



KARDAN N.V.

Notes to the agenda for the annual general meeting of shareholders (“General Meeting”) of Kardan N.V. (“Company”) on May 28, 2014

Agenda item 3 ***Remuneration Report***

Pursuant to the recently enacted provisions of section 2:135 (5a) of the Dutch Civil Code, the items mentioned in section 2:383 (c to e inclusive) of the Dutch Civil Code, as included in the Remuneration Report which forms part of the financial statements 2013 (attached hereto as Annex 1) are placed on the agenda for consideration and discussion by the shareholders. The items are: (i) remuneration of each member of the Board; (ii) options granted to members of the Board and /or employees; (iii) loans, advance payments and guarantees provided to Board members.

Agenda item 4 ***Adoption of the annual accounts for the financial year 2013 (decision)***

It is proposed to adopt the annual accounts for the financial year 2013. The IFRS financial statements for the year 2013 were approved by the Board and published on March 27, 2014.

Agenda item 5 ***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 2013, the Board does not propose a distribution of dividend¹.

Agenda item 6 ***Corporate Governance***

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 corporate governance statement 2013, which is placed on the Company's website (www.kardan.nl) and deemed an integral part of the annual report of 2013 of the Company. In 2013, no major changes were made to the Company's governance framework.

¹ 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 February 2015 repayment (principal and interest) to the debenture holders.



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Agenda item 7

Appointment of the external auditor for the financial year 2014 (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 2014.

Agenda item 8

Discharge from liability of the members of the Board in respect of the exercise of their duties during the financial year 2013 (decision)

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 Board means a release from actual or potential liability. However, a discharge does not affect the liability of the members of the Board towards third parties. It is proposed to grant discharge to the members of the Board in respect of the exercise of their respective duties throughout the year 2013 to the extent that such exercise is apparent from the annual report of 2013 or has been otherwise disclosed to the General Meeting prior to the adoption of the annual accounts of 2013. The discharge does thus not cover facts that were not disclosed to the General Meeting prior to the adoption the annual accounts of 2013. In addition, the principles of reasonableness and fairness (“*redelijkheid and billijkheid*”) may prevent reliance on a discharge under certain circumstances.

Agenda item 9

CEO Bonus (decision)

Under the CEO remuneration arrangements, approved by the Company's shareholders at the AGM in 2012, “the Board of the Company may decide, upon its sole discretion, to grant the CEO an annual bonus for each calendar year, based on his achievements during the relevant year and taking into account his total remuneration package. A proposal, if applicable, will be submitted to the General Meeting for approval”. It was communicated at the time that such bonus was not linked to pre-defined, measurable targets.

The Remuneration, Appointment and Selection Committee (the “Committee”), consisting of three independent non-executive and non-controlling directors of the Board, has recommended that, having regard to the losses sustained by the Company and the lack of liquidity in the Company the Board grant no bonus for the year 2013 (as was the case in 2012). However, the Committee has had regard to the considerable improvement in both the finances and performance of the Company since his appointment, and has recommended that following the end of the 2014 financial year Mr. Oren should be paid a bonus of EUR 725,000. This payment will be dependent on the Company having raised sufficient cash to redeem the debentures due for repayment on 15 February 2015 plus a bank loan of EUR 28 million due for repayment by the end of 2014. It is estimated that the aggregate of these repayments is approximately EUR 125 million.

In making this recommendation the Committee has taken into account the extremely difficult financial position that the Company was facing when the CEO took up his



position and the skill, judgement and enterprise that he has employed to ensure that in each of the last two years these financial obligations were met. In the event that he meets targets established for 2014, the Company's situation will have improved further and immeasurably and its future will be considerably reinforced. The Committee is of the opinion that the reward for this effort should reflect the importance of the considerable effort expended by Mr. Oren since his appointment. The improvement in the Company's operational performance, already achieved, combined with a further significant reduction in the Company's debt position will have been achieved and therefore the Committee believes that the amount proposed is an appropriate and reasonable recognition of his vital contribution. The Board of the Company has approved this recommendation and shareholder approval for this recommendation is hereby requested.

Agenda item 10

Amendment of article 37.1 of the Articles of Association (decision)

It is proposed to amend article 37.1 of the articles of association of the Company ("Articles") and to authorize the Chief Executive Officer of the Company, each current member of Executive Management of the Company and every (candidate) civil-law notary of Houthoff Buruma, with the power of substitution, to have the deed of amendment of the Articles executed.

