



Notes to the agenda for the extraordinary general meeting of shareholders (“EGM”) of Kardán N.V. (“Company”) on February 6, 2013

2. Appointment of members of the Board

In accordance with article 18 of the Articles of Association of the Company (“Articles”), the Board proposes to appoint four candidates as non-executive members of the Board as described below.

Two of the proposed candidates, being Mr. Rechter and Mr. Grunfeld, are shareholders of the Company and have a voting agreement, together with Mr. Schnur, a current non-executive member of the Board. The Board is of the opinion that, given their long-term involvement in the Kardán Group, and their extensive knowledge of the markets that the Company is operating in, the candidates’ contribution to the Board will be of considerable value.

In accordance with the Dutch Corporate Governance Code (the “Code”) these two candidates are deemed to be non-independent. The appointment will therefore constitute a deviation from the best practice provision of the Code that a board only has one non-independent member. For the reasons mentioned above, the Board however believes there are good arguments to use the flexibility the Code provides to explain such deviation in this case. The Board wishes to point out that Mr. Schnur, given his voting agreement with Mr. Rechter and Mr. Grunfeld, did not participate in the decision making process concerning their nomination and did not vote on their nomination.

Would all proposed candidates be appointed, it is important to note that the Kardán Board will consist of 8 non-executive members, of which 3 are non-independent (i.e. shareholders) and 5 would be regarded as independent in accordance with the Code. It is the Board’s intention to keep at least such ratio between independent non-executive members and non-independent non-executive Board members in the future. It also should be noted that in past years the Company’s supervisory board had more than one non-independent member too, being Mr. Schnur and Mrs. Rechter. It should also be noted that the Board also includes one executive Board member, being Mr. Oren, the Company’s CEO.

Agenda item 2a

Appointment of Mr. C. van den Bos as non-executive member of the Board (decision)

The proposal is, in accordance with the nomination of the Board, to appoint Mr. Van den Bos as non-executive member of the Board for a term of four years, ending at the end of the annual general meeting of shareholders to be held in 2017.

Mr. Van den Bos has a master in business economics and in auditing/ accountancy. He started his extensive career at AEGON, a Dutch insurance company, where he ultimately served on the executive board, being responsible for, amongst others, General Insurance



KARDAN N.V.

Business Lines, ICT, Investments and Finance. After this, Mr. Van den Bos served as a member of the executive boards of Athlon Groep N.V., a Dutch listed leasing company and SNS Reaal N.V., a bank and insurance company, which became listed during his tenure.

The Board is of the opinion that Mr. Van den Bos is an experienced business professional. His background is mostly in the insurance sector, but across a wide variety of branches. He had similar management responsibilities in the past and has experience as a board member. Personality-wise, Mr. Van den Bos is open-minded and direct in expressing his views.

The personal details of Mr. Van den Bos are as follows:

Date of birth	September 22, 1952
Nationality	Dutch
Present positions	<ul style="list-style-type: none">• Supervisory Board member and chairman of the Audit Committee of ASR NEDERLAND N.V. (one of the Netherlands' largest insurance companies)• Chairman of the Supervisory Board of CED B.V. (claims handling company)• Chairman of the Supervisory Board of the Noordwijkse Woningstichting (Social housing building foundation)• Supervisory Board member of NIBE-SVV B.V. (Education for Banking and Insurance)• Executive Board member of TRUST Hoevelaken N.V. (Mortgage financing for Bouwfonds/ABNAMRO)
Past positions	<ul style="list-style-type: none">• Member Executive board AEGON Schadeverzekeringen N.V.• Member Executive Board AEGON Nederland N.V.• Member Executive Board Athlon Groep N.V.• Member Executive Board SNS Reaal N.V.
Number of shares in Kardán N.V.	nil



Agenda item 2b

Appointment of Mrs. E. Seinstra as non-executive member of the Board (decision)

The proposal is, in accordance with the nomination of the Board, to appoint Mrs. Seinstra as non-executive member of the Board for a term of four years, ending at the end of the annual general meeting of shareholders to be held in 2017.

