
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

FORM 20-F

(Mark One)

☐ REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2014

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

OR

☐ SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Date of event requiring this shell company report _____

Commission file number 0-28996

ELBIT IMAGING LTD.

(Exact name of registrant as specified in its charter)

N/A

(Translation of registrant's name into English)

ISRAEL

(Jurisdiction of incorporation or organization)

5 KINNERET STREET, BNEI BRAK 51261, ISRAEL

(Address of principal executive offices)

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5 KINNERET STREET, BNEI BRAK 51261, ISRAEL

(Name, Telephone, E-Mail and/or Facsimile Number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class:

ORDINARY SHARES, NO PAR VALUE

Name of each exchange on which registered:

NASDAQ GLOBAL SELECT MARKET

Securities registered or to be registered pursuant to Section 12(g) of the Act:

NONE

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

NONE

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: 24,885,833 ordinary shares, par value NIS 1.00 per share, excluding 3,388,910 treasury shares as of December 31, 2013.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

YES ☐

NO ☒

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

YES ☐

NO ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES ☒ NO ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

YES ☐ NO ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of “accelerated filer and large accelerated filer” in Rule 12b-2 in the Exchange Act. (Check one):

Large Accelerated Filer ☐

Accelerated Filer ☐

Non-Accelerated Filer ☒

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

- ☐ U.S. GAAP
- ☒ International Financial Reporting Standards as issued by the International Accounting Standards Board
- ☐ Other

If “Other” has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow:

☐ Item 17 ☐ Item 18

If this is an annual report indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act):

YES ☐ NO ☒

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Special Explanatory Note

Share and share price information in this annual report have been adjusted to reflect the 1-for-20 reverse share split effected by us on August 21, 2014 (the “Reverse Split”).

FORWARD-LOOKING STATEMENTS

THIS ANNUAL REPORT ON FORM 20-F CONTAINS "FORWARD-LOOKING STATEMENTS," WITHIN THE MEANING OF SECTION 27A OF THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED (THE "EXCHANGE ACT"). FORWARD-LOOKING STATEMENTS INCLUDE STATEMENTS REGARDING THE INTENT, BELIEF OR CURRENT EXPECTATIONS OF THE COMPANY AND ITS MANAGEMENT ABOUT THE COMPANY'S BUSINESS, FINANCIAL CONDITION, RESULTS OF OPERATIONS, RELATIONSHIPS WITH EMPLOYEES, BUSINESS PARTNERS AND OTHER THIRD PARTIES, THE CONDITION OF ITS PROPERTIES, LOCAL AND GLOBAL MARKET TERMS AND TRENDS, AND THE LIKE. WORDS SUCH AS "BELIEVE," "EXPECT," "INTEND," "ESTIMATE" AND SIMILAR EXPRESSIONS ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS BUT ARE NOT THE EXCLUSIVE MEANS OF IDENTIFYING SUCH STATEMENTS. ACTUAL RESULTS MAY DIFFER MATERIALLY FROM THOSE PROJECTED, EXPRESSED OR IMPLIED IN THE FORWARD-LOOKING STATEMENTS AS A RESULT OF VARIOUS FACTORS INCLUDING, WITHOUT LIMITATION, THE FACTORS SET FORTH BELOW UNDER THE CAPTION "RISK FACTORS." ANY FORWARD-LOOKING STATEMENTS CONTAINED IN THIS ANNUAL REPORT SPEAK ONLY AS OF THE DATE HEREOF, AND WE CAUTION EXISTING AND PROSPECTIVE INVESTORS NOT TO PLACE UNDUE RELIANCE ON SUCH STATEMENTS. SUCH FORWARD-LOOKING STATEMENTS DO NOT PURPORT TO BE PREDICTIONS OF FUTURE EVENTS OR CIRCUMSTANCES, AND THEREFORE, THERE CAN BE NO ASSURANCE THAT ANY FORWARD-LOOKING STATEMENT CONTAINED HEREIN WILL PROVE TO BE ACCURATE. WE UNDERTAKE NO OBLIGATION TO UPDATE OR REVISE ANY FORWARD-LOOKING STATEMENTS.

CURRENCY TRANSLATION

For the reader's convenience, financial information for 2014 has been translated from various foreign currencies to the U.S. dollar (" \$" or "U.S. dollar"), as of December 31, 2014, in accordance with the following exchange rates:

Currency	\$1.00 as of December 31, 2014
1 New Israeli Shekel (NIS)	0.25714
1 Euro	1.21530
1 Great British Pound (GBP)	1.55867
1 Hungarian Forint (HUF)	0.00386
1 Czech Republic Koruny (CZK)	0.04386
1 Romanian LEI (RON)	0.27124
1 Polish Zloty (PLN)	0.28467
1 Indian Rupee (INR)	0.01579
1 Crore (10 million INR)	157,900

The U.S. dollar amounts reflected in these convenience translations should not be construed as representing amounts that actually can be received or paid in U.S. dollars or convertible into U.S. dollars (unless otherwise indicated), nor do such convenience translations mean that the foreign currency amounts (i) actually represent the corresponding U.S. dollar amounts stated, or (ii) could be converted into U.S. dollars at the assumed rate. The Federal Reserve Bank of New York does not certify for customs purposes a buying rate for cable transfers in New Israeli Shekel ("NIS"). Therefore all information about exchange rates is based on the Bank of Israel rates.

EXCHANGE RATES

The exchange rate between the NIS and U.S. dollar published by the Bank of Israel was NIS 3.9430 to the U.S. dollar on April 12, 2015. The exchange rate has fluctuated during the six month period beginning October 2014 through April 12, 2015 from a high of NIS 4.053 to the U.S. dollar to a low of NIS 3.644 to the U.S. dollar. The monthly high and low exchange rates between the NIS and the U.S. dollar during the six month period beginning October 2014 through April 12, 2015, as published by the Bank of Israel, were as follows:

MONTH	HIGH	LOW
	1 U.S. dollar =NIS	1 U.S. dollar =NIS
October 2014	3.793	3.644
November 2014	3.889	3.782
December 2014	3.994	3.889
January 2015	3.998	3.899
February 2015	3.966	3.844
March 2015	4.053	3.926
April 2015 (through April 12)	3.974	3.939

The average exchange rate between the NIS and U.S. dollar, using the average of the exchange rates on the last day of each month during the period, for each of the five most recent fiscal years was as follows:

PERIOD	AVERAGE EXCHANGE RATE
January 1, 2010 - December 31, 2010	3.735 NIS/\$1
January 1, 2011 - December 31, 2011	3.577 NIS/\$1
January 1, 2012 - December 31, 2012	3.857 NIS/\$1
January 1, 2013 - December 31, 2013	3.609 NIS/\$1
January 1, 2014 - December 31, 2014	3.577 NIS/\$1

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISORS

Not Applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not Applicable.

ITEM 3. KEY INFORMATION

A. SELECTED FINANCIAL DATA The following selected consolidated financial data of Elbit Imaging Ltd. and its subsidiaries (together, "El," "Elbit," the "Company," "our," "we" or "us") are derived from our 2014 consolidated financial statements and are set forth below in table format. Our 2014 consolidated financial statements and notes included elsewhere in this report were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The 2014 consolidated financial statements were audited by Brightman Almagor Zohar & Co., a firm of certified public accountants in Israel and a member of Deloitte Touche Tohmatsu. Our selected consolidated financial data are presented in NIS. A convenience translation to U.S. dollars is presented for 2014 only.

The selected financial data for the years ended December 31, 2014, 2013, 2012, 2011 and 2010 which are presented in the table below are derived from our consolidated financial statements prepared in accordance with IFRS and do not include consolidated financial data in accordance with U.S. GAAP.

CONSOLIDATED STATEMENTS OF OPERATIONS IN ACCORDANCE WITH IFRS
(in thousands, except share and per share data)