The proposal entails a technical amendment of the term for convening a general meeting of shareholders if such would be requested by either two members of the Board or by shareholders holding at least 10% of the issued share capital. The proposal is made in order to align the Articles with a mandatory provision of the Dutch Civil Code. The proposed wording is as follows:

37.1. General Meetings of Shareholders shall be convened by the Board. The Board shall, in any event, convene a General Meeting of Shareholders if two Board Members, or Shareholders (or holders of depositary receipts for Shares) together representing at least ten percent (10%) of the issued share capital, make a written request to that effect to the Board. Such a request shall state the subjects to be dealt with. If none of the members of the Board subsequently convene a General Meeting of Shareholders to be held within ~~four~~ eight weeks of the day of receipt of the request as set out above, any one of those making the request shall be authorized to issue a convening notice, having due regard to Dutch law and these Articles of Association.

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 28 May 2014 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



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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 16, 2014

The Board



KARDAN N.V.

**Annex 1
Remuneration Report**

Remuneration Report

The RAS-Committee makes proposals to the Board regarding the fixed and variable remuneration (as applicable) of the individual Board Members.

However, in accordance with the Articles, the final determination of the board members' remuneration (amount and composition) lies with the Company's General Meeting of Shareholders.

In the AGM 2012, a remuneration policy was adopted for non-executive Board Members (the 'Policy') and a remuneration package for the CEO (the 'Package') was approved, as explained in more detail below. It is noted that pension arrangements are not provided for by Kardan.

Remuneration policy of the non-executive Board Members

The AGM 2012 adopted the Policy, which stipulates that each non-executive Board Member receives a fixed remuneration of EUR 26,000 per year. No change to this Policy was proposed in 2013. The Chairman receives an additional fee of EUR 9,000 per year; a committee chairman receives an additional fee of EUR 6,000 per year; and committee members who are not chairmen receive an additional fee of EUR 4,000 per year. The remuneration for non-executive Board Members consists of fixed remuneration only. A breakdown of the total remuneration as paid in 2013 is presented in the table below (pro-rated for their tenure in 2013).

Non-executive Board Member		* Gross Annual remuneration in €	Gross Remuneration in 2013 in €
Mr. P. Sheldon	Chairman of the Board; member of the Audit Committee and of the RAS-Committee	43,000	43,000
Mr. C. van den Bos	Vice-Chairman of the Board and Chairman of the Audit Committee	32,000	26,856
Mr. M. Groen	Member of the Audit Committee	30,000	32,000
Mr. Y. Grunfeld		26,000	23,275
Mr. A. May	Chairman of the RAS-Committee and member of the Audit Committee	36,000	36,000
Mr. E. Rechter		26,000	23,275
Mr. A. Schnur		26,000	26,000
Mrs. M. Seinstra	Member of the of the RAS-Committee	30,000	26,856

* Situation as of April 2014

Pursuant to the Articles, Board Members receive indemnification for losses, damages and costs which they may incur as a result of a claim or proceedings related to the fulfillment of their duties as board members (willful misconduct and gross negligence excluded). No such indemnification was granted in 2013. The Board will not propose to the AGM 2014 to amend the Policy for 2014.

Remuneration of the CEO

The Package of the CEO was proposed and adopted during the AGM 2012. Insofar as the Package deviates from the Code, this is explained in the Company's Corporate Governance Statement 2013.

The Package is valid for a period of five years and entails a fixed remuneration and a variable short-term and long-term remuneration, as described below. Prior to proposing the Package to the AGM 2012, the RAS-Committee and the supervisory board at the time assessed the full Package including the variable remuneration, taking into account various Company specific aspects including the challenges ahead and market developments.

Fixed remuneration

The CEO is entitled to receive an annual fee of EUR 437,000 including customary social benefits and allowances such as a car, cellular telephone, etc. The fee is allocated between services provided by the CEO to the Company in the Netherlands and services provided by him to companies abroad within the Kardan Group.

Variable remuneration – short term

The Board may propose to the General Meeting of Shareholders to grant the CEO an annual bonus for each calendar year, based on his achievements during the relevant year and taking into account his total Package. The proposal is at the discretion of the Board and is not directly linked to measurable targets. The Board deems it in the best interest of the

Company not to set specified targets, as both the markets in which Kardan operates and the price of the Kardan shares have proven to be volatile. As such, specific targets would not necessarily do justice to the achievements of the CEO. It is noted that the General Meeting of Shareholders is ultimately the corporate body to approve a bonus. In the event that the CEO leaves the Company at the initiative of the Company, he is entitled to a severance fee equal to six months' fixed remuneration. The non-executive Board Members have decided to propose a bonus for the CEO to the AGM 2014 in the amount of EUR 725,000. This bonus is to be paid following the end of the financial year 2014 and will be dependent on the Company having raised sufficient cash to redeem the Debentures due for repayment on February 15, 2015 plus a bank loan of EUR 33 million due for repayment by the end of 2014.

