan N.V.

and one or more Holders of Control, as defined in the Articles of Association (Special Approval Procedure). Holders of Control are deemed to be any Person (as defined in the Articles of Association) who holds twenty-five percent or more of the voting rights in the General Meeting of Shareholders, if there is no other Person holding more than fifty percent of the voting rights. Certain transactions, as described in Kardan N.V.'s Articles of Association, between Kardan N.V. and a Holder of Control require special approval, as follows: (i) Management Board approval, (ii) Supervisory Board approval with an absolute majority of the votes cast, including the affirmative vote of at least one Independent Supervisory Director (as defined in Kardan N.V.'s Articles of Association) and (iii) approval of the General Meeting of Shareholders with an absolute majority of the votes cast, providing that either (a) such a majority includes the affirmative votes of at least one third of all the votes of such shareholders who are present at the meeting and who do not have a Personal Interest (as defined in Kardan N.V.'s Articles of Association), or (b) the opposition votes of those shareholders who are present at the meeting and who do not have a Personal Interest, do not constitute more than one percent of the total number of votes that can be cast in a General Meeting of Shareholders.

The Special Approval Procedure was followed during the General Meeting of Shareholders of May 26, 2010, in which a resolution was adopted to approve the remuneration of Ms. Rechter, member of the Supervisory Board, as required on the basis of Article 7.2.c. of Kardan N.V.'s Articles of Association. During 2010, the Special Approval Procedure was not followed for any other transaction, nor was any other Related Party Transaction disclosed to Kardan N.V.

Kardan N.V. believes that the provisions on conflicts of interest, as laid down in the Management Board Regulations and Supervisory Board Regulations, together with the provisions regarding Related Party Transactions as described above, provide suitable

protection regarding these types of transactions, as envisaged by the Code in best practice provision III.6.4.

General Meeting of Shareholders and shareholders' rights

The General Meeting of Shareholders is the forum in which the Management Board and the Supervisory Board give their account with regard to the manner in which they have performed their duties. Kardan N.V. considers it to be in its own interest that the majority of shareholders take part as much as possible in the decision-making process in the General Meeting of Shareholders.

Each shareholder has the right to attend General Meetings of Shareholders, either in person or represented by proxy, to address the General Meeting of Shareholders and to exercise voting rights, subject to the provisions of the Articles of Association of Kardan N.V. and Dutch law. To the extent practically feasible, investors in Israel may participate in General Meetings of Shareholders by means of a conference call or a video conference.

Each share carries one vote. Kardan N.V. has only one class of shares, being ordinary shares with a nominal value of EUR 0.20 each. As of July 1, 2010, Dutch law requires Kardan N.V. to set the record date for the exercise of the voting rights and the rights relating to General Meetings of Shareholders on the 28th day prior to the day of the General Meeting of Shareholders. Unless otherwise required by its Articles of Association or Dutch law, resolutions of the General Meeting of Shareholders require the approval of an absolute majority of the votes validly cast. Unless provided otherwise by Dutch law or Kardan N.V.'s Articles of Association, there are no quorum requirements. The General Meeting of Shareholders can decide to amend Kardan N.V.'s Articles of Association with an absolute majority of the votes cast, without a quorum requirement being applicable.

General Meetings of Shareholders are held at least once a year in order to, among other things, discuss the report of the Management Board and the report of the Supervisory Board, to adopt the statutory financial statements, to appoint the external auditor, to adopt any proposal concerning dividends, to, if applicable, (re-)appoint members of the Supervisory Board and of the Management Board, and to consider any other matters proposed by the Supervisory Board, the Management Board or the shareholders in accordance with the Articles of Association of Kardan N.V. and Dutch law. Pursuant to both Dutch law and Kardan N.V.'s Articles of Association, the General Meeting of Shareholders discusses and passes, under a separate agenda item, resolutions discharging the members of the Management Board and the Supervisory Board from their responsibilities for the performance of their respective duties in the preceding financial year. This discharge only covers the matters that are known to Kardan N.V. and the shareholders at the time the resolution is adopted.

Other General Meetings of Shareholders may be held as often as the Management Board or the Supervisory Board deem necessary. Such a meeting must be held if requested in writing by one or more shareholders holding shares representing at least 10% of Kardan N.V.'s issued share capital. The request must be made to the Management Board or the Supervisory Board and must specify in detail the items to be discussed. If the Management Board or the Supervisory Board fails to convene and hold a meeting within four weeks of receipt of this request, the requesting shareholder(s) may call the meeting, observing Dutch law and the Articles of Association.

One or more shareholders holding shares representing at least 1% of Kardan N.V.'s issued share capital or representing a value of EUR 50 million according to the Official Price List of Euronext Amsterdam has/have the right to request the Management Board or the Supervisory Board to place items on the agenda of a General Meeting of Shareholders provided such request is duly motivated or accompanied by a draft

resolution. The Management Board or the Supervisory Board shall then add the item to the agenda of the meeting, provided that the request is received by the Management Board or Supervisory Board in writing no later than on the sixtieth day before the day of the General Meeting of Shareholders. Notice of a General Meeting of Shareholders shall be given no later than on the forty-second day prior to the day of the General Meeting of Shareholders.

The external auditor will attend and be entitled to address the General Meeting of Shareholders.