	<u>2014</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
	<u>Convenience translation</u>					
	<u>(\$'000)</u>					
Income revenues and gains						
Revenues						
Revenues from sale of commercial centers	51,831	201,571	8,614	67,594	3,525	4,345
Revenue from hotel operations and management	50,658	197,007	202,791	206,746	286,548	403,822
Total revenues	102,489	398,578	211,405	274,340	290,073	408,167
Gains and other						
Rental income from commercial centers	29,226	113,661	129,748	147,185	111,745	98,550
Gain from sale of investees	2,906	11,301				
Gains from sale of real estate assets	-	-	-	-	-	198,777
Gains from changes of shareholding in investees	-	-	-	53,875	-	-
Total gains	32,132	124,962	129,748	201,060	111,745	297,327
Total income revenues and gains	134,621	523,540	341,153	475,400	401,818	705,494
Expenses and losses						
Commercial centers	75,049	291,864	124,737	213,367	159,626	156,745
Hotel operations and management	44,721	173,918	179,137	186,760	240,784	341,291
General and administrative expenses	10,230	39,785	60,643	48,771	61,857	65,292
Share in losses of associates, net	4,450	17,298	339,030	102,127	7,568	8,275
Financial expenses	61,096	237,601	334,101	184,273	160,707	313,224
Financial income	(1,624)	(6,317)	(3,930)	(28,303)	(65,571)	(40,927)
Change in fair value of financial instruments measured at fair value through profit and loss	18,368	71,432	68,407	50,229	(273,020)	50,531
Financial gain from debt restructuring	(415,692)	(1,616,628)				
Write-down, charges and other expenses, net	136,550	531,042	840,034	302,093	288,935	79,637
	(66,852)	(260,005)	1,942,159	1,059,317	580,886	974,068
Profit (loss) before income taxes	201,473	783,545	(1,601,006)	(583,917)	(179,068)	(268,574)
Income taxes (tax benefits)	(588)	(2,287)	(30,937)	(9,212)	63,283	3,992
Profit (loss) from continuing operations	202,061	785,832	(1,570,069)	(574,705)	(242,351)	(272,566)
Profit(loss) from discontinued operations, net	(379)	(1,475)	5,059	90,721	(4,678)	346,091
Profit (loss) for the year	201,682	784,357	(1,565,010)	(483,984)	(247,029)	73,525
Attributable to:						
Equity holders of the Company	259,447	1,008,999	(1,155,645)	(315,746)	(264,919)	61,998
Non-controlling interest	(57,765)	(224,642)	(409,365)	(168,238)	17,890	11,527
	201,682	784,357	(1,565,010)	(483,984)	(247,029)	73,525
Earnings per share - (in NIS)						
Basic earnings (loss) per share:						
From continuing operations	10.94	42.55	(932.15)	(329.51)	(10.46)	(11.23)
From discontinued operations	(0.02)	(0.06)	3.84	75.75	(0.19)	13.68
	10.92	42.49	(928.31)	(253.76)	(10.65)	2.45
Diluted earnings (loss) per share:						
From continuing operations	10.94	42.55	(932.15)	(329.51)	(10.46)	(11.23)
From discontinued operations	(0.02)	(0.06)	3.84	75.75	(0.19)	13.36
	10.92	42.49	(928.31)	(253.76)	(10.65)	2.13
Dividend declared per share	0	0	0	0	0	0

SELECTED BALANCE SHEET DATA IN ACCORDANCE WITH IFRS

	<u>2014</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
	<u>Convenience translation</u>					
	<u>(\$ '000)</u>					
Current Assets	125,662	488,702	694,348	1,042,069	1,258,227	2,123,961
Non-current Assets	815,791	3,172,611	3,870,096	5,700,578	9,112,840	8,578,752
Total	941,453	3,661,313	4,564,444	6,742,647	10,371,067	10,702,713
Current Liabilities	92,306	358,985	4,794,477	1,721,661	2,226,971	2,799,122
Non-current Liabilities	665,748	2,589,091	178,597	3,631,878	6,605,226	5,726,070
Shareholders' equity Attributable to:						
Equity holders of the company	59,650	231,979	(1,032,637)	288,630	359,630	760,740
Non-controlling interest	123,749	481,258	624,007	1,100,478	1,179,240	1,416,781
Total	941,453	3,661,313	4,564,444	6,742,647	10,371,067	10,702,713

B. CAPITALIZATION AND INDEBTEDNESS

Not Applicable.

C. REASONS FOR THE OFFER AND USE OF PROCEEDS

Not Applicable.

D. RISK FACTORS

The following is a list of the material risk factors that may affect our business, our financial condition, our results of operations and our cash flows. We cannot predict nor can we assess the impact, if any, of such risk factors on our business or the extent to which any factor, or a combination of factors, may cause actual results to differ materially from those projected in any forward-looking statement. Furthermore, we cannot assess the occurrence, probability or likelihood of any such risk factor, or a combination of factors, to materialize, nor can we provide assurance that we will not be subject to additional risk factors resulting from local and/or global changes and developments not under our control that might impact our businesses or the markets in which we operate.

GENERAL RISKS

Our debt restructuring resulted in severe constriction of our business development, which may have a material adverse effect on our operations.

As discussed below under "Our Debt Restructuring", on February 20, 2014, we completed a major debt restructuring pursuant to an arrangement under Section 350 of the Israeli Companies Law, 5759-1999 (the "Companies Law"). Following the Debt Restructuring, all non-external members of our board of directors were replaced on March 13, 2014, and to date no decisions have been made with respect to our business model as implemented in recent years. Such changes may be made with immediate effect, and may have a significant effect on our operations and cash flow. Furthermore, during the pendency of the Debt Restructuring from February 2013, we were severely constricted in our ability to develop our business, *inter alia*, as on March 19, 2013, we entered into a letter of undertakings (the "Letter of Undertakings") with the trustees of our Series 1, C, D, E, F and G note holders pursuant to which we undertook, among other things, that we and the entities under our control (excluding Plaza Centers N.V.) ("PC" or "Plaza") would not dispose of any material asset or enter into any transaction outside the ordinary course of business, without providing the trustees for those series of notes prior written notice and all relevant information. The Letter of Undertakings remained in effect until the election of our new board of directors on March 13, 2014 and as a result, we essentially ceased our business development activity. Since then, due to those constraints, as well as other circumstances, such as the change of control over the Company, the replacement of our board members, our participation in the rights offering of Plaza in the framework of its own debt restructuring at a significant amount which limited our available resources, lack of new financing and related matters, we did not initiate any new projects nor make any significant progress in projects that were under development. This adversely affected our operations, and may cause us to suffer adverse effects in the future, including our ability to generate future cash flow in order to meet our obligations, and our financing obligations may be limited.

In addition, as a result of the Debt Restructuring, we are no longer controlled by one shareholder, and seven new directors were elected to our board of directors (out of a total of nine directors) on March 13, 2014. This situation creates uncertainty with respect to our strategy and has resulted and may result in changes in our business plans. This situation may also result in delays in pursuing business opportunities. In addition, according to our amended articles of association, a decision to engage in a new field of business which is material to the Company, in which neither we nor any of our subsidiaries is engaged and which new field of business is not complementary to an existing business, would require the approval of all the members of our board of directors present and lawfully entitled to vote at the relevant meeting. This situation creates uncertainty and may result in material adverse effects on our operations.

We essentially ceased our business development activity in the fields of commercial centers, hotels and residential projects during recent years, which may have a material adverse effect on our operations.

Following consummation of the Debt Restructuring we have not initiated any new projects nor made any significant progress in projects that were under development, due to the reasons detailed above. As a result, we did not commence new cycles of entrepreneurship-development-improvement-realization, and focused only on our backlog projects with no new pipeline. This may adversely affect our operations and may significantly affect our ability to generate future cash flow in order to meet our obligations, and to synchronize between our business cycle and our maturities.

An appeal was filed against the court ruling approving the Debt Restructuring. The success of such appeal in whole or in part may result in material harm to our company, including its liquidation.

Following the approval of the Tel-Aviv Jaffa District Court (the "Court") of the Debt Restructuring (the "Court Ruling"), a holder of our Series B Notes which holds less than 0.1% of the outstanding unsecured debt of the Company prior to the debt Restructuring and which had previously filed with the Court a purported class action lawsuit against us on April 11, 2013 (the "Previous Action"), filed an appeal with the Israeli Supreme Court arguing that the Court erred in approving the Debt Restructuring, with specific reference to the exemption from personal civil liability that could potentially have been accorded to our then-current officers and directors (other than Mr. Mordechai Zisser) and the rejection of the Previous Action. One of the alternative remedies requested by the appellant was the cancellation of the approval of the Debt Restructuring by the District Court. To date, the appeal is still pending. If the Supreme Court will award the alternative remedy of the cancellation of the Court Ruling, we may incur material harm and may be required to negotiate a new debt restructuring plan, the failure of which will likely result in our liquidation.

We have large shareholders who may be able to control us.

As a result of the Debt Refinancing, affiliates of York Capital Management Global Advisers LLC and affiliates of Davidson Kempner Capital Management LLC beneficially own an aggregate of approximately 19.7% and 14.3%, respectively, of our outstanding ordinary shares. In addition, as a result of the Debt Refinancing, as of January 8, 2015 and based on the information available to us as of such date, certain Israeli institutional investors held, in aggregate, approximately 17.5% of our outstanding ordinary shares. To our knowledge, these shareholders are not party to a shareholders' agreement between them or with any other shareholders. However, if they act together or with other shareholders, together they may have the power to control the outcome of matters submitted for the vote of shareholders, including the approval of significant change in control transactions. To the extent they maintain at least such holding percentages, their equity interests may make certain transactions more difficult and result in delaying or preventing a change in control of us unless approved by them. Furthermore, should large shareholders take opposing approaches with respect to our company, our business and results of operations may materially suffer.

Following the Debt Restructuring, the market price for our ordinary shares may suffer from fluctuation and may decline significantly.

According to the terms of the Debt Restructuring, we issued 509,713,459 ordinary shares to our unsecured financial creditors, representing approximately 92% of our outstanding share capital at the closing of the Debt Restructuring, 16,594,036 ordinary shares to Bank Hapoalim B.M. ("Bank Hapoalim"), representing 3% of our outstanding share capital following the closing of the Debt Restructuring, and 1,914,215 ordinary shares as a result of the exercise of a warrant held by Eastgate Property LLC. All share amounts in this paragraph do not reflect the Reverse Split.

As a result, there may be an adverse effect on the market price of our shares as a result of a substantial number of shares being sold or available for sale. If our shareholders sell substantial amounts of our ordinary shares, the market price of our ordinary shares may fall. The ordinary shares issued pursuant to the Debt Restructuring are generally freely tradable, and the potential sales of such shares could cause the market price of our ordinary shares to decline significantly. They also might make it more difficult for us to sell equity or equity-related securities in the future at a time and price that we deem appropriate.

As a result of the Debt Restructuring, we have numerous liens on our assets and subsidiaries, which may result in material adverse effect on our operations.

