

**Notes to the agenda for the extraordinary general meeting of shareholders
("EGM") of Kardan N.V. ("Kardan") on September 15, 2011**

Agenda item 2

Distribution in kind of the issued shares in the capital of Kardan Yazamut (2011) Ltd. (a newly incorporated 100% subsidiary of Kardan), which will hold prior to distribution a direct stake of approximately 74% in Kardan Israel Limited and an indirect stake of 97% in Milgam Municipal Services Ltd. (decision)

The management board of Kardan, with the approval of the supervisory board of Kardan, proposes to the general meeting of shareholders to resolve to effectuate the Distribution (as defined and explained below).

The resolution proposed requires an absolute majority of the votes cast by the general meeting of shareholders.

Rationale

On June 22, 2011, Kardan announced the intended spin-off to its shareholders of Kardan's stake of approximately 74% in Kardan Israel Limited ("**KIL**") and its indirect stake of 97% in Milgam Municipal Services Ltd. ("**Milgam**" and "**Spin-Off**", respectively). For more information please be referred to the June 22, 2011 press release which can be obtained from www.kardan.nl.

The purpose of the proposed Spin-Off is to create a clear and focused portfolio of activities in emerging markets, further optimising the efficiency and transparency of Kardan. This will simplify Kardan's organizational structure to specifically grow its real estate activities in Central and Eastern Europe and Asia as well as its Water Infrastructure activities worldwide in emerging markets.

KIL is active primarily in Israel, in Real Estate, Construction Works, Sales of Vehicles (specifically GM vehicles), Rental and Leasing of Vehicles through Avis Israel and Communication & Technology activities. Milgam provides various services (principally collection systems management services and services in connection with water consumerism and maintenance) to the municipalities in Israel. These activities in Israel are no longer considered fitting in the focused, international growth of Kardan in emerging markets.

Upon the Distribution, the interest of Kardan in KIL will be brought back to nil (subject to the possible interim retention of Yazamut shares by Kardan in accordance with Israeli tax laws, see tax paragraph below), substantially disentangling the current Kardan/KIL cross-holding structure. Because KIL is a subsidiary of Kardan, KIL cannot exercise voting rights with respect to its 11% stake in Kardan's shares. The termination of the parent-subsidary relationship between KNV and KIL as a result of the Distribution will cause the voting powers attached to the current stake of KIL of approximately 11% of shares in KNV to be reinstated.

In addition, as part of its strategy, Kardan has declared to further bring back debt levels at the (intermediate) holding companies. The proposed Spin-Off will result in further deleveraging of Kardan whilst it is currently expected to positively impact its

equity due to the unlocking of capital as a result of the anticipated elimination of the Kardan–KIL cross holdings (refer to the paragraph “Impact of the Distribution on Kardan’s equity” below).

The Distribution

The Spin-Off will take place through a distribution to Kardan’s shareholders of all issued shares in the capital of Kardan Yazamut (2011) Ltd. (“**Yazamut**”) out of Kardan’s share premium reserve on a share per share basis (“**Distribution**”), subject to the possible interim retention of Yazamut shares by Kardan in accordance with Israeli tax laws (see tax paragraph below).

Yazamut

Yazamut was incorporated on June 19, 2011 as a direct wholly owned subsidiary of Kardan. Upon Distribution, the issued and outstanding capital of Yazamut is anticipated to consist of a number of shares equal to the number of issued and outstanding shares in the capital of Kardan (excluding treasury shares) at the record date for Distribution.

Each Yazamut share (“**Share**”) confers the right to receive invitations to and to participate and vote in general meetings of shareholders. The holder of a Share will have one vote for every fully paid Share that he holds. All the Shares shall rank pari passu in relation to the amounts of equity paid or credited as paid on account of their par value, in all matters relating to a dividend, the distribution of bonus shares and any other distribution, repurchase and participation in the distribution of Yazamut’s surplus assets upon liquidation.