Shareholders' rights, such as dividend rights, liquidation rights, and rights in respect of amendments of the Articles of Association, and reduction and increase in share capital are all described in the Articles of Association of Kardan N.V. which have been posted on Kardan N.V.'s website.

The Articles of Association and Dutch law provide that certain important resolutions of the Management Board and/or Supervisory Board are subject to the prior approval of the General Meeting of Shareholders.

Kardan does not have anti-takeover measures in place, in the sense that such measures exclusively or almost exclusively have the purpose of frustrating an actual or attempted hostile takeover.

Information on the European Takeover Directive

In accordance with Article 10 of the European Takeover Directive, companies with securities that are admitted to trading on a regulated market are obligated to disclose certain information in their annual report. This obligation has been implemented in Dutch law through Article 10, Takeover Directive Decree. Kardan N.V. must disclose certain information that might be relevant to companies considering making a public offer with respect to Kardan N.V. In addition to the information described in the previous paragraph of

this chapter, the following information is provided in connection with Article 10, Takeover Directive Decree:

- a. An overview of Kardan N.V.'s capital structure is included on pages 189 and 190 of this Annual Report.
- b. Shares in the capital of Kardan N.V. are freely transferable.
- c. Substantial shareholdings within Kardan N.V. are included on page 8 of this Annual Report.
- d. There are no special control rights attached to the Kardan N.V. shares.
- e. A stock option plan for members of the Management Board of Kardan N.V. and other Kardan key employees has been approved by the shareholders during the Extraordinary General Meeting of Shareholders held on October 26, 2006. The options can only be granted in accordance with the underlying Stock Option Plan 2006 rules and with the approval of the Supervisory Board and – in respect of the Management Board – with the approval of the General Meeting of Shareholders. Further information regarding the options granted under the Stock Option Plan can be found on pages 190 to 199 of this Annual Report. The Share Plan 2010 (as described on pages 89 to 91 of this Annual Report) has been approved by the General Meeting of Shareholders on May 26, 2010. Under the Share Plan 2010, shares can be granted to members of the Management Board upon approval of the General Meeting of Shareholders, upon a proposal by the Supervisory Board, and to other key employees by a decision of the Management Board.
- f. There are no limitations to voting rights on the shares in the capital of Kardan N.V.
- g. Kardan N.V. is unaware of any agreements that might result in a limitation of the transferability of or the voting rights on shares in the capital of Kardan N.V.
- h. The provisions regarding the appointment and dismissal of members of the Management Board and the Supervisory Board, and the provisions regarding amendments of the Articles of Association are described in Kardan N.V.'s Articles of Association, which are made available on Kardan N.V.'s website (www.kardan.nl).
- i. The General Meeting of Shareholders may authorize the Management Board (i) to purchase shares by Kardan N.V. in its own capital, and (ii) to issue and grant rights to subscribe for shares and to limit or exclude pre-emptive rights of shareholders in the event of issuing and granting rights to subscribe for shares. Further information can be found in the Articles of Association of Kardan N.V. and the minutes of the relevant General Meetings of Shareholders of Kardan N.V. in respect of the authorizations that have been granted to the Management Board. Authorization for Kardan N.V.'s purchase of its own shares has been granted for a period of eighteen months during the General Meeting of Shareholders of May 26, 2010. At the same General Meeting of Shareholders held on May 26, 2010, the authorization to issue and grant rights to subscribe for shares and to limit or exclude pre-emptive rights of shareholders in the event of issuing and granting rights to subscribe for shares was granted for a period of five years, taking into account the limits provided by the law and the Articles of Association and provided that no more than 10% of the issued share capital can be issued annually.
- j. There are no important agreements to which Kardan N.V. is a party and which will come into force, be amended or be terminated under the condition of a change of control over Kardan N.V. as a result of a public offer.
- k. There are no agreements of Kardan N.V. with members of the Management Board or with other employees that entitle them to any compensation rights upon termination of their employment after completion of a public offer on Kardan N.V. shares.



KARDAN N.V.

ANNEX II

Remuneration Report in the 2010 Annual Report

Remuneration Report

The first part of this chapter outlines the responsibilities of Kardan N.V.'s Remuneration, Appointment and Selection Committee. The second part describes the Remuneration Policy of Kardan N.V. and gives further insight into how the Management Board's remuneration is composed.

Remuneration Committee

The main responsibilities of Kardan N.V.'s Remuneration, Appointment and Selection Committee include, inter alia:

- Preparing proposals for the Supervisory Board concerning the remuneration policies for the Management Board members to be adopted by the General Meeting of Shareholders.
- Preparing proposals for the Supervisory Board concerning the individual remuneration of members of the Management Board.
- Preparing the yearly Remuneration Report.
- Preparing the selection criteria and appointment procedures for members of the Management Board and the Supervisory Board.
- Periodically evaluating the scope and composition of the Management Board and Supervisory Board.
- Proposing the (re)-election of members of the Management Board and Supervisory Board.
- Supervising the policy of the Management Board on the selection criteria and appointment procedures for senior management.

The Remuneration, Appointment and Selection Committee consisted during the entire year 2010 of three members, namely Mr. H. Benjamins (Chairman), Mr. J. Krant, and Mr. J. Pomrenze.

During 2010, the Remuneration, Appointment and Selection Committee met three times. For a specification of the main matters discussed during these meetings, reference is made to the Supervisory Board Report on pages 83 and 84 of this Annual Report.