In accordance with the terms of the Debt Restructuring, we created floating liens on all of our assets and fixed liens on our various holdings and rights in our subsidiaries Elbit Ultrasound (Luxembourg) B.V./S.ar.l (through which we hold a controlling stake in Plaza, of which we own approximately 44.9% of its share capital) and Elscint Holdings and Investments N.V. (through which we hold the entire share capital of BEA Hotels N.V. ("BEA Hotels")), which holds our hotels portfolio assets in Bucharest and Antwerp), including rights to receive compensation for a shareholder's loan to each of such entities. In event that we default on the terms of such debt, such liens may be foreclosed, which may result in liquidation of our subsidiaries and material harm to our operations and cash flow. In addition, such liens limit our ability to sell our holdings and other rights in such subsidiaries (subject to certain exceptions included in the New Notes, as defined below) without making early prepayment of certain amounts to our note holders.

In addition, in accordance with the refinancing agreement with Bank Hapoalim which was consummated on February 20, 2014, for the restructuring of our secured loan from Bank Hapoalim pursuant to a refinancing agreement dated December 29, 2013 (the "Refinancing Agreement"), we placed fixed liens on BEA Hotels' holdings and shareholder's loan (subject to certain exceptions) in Bea Hotels Eastern Europe B.V. (through which we hold a hotel in Bucharest) and Astrid Hotel Holdings B.V. (through which we hold hotels in Antwerp). In event that we default on the terms of such debt, such liens may be foreclosed, which may result in the liquidation of our subsidiaries and material harm to our operations and cash flow. In addition, such liens limit our ability to sell our holdings and other rights in these subsidiaries without making early prepayment of certain amounts to Bank Hapoalim.

The grant of liens pursuant to the Debt Restructuring and the amended loan agreement with Bank Hapoalim resulted in most of our valuable assets being subject to liens and encumbrances. In the event that we need additional financing for our operations, we will not be able to provide adequate collateral, which may adversely affect our ability to raise the financing on favorable terms or at all. Such outcome may substantially limit our ability to further develop our assets.

As a result of the new notes that we issued pursuant to the Debt Restructuring, we have limited flexibility in making dividends due to prepayment obligations.

The new notes issued to our note holders pursuant to the Debt Restructuring (the "New Notes") include mandatory prepayment provisions in the event we pay a dividend or make any other distribution before the full redemption of the New Notes, such that we will be obligated to prepay an amount equal to the amount distributed by us, in the following order: (i) first, towards all unpaid amounts under the Series H notes, and (ii) secondly, towards all unpaid amounts under the Series I notes. In addition, pursuant to the Refinancing Agreement, in the case of a distribution, including payment of a dividend in any manner to the Company's shareholders, we shall be required to prepay Bank Hapoalim an amount equal to the amount paid to the note holders on such date multiplied by the ratio between our debt to Bank Hapoalim and our total debt to Bank Hapoalim and to the note holders as of such date. Such provisions may substantially limit our ability to distribute dividends to our shareholders. In addition, such limitation could prove burdensome and limit our ability to raise equity investments due to the limited ability to avail our shareholders of the return of such investments by way of dividends or distributions.

We have significant capital needs and additional financing may not be available.

The sectors in which we compete are capital intensive. We require substantial up-front expenditures for land acquisition, development and construction costs, investments in research and development as well as for the ongoing maintenance of our hotels or operation of our commercial centers. In addition, following construction, additional financing is necessary to maintain the centers in good condition until they are almost fully leased to tenants and sold. Accordingly, we require substantial amounts of cash and financing for our operations. We cannot be certain that our own capital will be sufficient to support such future development or that such external financing would be available on favorable terms, on a timely basis or at all. Furthermore, any changes in the global economy, real estate or business environments in which we operate, any negative trend in the capital markets, any restrictions on the availability of credit and/or decrease the credit rating of PC, might have a material adverse effect on our ability to raise capital.

As a result of our recent financial difficulties, our suspension of payments in respect of our outstanding notes during the year leading up to the Debt Restructuring, the restructuring of our financial debt as part of the Debt Restructuring and the restructuring of PC's debt as part of the Amended PC Plan (as defined below), we may experience difficulties raising financing from investors, especially in Israel, at attractive terms or at all.

In 2008 the world markets experienced a financial crisis from which they have not yet fully recovered that, among other things, resulted in lower liquidity in the capital markets and lower liquidity in bank financing for real property projects (mainly for projects under development). The financial crisis also affected our ability to obtain financing in Central and Eastern Europe ("CEE") and India for our commercial shopping centers and residential projects in those countries. Lower liquidity may result in difficulties to raise additional debt or less favorable interest rates for such debt, which may impact the development of our projects as well as the ability of the potential purchasers thereof to finance such purchases. In addition, construction loan agreements generally permit the drawdown of the loan funds against the achievement of pre-determined construction and space leasing or selling milestones. If we fail to achieve these milestones (including as a result of the global financial crisis and the significant decrease in the number and volume of transactions in general), the availability of the loan funds may be delayed, thereby causing a further delay in the construction schedule. If we are not successful in obtaining financing to fund our planned projects and other expenditures, our ability to develop existing projects and to undertake additional development projects may be limited and our future profits and results of operations could be materially adversely affected. Our inability to obtain financing may cause delays in planned renovation or maintenance of our hotels and commercial centers, or in completion of the construction of our trading property that could have a material adverse effect on our results of operations. Our inability to obtain financing may also affect our ability to refinance our existing debt, if necessary, which may have a material adverse effect on our results of operations and cash flow. In addition, as discussed in the risk factor below "Our annual and quarterly results may fluctuate, which may cause the market price of our shares and New Notes to decline," our quarterly and annual operating results have fluctuated, and may in the future continue to fluctuate, significantly. If we were in need of cash and financing for our operations at a time when our results are poor, this may also have an impact on our ability to fund or successfully obtain financing to fund our planned projects and other expenditures.

In addition, under the terms of our outstanding notes, the net proceeds of any debt we raise must be used to repay the notes, unless raised to refinance the debt to Bank Hapoalim under the Refinancing Agreement. This further limits our ability to secure additional debt financing. In addition, as part of the Debt Restructuring and the Refinancing Agreement, most of our valuable assets are subject to liens and encumbrances. In the event we shall need additional financing for our operations, we will not be able to provide adequate collateral, which may adversely affect our ability to raise the financing on favorable terms or at all. Such outcome may substantially limit our ability to pursue our business plan and further develop our assets.

Furthermore, as part of PC's debt restructuring under the Amended PC Plan which is described more fully below, *inter alia*, PC is required to assign 75% of the net proceeds received from the sale or refinancing of any of its assets to early repayment of its debt to its note holders. PC will be permitted to make investments only if its cash reserves contain an amount equal to general and administrative expenses and interest payments for such debt for a six-month period, has placed a negative pledge on its assets and undertook certain limitations on distribution of dividends and incurring of new indebtedness, financial covenants and other undertakings with respect to the sale and financing of certain projects and investment in new projects, all together, imposing considerable limitations on obtaining new financing.

We are restricted from receiving dividends from PC and other subsidiaries.

The Amended PC Plan includes certain limitations on the distribution of dividends as well as subordination provisions, which would significantly limit our ability to generate cash flow from PC and may significantly affect our cash flow and operations. In addition, other subsidiaries of ours are subject to limitations on the payment of dividends by virtue of legal or regulatory restrictions in their respective jurisdictions. These limitations may have material adverse effects on our cash flow and in turn our ability to service our debts on timely manner.

Events of default under our debt arrangements may result in cross-defaults being triggered under our other credit facilities.

As indicated and more fully described under Item 4 hereof under the caption "PC Debt Restructuring", on December 19, 2014, PC completed its debt restructuring proceedings and the implementation of the Amended PC Plan as approved by the District Court of Amsterdam in the Netherlands (the "Dutch Court") on July 10, 2014, with the Approval Date being July 18, 2014. Under such plan, *inter alia*, the maturities of PC's notes that were issued for trading at the Tel-Aviv Stock Exchange ("Israeli Notes") and notes that were issued to certain Polish noteholders ("Polish Notes") were postponed, as all principal payments of any unsecured debt due during 2013-2015 were deferred for three years from the date of approval of the Amended PC Plan by the Dutch Court ("Approval Date"), while determining that if within two years from the Approval Date PC manages to repay 50% of such unsecured debt, then the remaining principal payments shall be deferred for an additional one year.

If an event of default were to subsist under one or more of our debt arrangements, namely, either the Company's Debt Restructuring or the Amended PC Plan, that event of default may, in accordance with cross-default provisions, constitute an event of default under our other debt arrangements or credit facilities. Upon an event of default (whether due to cross-default or otherwise), the relevant lenders would have the right, subject to the terms of the relevant facility arrangements to, *inter alia*, declare the borrower's outstanding debts under the relevant facilities to be due and payable and/or cancel their respective commitments under the facilities, enforce their security, take control of certain assets or make a demand on any guarantees given in respect of the relevant facility. Accordingly, in the event we do not fulfill our obligations under the Notes issued pursuant to our Debt Restructuring or if PC does not fulfill its obligations under the Israeli Notes or Polish Notes (including but not limited to payment obligations), as the case may be, the respective trustees representing holders of our Notes in case of the Company or the Israeli Notes in case of PC, may be able to claim an immediate settlement, and declare all or any part of the unsettled balance of our Notes or PC's Israeli Notes or Polish Notes, as the case may be, immediately due and payable. Such event of default will trigger cross-default provisions included in other credit facilities. The occurrence of one or more of these factors may have a material adverse effect on our business, financial condition or prospects and/or results of operations.