The corporate governance of Yazamut will be governed by the provisions of Israeli corporate law and its articles of association. Yazamut has a one tier Board of Directors, consisting as of the date hereof of two members: Mr. Y. Grunfeld and Mr. E. Rechter. Additional member(s) may be appointed to the Board of Directors prior to the Distribution. Mr. Grunfeld currently serves as chairman of the board of KIL and serves as director and advisor (by himself or through companies under his control) of various companies within the Kardan group of companies. Mr. Rechter currently serves as a director and chief executive officer of KIL and as chairman of the board of Dan Vehicle and Transportation D.R.T. Ltd. (Avis Israel) and also serves as a director and advisor (by himself or through companies under his control) of various companies within the Kardan group of companies. Yazamut directors shall be appointed by the shareholders or by the Board of Directors itself and may be dismissed by the general meeting of shareholders at any time, by a simple majority of votes.

The Board of Directors may decide that any dividend declared will be, fully or partly, paid in cash, or by way of distribution of assets in kind, including securities or otherwise, at its discretion.

The Board of Directors may, prior to deciding on the distribution of dividend, set aside any amounts out of retained earnings, as it shall see fit, to a general fund or a reserve fund for the distribution of a dividend, the distribution of bonus shares or any other purpose, as shall be determined by the Board of Directors at its discretion. Until use is made of the aforesaid funds, the Board of Directors may invest the amounts

set aside as above and the monies of the funds in any investment, as it shall see fit, to handle such investments, to change them, or to use them for any other purpose, and shall be entitled to divide the reserve fund into special funds and to use each fund or a part thereof for the business of the company, without holding it separately from other assets of the company, all at the discretion of the Board of Directors and under its terms.

The Board of Directors may, at its discretion, set aside into special capital reserves any amount out of the retained earnings of the company or from the revaluation of its assets, or its proportionate share in the revaluation of the assets of its affiliates, and determine the purpose of such reserves. The Board of Directors may also cancel such reserves.

For more information regarding Yazamut, its share capital upon Distribution and its governance, reference is made to chapters 3, 4 and 7 and section 6.17 of the Israeli Prospectus (as defined below) and the unofficial English translation thereof.

Listing Yazamut

Subject to the Distribution (and the receipt of the approval of the Tel Aviv Stock Exchange ("**TASE**") for the listing of Yazamut Shares for trade), the Shares will be listed for trading on the TASE.

Internal Restructuring

Subject to the adoption of the proposed Distribution at the EGM, Kardan will conduct an internal restructuring through the sale and transfer of (i) all of the shares held by Kardan in the capital of KIL, representing a stake of approximately 74% by Kardan to Yazamut and (ii) all shares in the capital of Tahal Assets Israel Limited ("**TAI**" and "**TAI Shares**, respectively) to Yazamut. Prior to the transaction as referred to under (ii) above, the TAI Shares will be sold by Tahal Group Assets B.V. to Kardan and at that time and at the date of the Distribution, TAI's only asset will be 97% of Milgam shares. All the above transactions together are referred to as the "**Internal Restructuring**".

The current market value of the KIL stake held by Kardan and the TAI shares amount to approximately EUR 80 million. In consideration for the KIL stake and the TAI Shares, Yazamut will pay Kardan approximately EUR 55-60 million; this payment will be financed through debt as further detailed below; the remainder (currently amounting to approximately EUR 20-25 million) will be contributed as equity by Kardan.

Following the completion of the Internal Restructuring, the Yazamut net asset value based on the current KIL stake market value and the implied value of Milgam in a recent transaction less net debt at the holding level of Yazamut and TAI ("**Yazamut NAV**") is approximately EUR 20-25 million. This approximation may still vary mainly due to changes in the market cap of KIL and exchange rate differences. At the time of the Distribution, debt at the Yazamut and TAI levels is expected to be comprised of bank financing of approximately EUR 45 million (NIS 225 million) at the Yazamut level and bank loans of approximately EUR 20 million (NIS 100 million) and a Kardan loan of approximately EUR 10 million (NIS 50 million) at the TAI level. Pro-forma

financial statements of Yazamut will be included in the Israeli Prospectus (refer to the paragraph "Israeli Prospectus" below).