The Remuneration, Appointment and Selection Committee prepares its proposals for targets and remuneration (fixed and variable) for individual members of the Management Board after careful consideration, of which feedback by the Management Board may be part. While doing this, the Remuneration, Appointment and Selection Committee seeks the advice of several external and internal advisors.

Although the Remuneration, Appointment and Selection Committee makes proposals to the Supervisory Board regarding the fixed and variable remuneration of the individual members of the Management Board, the final determination of the remuneration amount and composition of the remuneration of the members of the Management Board lies, in accordance with Kardan N.V.'s Articles of Association, with the General Meeting of Shareholders of Kardan N.V. The Remuneration, Appointment and Selection Committee proposes individual and collective targets for each member of the Management Board and the Supervisory Board, in its turn, determines the final individual and collective targets for each member of the Management Board.

The fixed remuneration over 2010 was approved by the General Meeting of Shareholders during the AGM on May 26, 2010.

The Supervisory Board, on proposal of the Remuneration, Appointment and Selection Committee, proposes to increase the fixed remuneration of the members of the Management Board for the year 2011 by 3% for Mr. Slootweg, 5% for Mr. Ickovics and Ms. Oz-Gabber and 10% for Mr. Van Damme.

The proposed increases are deemed necessary to bring the fixed remuneration of the members of the Management Board more in line with the fixed remuneration in companies that are regarded as the Company's peers.

The Supervisory Board, on proposal of the Remuneration, Appointment and Selection Committee, proposes to grant a short-term variable remuneration over 2010 to the members of the Management Board. The proposal is as follows, but under the provisions as set out below:

Bonus (in €)	
Mr. A. Ickovics	67,365
Mr. A. Shlank	57,380
Ms. E. Oz-Gabber	43,133
Mr. W. van Damme	46,723
Mr. J. Slootweg	53,496

The Supervisory Board proposes that only 50% of the bonuses as mentioned above will be immediately payable upon approval of the General Meeting of Shareholders and the remaining 50% of the bonuses as mentioned above may be granted at the full discretion of the Supervisory Board in 2011, without further reverting to the General Meeting of Shareholders.

The above proposals shall be submitted to the General Meeting of Shareholders during the AGM to be held on May 31, 2011.

Remuneration Policy

The Supervisory Board of Kardan N.V. takes the view that Kardan N.V.'s current Remuneration Policy follows the principles and the best practice provisions of the Code. The objective of the Kardan N.V. Remuneration Policy is to attract, motivate, and retain qualified directors, while aiming to compensate based on both balanced short-term and long-term performance of Kardan N.V. and value creation for its shareholders. The Remuneration Policy provides that the level and structure of the compensations will be determined with due regard for the pay differentials within Kardan N.V.

The remuneration of the members of the Management Board consists of the following three elements:

- (i) A fixed remuneration.
- (ii-a) A short-term variable remuneration.
- (ii-b) A long-term variable remuneration.

In the above, the variable components will take both the collective and individual targets into account. The Remuneration, Appointment and Selection Committee measures whether, and to what extent, set targets have been met by means of applying measuring methods, depending on the nature of the target. Measuring methods may include: reports by external parties, discussions with evaluators or other Management Board members, written notes and (progress) reports, and measurable perceptions of the market. In 2010, the shareholders were requested to approve various amendments to the Remuneration Policy related to the introduction of the Share Plan 2010. The amendments were approved in the General Meeting on Shareholders of May 26, 2010.

(i) Fixed remuneration

The fixed remuneration is benchmarked against a peer group of companies that are from time to time identified as relevant to Kardan N.V., based on their Dutch domicile, international character, size and public listing (in the Netherlands and/or abroad).

Annually, when drawing up a proposal for the fixed part of the remuneration, the Remuneration, Appointment and Selection Committee takes into account the complexity, scale and risks of Kardan N.V.'s activities, as well as personal factors of each individual member of the Management Board, such as education and level of experience.

In recommending the remuneration of individual Management Board members to the General Meeting of Shareholders, the Supervisory Board, upon recommendation by the Remuneration, Appointment and Selection Committee, analyzes the possible outcomes of the variable remuneration components

and how they may affect the remuneration of the Management Board members.

(ii) Variable remuneration

The level and structure of the variable remuneration shall be determined taking into account, among other things, the results, the share price performance, and non-financial indicators that are relevant to Kardan N.V.'s long-term value creation. The variable remuneration can be earned based on the achievement of specific and challenging individual and collective targets. The targets shall be annually determined by the Supervisory Board, following the recommendation of the Remuneration, Appointment and Selection Committee.

The short- and long-term variable remuneration, taking into account certain exceptions as provided for in the Remuneration Policy, may each amount to a maximum of 50% of the annual fixed salary, so that the maximum variable yearly remuneration amounts to a Management Board member's annual fixed salary.

The long-term targets have been formulated for a period of three years and were adopted by the Supervisory Board during 2010, but apply retroactively as of 2009. The targets relate to an increase in the value of the Kardan Group, realization of profit, share price outperforming the market, and further focus on debt and equity markets outside Israel. The short-term collective targets also relate to value and profit creation, share price increase and specific targets aimed at increasing transparency. Because of the sensitive nature of the specific collective targets, the Supervisory Board has adopted the policy not to disclose specific details of these targets. The same holds for the publication of individual targets.