Our ability to satisfy our obligations under certain credit facilities depends on the value of our assets.

Although the use of borrowings is intended to enhance the returns on our invested capital when the value of our underlying assets is rising, it may have the opposite effect where the value of underlying assets is falling. Any fall in the value of any of our properties may significantly reduce the value of our equity investment in the entity which holds such property, meaning that we may not make a profit, may incur a loss on the sale or impairment of any such property and/or increase the likelihood of breaching certain financial covenants in our existing debt arrangements (namely, our Debt Restructuring or the Amended PC Plan) or credit facilities resulting in an event of default under such arrangements. The occurrence of one or more of these factors may have a material adverse effect on our business, financial condition, prospects and/or results of operations.

IF PC fails to comply with the provisions of the Amended PC Plan, then it might enter into liquidation or we may lose our control over PC or the value of our investment in PC.

As discussed below under Item 4 “Recent Events”, as part of the Amended PC Plan we and our affiliates participated in a rights offering of PC. Should PC default under the Amended PC Plan, there is no obligation or assurance that we will be able to further support PC, and such default may result in massive dilution of our holdings causing us to lose our control over PC or the liquidation of PC, where in such case, we will lose our investment in PC.

Conditions and changes in the local and global economic environments may adversely affect our business and financial results including our ability to comply with certain financial covenants.

Adverse economic conditions in markets in which we operate can harm our business. Such adverse economic conditions may result in diminished liquidity and tighter credit conditions, leading to decreased credit availability, as well as declines in economic growth, employment levels, purchasing power and the size and amount of transactions. In addition, recent concerns regarding the possibility of sovereign debt defaults by European Union member countries, such as Greece and Cyprus, each of which is facing possible default of its sovereign debt obligations, as well as Spain and Italy, the sovereign debt obligations of which were recently downgraded, has disrupted financial markets throughout the world, and may lead to weaker consumer demand in the European Union, the United States, and other parts of the world. These risks may be elevated with respect to our interactions with third parties with substantial operations in countries where current economic conditions are the most severe, particularly where such third parties are themselves exposed to sovereign risk from business interactions directly with fiscally-challenged government payers.

The credit crisis of recent years could have a number of follow-on effects on our business, including a possible: (i) decrease in asset values that are deemed to be other than temporary, which may result in impairment losses and possible noncompliance with certain financial covenants in credit and loan agreements to which we are a party, including but not limited to as a result of the decrease in the value of our collateral loan to value (LTV) (including the decrease in the value of real estate or securities which are pledged to banks), (ii) negative impact on our liquidity, financial condition and share price, which may impact our ability to raise capital in the market, obtain financing and other sources of funding in the future on terms favorable to us, which would harm our ability to finance the development of new projects and engage with co-investors, (iii) slowdown in our business resulting from potential buyers experiencing difficulties in raising capital from financial institutions in order to finance the purchase of our assets from us, which may significantly impact our cash flow and our ability to serve our debts in a timely manner and (iv) imposition of regulatory limitations on financial institutions with respect to their ability to provide financing to companies such as us and/or projects such as those in which we are engaged, while creating a credit crunch. If such financial and economic uncertainty shall occur, it may materially adversely affect our results of operations and cash flow and may increase the difficulty for us to accurately forecast and plan future business.

We are highly leveraged and our debts contain financial and operational covenants, which if breached could adversely affect our ability to operate our business.

We are highly leveraged and have significant debt service obligations. As of the balance sheet date our consolidated debt toward banks and note holders amount to NIS 2,633 million (\$677 million), out of which a corporate -level debt (i.e.: debts of the Company on a standalone balance sheet) amounted to NIS 755 million (approximately \$194 million).

In addition, we may incur additional debt from time to time to finance acquisitions or the development of projects, for capital expenditures or for other purposes.

As a result of our substantial indebtedness:

- we could be more vulnerable to general adverse economic and industry conditions;
- we may find it more difficult to obtain additional financing to fund future working capital, capital expenditures and other general corporate requirements;

- we will be required to dedicate a substantial portion of our cash flow from operations to the payment of principal and interest on our debt, reducing the available cash flow to fund other projects;
- we may have limited flexibility in planning for, or reacting to, changes in our business and in the industry;
- we may have a competitive disadvantage relative to other companies in our business segments with less debt;
- we may face difficulties in establishing strategic or other long-term business joint ventures; and
- we may not be able to refinance our outstanding indebtedness.

We cannot guarantee that we will be able to generate enough cash flow from operations or that we will be able to obtain sufficient capital to service our debt or fund our planned capital expenditures. In addition, we may need to refinance some or all of our indebtedness on or before maturity. We cannot guarantee that we will be able to refinance our indebtedness on commercially reasonable terms or at all.

In addition, a significant part of our loans and notes include provisions with respect to maintaining and complying with certain financial and operational covenants. Our ability to comply with these covenants may be affected by events beyond our control. A breach of one or more of these covenants could result in an event of default under the loan agreements and may give rise to an acceleration of our loans from the respective lenders. Such breach of covenants could have a material adverse effect on our operations and cash flows.

Delays in the realization of our assets could result in significant harm to our financial condition and our ability to serve our indebtedness in a timely manner.

Our business activity is characterized by cycles of entrepreneurship-development-improvement-realization, with the objective to create value with our assets and, as a result, to create value for our company. Our cash flow is dependent upon maintaining synchronization between the realization timetables to the payment schedules of our indebtedness. Delays in the realization of our assets could harm our cash flow and our ability to service our indebtedness. For example, at the beginning of 2013, we experienced a confluence of events not under our control that had an adverse effect on our cash flow and, due to market conditions and delays in projects, we experienced difficulties in realizing our assets at fair commercial values. Those difficulties were attributed to a number of factors, including delays in obtaining permits and licenses from municipal and planning authorities and the hardening of financing policies by banks and financial institutions for the financing of our projects (both for entrepreneurs and potential purchasers). In addition, the note holders of PC threatened to take legal action to prevent PC from distributing dividends, from which we had expected to receive an amount of NIS 100 million (approximately \$27 million). As a result, the credit ratings of our notes were downgraded, which itself imposed more difficulties on our obtaining financing and, in addition, certain financing alternatives that we had been considering did not come to fruition. This led us to commence the process that resulted in the Debt Restructuring. We and PC require realizing a significant part of our assets in order to serve our debts in a timely manner, some of which require further development before placing them in the market. There is no assurance that we and PC will succeed in the realization of our assets in synchronization with the maturity date of our debts, which would prevent our ability to avoid a recurrence of such events. In addition, as during the pendency of the Debt Restructuring from February 2013 to February 2014 and the election of new board members on March 2014, we essentially ceased our business development activity, recommencing such activity at once would require substantial investment, without assurance that such synchronization will be achieved, and the failure of which would likely result in material adverse effects on our operations and cash flow and our ability to service our debt.

We have limited eligibility to use Form F-3 for primary offerings, which could impair our capital raising activities.

We have recently regained the ability to use the SEC's "short form" Form F-3 to register sales of our securities. However, our "public float" is currently below \$75 million and may remain below \$75 million for the foreseeable future. As a result, we are not fully eligible to use Form F-3 for primary offerings. Any such limitations may harm our ability to raise the capital we need. To the extent we are ineligible to use Form F-3 for primary offerings, we will be required to use a registration statement on Form F-1 or issue such securities in a private placement, which could increase the cost of raising capital and delay our financings.

Our financial instruments (mainly our loans and notes) and our derivative financial instruments are subject to fluctuation in interest rates, currency exchange rates, changes in the consumer price index and/or changes in fair value, which may have a negative impact on our earnings, balance sheet and cash flows.

Floating interest rates on most of our debt facilities expose us to increases in market interest rates and subsequent increases in interest costs. To the extent that at any time we do not have any hedges or our hedges are insufficient against interest rate fluctuations, our earnings and balance sheet position may be negatively impacted. Currently we do not have hedges for most of our loans against interest rate fluctuations. In addition, certain debt agreements may include default interest under certain circumstances, which may be higher than the original interest rate set out in the debt agreement. If a lender successfully asserts its right to invoke a default interest clause, this will increase our effective interest costs in respect of facilities with that lender.

We are impacted by exchange rates and fluctuations thereof. We are likely to face risks from fluctuations in the value of the functional currencies of our subsidiaries against the linkage currency of the applicable financial instruments. To the extent that at any time we do not have any hedges or our hedges are insufficient against currency exchange rates, our earnings and balance sheet position may be negatively impacted. In addition a significant part of our real estate assets and investments is managed in foreign currencies (mainly Euro, US Dollar and Rupee) while our debts in the corporate level are mainly in NIS and US Dollars. Therefore the proceeds from the realization of such real estate assets and investments may significantly fluctuate and we may be adversely effected by such exposure. Currently we do not have any material hedges against exchange rate fluctuations.

The principal and interest of most of our debt instruments is determined by reference to the Israeli consumer price index (the "CPI"), which may entail significant risks not associated with similar investments in a conventional fixed or floating rate debt security. The historical value of the CPI is not indicative of future CPI performance and its value is affected by, and sometimes depends on, a number of interrelated factors, including direct government intervention and economic, financial, regulatory, and political events, over which we have no control. An increase in the CPI will result in additional financing expenses to our profits and losses and will have a negative impact on our cash flows. Currently we do not have any material hedges against fluctuations in the CPI.