Impact of the Distribution on Kardan's equity

Kardan estimates that the Distribution will result in an increase of its equity of approximately EUR 20 million. The equity will be impacted as a result of, amongst others, the Distribution and the fact that the Kardan shares that are currently held by KIL will no longer be considered as treasury shares as a result of the de-consolidation of KIL. This estimate is based on Kardan's and KIL's equity position as of March 31, 2011, the share price of Kardan and KIL as of March 31, 2011 and the NIS/EUR exchange rate as of March 31, 2011, taking into consideration the expected debt of Yazamut. The actual impact on equity may differ substantially due to possible different equity positions, share prices and exchange rates closer to the date of Distribution.

Deleveraging

As a result of the Internal Restructuring and the Spin-Off, the net debt of Kardan and its (intermediate) holding companies GTC Real Estate Holding B.V. and Kardan Financial Services B.V. is expected to be further reduced by approximately EUR 45 million. This is in line with its declared strategy to further deleverage at the (intermediate) holding companies level.

Distribution process

Holder of shares in Kardan (at the record date for Distribution) that are held through an account administered through the clearing house of the TASE ("**Israeli Securities Account**") will receive their entitlement to Yazamut shares in their Israeli Securities Account.

As currently foreseen, holders of shares in Kardan (at the record date for Distribution) that are held through an institution admitted to Euroclear Netherlands which are not held through an Israeli Securities Account ("**Euronext Shares**") will receive their entitlement to the Shares through their admitted institution that will be acting as (sub)custodians of the distributed Yazamut shares, except for admitted institutions allowing certain wholesale clients to receive their entitlement directly through an Israeli Securities Account of such wholesale clients. The admitted institutions that will be acting as (sub)custodians of the distributed Shares will subsequently enable the holders of Euronext Shares, through the sub-custodian account, to either hold or sell at their instruction the Shares distributed to them. The acquisition of additional Shares may not be done through the sub-custodian account.

Kardan has consulted with the relevant admitted institutions currently holding positions in Euronext Shares to ensure an efficient Distribution process for the holders of Euronext Shares and all such admitted institutions have confirmed their ability to facilitate the Distribution (by acting as (sub)custodian of the distributed Shares or by allowing certain wholesale clients to receive their entitlement through an Israeli Securities Account themselves). Holders of Euronext Shares should contact their admitted institution or other financial intermediary (e.g. their broker) to obtain information about the manner their entitlement to Shares will be held for their account. Holders of Euronext Shares who have questions on the Distribution process

can also contact Kardan's Investor Relations Department, telephone number +31 20 305 00 10.

Holders of shares that are not held through an institution admitted to Euroclear Netherlands and that are directly registered in Kardan's shareholders' register should contact Mrs. Ayelet Weller, Kardan's Secretary in Israel at the address in Israel as set forth in the notice with agenda for the EGM to obtain information about the manner to receive their entitlement to Shares.

Israeli Prospectus

In connection with the Spin-Off, a prospectus will be prepared in accordance with Israeli law ("**Israeli Prospectus**"), to be approved by the Israel Securities Authority. The Dutch Authority for the Financial Markets ("**AFM**") has confirmed that Kardan is not required to publish an AFM approved prospectus in the Netherlands. Nevertheless, an unofficial English translation of the Israeli Prospectus will be made available by Kardan through its website once the Israeli Prospectus has been published in Israel (expected by the end of August 2011 ultimately).

For further information on the distribution of the Shares, risk factors and Yazamut's business activities, reference is made to chapters 3 and 6 of the Israeli Prospectus and the unofficial English translation thereof.

General risk factors

As required under the relevant Israeli securities laws the Israeli Prospectus will include references to relevant risk factors concerning Yazamut's business. The following is a general description of potential risks relating to the Shares.

As Yazamut is a newly listed company there has been no public market for the Shares prior to the listing for trading on TASE. Kardan cannot predict the extent to which an active market for the Shares will develop or be sustained after the admission to listing for trading of the Shares on TASE, or how the development of such a market might affect the market price for the Shares. The market price of the Shares could be subject to significant fluctuation. An illiquid market for the Shares may result in lower trading prices and increased volatility, which could adversely affect the value of the Shares, may cause the Shares to trade at a discount and may make it difficult for investors to sell their Shares at or above the initial listing price.

The trading price of the Shares may be volatile and could be materially adversely affected by a number of factors, including factors affecting stock markets in general, holding companies in particular or specifically Yazamut or its investee companies.