(a) Short-term variable remuneration: cash

Each year, a variable cash incentive can be earned, based on the achievement of certain targets. The maximum variable cash incentive is set at 50% of the fixed remuneration. However, in case of extraordinary achievements, the Supervisory Board, upon

recommendation by the Remuneration, Appointment and Selection Committee, may advise to grant a higher variable cash incentive provided that the variable cash incentive shall not amount to more than 75% of the fixed remuneration. Whether a variable cash incentive will be awarded, and to what extent, shall depend 70% on whether collective targets are achieved, and 30% on whether individual targets are achieved. The Supervisory Board may, upon recommendation by the Remuneration, Appointment and Selection Committee, irrespective of whether the predetermined targets have been met and at its own discretion, decide to recommend a variable cash incentive equal to one third of the maximum variable cash incentive.

(b) Long-term variable remuneration: shares

Once every three years, a variable incentive in the form of shares in Kardan N.V. can be earned. Whether shares shall be awarded and, to what extent, shall depend 70% on whether collective targets have been achieved, and 30% on whether individual targets have been met. The maximum amount of the value of the shares is set at 50% of the fixed annual remuneration. With the approval of the Supervisory Board, a Management Board member can choose to receive part of this remuneration component in cash, provided that the cash component is not higher than 50%.

For the purpose of the long-term variable remuneration, the Share Plan 2010 was developed, which in due course will replace the Stock Option Plan 2006.

The Share Plan 2010 consists of the Plan Rules and a Notice of Grant, which will be administered by the Management Board; however, in matters regarding grants to Management Board members and dispute settlement with respect to Management Board members, the Supervisory Board shall be the corporate body in charge. Any grants to Management Board members shall be subject to prior and final approval by the General Meeting of Shareholders.

The mechanism of the Share Plan 2010 is as follows (for an explanation of the definitions used, reference is made to the Share Plan 2010):

- (1) Selected Participants receive a Notice of Grant which is to be accepted within 60 days by the Participant. To tailor the Notices of Grant to both the Dutch and Israeli employees' tax situations, there is a version of the Notice of Grant for Israeli residents, and another one to be used for non-Israeli residents.
- (2) The Notice of Grant will specify the Date of Grant.
- (3) After attainment of targets over a Performance Measurement Period of three years for Management Board members as from the Date of Grant, new Shares in Kardan N.V.'s capital will be issued against payment of the nominal value, with payment to be made through a loan granted by the Company.
- (4) These are referred to in the Share Plan as Unreleased Shares. The Unreleased Shares will be held in custody by the Company, for risk and account of the Participant.
- (5) The Participant is entitled to receive dividend only after Unreleased Shares are released (before that time, the dividend will be held in trust, blocked by the Company for risk and account of the Participant).
- (6) Until the Unreleased Shares are released, the Participant is not entitled to exercise voting rights.
- (7) Shares will only be released for trade at the Stock Exchange at the later of (i) the expiration of the Performance Measurement Period, or (ii) at the moment the Participant has accumulated (at least) five consecutive years of service with the Company since January 1, 2009, and after approval by the Company's General Meeting of Shareholders.
- (8) This means that for initial grants, the shares will be released after lapse of an additional two years from the start of the Performance Measurement Period.
- (9) Subsequent grants will be released as per the expiration of the Performance Measurement Period and after determination of the grants by

the Company's General Meeting of Shareholders (provided that the Participant has accumulated (at least) five consecutive years of service with the Company since January 1, 2009).

- (10) Expiration of the employment will cause (a) the forfeiture of grants under which no shares have (yet) been issued and (b) forfeiture of shares if those had not yet been released, including accrued dividends (unless the participant qualifies as a 'Good Leaver' under the Share Plan or unless, in the case of members of the Management Board, the Supervisory Board decides otherwise).

The percentage of shares that is to be reserved for the Share Plan 2010 shall for the period ending December 31, 2011 (recognizing that the actual issuance may take place at a later date), not exceed 2% of the aggregate issued share capital outstanding as of the Effective Date, being $2\% * 110,976,911 = 2,219,538$ shares. A maximum of two-thirds of the aforementioned amount of shares is reserved for the Management Board. Therefore, each of the current four members of the Management Board shall be entitled to receive a maximum of 295,938 shares for the period ending December 31, 2011 (Rule 4.6 of the Share Plan). In respect of Mr. Shlank, who stepped down as a member of the Management Board of Kardan N.V. as per January 1, 2011, the Supervisory Board has decided that he will be entitled to two-thirds of the aforementioned maximum amount of shares, provided all conditions for the grant have been met.

With regard to members of the Management Board, the definition of targets to be achieved as well as the parameters of the maximum incentive to be received, takes place in accordance with the general principles of the Remuneration Policy as well as the principles as applied by the Remuneration, Appointment and Selection Committee and the Supervisory Board. The first Performance Measurement Period started January 1, 2009, meaning that after December 2011 the members of the Management Board may be awarded Unreleased Shares under the Share Plan 2010.

The Management Board and Supervisory Board of Kardan N.V. take the view that the Share Plan 2010 is in accordance with the Code, provided that one deviation applies in respect of the retention of shares. With respect to the first possible grant of shares (three years after the adoption of the targets), a retention period of two years will apply, so that this in essence complies with best practice provision II.2.5 of the Code. However, for further grants of shares under the Share Plan 2010, which will only be granted once every three years, provided the long-term targets have been met, no further retention period will apply if at the time of grant the member of the Management Board has been in office for a consecutive period of at least five years. Standard good leaver/bad leaver provisions will apply though. The Supervisory Board takes the view that with this measure the long-term character of the share remuneration and retention of management are sufficiently met.