Certain of our financial instruments and derivative financial instruments are measured by fair value. Any change to the fair value of such instrument will affect our profits and losses and may have a material effect on our results. Changes in accounting standards or evaluation methods for the determination of fair value or for valuing and assessing the fair value of our assets might result in capital decreases in our financial statements, affect our profits and losses and have a material effect on our results. In addition, such decreases may result in failure to meet financial covenants under bank loans that include LTV ratio covenants.

The fair value of our real estate assets (including commercial shopping centers, hotels, residential projects and others) may be harmed by certain factors that may entail impairment losses not previously recorded, which would affect our financial results and the satisfaction of financial covenants.

Certain circumstances may affect the fair value of our real estate assets (whether operating or under construction), including, among other things, (i) the absence of or modifications to permits or approvals required for the construction and/or operation of any real estate asset; (ii) in commercial centers where a significant part of the rental areas is subject to long-term leases with a small group of retailers which is distinguished from other lessees, we may be exposed to a risk of rental fee rates being significantly lower than originally anticipated and a material long term decline in the business operations of such retailers may therefore have an adverse effect on the real estate assets recoverable amount and their final sale prices; (iii) delays in completion of works, beyond the anticipated target, may adversely affect the fair value of the assets and our results of operations and cash flow; (iv) costs overruns in the constructions of our real estate and higher operational costs than anticipated may affected the fair value of our real estate; (v) an increase in the applicable discounts rates in which we are discounting the anticipated operational cash flow of the real estate may have a material adverse affect on the fair value of the real estate (vi) lawsuits that are pending, whether or not we are a party thereto, may have a significant impact on our real estate assets and/or on certain of our shareholding rights in the companies owning such assets; (vii) full or partial eminent domain proceedings (with or without compensation) regarding such real estate assets; and (viii) findings indicating soil or water contamination or the existence of historical or geological antiquities may require the company to absorb significant cleaning, purification or preservation costs, and may limit the use or exploitation of the land, resulting in significant decrease in its fair value. In addition, certain laws and regulations applicable to our business in certain countries where the legislation process undergoes constant changes may be subject to frequent and substantially different interpretations, and agreements which may be interpreted by governmental authorities so as to shorten the term of use of real estate, which may be accompanied by a demolition or nationalization order with or without compensation, may significantly affect the value of such real estate asset. The fair value of our real estate assets may be significantly decreased thereby resulting in potential impairment losses not previously recorded in our financial results, which would impact our ability to satisfy financial covenants under our bank loans.

Since market conditions and other parameters (such as macroeconomic and microeconomic environment trends, and others) that affect the fair value of our real estate and investments vary from time to time, the fair value may not be adequate on a date other than the date the measurement was executed (in general, immediately after the balance sheet date). In the event the underlying assumptions included in the valuation of the real estate (mainly the projected forecasts regarding the future cash flows generated by those assets and the applicable discount rate) are not met, we may have to record an additional impairment loss not previously recorded.

The failure to comply with government regulation may adversely affect our business and results of operations.

Our business is subject to numerous national and local government regulations, including those relating to acquisition of real estate properties, building and zoning requirements, fire safety control, access for the disabled, environmental law and health board reviews and standards. In addition, we are subject to laws governing our relationships with employees, including minimum wage requirements, overtime, working conditions, and work permit requirements, and in some localities to collective labor agreements. A determination that we (or any of our tenants, where applicable) are not in compliance with these regulations could result in the imposition of fines, an award of damages to private litigants and significant expenses in bringing our operations into compliance with such laws and regulations. In addition, our ability to terminate the employment of workers whom we think we no longer need may be hampered by local labor laws and courts, which traditionally favor employees in disputes with former employers.

Operating globally exposes us to additional and unpredictable risks.

We conduct our businesses in multiple countries. Our future results could be materially adversely affected by a variety of factors relating to international transactions, including changes in exchange rates, general economic conditions, regulatory requirements, dividend restrictions, tax structures or changes in tax laws or practices, and longer payment cycles in the countries in our geographic areas of operations. International operations may be limited or disrupted by the imposition of governmental controls and regulations, political instability, hostilities, natural disasters and difficulties in managing international operations. In the CEE region and India, laws and regulations, particularly those involving taxation, foreign investment and trade, title to securities, and transfer of title that are applicable to our activities, can change quickly and in a far more volatile manner than in developed market economies. We cannot assure you that one or more of these factors will not have a material adverse effect on our international operations and, consequently, on our business, financial condition and results of operations. A failure to effectively manage the expansion of our business could have a negative impact on our business.

If we are characterized as a passive foreign investment company for U.S. federal income tax purposes, U.S. holders of ordinary shares may suffer adverse tax consequences.

Generally, if for any taxable year, 75% or more of our gross income is passive income, or at least 50% of the value of our assets, averaged quarterly, are held for the production of, or produce, passive income, we will be characterized as a passive foreign investment company ("PFIC"), for U.S. federal income tax purposes. Our PFIC status is determined based on several factors, including our market capitalization, the valuation of our assets, the assets of companies held by us in certain cases and certain assumptions and methodologies upon which we base our analysis. A determination that we are a PFIC could cause our U.S. shareholders to suffer adverse tax consequences, including having gains realized on the sale of our shares taxed at ordinary income rates, rather than capital gains rates, and being subject to an interest charge on such gain. Similar rules apply to certain "excess distributions" made with respect to our ordinary shares. A determination that we are a PFIC could also have an adverse effect on the price and marketability of our shares. If we are a PFIC for U.S. federal income tax purposes, highly complex rules would apply to U.S. holders owning our ordinary shares. Accordingly, you are urged to consult your tax advisors regarding the application of such rules. See "Item 10.E. Taxation - Tax consequences if we are a Passive Foreign Investment Company" in our Annual Report on Form 20-F.

We are subject to various legal proceedings that may have a material adverse effect on our results of operations.

In November 1999 a claim was initiated against us and certain other third parties, including former directors of the Company and Elscint Ltd., in connection with the change of control of us and our former subsidiary Elscint Ltd. ("Elscint," which was merged into us in 2010) in May 1999 and the acquisition of the hotel businesses and the Arena Commercial Center in Israel by Elscint in September 1999 from Europe Israel (our former controlling shareholder prior to the Debt Restructuring), as well as motions to certify certain of such claims as class actions (Gadish et al v. Elscint et al). On May 28, 2012, the Supreme Court certified the lawsuit as a class action with respect to the claim that the hotels and the Arena Commercial Center were allegedly sold to us at a price higher than the then-current fair value and that Elron Electronic Industries Ltd. (an unrelated third party) had breached certain minority rights in the framework of the sale of Elscint's shares to Europe Israel), and the case was remanded to the Court for hearing the case without prejudicing the parties' rights and arguments with respect to a derivative action. For additional details regarding the class action lawsuit filed against us, see "Note 17 in our 2014 annual financial statements".

In addition certain other legal proceedings have been initiated against us, including the Appeal filed by former Series B holder to the Israeli Supreme Court in respect of the approval of the Debt Restructuring (as discussed above under "An appeal was filed against the court ruling approving the Debt Restructuring). A determination against us in some or all of these proceedings, mainly those related to class actions and the Appeal of the former Series B holder, may materially adversely affect our results of operations and cash flow.

Our results of operations fluctuate due to the seasonality of our various businesses.

Our annual revenues and earnings are substantially dependent upon general business activity, vacation and holiday seasons and the influence of weather conditions. As a result, changes in any of the above have a disproportionate effect on the annual results of operations of our hotels and fashion retail businesses (as well as on the consumer activity in our commercial and entertainment centers.

Our annual and quarterly results may fluctuate, which may cause the market price of our shares and notes to decline.

We have experienced at times in the past, and may in the future experience, significant fluctuations in our quarterly and annual operating results, which may cause the market price of our shares and notes to decline. These fluctuations may be caused by various factors including, among other things, significant sales of our properties, the frequency of such transactions. As a result of our disposition of our real estate assets and/or investments, we may experience significant fluctuations in our annual and quarterly results. As a result, we believe that period-to-period comparisons of our historical results of operations may not necessarily be meaningful and that investors should not rely on them as an indication of our future performance. It is likely that in some future periods, our operating results may be below expectations of public market analysts or investors.

Our business is subject to general business and macro and microeconomic risks.

In addition to risks that are relevant to a specific activity or relate to a specific territory, certain conditions and changes in the economic environment in the countries in which we operate may have an adverse effect on our business performance; changes in the global economy, in real estate and/or the business environment in which we operate, and/or a negative trend in the capital markets and/or a decrease in our capital and/or impairments in our real estate assets from the reasons described in this Item 3 under "The fair value of our real estate assets (including commercial shopping centers, hotels, residential projects and others) may be harmed by certain factors that may entail impairment losses not previously recorded, which would affect our financial results and the satisfaction of financial covenants" risk factor above, may have an adverse effect on our ability to raise funds; macroeconomic or microeconomic changes as described above may influence our compliance with financial covenants under certain bank loans and credit agreements, including but not limited to, as a result of the decrease in the LTV or Debt Service Cover Ratio ("DSCR") and/or a decrease in our capital. For details regarding our pledged assets, see Item 5B, under "Other Loans".

If we do not satisfy the NASDAQ requirements for continued listing, our ordinary shares could be delisted from NASDAQ.

