



## **Notes to the agenda for the annual general meeting of shareholders (“General Meeting”) of Kardan N.V. (“Company”) on 30 May 2013**

### **Agenda item 3**

#### ***Adoption of the 2012 annual accounts (decision)***

It is proposed to adopt the annual accounts for the financial year 2012. The IFRS financial statements for the year 2012 were approved by the Board and published on 24 March 2012.

### **Agenda item 4**

#### ***Dividend Policy***

The dividend policy will take into consideration the level of net profit, liquidity and the capital position, future financing requirements, and financial covenants of the Company, all within the limitations of the law. If circumstances allow, the dividend policy recommends an annual distribution of between 20% and 30% of net profit. Given the Company’s loss in 2012, the Board shall not propose a distribution of dividend<sup>1</sup>.

### **Agenda item 5**

#### ***Corporate Governance***

The Company’s corporate governance structure has changed substantially in 2012, as a one-tier governance structure was adopted by the General Meeting on 31 May 2012. The General Meeting is, in accordance with the Dutch Corporate Governance Code (“**Code**”), invited to discuss the Company’s approach towards the implementation of the Code as specified in the chapter on governance in the 2012 annual report.

### **Agenda items 6**

#### ***Assessment of external auditor***

In accordance with the Code, the functioning of the Company’s external auditors, Ernst & Young Accountants, Amsterdam, the Netherlands and Ernst & Young Tel Aviv, Israel, is thoroughly assessed every four years. The main conclusions of this assessment will be communicated during the General Meeting.

### **Agenda item 7**

#### ***Appointment of the external auditor for the financial year 2013 (decision)***

It is proposed 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 2013.

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<sup>1</sup> It is noted that in addition, the Company has committed towards its debenture holders (as communicated on 13 January, 2013) not to distribute dividend until the actual February 2015 repayment (principal and interest) to the debenture holders and in any event not before the publication of the annual accounts 2013.



## **Agenda item 8**

### ***Discharge from liability***

This agenda item is a standard item in an annual general meeting of shareholders in the Netherlands. A discharge (“*décharge*”) granted to the members of the former management board, the members of the former supervisory board and the members of the Board means a release from actual or potential liability. However, a discharge does not affect the liability of the members of the former management board, the former supervisory board and the members of the Board towards third parties. The discharge is granted for the management and supervision as, to the extent applicable, described in the 2012 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. It is noted that in respect of the former members of the management board and the supervisory board, the General Meeting discharged them on 31 May 2012, based on the available information over 2012 at the time.

## **Agenda item 8a**

### ***Discharge of the members of the former management board in respect of their management in the period from 1 January 2012 until 31 May 2012 (decision)***

It is proposed to grant discharge to the members of the former management board in relation to the exercise of their duties in the period from 1 January 2012 until 31 May 2012, to the extent that such exercise is apparent from the 2012 annual report or has been otherwise disclosed to the General Meeting prior to the adoption of the 2012 annual accounts.

## **Agenda item 8b**

### ***Discharge of the members of the former supervisory board in respect of their supervision in the period from 1 January 2012 until 31 May 2012 (decision)***

It is proposed to grant discharge to the members of the former supervisory board in relation to the exercise of their duties in the period from 1 January 2012 until 31 May 2012, to the extent that such exercise is apparent from the 2012 annual report or has been otherwise disclosed to the General Meeting prior to the adoption of the 2012 annual accounts.

## **Agenda item 8c**

### ***Discharge of the members of the Board in respect of their duties as from 31 May 2012 until 31 December 2012 (decision)***

It is proposed to grant discharge to the members of the Board in respect of the exercise of their respective duties in the period as of 31 May 2012 until 31 December 2012 to the extent that such exercise is apparent from the 2012 annual report or has been otherwise disclosed to the General Meeting prior to the adoption of the 2012 annual accounts. It is noted that the proposed discharge will only pertain to the members of the Board who were members of the Board during the aforementioned period.