Mrs. Seinstra has a legal background, specializing in regulatory matters, contract law, banking law and company law and has broad experience with international regulated companies. Given the present composition of the Board, Mrs. Seinstra's legal background complements the knowledge currently present in the Board. In addition, Mrs. Seinstra has broad commercial experience, which makes her capable of assessing the broad outline of the Company's strategy and corporate objectives. Personality wise, Mrs. Seinstra is analytical, straightforward and critical.

The personal details of Mrs. Seinstra are as follows:

Date of birth	10 July 1951
Nationality	Dutch
Present positions	Seinstra Juridisch Advies
Past positions	<ul style="list-style-type: none">• Director Group Legal Department MeesPierson N.V.• General Manager Legal Affairs Fortis Bank• Group Legal Director and General Counsel TNT N.V.• General Counsel Van der Moolen Holding N.V.• Manager Legal the Netherlands De Lage Landen B.V.• Legal Consultant Qurius N.V.• Senior Legal Counsel Shell International Ltd.
Number of shares in Kardán N.V.	nil

Agenda item 2c

Appointment of Mr. Y. Grunfeld as non-executive member of the Board (decision)

The proposal is, in accordance with the nomination of the Board, to appoint Mr. Grunfeld as non-executive member of the Board for a term of four years ending at the end of the annual general meeting of shareholders to be held in 2017.



The Board has nominated Mr. Grunfeld for appointment because of his extensive knowledge of the Company's business and his long-term involvement in the Kardán Group, as explained above.

Mr. Grunfeld currently holds 19.87% of the issued share capital of the Company, which represents 20.09% of the voting rights. Additionally, Mr. Grunfeld has a voting agreement with Mr. Schnur and Mr. Rechter which represents approximately 46% in voting rights (including their indirect voting rights due to their respective shareholdings in Kardán Israel Ltd. which holds 11% of the issued share capital of the Company). Given this, Mr. Grunfeld will be considered a non-independent non-executive Board member within the meaning of the Code.

The personal details of Mr. Grunfeld are as follows:

Date of birth	November 13,1942
Nationality	Israeli
Present positions	<ul style="list-style-type: none">• Chairman of the Board of Directors of Kardán Israel Ltd.• Chairman of the Board of Directors of Kardán Yazamut (2011) Ltd.• Director of Universal Motors Israel Ltd.• Director in various other companies
Past positions	As mentioned above.
Number of shares in Kardán N.V.	22,214,267

Agenda item 2d

Appointment of Mr. E. Rechter as non-executive member of the Board (decision)

The proposal is, in accordance with the nomination of the Board, to appoint Mr. Rechter as non-executive member of the Board for a term of four years ending at the end of the annual general meeting of shareholders to be held in 2017.

The Board has nominated Mr. Rechter for appointment because of his extensive knowledge of the Company's business and his long-term involvement in the Kardán Group, as explained above.

Mr. Rechter currently holds 3.67% of the issued share capital of Company which represents 3.71% of the voting rights. Additionally, Mr. Rechter has a voting agreement with Mr. Grunfeld and Mr. Schnur which represents approximately 46% in voting rights (including their indirect voting rights due to their respective shareholdings in Kardán Israel Ltd. which holds 11% of the issued share capital of the Company). Given this, Mr. Rechter will be considered a non-independent non-



executive Board member within the meaning of the Code. Further, Mr. Rechter holds 109,827 debentures series B as issued by the Company.

The personal details of Mr. Rechter are as follows:

Date of birth	October 26, 1949
Nationality	Israeli
Present positions	<ul style="list-style-type: none">• CEO and Director of Kardán Israel Ltd.• Chairman of the Board of Directors of Kardán Technologies Ltd.• Chairman of the Board of Directors of Kardán Vehicles Ltd.• CEO and Director of Kardán Yazamut (2011) Ltd.• Director of Kardán Communications Ltd.• Directors in various other companies
Past positions	As mentioned above.
Number of shares in Kardán N.V.	4,098,719

Agenda item 3a

Determination revised incentive plan for CEO (*decision*)

The proposal is to amend the exercise price of Mr. Oren's option package to **NIS 6.136** per share whilst respecting the other terms of the option package that were submitted for approval in the Annual General Meeting of Shareholders held on May 31, 2012 ("AGM").