Our listing on the NASDAQ Stock Market is contingent on our compliance with the NASDAQ's conditions for continued listing. One of such conditions is maintaining a bid price for our ordinary shares of least \$1.00 per share. In advance of the closing of the Debt Restructuring, the closing price of our ordinary shares dropped below \$1.00 per share on January 28, 2014. On March 12, 2014, NASDAQ notified us of our noncompliance with the aforementioned condition and set a period of 180 days in order to regain compliance.

On August 21, 2014, we effected a 1-for-20 reverse split of our ordinary shares, no par value. As a result of such reverse share split, our authorized share capital was decreased from 700,000,000 ordinary shares, no par value, to 35,000,000 ordinary shares, no par value, and our outstanding shares and options to purchase shares were adjusted accordingly. The reverse share split was intended to increase the per share trading price of our ordinary shares to satisfy Listing Rule 5450(a)(1) (the "NASDAQ Listing Rule") which requires that listed stocks maintain a closing bid price in excess of \$1.00 per share for continued listing on the NASDAQ Global Select Market. On September 10, 2014, we received notice from the NASDAQ Global Select Market that we had regained compliance with Listing Rule 5450(a)(1).

The closing price of our ordinary shares on NASDAQ on April 28, 2015, was \$ 1.40. There is no assurance that the share price will not fall below \$1.00 per share or that we will not be in violation of the NASDAQ Listing Rule.

If PC and Elbit Medical Technologies Ltd. do not satisfy the applicable stock exchange conditions of for continued listing, their shares could be delisted.

The shares of PC are listed for trading on the main board of the London Stock Exchange under the symbol "PLAZ" and on the main list of the Warsaw Stock Exchange under the symbol "PLZ". The shares of our subsidiary Elbit Medical Technologies are listed on the Tel-Aviv Stock Exchange under the symbol "EMTC". If PC or Elbit Medical Technologies Ltd. does not satisfy the conditions of the applicable stock exchange for continued listing (such as, but not limited to, free-float requirements), their shares could be delisted. Such occurrences would make the realization of those investments or any part thereof by us more difficult and could limit the possibility to attract new investors to those portfolios.

RISKS RELATING TO THE COMMERCIAL CENTERS BUSINESS

There is no assurance that we will successfully implement our construct and dispose strategy on the commercial business and in such event our results and cash flows may be materially adversely affected.

Our strategy in the commercial centers business is to acquire a plot of land, develop a commercial center on it, and dispose of the center upon completion, or operate a center following completion until such time as we reach the minimum occupancy threshold necessary for the property to be attractive to potential buyers or to enable the sale thereof as part of a sale of a portfolio of properties, and to allow us to attempt to achieve the best price for our completed commercial centers. Our decision to sell properties is based on various factors, including market conditions. There is no assurance that such sales will actually occur or that they will occur according to the timetable we predicted or planned. There can be no assurance that we will be able to complete dispositions under commercially reasonable terms or at all. Accordingly, our results of operation and cash flows can be materially adversely affected.

Suitable locations are critical to the success of a commercial center; however, there is no guarantee that we will be able to obtain such suitable locations, which may adversely affect our business and results of operations.

The choice of suitable locations for the development of commercial center projects is an important factor in the success of the individual projects. Ideally, these sites should be located (i) within, or near, the city center, with well-developed transportation infrastructure (road and rail) located in close proximity to facilitate customer access and (ii) in areas with sufficient population to support the centers. If we are not able to find sites in the target cities which meet these criteria or which meet our price range, this may materially adversely affect our business and results of operation. In addition, our estimations as to the urban development of the area and/or consumer spending power or the growth thereof may be wrong or may be influenced by factors we cannot predict, which can cause the results of the center to be less than we predicted and/or difficulty to reach the desirable occupancy rates, and/or require us to sell the center at a time or upon terms different than we had planned.

We are dependent on attracting third parties to enter into lease agreements, and in particular on anchor tenants.

We are dependent on our ability to enter into new leases on favorable terms with third parties, including anchor tenants (such as the operators of supermarkets, department stores, cinemas, national retail outlets and large electrical appliances stores) in order to receive a profitable price for each commercial center or other development. Anchor stores in commercial and entertainment centers play an important part in generating customer traffic and making a center a desirable location for other tenants. We may find it more difficult to engage tenants to enter into leases during periods when market rents are increasing, or when general consumer activity is decreasing, or if there is competition for tenants from competing centers. The global economic slowdown, pressures that affect consumer confidence, job growth, energy costs and income gains can affect retail sales growth, and a continuing soft economic cycle (as well as vacancies and available spaces at other shopping centers as a result of the recession) may impact our ability to find tenants for our commercial centers. Failure to attract tenants, the termination of a tenant's lease, or the bankruptcy or economic decline of a tenant may adversely affect the price obtainable for the commercial center and adversely affect our financial condition and results of operations. The failure of tenants to abide by the terms of their agreements may cause delays or result in a temporary or long term decline in rental income, the effects of which we may not be able to offset due to difficulties in finding a suitable replacement anchor tenant. Furthermore, the tenants or operators of units comprising part of a development may be unable to obtain the necessary governmental permits or licenses which are necessary for the operation of their respective businesses. Where such operations are delayed or not permitted due to lack of necessary permits, a negative impact on the attractiveness of the project and on revenues and cash flow may result.

We may lease developed commercial centers until we dispose of them or other developments at below expected rental rates or sell at a price that is below what was expected or at a delayed date, which would materially harm our business.

Our current strategy is to dispose of a commercial center upon completion. If rental leases decrease below our expectations or if circumstances arise beyond our control, such as market prices, market demand and negative trends, or if we are required to sell a center in order to meet certain payment obligation under our outstanding financing facilities or notes when due, we may have to sell a commercial center at a price below our projections. In addition, we could be in the position where there will be no demand at acceptable prices and we will be required to hold, operate and maintain the commercial center until the financial environment improves and we are able to attempt to achieve the best price for our completed commercial centers. This will cause a considerable delay in the sale of the asset and will require us to devote (or acquire by way of outsourcing) the resources (including, in some cases, injecting additional capital) required for its operation and maintenance.

Competition is becoming more aggressive in certain countries in which we operate, which may adversely affect our results of operations and cash flows.

The commercial centers business in CEE and in India is becoming more competitive with a number of developers becoming active in our target areas, such as Globe Trade Centre SA, Atrium European Real Estate ECE Projekt Management GmbH, IMMOFINANZ Group and TriGranit Holding Limited in CEE. The commercial centers concept we promote is gaining increasing popularity due to its potentially high yields. Developers compete not only for patrons, but also for desirable properties, financing, raw materials, qualified contractors, experienced system consultants, expert marketing agents and skilled labor. The public bidding process (the process through which we often acquire new properties) in CEE, and the prime locations in general, are subject to competition and some of our competitors have longer operating histories and greater resources than us, all of which may limit our ability to obtain such projects. There can be no assurance that we will be successful in winning projects that we bid for or which are awarded pursuant to fixed price tenders or that we will otherwise continue to be successful in competing in such countries for prime and selected locations.

If we find and acquire a location that is suitable for the development of a commercial center, the suitability of that location may be adversely affected by external factors such as a competing shopping center opening in the same area, demographic trends and urban development and changes which may impact the character of the target or potential customers of the shopping center, and other factors that may impact the shopping center's operations. In the event that the suitability of a location is adversely affected, the development of our commercial center may be delayed or abandoned. In such circumstances, there is no guarantee that we will be able to use the site for an alternative development or be able to sell the site.

Certain projects have limited development and exploitation rights

In 2006, PC added the Casa Radio project in Romania to its portfolio. The nature of the development and exploitation rights granted to the joint venture company in relation to the Casa Radio site in Bucharest are for a period of only 49 years, and in the event that this term is not extended, the rights in relation to the site would revert to the Government of Romania. Furthermore, these rights are subject to termination under certain circumstances by the Romanian government, and any termination prior to the expiration of such rights may have a material adverse effect on our business. The building permit obtained by PC for the development of Helios Plaza has expired at the end of 2014 and there is no assurance for prolongation. In respect of the Arena Plaza Extension, the building permit has expired and a renewal will need to be applied for. Any expiry or termination of these rights may have a material adverse effect on our business, financial condition and/or results of operations.

RISKS RELATING TO THE HOTEL BUSINESS

The hotel industry may be affected by economic conditions, oversupply, travel patterns, weather and other conditions beyond our control which may adversely affect our business and results of operations.

The hotel industry may be adversely affected by changes in national or local economic conditions and other local market conditions, especially in times of economic crisis. Our hotels may be subject to the risk of oversupply of hotel rooms. Other general risks that may affect our hotel business are changes in travel patterns (business or tourism), changes in trends as to performance of exhibitions, conferences and conventions in the cities in which our hotels are located or at all (including as a result of a financial crisis), extreme weather conditions, changes in governmental regulations which influence or determine wages, workers' union activities, changes in interest rates, the availability of financing for operating or capital needs, and changes in real estate tax rates and other current operating expenses. Unforeseen events, such as terrorist attacks, volcanic eruptions, extreme weather conditions, outbreaks of epidemics and health concerns (such as SARS, avian flu, swine flu) and the economic recession had, and may continue to have, an adverse effect on local and international travel patterns and, as a result, on occupancy rates and rates in our hotels. Downturns or prolonged adverse conditions in the real estate or capital markets or in national or local economies and difficulties in securing financing for the development of hotels could have a material adverse effect on our business, results of operations and cash flow, ability to develop new projects and the attainment of our strategic goals.

Competition in the hotels industry could have an adverse effect on our business and results of operations.

