



Notes to the agenda for the annual general meeting of shareholders (“General Meeting”) of Kardán N.V. (“Company”) on 29 May 2019

Agenda item 1

Opening

Agenda item 2

Presentation by the CEO on the Kardán Group activities for the financial year 2018 and discussion of the report of the Board on the financial year 2018

Agenda item 3

Remuneration Report

Pursuant to the provisions of section 2:135 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 (attached hereto as Annex 1) which forms part of the annual report 2018, 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 to acquire shares in the capital of the Company granted to members of the Board and/or employees; (iii) loans, advance payments and guarantees provided to members of the Board.

Agenda item 4

Adoption of the annual financial statements for the financial year 2018 (*decision*)

It is proposed to adopt the annual financial statements for the financial year 2018. The IFRS financial statements for the year 2018 were approved by the Board and published on 28 March 2019.

Agenda item 5

Dividend Policy

The Company’s dividend policy takes 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. The Company reported a net loss over 2018 of EUR 36,8 million. Considering the result of the financial year 2018, the Board does not propose a distribution of dividend for the financial year 2018.

It should further be noted that according to the current Deeds of Trust of the debentures (series A and B) of the Company, the Company shall not distribute dividends until certain relief conditions have been met and 75% of the par value of the debentures (Series A and B) have been repaid.

As will be discussed under Agenda item 9, the Company intends to enter into amended Deeds of Trust, under which no dividend payments will be allowed, until full repayment of the debentures and outstanding interest (Series A and B).



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 2018, which is placed on the Company’s website and deemed an integral part of the annual report of 2018 of the Company. The new Code, introduced in 2016 and applicable as of 2017, did not lead to any material changes in the Company’s governance framework in 2018.

Agenda item 7

Appointment of the external auditor for the financial year 2019 (*decision*)

It is proposed to reappoint PricewaterhouseCoopers Accountants N.V., Amsterdam, the Netherlands and PricewaterhouseCoopers, Israel (jointly “PwC”), as the external auditor responsible for auditing the annual accounts for the financial year 2019.

Agenda item 8

Discharge from liability of the members of the Board in respect of the exercise of their duties during the financial year 2018 (*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 and in addition does not release them from any liability under the Israeli Securities Law and its regulations (accordingly, the discharge has no effect on the shareholders’ rights under the Israeli Securities Law). It is proposed to grant discharge to the members of the Board in respect of the exercise of their respective duties throughout the year 2018, *only* to the extent that such exercise is apparent from the annual report of 2018 or has been otherwise disclosed to the General Meeting prior to the adoption of the financial statements of 2018. The discharge does thus not cover facts that were not disclosed to the General Meeting prior to the adoption of the financial statements of 2018. In addition, the principles of reasonableness and fairness (“*redelijkheid and billijkheid*”) may prevent reliance on a discharge under certain circumstances.

Agenda item 9

A presentation of the debt settlement with the debenture holders and an authorization of the Board to reach a definitive debt settlement agreement with the Debenture Holders (*decision*)

This agenda item is intended to update the General Meeting of the status of the negotiations with the Company’s debenture holders and to discuss the key principles of the debt settlement reached with the holders of debentures series A and series B (“Debentures A” and “Debentures B”, respectively, and together the “Debentures” and the holders of the Debentures the “Debenture Holders”). Furthermore, the Board asks the General Meeting for approval to continue the negotiations with the Debenture Holders and to reach definitive agreement with the Debenture Holders on the basis of the key principles as set out below and discussed during the meeting. At present, the most of the terms have been agreed, however there are some outstanding matters yet to be finalized. During the General Meeting additional information will be provided as to the status of the discussions between the Company and the Debenture Holders.

The following key terms of the debt settlement have been agreed with the Debenture Holders:



KARDAN N.V.

- The principal amount of the Debentures and the interest rate on Debentures B will remain unchanged. The interest rate in respect of Debentures A will be adjusted to the interest rate on Debentures B.
- The Company will annually pay 4% of the total interest due, the remaining interest shall be paid with (early) repayments of (all or part of) the principal amount of the Debentures. However, the payment to the holders of Debentures A will not be made until full repayment of the balance payments to Debentures B. These unpaid sums will bear interest rate equivalent to the interest rate of the Debentures.
- The final repayment date of the Debentures will be postponed to December 2021.
- The Company has committed to sell assets, and in relation to Tahal Group International B.V. ("TGI") according to an agreed timetable, and to use the net funds received from such sales for early repayment of the Debentures A and B and such other uses as agreed with the Debenture Holders. In addition, if the Company does not enter into an agreement for the sale of TGI shares, it will operate in order to enable the Debenture Holders to decide on the distribution of all TGI shares held by the Company to the Debenture Holders and the conversion of TGI into a public company whose shares will be traded on the Tel Aviv Stock Exchange.
- The interest that became payable on the Debentures on 1 February 2018 will be paid at the date when the amended deed of trusts will come into force (the "Completion Date") by issuing new Debentures.
- The Company will issue to the holders of Debentures A and B up to three tranches of shares and/or options per tranche representing up to 15% of the issued share capital of the Company at the issuance date of each tranche. The shares and/or options will be issued to those holders of Debentures A and B that hold debentures at the Completion Date.
- The funds used for repayment of Debentures will first be used to make the balance payments (as defined in the existing 2015 deeds of trust) to the holders of Debentures B, then a balance payment to Debentures A of NIS 10 million, and each subsequent amount will be repaid pro-rata to the two series of Debentures.
- The Company, its subsidiaries Kardan Financial Services, Kardan Land China, TGI and their subsidiaries will operate subject to certain limitations, which will include, mainly, the limitations included in current 2015 deeds of trust and some additional limitations, most of which are intended to ensure that until the Debentures are fully repaid, the Company will act to sell assets and that any amount received by the Group's companies will be transferred to the Company and used to repay the Debentures (and not for development of subsidiaries). In addition, the Company has committed to meet certain financial covenants in relation to its equity, debt coverage ratio and operational performance of Galleria Dalian.
- The Company will appoint an advisor for the sale of the shares in TGI ("**Advisor**"). The appointment of the Advisor will be approved upon a joint resolution of the holders of Debentures A and B.
- Each material transaction of the Company and its subsidiaries will be subject to approval of a joint meeting of the holders of Debentures A and B.
- To secure the Company's commitments, existing securities and pledges in favor of the trustees to the Debenture Holders remain in force.
- The Board shall consist of no more than 9 directors, out of which the trustees for the Debentures A and B will have the right to recommend 2 directors which, if appointed by the General Meeting, will also serve on certain committees of the Board. Furthermore, the trustees for the Debentures A and B shall have the right to recommend a third director after the issuance of the second tranche of shares and/or options as described above.
- The Company has appointed an observer to the Board at the recommendation of the trustees of the Debentures A and B.
- No dividend payments are allowed until full repayment of the principal and outstanding interest outstanding under the Debentures.
- The trustees and the Debenture Holders will grant the Eligible Officers a release from