In the AGM a remuneration package for Mr. Oren was proposed and adopted. This package consisted of a yearly fixed remuneration, a variable remuneration, consisting of share options and a discretionary bonus, and a severance payment.

During the AGM, the Chairman explained that the proposal had been recommended before his appointment, but that as the new chairman of the Board, he intended to ask the Remuneration, Appointment and Selection Committee ("RAS") to look at all incentive plans, so to ensure that everybody is properly rewarded for the results they achieve. It was raised by Mr. Oren to the Chairman that the notional value of the options granted to him as CEO under the presented plans would, at the time of the AGM, be at a considerable deficit, and therefore formed no incentive for him to face the challenges ahead.

The RAS has subsequently reviewed the option part of the remuneration package of Mr. Oren as adopted in the AGM. The exercise price was set at the average closing price of the Company's share on the Tel Aviv Stock Exchange, during 5 days prior to and including the date on which the supervisory board recommended Mr. Oren for nomination to the AGM (i.e. February 20, 2012) (the "Effective Date"). This price was NIS 8.272. Just



after the aforementioned recommendation, the Company published its 2011 annual results showing a decrease of equity, following which the share price decreased from NIS 8.27 at the Effective Date to NIS 2.48 at the date of the AGM. The RAS deemed that maintaining an exercise price of NIS 8.272 would not provide for an adequate incentive for Mr. Oren, as the decrease in share price occurred prior to his appointment by the AGM and was as such outside of his control. Mr. Oren should be rewarded, incentivized and bear responsibility as from his appointment by the AGM onwards.

The share price on the Effective Date was 70.2% of the equity value per share. The RAS deemed that in order to provide an adequate incentive, the exercise price should be calculated as a result of the same ratio to the equity value per share at the date of the AGM. This resulted in an adjusted exercise price of NIS 6.136, which the RAS deemed a reasonable outcome and proper motivation for the CEO to create future value. The RAS proposed this to the Board and the Board concluded that, given all the considerations and circumstances, it would be reasonable to consider setting a revised (lowered) exercise price to provide Mr. Oren a genuine incentive to create future value, which the Board deems to be in the best interest of the Company. It is noted that the Company's share value will still have to increase substantially for the revised exercise price to start to have genuine value for Mr. Oren.

Agenda item 3b

Determination remuneration Mr. C. van den Bos (decision)

The proposal is to approve the remuneration of Mr. van den Bos, subject to the EGM approving his appointment, as follows:

- EUR 26,000 for membership Board
- EUR 4,000 for membership Audit Committee

The remuneration is in line with the remuneration of the present non-executive Board members.

Agenda item 3c

Determination remuneration Mr. Mr. Y. Grunfeld (decision)

The proposal is to approve the remuneration of Mr. Grunfeld, subject to the EGM approving his appointment, as follows:

- EUR 26,000 for membership Board

The remuneration is in line with the remuneration of the present non-executive Board members.

It is noted that, in accordance with article 8.1.f of the Articles, a Special Approval Procedure, as described in article 7 of the Articles, is not required as Mr. Grunfeld's remuneration will not be higher than the lowest earning member of the Board, being Mr. Schnur, who is paid EUR 26,000 per annum.



Agenda item 3d

Determination remuneration Mr. E. Rechter (decision)

The proposal is to approve the remuneration of Mr. Rechter, subject to the EGM approving his appointment, as follows:

- EUR 26,000 for membership Board

The remuneration is in line with the remuneration of the present non-executive Board members.

It is noted that, in accordance with article 8.1.f of the Articles, a Special Approval Procedure, as described in article 7 of the Articles, is not required as Mr. Rechter's remuneration will not be higher than the lowest earning member of the Board, being Mr. Schnur, who is paid EUR 26,000 per annum.

Agenda item 3e

Determination remuneration Mrs. E. Seinstra (decision)

The proposal is, to approve the remuneration of Mrs. Seinstra, subject to the EGM approving her appointment, as follows:

- EUR 26,000 for membership Board
- EUR 4,000 for membership Remuneration, Appointment and Selection Committee

The remuneration is in line with the remuneration of the present non-executive Board members.

Amsterdam, November 29, 2012

The Board