The Distribution will be provided to Kardan shareholders on a pro rata basis. Consequentially, as Kardan has a group of controlling shareholders, Yazamut will have the same group of controlling shareholders at the moment of Distribution. Such controlling shareholders are subject to the lock-up undertakings as described below in the paragraph "Lock-up Controlling Shareholders".

Interim accounts

The Distribution will be made subject to the availability of sufficient freely distributable share premium to make the Distribution, based on Kardan's financial results as of

June 30, 2011. The management board and the supervisory board believe that sufficient share premium will in all likelihood be available, based on (i) Kardan's Condensed Interim Consolidated Financial Statements as of March 31, 2011 and (ii) the approximated current Yazamut NAV (EUR 20-25 million).

Kardan expects to publish on August 31, 2011 its financial results as of June 30, 2011. The results will also be publicly filed as interim accounts as of June 30, 2011 at the trade register of the Dutch Chamber of Commerce within eight days after the EGM.

Tax

Please note that the information below is only a general summary of the most relevant Dutch and Israeli tax laws and each Kardan shareholder should seek advice on his personal tax position. Please be referred to chapter 2 of the Israeli Prospectus for further information on taxation.

The Distribution is subject to Dutch dividend withholding tax at a rate of 15%, which applies to all Kardan shareholders. Kardan will remit an amount equal to 17.6% of the value of the distributed Shares (15% grossed-up) in euro to the Dutch tax authorities.

The Distribution is also subject to Israeli dividend withholding tax and therefore additional tax may be withheld with respect to shareholders that are subject to tax in Israel of up to approximately 10% of the value of the distributed Shares (reference is made to the paragraph "Lock-up Yazamut shares retained by Kardan" below), subject to certain conditions, which will be further detailed in the Israeli Prospectus. Kardan is discussing the mechanism of such withholding and the mechanism to calculate the value of the Shares with the Israeli tax authorities.

Kardan may need to withhold the tax at source in Israel, compared to a remittance in cash (grossed-up) in the Netherlands, as in Israel different tax rates and/or exemptions apply whereas under Dutch law the 15% withholding tax applies equally to all shareholders.

Lock-up Shares retained by Kardan

In light of the withholding tax at source of the Shares under Israeli tax laws, as detailed above, it is possible that Kardan will temporarily continue to hold up to a maximum of approximately 10% of the Shares. In such event, Kardan will be subject to limitations on the sale of such Shares for a period of 18 months (subject to certain exceptions) in accordance with the articles and directives of the TASE. Additional information on such limitations will be provided in the Israeli Prospectus.

Lock-up Controlling Shareholders

Talromit Financial Holdings (1995) Ltd., Ritalon Ltd., Shamait Ltd. and Mr. Josef Grunfeld, the current controlling shareholders of Kardan who will consequentially be the controlling shareholders of Yazamut immediately following the Distribution (the "**Controlling Shareholders**"), have undertaken towards Yazamut that, subject to the Distribution taking place, they will not sell their Shares, in whole or in part, to an unrelated third party during a period of 12 months from the date of the Distribution.

Further details on such undertaking and any exception thereto (if applicable) will be provided in the Israeli Prospectus.

Indicative timetable

The proposed Spin-Off remains subject to, inter alia, the approval of the Israeli Prospectus by the ISA and approval of the listing of the Shares on the TASE. The Spin-Off involves a complicated process which is subject to different regulatory requirements in Israel and in the Netherlands. Therefore, there is no certainty that the process will be executed or that it will be executed according to the indicative timetable set forth below.

<i>Expected date</i>	<i>Event</i>
End of August 2011 ultimately	Publication of Israeli Prospectus and the unofficial English translation thereof
August 18, 2011	Record date for EGM
August 31, 2011	Publication of financial results Kardan as of June 30, 2011
September 15, 2011	EGM
September 15, 2011	Press release on voting results EGM
September 19, 2011	Trading Kardan shares ex-Distribution on Euronext Amsterdam
September 21, 2011	Record date for Distribution
September 22, 2011	Trading Kardan shares ex-Distribution on the TASE
Prior to September 24, 2011	Public filing interim accounts
October 5, 2011	Distribution and listing Yazamut shares at the TASE

Amsterdam, August 4, 2011

The management board and the supervisory board