Set out in a table, the maximum remuneration to be earned by each member of the Management Board annually is composed as follows:

Elements of remuneration	Remuneration	Explanation and reference
Fixed		
Fixed remuneration	1 X	Benchmarked against a peer group of companies, as well as set pursuant to Kardan N.V. targets and individual factors of the relevant member of the Management Board (see paragraph above entitled 'Fixed')
Variable		
Short-term variable remuneration	0.5 X	Taking into account indicators that are relevant to Kardan N.V. Only in case of extraordinary achievements, the Remuneration, Appointment and Selection Committee may decide to increase this to 0.75 of the fixed remuneration (see paragraph above entitled 'Variable'/short-term variable)
Long-term variable remuneration	0.5 X	Taking into account indicators that are relevant to Kardan N.V. (see paragraph above entitled 'Variable'/long-term variable)
Total maximum remuneration to be earned	2 X	(whereby X is the fixed annual salary in EUR)

Reference is made to the notes to the financial statements on page 274 of this Annual Report, where the exact amounts of fixed remuneration for the year 2010 per individual member of the Management Board are provided. Reference is also made to the table above, where both the fixed and the variable remuneration for the year 2010 have been set out. The proposed fixed remuneration for the year 2011 and the bonuses for 2010 will be submitted for shareholders' approval to the General Meeting of Shareholders to be held on May 31, 2011.

The Remuneration Policy and the remuneration for the year 2010 have been established after careful consideration and taking into account various relevant aspects and developments in the market. The Remuneration, Appointment and Selection Committee will see to continuance of this record for the future by performing checks and balances on a regular basis.

Loans

The Remuneration Policy of Kardan N.V. includes that no personal loans, guarantees, or the like will be granted to members of the Management Board, unless in the normal course of business and on terms applicable to the personnel as a whole, and after approval by the Supervisory Board. No waiver of loans may currently be granted. As of the date hereof, no member of the Management Board has been granted a loan, guarantee, or the like, and no member of the Management Board has been granted shares in the capital of Kardan N.V. by way of remuneration: in view of the Share Plan 2010, the foregoing is likely to change in the coming years.

Other

Pension premiums will be for the account of the Management Board members and will be deemed to be included in the fixed remuneration. There are no specific arrangements in place with any of the members of the Management Board with respect to dismissal compensations.

Final authority to adjust remuneration with the Supervisory Board

On the basis of the Remuneration Policy, the Supervisory Board has the right to deviate (upwards or downwards) from the Remuneration Policy in extraordinary circumstances, e.g. in case such variable remuneration component conditionally awarded in a previous financial year would, in the opinion of the Supervisory Board, produce an unfair result in view of extraordinary circumstances during the period in which the predetermined personal targets have been or should have been achieved. In addition, the Supervisory Board may recover from the Management Board members any variable remuneration awarded on the basis of incorrect financial or other data.

Employment contracts and additional arrangements

For further details on individual remuneration per member of the Management Board, options, and other interests of the members of the Management Board, reference is also made to the notes to the financial statements on pages 274 and 275 of this Annual Report.

In addition to the remuneration allocated to the members of the Management Board, a number of additional arrangements may apply per individual member. These include liability insurance and, in an individual case, a company car. These arrangements are at arm's length and in line with standard Dutch practice.

Website

This Remuneration Report shall be posted on www.kardan.nl.

Remuneration Supervisory Board

In accordance with the policy adopted in this respect in 2007, the Supervisory Board will evaluate its remuneration once every two years, and if based on such evaluation and on comparisons made with other companies, the Supervisory Board should take the view that its remuneration needs to be amended, a proposal for such amendment will be put forward to

the General Meeting of Shareholders. Such an evaluation of the Supervisory Board members' remuneration took place in 2010 and it was proposed to the shareholders during the General Meeting of Shareholders held on May 26, 2010 to increase the Supervisory Board members' remuneration. The shareholders approved the proposal. An overview of the remuneration per member of the Supervisory Board can be found on page 273 of this Annual Report. On the basis of the policy in place, no proposal for amendment of the remuneration of the members of the Supervisory Board will be made in 2011.

Amsterdam, April 14, 2011

H. Benjamins
Chairman of the Remuneration, Appointment and
Selection Committee



KARDAN N.V.

ANNEX III

Draft Deed of Amendment Articles of Association

AMENDMENT OF THE ARTICLES OF ASSOCIATION

Draft dated 24 March 2011

Informal English translation

On the [•]

two thousand and eleven, appearing before me,
Martine Bijkerk, a civil-law notary in Amsterdam, is:

[•].

RECITALS

The person who appears before me, hereby declares:

A. Latest amendment to the articles of association

The latest amendment to the articles of association of **Kardan N.V.**, a company with limited liability (*naamloze vennootschap*), with its corporate seat in Amsterdam and its place of business at (1082 MD) Amsterdam, Claude Debussylaan 30 Viñoly Building 13th floor, registered with the trade register under number 34189974, has been executed on the first day of June two thousand and ten before a substitute for M. Bijkerk, a civil-law notary in Amsterdam.

B. Proposal to amend the articles of association

The supervisory board of said company has, in compliance with the provisions of the articles of association, proposed to amend the articles of association.