## **Agenda item 9**

### ***Approval of amendment to the service agreement with Kardán Israel Ltd. (decision; Special GM Majority)***

It is proposed to approve that the Company enters into an amendment ("Amendment") to the service agreement ("Service Agreement") with Kardán Israel Ltd. ("KIL"). Pursuant to the Service Agreement, which was entered into effect as of 1 May 2005 and concluded on 8 February 2008 (and was amended from time to time), KIL provides certain services, in the manner and amount as required by the Company, which include, inter alia: legal counselling and legal services, including submitting reports to the Israeli authorities (mainly the Israel Securities Authority and the Tel-Aviv Stock Exchange) given that the Company's shares are listed on the Tel-Aviv Stock Exchange; day to day accountancy services with respect to the Company's bank accounts in Israel; payments to service providers in Israel; contact with financial institutions and the capital market in Israel, including meeting preparations and presentations on the activities to the Company's analysts, various entities in the capital markets and banks, preparing information reports and maintaining an ongoing relationship with the Israeli capital market and representation towards Israeli media. In consideration for the above services, the Company pays KIL a quarterly Consulting Fee to the amount of NIS 780,000. In addition, KIL provides services which include advice, consultation and assistance in raising equity and debt financing for the Company, with all its aspects and for this services KIL is entitled to receive a fee to the amount of 0.25% of the total net amount that will be raised, including amount which will be used for refinancing (the "Commission Fee"). However, this Commission Fee will not be paid for funds raised from banks and financial institutions. All the services described above are provided in accordance with the instructions, received from time to time by the Company.

Due to a decrease in the scope of service provided by KIL to the Company, the Amendment pertains to a reduction of the quarterly Consulting Fee from NIS 780,000 to NIS 562,500 (approximately EUR118,375) effective as of 1 June 2013 (subject to the approval by the organs of KIL as specified below). The Consulting Fee is adjusted to changes in the Consumer Price Index ("CPI") as published by the Central Bureau of Statistics, Israel, which will be known on 1 June 2013 (being the CPI of April, as published in May). It is hereby clarified that there will be no change or amendment with respect to the Commission Fee. Further, it is proposed to extend the Service Agreement by three years as of the latest of the following moments: a) the date of approval of the Amendment by the Annual General Meeting of Shareholders, or b) the date of the approval of the Amendment by the authorised corporate bodies of KIL. Apart from the mentioned amendments, there will not be any additional amendments to the Service Agreement. The amended Consulting Fee was determined after examining the scope of the Services provided by KIL to the Company. The calculation was conducted as follows: the number of hours spent by each of KIL's employees in providing the Services. The Company is charged at the cost of each the aforementioned employees, plus 5% and a pro-rata part of KIL's headquarter/corporate fixed costs, which is explained further in the table below:



# KARDAN N.V.

Type of service	Annual costs (in 1000 NIS)	Allocated time spent	Number of employees and profession	Estimated annual costs for similar services from third parties (in 1000 NIS) (A)
Financial services (B)	418	42%	2 senior accountants 1 senior manager (C)	477 (D)
Legal services (E)	815	110%	4 lawyers (F)	1534
IR services	116	11%	1 senior manager	/ (G)
Economist services (H)	315	60%	1 senior economist	646
Bookkeeping services	56	20%	3 bookkeepers	/
Secretarial services	43	56%	1 secretary	/
Rent, electricity, taxes, etc. (I)	286	/	/	/
Computers, prints, phones, office equipment, etc.	50	/	/	/
Office maintenance, catering, depreciations, insurance, deliveries, cleaning, etc.	151	/	/	/

(A) The estimated cost is determined, on the basis of the costs which the Company is currently obliged to pay, in practice, for services received by the Company from external consultants (lawyers, accountants and economists, etc.) according to hourly rates. The number of hours set is determined on the basis of the total number of work-hours of the employees providing the services, which is 170 hours per month (according to law) for a full-time position. For example: referring to the services provided by the finance department: as the total number of allocated work hours is 42%, the rate aforementioned reflects work of 71.4 hours per month, translating into approximately 857 hours per year and therefore the estimated annual cost is being calculated accordingly with respect of services received from an external source.