Variable Remuneration – long term

At the AGM 2012, the shareholders approved to grant the CEO an option to purchase ordinary shares in the share capital of the Company constituting 2% of the outstanding share capital (the 'Option').

As was pointed out by the Chairman at the AGM 2012, the exercise price of the Option was considered to be too high as it was already significantly higher than the share price on the day of granting. The RAS-Committee, after due deliberation, suggested that the Board propose a new exercise price for the options to the EGM 2013. The suggested exercise price was calculated by using a similar calculation method as was used for the determination of the initial exercise price, but based on the date of the CEO's appointment by the AGM 2012 instead of the date of proposing his appointment to the AGM 2012. The Board deemed the decrease in share price which occurred prior to the appointment of the CEO to have been outside of his control and that in order to provide a genuine incentive to create future value, which the Board considered to be in the best interest of the Company, the CEO should be rewarded,

incentivized and bear responsibility as from his appointment by the AGM 2012 onwards. The Board henceforth recommended the new exercise price to the EGM 2013, which adopted the proposal, upon which the CEO accepted the grant of the Option. It is noted that, in deviation of the Code, the Option is not linked to pre-defined, measurable targets. However, the nature of the Option schedule is such that the CEO will only benefit from the Option in case of good long-term performance of the Company.

The Option vests over a period of five years from February 20, 2012 (the 'Effective Date'), this being the date that he was nominated as CEO, as follows:
1/4 after two years from the Effective Date;
1/4 after three years from the Effective Date;
1/4 after four years from the Effective Date;
1/4 after five years from the Effective Date;

The following conditions apply:

- Upon termination of the engagement as described above, during the first year as of the Effective Date, the Option shall expire, without any further right to compensation.
- Upon termination of the engagement during the second year as of the Effective Date, the CEO will be entitled to exercise a relative part of the first portion he is entitled to exercise at the end of the second year.
- Upon termination of the engagement as of the Effective Date, after the end of the second year, the CEO will be entitled to exercise all the vested portions and the relative part of the next portion, up to the termination date.
- In the event of termination for cause as of the Effective Date, the entire unexercised portions (whether vested or not) shall expire, without any further right to compensation.

- The only condition is that Mr. Oren is the CEO at the time of vesting. It is noted that Mr. Oren can exercise 25% of the Option after two years from the Effective Date. The Code prescribes that options may not be exercised within three years from the date of grant. Given the fact that half of the options can be exercised only after the three-year period, the nature of the option schedule is such that Mr. Oren will only benefit in the case of good long-term performance of the Company.

The act on the revision and claw back of bonuses and profit-sharing arrangements of board members and certain (other) employees of financial institutions entered into force on 1 January 2014 (the 'Act'). The Act explicitly provides for the possibility to:

- revise a bonus prior to payment, if unaltered payment of the bonus would be unacceptable pursuant to the criteria of 'reasonableness and fairness'; and
- claw back (part of) a paid bonus, if payment took place on the basis of incorrect information on the fulfilment of the bonus targets or conditions for payment of the bonus.

The revision and clawback provisions under the Act apply only to bonuses paid from 1 January 2014, which includes bonuses earned in performance year 2013, payable in the 2014 bonus round.

Total remuneration

A breakdown of the total costs of the remuneration paid to the CEO in 2013 is presented in the following table:

Element	Remuneration in 2013
Base Fee (including social benefits)	EUR 453,000 ¹
Allowances company car, cell phone	
Annual Bonus	nil
Options (grant day: February 6, 2013)	nil
Pension	nil

¹ Actual costs are higher than the approximate EUR 437,000 as indicated in the notes to the Annual General Meeting 2012, due to exchange rate differences and CPI adjustments.

Employee Options

In 2013, the Company granted 250,000 options to purchase shares in the Company to four senior employees. For each employee, the options vest in four equal annual installments commencing on 1 June 2014. Options (whether vested or not) shall lapse immediately and automatically, without any consideration becoming due, upon the occurrence of the earliest of the following events: (i) 1 June 2020; (ii) a participant ceases to be an employee for any reason other than, due to his death, as a consequence of total and permanent disability or retirement, or any other reason the CEO so decides at his absolute discretion, (iii) the participant transfers or encumbers the options. The option price is EUR 1.298 (NIS 6.136) and options can be exercised either by payment of the option price by the participant or by a) either issuing or transferring shares to the participant in an amount as shall reflect the net value of the exercised options per the exercise date, or b) settling the exercise of the options in cash in an amount equal to the difference between (i) the market price of the underlying shares of the exercised options at the exercise date and (ii) the option price multiplied by the number exercised options at the exercise date. As at December 31, 2013, no options were exercised.

For further details regarding share based payments see Note 19 of the consolidated financial statements.