C. Resolution to amend the articles of association

The general meeting of shareholders of the aforementioned company has resolved to amend the articles of association.

D. Authorization

Furthermore it was resolved to authorize the person appearing to sign the deed of amendment of the articles of association.

E. Resolution and minutes

Evidence of said proposal of the supervisory board is by means of a copy of the supervisory board resolution to be annexed to this deed.

Evidence of said resolution of the general meeting is by means of the minutes of the general meeting of shareholders of the company to be annexed to this deed.

AMENDMENT OF THE ARTICLES OF ASSOCIATION

In order to carry out said resolutions the person appearing declares to amend the articles of association as follows:

Article 1 paragraph 1 will read as follows:

1.1. In these Articles of Association the following terms shall have the following

meanings:

- **"AGM"** means the General Meeting of Shareholders held for the purpose of dealing with the annual accounts and the annual report.
- **"Board of Management"** means the management board of the Company.
- **"Company"** means the company the internal organisation of which is governed by these Articles of Association.
- **"Control"** means the ability to direct the activities of a company, but not an ability that arises only from fulfilling the position of a member of the board of management or of the supervisory board of that company or any other position in that company, and a Person is presumed to control a company if he whether or not pursuant to an agreement with other Persons who are entitled to vote, is able to (i) exercise more than half of the voting rights in the general meeting of shareholders of that company, or (ii) appoint or remove more than half of the number of members of the board of management or of the supervisory board of that company, in either case even if all the Persons who are entitled to vote cast their votes.
- **"Deposit Shares"** (*'girale aandelen'*) means Shares which are included in the deposit system of the Securities Giro Act.
- **"Distributable Equity"** means that part of the Company's equity which exceeds the aggregate of the part of the capital which has been paid-up and called and the reserves which must be maintained by virtue of the law or these Articles of Association.
- **"Euronext General Rules"** means Book II of the General Rules for the Euronext Amsterdam Stock Market, including any changes thereto from time to time.
- **"Euronext Official Price List"** means the Official Price List (*'Officiële Prijscourant'*) of Euronext Amsterdam N.V. or any publication replacing such Official Price List.
- **"Extraordinary Transaction"** means a Transaction which is (i) not in the ordinary course of business of the Company, or (ii) not undertaken in market conditions, or (iii) likely to materially influence the profitability of the Company, its property or liabilities.
- **"Framework Agreement"** means an agreement that permits to enter into, in the ordinary course of business, Transactions of the type set out in that agreement, which sets out in advance the period of time and other conditions of such Transactions and which has been approved in the way as mentioned in paragraph 1 of Article 7 of these Articles of Association in conjunction with paragraph 3 and 4 of that Article.

- **"General Meeting"** or **"General Meeting of Shareholders"** means the body of the Company consisting of the Shareholders or (as the case may be) a meeting of Shareholders (or their representatives) and other persons entitled to attend such meetings.
- **"Group Company"** means a legal entity or company with which the Company is connected in a group within the meaning of Section 2:24b of the Dutch Civil Code.
- **"Holder of Control"** means a holder of Control in the Company, including a Person who holds twenty-five percent (25%) or more of the voting rights in the General Meeting of Shareholders if there is no other Person who holds more than fifty percent (50%) of the voting rights in the General Meeting of Shareholders. For the purpose of this definition, two or more Persons holding voting rights in the General Meeting of Shareholders, each of which has according to the information of the Board of Management a Personal Interest in the approval of the Transaction being brought for approval of the Company, shall be considered to be joint holders, meaning their respective voting rights shall be attributed to each other as if they are one shareholder.
- For the purpose of this definition, the holding of voting rights in the General Meeting of Shareholders is construed to include also (i) the indirect holding of voting rights through a trustee, trust companies, a registration company or in any other manner, (ii) when dealing with holding of voting rights by a company, the holding of voting rights by the Subsidiaries of that company or a company affiliated to that company, and (iii) when dealing with holding of voting rights by an individual, the holding of voting rights by the members of the family of that individual, who live with that individual or who support or are supported by that individual.
- **"Independent Supervisory Director"** means a Supervisory Director who is not (i) a former member of the Board of Management or an employee of the Company or any of its Subsidiaries, or (ii) a Shareholder who holds alone or jointly with others with whom that Shareholder is legally connected, five percent (5%) or more of the voting rights in the General Meeting of Shareholders, or a representative or employee of such Shareholder, or (iii) an individual, if any other position or business of his give rise to or are likely to give rise to a conflict of interests with his role as Supervisory Director, or if these would harm his ability to serve as a Supervisory Director. For the purpose of this definition, the holding of voting rights in the General Meeting of Shareholders is construed to include also (i) the indirect holding of voting rights through a trustee,

trust companies, a registration company or in any other manner, (ii) when dealing with holding of voting rights by a company, the holding of voting rights by the Subsidiaries of that company or a company affiliated to that company, and (iii) when dealing with holding of voting rights by an individual, the holding of voting rights by the members of the family of that individual, who live with that individual or who support or are supported by that individual.