liabilities, provided the Eligible Officers grant the same release to the trustees, the Debenture Holders and their advisors (mutual release). 'Eligible Officers' are officers of the Company that are not part of the Company's controlling shareholders.

- The law applicable to the amended deeds of trust is Israeli law, and the sole jurisdiction in respect of a dispute relating to the deeds of trust shall be to the Court of Tel Aviv. Furthermore, the Company has agreed that it shall not challenge the jurisdiction of an Israeli court, in the event the Debentures A and/or B file for the insolvency of the Company at an Israeli Court, provided the coverage ratio is below a certain threshold.

It is proposed to the General Meeting to authorize the Board to continue the negotiations with the Debenture Holders and to reach definitive agreement with the Debenture Holders on the basis of the key principles as set out above.

Agenda item 10

Authorization to issue shares and /or grant rights to subscribe for shares and limit or exclude pre-emptive rights (*decision*)

It is proposed to the General Meeting to authorize the Board (1) to resolve to issue shares and/or grant rights to subscribe for shares to the Debenture Holders, consistent with the terms of the amended deeds of trust as summarized in the explanation to agenda item 9, up to 3 tranches and each time up to a maximum of 15% of the Company's issued share capital at the issuance date of each tranche and (2) to limit or exclude pre-emptive rights in connection with the foregoing. This authorization will be granted for a period of five years starting on 29 May 2019.

Agenda item 11

CEO Variable Remuneration (*decision*)

In considering the variable remuneration for the year 2019 for the Company's CEO, Mr. Hasson, the Board has taken into consideration that, even though significant progress had been made in various areas, due to the fact that the Company has not met the specific eligibility targets set by the Board, no variable remuneration has been paid to the CEO in the previous two years. The Board considers that the contribution of Mr. Hasson is fundamental to the future of the Company and that he should be suitably incentivized and rewarded for his efforts towards the achievement of the Company's targets.

The Board has prioritized the following areas as the key targets for the Company in the coming year:

- Servicing of the debt to and relations with the debenture holders,
- The orderly and optimized divestment of assets based on understandings to be agreed with the debenture holders
- The continuation of improvement in the performance of the Company's operating subsidiaries.

Accordingly, the Remuneration Committee and the Board have set these targets to Mr. Hasson for the coming year. Because of the uncertainty inherent in the Company's current situation, the number of variables and the current state of the various negotiations involved, the Remuneration Committee and the Board are recommending that the CEO be awarded a variable remuneration for 2019, based on measurable performance criteria, which amount will be capped at EUR 330,000. The variable remuneration will be dependent on the CEO's performance towards the achievements of the above-mentioned target areas. The Remuneration Committee and the Board shall perform an evaluation of the performance of the CEO with respect to the above-mentioned targets and will determine the actual variable remuneration also in consultation with the trustees of the Debenture Holders. It is clarified that there is no guaranteed variable remuneration and it is possible that no variable remuneration will be paid at all. The variable remuneration is also conditional on Mr. Hasson remaining an employee of the Company at the time of the payment being due.



There are no proposed changes to the other elements of Mr. Hasson's remuneration package as approved by the General Meeting in 2016.

The remuneration Committee and the Board believe that the proposal for the variable remuneration of Mr. Hasson for 2019 is appropriate and in the best interest of the Company given the extremely valuable and vital contribution to the realization of the long-term value creation objectives of the Company,

It is proposed to the General Meeting to approve the variable remuneration for the CEO based on the above recommendations of the Remuneration Committee and the Board.

Agenda item 12

Authorization of the Board to resolve for the Company to acquire its own shares (*decision*)

The proposal is to authorize the Board for a period of eighteen months as of 29 May 2019 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 Euronext Amsterdam prior to the date of acquisition, as published in the Daily Official List of Euronext Amsterdam, pursuant to which the authorization awarded to the Board during the annual General Meeting of 2018 will be revoked.

Agenda item 13

Any other business

Agenda item 14

Closing

Amsterdam, 17 April 2019

the Board

ANNEX 1 REMUNERATION REPORT