The hotel business is highly competitive. This is particularly the case in those areas where there is an oversupply of rooms. Competitive factors within the industry include: (i) convenience of location and accessibility to business centers; (ii) room rates; (iii) quality of accommodations; (iv) brand name recognition; (v) quality and nature of service and guest facilities provided; (vi) reputation; (vii) convenience and ease of reservation systems; and (viii) the supply and availability of alternative lodging.

We operate our hotels in geographic locations where other hotels are or may be located. Many of these competitors have greater financial resources and better brand name recognition than we do, and may have more established relationships with prospective franchisers, representatives in the construction industry and other parties engaged in the lodging industry. The number of competitive lodging facilities in a particular area could have a material adverse effect on our hotel occupancy and rates and, therefore, results of operations and cash flows of our hotels. We believe that competition within the lodging market may increase in the foreseeable future. New or existing competitors may significantly reduce their rates or offer greater convenience, services or amenities or significantly expand or improve hotels in the markets in which we currently or may subsequently compete, thereby materially adversely affecting our business and results of operations.

We rely on management agreements with the Rezidor Hotel Group, which may not provide the intended benefits and may be terminated. Any significant decline in the reputation of the Rezidor Hotel Group or in the performance of our hotels could adversely affect our results of operation.

Our hotels are either directly or indirectly operated under long-term management agreements with the Rezidor Hotel Group ("Rezidor"). Any significant decline in the reputation of Rezidor or in its ability to ensure the performance of our hotels at anticipated levels could adversely affect our results of operations. If our agreement with Rezidor is terminated, we cannot be certain that we would be able to obtain alternative management services of the same standard on similar or better terms.

The long-term management arrangements entail additional risks, including the possibility that: (i) Rezidor might, at any time, have economic or other business interests that are inconsistent with ours or with the management of the specific hotels; (ii) Rezidor may be in breach of the agreements or in a position to take action contrary to the agreements, or frustrate the execution of acts which we believe to be in the interest of any particular hotel; and (iii) Rezidor might become bankrupt or insolvent.

Disputes or disagreements with Rezidor could result in interruption to the business operations of the hotels in question, and impact the financial condition and results of operations of our hotels division which may be materially adversely affected.

Our agreements with Rezidor impose obligations on us that may force us to incur significant costs.

Our agreements with Rezidor, the management companies of all of our operating hotels, contain specific standards for, and restrictions and limitations on, hotel operation and maintenance. These standards, restrictions and limitations may conflict with our priorities, and impose capital demands upon us. In addition, Rezidor may alter its standards or hinder our ability to improve or modify our hotels. We may be forced to incur significant costs or make capital improvements in order to comply with the requirements of Rezidor and, if our relationship with Rezidor is terminated, to change the franchise affiliation of our affected hotels.

The value of our investment in our hotel properties is subject to various risks related to ownership and operation of real property.

In addition to the items set forth above, our investment in hotel properties is subject to varying degrees of risk related to the ownership and operation of real property. The fair value of our hotels and income from the hotels may be materially adversely affected by:

- changes in global and national economic conditions, including global or national recession, such as those triggered by the recent economic crisis;
- a general or local slowdown in the real property market which may make it difficult to sell a property, such as the recent global slowdown;
- political events that may have a material adverse effect on the hotel industry;
- competition from other lodging facilities, and oversupply of hotel rooms in a specific location;
- material changes in operating expenses, including as a result of changes in real property tax systems or rates or labor laws;
- changes in the availability, cost and terms of financing;
- the effect of present or future environmental laws;
- our ongoing need for capital improvements and refurbishments; and
- material changes in governmental rules and policies.

RISKS RELATING TO RESIDENTIAL PROJECTS

The residential development industry continues to be cyclical and affected by changes in general economic, real estate or other business conditions that could adversely affect our business or financial results.

The residential development industry has been cyclical historically and continues to be significantly affected by changes in industry conditions, as well as in general and local economic conditions, such as (i) employment levels; (ii) availability of financing for homebuyers; (iii) interest rates; (iv) consumer confidence; (v) levels of new and existing homes for sale; (vi) demographic trends; (vii) urban development and changes; (viii) housing demand; (ix) local laws and regulations; and (x) acts of terror, floods or earthquakes. These may occur on a global scale, like the recent housing downturn, or may affect some of the regions or markets in which we operate more than others. When adverse conditions affect any of our larger markets, they could have a proportionately greater impact on us than on some other residential development companies. Our operations where we have significant inventory will more adversely affect our financial results than our other markets. An oversupply of alternatives to new homes, including foreclosed homes, homes held for sale by investors and speculators, other existing homes and rental properties, can also reduce our ability to sell new homes and depress new home prices and reduce our margins on the sales of new homes.

As a result of the foregoing matters, potential customers may be less able or willing to buy our homes, or we may need longer periods of time or incur more costs to build them. Because of current market conditions, we may not be able to recapture any increased costs by raising prices and our ability to do so may also be limited by market conditions or because we fix our prices in advance of delivery by signing home sales contracts. We may be unable to change the mix of our home offerings or the affordability of our homes to maintain our margins or satisfactorily address changing market conditions in other ways. In addition, cancellations of home sales contracts in backlog may increase as homebuyers cancel or do not honor their contracts.

Our residential projects are mainly located in India, and subject to highly regulated legal regime which is burdensome for foreigner investors

Most of our residential projects are located in India, and are subject to the Indian Foreign Direct Investment ("FDI") Act, 1999, and the regulations framed thereunder with respect to the construction development sector in India. That sector is governed by provisions of the Foreign Exchange Management Regulation and the consolidated FDI policy issued by the Department of Industrial Policy and Promotion ("DIPP") of the Indian Ministry of Commerce and Industry, and updated / revised from time to time through various Press Notes ("FDI Policy"). The last release with respect to the FDI Policy was a Consolidated FDI Policy circular issued by the DIPP, with effect from April 17, 2014, which was followed by a press note no.10 of 2014 dated December 3, 2014. Those regulations forbid the sale of undeveloped land in view of blocking speculative real-estate investments by foreigners. Such limitations are blocking or limiting our ability to separate and walk away from unsuccessful joint ventures, terminate land acquisition contracts, dispose of land inventory that the development thereof is not economical for us or control the timing of such disposition. In addition, that legislation is subject to continuous rapid and unexpected changes that can jeopardize our business strategy, planning and conduct, and can cause severe delays in timetables set for realization and disposition of projects, and could have a material adverse effect on our operations, cash flow and in turn, our ability to serve our debts on timely manner.

Our residential projects located in India are subject to uncertainties with respect to title and ownership rights.

All our residential projects in India are subject to complicated real estate legislation and we often face lack of sound and proper documentation, title records, historical records and such other defects. In some cases, we face difficulties to foreclose on lands or to have the land properly recorded on our name. Those title defects or lack of proper documentation might prevent or complicate our ability to sell and dispose of such lands or real estate.

Our residential projects located in India depend on joint ventures with local partners.

All our residential projects in India are held through joint ventures with local partners. During recent years, we have experienced a critical cultural gap with our partners as well as a different business approach. Most of those joint ventures suffer from ongoing disputes and troubles in implementing the agreements as originally planned. In most cases, there is no effective way for enforcement of the agreements, inter alia, due to complicated and bureaucratic legal proceedings, conflict of laws, highly expensive arbitration and limited ability to effectively enforce such judgments. Such circumstances may have an adverse effect on our ability to implement our business plans, maximize the return on our investments, control the projects' timetable and achieve the projected results. In other cases, under joint development agreements we depend on our partners' ability or economic incentive to perform the development of the project, as well as other risk factors that may apply to the residential sector. See also the discussion under "We may depend on business partners to jointly construct projects under certain joint venture/joint development projects, which may lead to increased development and construction costs and the loss of our competitive advantage. Some of our projects are co-owned and control of such investments is shared with third parties."; In addition, see also our discussion with respect to risks relating to India, under the heading "In certain projects we rely on local joint venture partners, and in the event that these partners do not perform their obligations, such partners and we have different interests or disputes arise between such partners and us, this could have a material adverse effect on our financial condition and results of operations."

If prospective home buyers are not able to obtain suitable financing, our results of operations and cash flows may decline.

In certain projects in the residential sector our strategic plan includes the execution of an agreement with a joint development partner ("JDA Partner") according to which the development of the project will be executed by the JDA Partner and we will share with the JDA Partner the proceeds from the sale of houses and/or plots. Therefore, our results of operations and cash flows depend on the ability of prospective home buyers to obtain mortgages for the purchase of the houses which will be developed by the JDA Partner. The uncertainties created by world-wide events in the mortgage markets and their impact on the overall mortgage market, including the tightening of credit standards, could adversely affect the ability of the prospective customers to obtain financing for a home purchase, thus preventing prospective home buyers from purchasing the homes. Moreover, increases in the cost of home mortgage financing could prevent prospective home buyers from purchasing the homes. If the home buyers cannot obtain suitable financing, the sales of the homes by our JDA partner will decreased and which in turn will adversely affect our results of operations and cash flows.

RISKS RELATING TO THE COMMERCIAL CENTERS BUSINESS, TO THE HOTEL BUSINESS AND TO THE RESIDENTIAL PROJECTS BUSINESS

Zoning restriction and local opposition can delay or prevent construction of a project.