- **"Necigef"** means Nederlands Centraal Instituut voor Giraal Effectenverkeer B.V., being the 'central institution' (*'centraal instituut'*) as referred to in the Securities Giro Act.
- **"Necigef Beneficiary"** means a person, wherever living, directly or indirectly holding book-entry rights with respect to Deposit Shares through a deposit account with a Necigef Participant.
- **"Necigef Participant"** means an institution which is an 'associated institution' (*'aangesloten instelling'*) within the meaning of the Securities Giro Act.
- **"Person"** means any individual, partnership, corporation, unincorporated organisation or association, limited liability company, trust or other natural person or legal entity, unless the contrary is apparent from the context. All references to a "Person" shall include such Person's successors and assigns, unless the contrary is apparent from the context.
- **"Personal Interest"** means a personal interest of any Person in any act or Transaction of the Company, including a personal interest of a Relative of such Person or of a legal entity in which such Person or his Relative has an interest, but excluding a personal interest stemming only from the fact of a shareholding in the Company.
- **"Private Offer"** means an offer to issue securities of the Company that is not a public offering.
- **"Record Date"** means the date set out in Article 42 paragraph 6;
- **"Relative"** means a spouse, brother, sister, parent, grandparent, descendant, spouse's descendant or the spouse of any of these.
- **"Securities Giro Act"** means the Dutch Securities Giro Act (*'Wet giraal effectenverkeer'*).
- **"Shareholder"** means a holder of one or more Shares; for the purpose of these Articles of Association, Necigef Beneficiaries shall be considered Shareholders, unless the context of these Articles of Association or the law requires otherwise.
- **"Share"** means an ordinary share in the capital of the Company; for the purpose of these Articles of Association, the book-entry rights of Necigef

Beneficiaries in respect of Deposit Shares shall be considered Shares, unless the context of these Articles of Association or the law requires otherwise.

- **"Special GM Majority"** means an absolute majority of the votes cast where either (i) such majority includes the affirmative votes of at least one third of all the votes of those Shareholders who are present at the meeting and who, according to the information of the Board of Management, do not have a Personal Interest, considering that in a count of all the votes of such Shareholders abstentions shall not be taken into account, or (ii) the opposition votes of those Shareholders who are present at the meeting and who, according to the information of the Board of Management, do not have a Personal Interest, shall not constitute more than one percent (1%) of the total number of votes that can be cast in a General Meeting of Shareholders.
- **"Special SB Majority"** means an absolute majority of the votes cast including the affirmative vote of at least one Independent Supervisory Director.
- **"Subsidiary"** means (i) a legal entity in which a company or one or more of its Subsidiaries, whether or not by virtue of agreement with another who is entitled to vote, is able to exercise alone or together more than half of the voting rights in the general meeting of members or shareholders of that legal entity, or (ii) a legal entity in respect of which a company or one or more of its Subsidiaries is a member or shareholder and, whether or not by virtue of agreement with another who is entitled to vote, alone or together, is able to appoint or remove more than half of the members of the board of management or of the supervisory board, even if all who are entitled to vote cast their votes, or (iii) another Subsidiary of a company as defined in Section 2:24a of the Dutch Civil Code.
- **"Supervisory Board"** means the supervisory board of the Company.
- **"Supervisory Director"** means a member of the Supervisory Board.
- **"Terms of Office and Employment"** means terms of office and employment including the granting of a release, insurance, undertaking to indemnify, or indemnification.
- **"Transaction"** means a contract or agreement as well as a unilateral resolution on the part of the Company with respect to the granting of a right or other benefit.

Article 20 paragraph 2 will read as follows:

- 20.2. The General Meeting shall, on the proposal of the Supervisory Board and with due observance of the policy referred to in paragraph 1, determine and adjust

the remuneration and further conditions of employment for each member of the Board of Management.

Article 38 paragraph 2 will read as follows:

- 38.2. Ultimately on the forty-second day prior to the date of a General Meeting of Shareholders, the Company shall make the following information available on its website:
- a. notice of the meeting, subject to paragraph 3 and 4 of this Article;
 - b. if applicable, the documents set out in paragraph 7 of this Article;
 - c. the draft resolutions which shall be submitted to the General Meeting of Shareholders or, if no such draft resolutions shall be submitted, an explanation of the Board of Management with respect to each individual item on the agenda;
 - d. if applicable, draft resolutions submitted at the request of one or more Shareholders in accordance with paragraph 3 of this Article;
 - e. if applicable, a form of power of attorney as referred to in Article 42 paragraph 2, and a form of written exercise of voting rights by letter;
 - f. the total number of shares on issue and voting rights on the date of the convening notice and, if these numbers have changed on the Record Date, the new numbers on the Record Date; and
 - g. any other information, which the Company will consider as material and necessary and/or which is required according to any law applicable, which information shall remain available on the Company's website for at least one year.

Article 38 paragraph 3 will read as follows:

- 38.3. Notice of the meeting shall state the subjects to be dealt with, without prejudice to the provisions of paragraph 3 of Article 45 of these Articles of Association and of Section 2:99, subsection 7, of the Dutch Civil Code. Shareholders (or holders of depositary receipts for Shares) together representing at least one percent (1%) of the issued share capital or representing Shares with a value of not less than fifty million euros (€ 50,000,000.-) calculated on the basis of the Euronext Official Price List, shall be entitled to make a written request to the Board of Management or to the Supervisory Board to add a subject on the notice of the meeting. Such a request shall include the reasons for the request and shall be submitted to the Board of Management or to the Supervisory Board at least sixty days before the day of the General Meeting of Shareholders.