- (B) The services provided by the Finance Department include, amongst others: representation vis-à-vis banks and financial institutions in Israel, negotiations with banks and other funding providers (including debenture holders of the Company), preparations prior to the signing of financing agreements, arrangements and disclaimers (waiver), provision of ongoing accounting services with respect to the management of Israeli bank accounts of the Company, payments to Israeli suppliers, advice and representation towards Israeli Securities Authority (the "ISA") and vis-à-vis the Tel Aviv Stock Exchange Ltd. (the "TASE"), including writing position papers, holding meetings with ISA, etc.
- (C) The time allocation of the officers is as follows: senior manager at 22% and two senior accountants at 10%.
- (D) The estimated cost is based on the cost of obtaining external auditor services, excluding the services provided by the two senior accountants employed by KIL. However, with respect to the services provided by the senior manager, whose services cannot be provided by an external accountant, the actual costs have been taken into account.
- (E) The legal services include, among others: counseling and representing the Company vis-à-vis the ISA, the TASE, banks and financial institutions, etc., providing support in negotiation processes and drafting financing agreements and other arrangements with banks and other finance providers (including debenture holders of the Company). The legal services also include the publication of annual reports and immediate reports, writing of position papers, holding meetings with the ISA and more.
- (F) The services are provided by four lawyers, including two senior lawyers. One, who is also the legal counsel of KIL, dedicates 50% of the position to the services, the second 10% and the two other lawyers, 25%, each.
- (G) These services include: giving presentations regarding the Company, holding meetings with different stakeholders, providing regular updates related to Company's status and its results, maintaining relationships with capital market players (including debenture holders of the Company and the trustees of the debenture holders). Consequently, such services cannot be provided by external sources.
- (H) The services of the accountants include: preparing presentations, preparation of valuations and examining various valuations conducted as part of the Company's daily operations, assisting in investment procedures, etc.
- (I) The office space amounts to 195 square meters; the rent is NIS 75.5 per square meter.

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 GM Majority", as defined in the Company's Articles of Association).

The Company's "Holders of Control" (as this term defined in the Company Articles of Association) jointly hold (indirectly) 31.41% of KIL's shares (via holding in 42.64% of Kardan Yazamut (2011) Ltd., which holds 73.67% of KIL's shares) and therefore, by entering into an agreement with KIL, the Company would enter into an Extraordinary Transaction with another person (being KIL), in which transaction the Holders of Control have a personal interest. As such, according to article 7.2 b of the Articles of Association, this resolution of the General Meeting of Shareholders requires a Special GM Majority. The Board has already approved this resolution with a Special Board Majority (as defined in the Company's Articles of Association), as it



established that the conditions of the Amendment are fair and reasonable in its opinion.

It should be noted, that this transaction has to be approved also by the relevant organs of KIL (which are: the audit committee, the board of directors and the general meeting of KIL by special majority, all in accordance with the Israeli Companies Law). Therefore, the Amendment shall be valid and effective as of and subject to the approvals of all the relevant organs of KIL, as described above.

### **Agenda item 10a**

#### **Authorisation of the Board to resolve to issue shares and to grant rights to subscribe for shares (*decision*)**

It is proposed to authorize the Board for a period of five years as of 30 May 2013 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 10b**

#### **Authorisation of the Board to resolve to restrict or exclude preemptive rights, (*decision*)**

It is proposed to authorize the Board for a period of five years as of 30 May 2013 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 11**

#### **Authorisation of the Board to resolve for the Company to acquire shares in its own capital (*decision*)**

The proposal is to authorize the Board for a period of eighteen months as of 30 May 2013 to resolve for the Company to acquire, on the stock exchange or otherwise in return for payment, shares in the capital of the Company, within the limits of the law and the Articles of Association, which acquisition may not result in the Company (and/or one of its subsidiaries) holding (jointly) more than 10% of the shares in the Company's capital and 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 17, 2013

The Board