Article 38 paragraph 4 will read as follows:

- 38.4. The notice of the meeting shall also state:
- a. the place, date and time of the General Meeting of Shareholders;
 - b. the Record Date;

- c. Company's website; and
- d. the requirement for admission to the meeting as described in Article 42 of these Articles of Association.

Article 38 paragraph 7 will read as follows:

38.7. Unless the notice of the meeting includes the contents of all documents which, according to the law or these Articles of Association, are to be available to Shareholders for inspection in connection with the meeting to be held, these documents are to be made available free of charge to Shareholders ultimately on the date referred to in paragraph 2 of this Article, and shall at the same time be deposited for inspection at the Company's office and, for as long as Shares are listed on the Tel Aviv Stock Exchange, at the offices of the Company or its Subsidiary in Israel, and in Amsterdam at the office of a paying agent ('*betaalkantoor*') as referred to in the Euronext General Rules, such paying agent to be designated in the notice of the meeting.

The title of article 41 will read as follows:

Article 41. Minutes; voting results.

A new paragraph will be added to article 41, so that the third paragraph will read as follows:

- 41.3. Within fifteen days of a General Meeting of Shareholders, the Company shall with respect to every voted item at the relevant General Meeting of Shareholders make the following information available on its website:
- a. the number of Shares which have been validly voted;
 - b. the percentage the number in the preceding subparagraph represents of the entire issued capital of the Company;
 - c. the total number of validly exercised votes; and
 - d. the number of (i) votes in favour, (ii) votes against, and (iii) abstentions.

Article 42 paragraph 5 will read as follows:

42.5. Pursuant to the filing of a written statement issued for that purpose by a Necigef Participant, a Necigef Beneficiary shall be considered a Shareholder in respect of entitlement to attend the General Meeting of Shareholders and exercise voting rights. Such statement should indicate that the one mentioned therein is, on the Record Date, entitled through the Necigef Participant concerned to the number of Deposit Shares stated.

The statement must be filed on time, at such place as stated in the notice of the meeting. The final date for filing the statement shall be specified in the notice of the meeting; this date shall not be earlier than the seventh day prior to the date of the meeting. The receipt issued in respect of this filing shall serve as an entry permit for the meeting.

The foregoing provisions of this paragraph 5 of this Article 42 of these Articles

of Association shall apply by analogy to pledgees and usufructuaries of book-entry rights of Necigef Beneficiaries in respect of Deposit Shares if, pursuant to their right of pledge or usufruct, they hold voting rights.

Article 42 paragraph 6 will read as follows:

42.6. The voting rights and the right to attend the meeting shall accrue to those holding such entitlements, and registered as such in a register designated for that purpose by the Board of Management, on the twenty-eighth day before the day of the General Meeting of Shareholders (the "**Record Date**"), irrespective of to whom these rights accrue at the time of the General Meeting of Shareholders.

The Record Date shall be specified in the notice of the meeting together with the manner in which persons with voting rights and the right to attend the meeting can register and exercise their rights.

Article 43 paragraph 6 will read as follows:

43.6. All votes may be cast orally. The chairman is, however, entitled to decide a vote by a secret ballot. If it concerns an election of persons, also a person present at the meeting and entitled to vote can demand a vote by a secret ballot. Voting by secret ballot shall take place by means of secret, unsigned ballot papers.

Votes that have been exercised prior to the General Meeting of Shareholders by electronic means of communication or in writing, will be accepted as if these had been exercised at the relevant General Meeting of Shareholders. Such votes shall not be cast earlier than on the Record Date.

Article 44 will read as follows:

Article 44.

44.1. All notices of General Meetings of Shareholders and all announcements concerning dividends and other payments and all other communications to Shareholders shall be effected by means of:

- a. a notice on the Company's website, provided that with respect to notices of General Meetings of Shareholders, the notice shall be available directly and permanently until the day of the relevant General Meeting of Shareholders; and
- b. a notice in two daily Israeli papers of broad distribution in the Hebrew language and via the Electronic Discloser System ("MAGNA"), without prejudice to the provisions of Section 2:96a, subsection 4, of the Dutch Civil Code and provided that each person entitled thereto is given the opportunity to obtain the notice, if so desired, in writing.

44.2. Simultaneously with the issuance of the notice referred to in paragraph 1 of this Article 44, the Company shall provide Euronext Amsterdam N.V., if so required, with the information included in the notice, announcement or other

communication as well as with the documents which by law, the Articles of Association or agreement must be available to or for inspection by Shareholders or other persons entitled to such information.

44.3. Where used in paragraph 1 of this Article 44, the term "Shareholders" shall include the usufructuaries and pledgees to which the voting rights on Shares accrue.

CONCLUDING STATEMENTS

Finally the person appearing declares that, according to a ministerial order annexed to this deed, the ministerial declaration of no objection has been granted on the [●] day of [●] two thousand eleven under number N.V. 1.239.114.

CONCLUSION

The person appearing in connection with this deed is known to me, a civil-law notary, and the identity of the person appearing has been established by me, a civil-law notary, on the basis of the above-mentioned document which is designated for such purpose.

THIS DEED

is executed in Amsterdam on the date stated at the head of the deed.

The substance of this deed and an explanation of the deed have been communicated to the person appearing, who has expressly taken cognisance of its contents and has agreed to its limited reading.

After a limited reading in accordance with the law, this deed was signed by the person appearing and by me, a civil-law notary.