Sites which meet our criteria must be zoned for activities of the type common for such use and developments. Where the existing zoning is not suitable or has yet to be determined, we apply for the required zoning classifications. This procedure may be protracted, particularly in countries where the bureaucracy is cumbersome and inefficient, and we cannot be certain that the process of obtaining proper zoning will be completed in a timely manner to enable the centers to open ahead of the competition or at all.

Opposition by local residents to zoning and/or building permit applications may also cause considerable delays or even rejection of such applications. In addition, arbitrary changes to applicable zoning may jeopardize projects that have already commenced. Therefore, if we cannot receive zoning approvals or if the procedures for the receipt of such zoning approvals are delayed, our costs will increase and competition may strengthen, which will have an adverse effect on our business.

Building permits may contain conditions that we must satisfy in order to develop a project. Such conditions may require us to contribute to local infrastructure or alter a planned development to include additional landscaping or planted areas. If we are obligated to maintain certain areas of the project site as “green areas” this may reduce areas that contribute to revenues, such as leasable areas, hotel rooms, commercial space and apartments, which in turn may reduce potential revenues while increasing development costs.

Certain zoning permits are granted for limited time periods and if the term is not extended the rights revert back to the local government or municipality. Furthermore, these rights may be subject to termination under certain circumstances by the government and any termination prior to the expiration of such rights could have a material adverse effect on our business, prospects and results of operations or financial condition.

We depend on contractors and subcontractors to construct our real estate, which may lead to increased development and construction costs and the loss of our competitive advantage.

We rely on subcontractors for all of our construction and development activities. If we cannot enter into subcontracting arrangements on terms acceptable to us or at all, we will incur additional costs which will have an adverse effect on our business. The competition for the services of quality contractors and subcontractors may cause delays in construction, thus exposing us to a loss of our competitive advantage. Subcontracting arrangements may be on less favorable terms than would otherwise be available, which may result in increased development and construction costs. By relying on subcontractors, we become subject to a number of risks relating to these entities, such as quality of performance, varied work ethics, performance delays, construction defects, breach or non-performance of agreements and the financial stability of the subcontractors. A shortage of workers (or materials) would have a detrimental effect on us and our subcontractors and, as a result, on our ability to conclude construction phases on time and within budget. We generally require our subcontractors to provide bank guarantees in our favor to financially secure their performance and endeavor to require this even in countries where this is not common business practice. In the event the subcontractor fails to perform, the bank guarantees provide for a monetary payment to us. The guarantees do not, however, obligate the subcontractors to complete the project and may not adequately cover our costs of completing the project or our lost profits during the period while alternative means of completing the project are sought.

We may depend on business partners to jointly construct projects under certain joint venture/joint development projects, which may lead to increased development and construction costs and the loss of our competitive advantage. Some of our projects are co-owned and control of such investments is shared with third parties.

In certain projects we rely on local joint venture partners to work with us in developing the project, which, in certain cases, may be awarded the performance of construction work, obtaining of permits, marketing and sales or any combination of the above. In such projects, we rely on our partner to perform its scope of work under the joint venture or joint development agreement. If our partner does not perform for any reason (either due to default, bankruptcy or other reasons), or if we cannot enter into agreements with the partner to perform these tasks on terms acceptable to us or at all, we will incur additional costs, or enter into a deadlock, which will have an adverse effect on our business. Such occurrences may cause delays in construction, thus exposing us to a loss of our competitive advantage. By relying on partners, we become subject to a number of risks relating to these entities, such as quality of performance, varied work ethics, performance delays, construction defects, breach or non-performance of agreements and the financial stability of the partner.

Some of our projects are held through joint venture arrangements with third parties with whom we share ownership and control of such assets. As a result, these arrangements entail risks in addition to those associated with projects in which we own a controlling interest, including the possibility that: (i) our joint venture partner might, at any time, have economic or other business interests that are inconsistent with ours; (ii) our joint venture partner may be in a position to take action contrary to our instructions or requests, or contrary to our policies or objectives, or frustrate the execution of acts which we believe to be in the interest of any particular project; (iii) our joint venture partner may have different objectives than us, including with respect to the appropriate timing and pricing of any sale or refinancing of a development and whether to enter into agreements with potential contractors, tenants or purchasers; (iv) our joint venture partner might become bankrupt or insolvent; and (v) we may be required to provide financing to make up any shortfall due to our joint venture partner failing to provide such equity finance or to furnish collaterals to the financing third parties.

Disputes or disagreements with any of our joint venture partners could result in significant delays and increased costs associated with the development of our properties. Even when we have a controlling interest, certain major decisions (such as whether to sell, refinance or enter into a lease or contractor agreement and the terms on which to do so) may require approval from a joint venture partner or other third party. If we are unable to reach or maintain agreement with a joint venture partner or other third party on matters relating to the business operations, our financial condition and results of operations may be materially adversely affected.

Delays in the completion of construction projects could affect our success.

An important element in the success of the construction process of our commercial projects is the short construction time (in CEE, generally eight to 18 months from the receipt of building permits, depending on the size of the project and location), and our ability to open projects such as commercial centers ahead of our competitors, particularly in cities which do not have projects of the type constructed by us.

This makes us subject to a number of risks relating to these activities, including:

- the inability to obtain financing for development at attractive terms or at all;
- delays in obtaining zoning (or land classification, as the case may be for each jurisdiction) and other approvals;
- the unavailability of materials and labor;
- the abilities of subcontractors to complete work competently and on schedule;
- the surface and subsurface condition of the land underlying the project;
- environmental uncertainties;
- extraordinary circumstances or "acts of God"; and
- ordinary risks of construction that may hinder or delay the successful completion of a particular project.

In addition, under our development contracts with local municipalities or governmental authorities, we have deadlines for several of our projects (subject to limited exceptions). If construction of a project does not proceed in accordance with our schedule, we may in some instances be required to pay penalties to the vendor (usually local municipalities, but may also be a governmental authority that has allotted the land) based on the extent of the delay and in rare cases to forfeit rights in the land. The failure to complete a particular project on schedule or on budget may have a material adverse effect on our business, prospects and results of operations or financial condition.

Acquiring, developing and renovating real property involve substantial risks, and we cannot be certain of the success of any future projects.

Acquiring, developing and renovating real property involves substantial risks, including: (i) costs exceeding budget or amounts agreed upon with contractors, because of various factors, such as delays in completion of construction; (ii) competition for acquisition of suitable development sites from competitors, who may have greater financial resources; (iii) the failure to obtain zoning and construction permits; (iv) unavailability of financing on favorable terms, if at all; (v) the failure of properties to earn profits sufficient to service debt incurred in construction or renovation, or at all; (vi) the failure to comply with labor and workers' union legal requirements; (vii) relationships with and quality and timely performance by contractors and sub-contractors; and (viii) compliance with changes in governmental rules, regulations, planning and interpretations.

We cannot be certain that present or future development or renovation will be successful. If we are not successful in future projects, it will have a material adverse effect on our business. For successful growth, we must be able to develop or acquire real property on attractive terms and integrate such properties into our existing operations. We cannot be certain that newly acquired (or constructed or refurbished) real property will perform as we expect or that we will be able to realize projected cost savings for acquired properties.

We may be held liable for design or construction defects of third-party contractors.

We rely on the quality and timely performance of construction activities by third-party contractors. Claims may be asserted against us by local government and zoning authorities or by third parties for personal injury and design or construction defects. These claims may not be covered by the professional liability insurance of the contractors or of the architects and consultants. These claims may give rise to significant liabilities.

Shortages in raw materials and employees may have a material adverse effect on our results of operations.

The building industry may from time to time experience fluctuating prices and shortages in the supply of raw materials as well as shortages of labor and other materials. The inability to obtain sufficient amounts of raw materials and to retain efficient employees on terms acceptable to us may delay construction and increase the budget of our projects and, as a result, have a material adverse effect on the results of our operations.

Real estate investments are relatively illiquid.

Substantially all of our portfolio's total consolidated assets consist of investments in real properties part of which are operational and a significant part of which are undeveloped. Because real estate investments are relatively illiquid, our ability to quickly sell one or more properties in the portfolio in response to changing economic, financial and investment conditions is limited. Moreover, the sale of undeveloped land to third parties will involve additional difficulties compared to selling of operational real estate assets such as the lack of financing for development in the CEE and India, the risk of not obtaining the building permits and approval from the authorities and the like. The real estate market is affected by many factors, such as general economic conditions, availability of financing, interest rates and other factors, including supply and demand for space and trends, that are beyond our control. As our projects are subject to numerous factors that are not under our control, there is no assurance that our predictions and estimations of the timing in which we will be able to sell any property and/or the price or terms we set will actually materialize as predicted. There is no assurance that our predictions and estimations as to the length of time needed to find a willing purchaser and to close the sale of a property will be correct. In addition, current economic and capital market conditions might make it more difficult for us to sell properties or might adversely affect the price we receive for properties that we do sell, as prospective buyers might experience increased costs of debt financing or other difficulties in obtaining debt financing. Finally, attempting to sell any of our investments in real properties at an accelerated pace due to cash flow needs may result in our receiving lower purchase price for such investments.

In addition, the number of prospective buyers interested in purchasing real estate properties may be limited. Therefore, if we want to sell one or more of the properties in our portfolio, we may not be able to dispose of the property in the desired time period and may receive less consideration than we originally invested in the property.

Before a property can be sold, we may be required to make expenditures to correct defects or to make improvements. We cannot assure investors that we will have funds available to correct those defects or to make those improvements, and if we cannot do so, we might not be able to sell the property, or might be required to sell the property on unfavorable terms. In acquiring a property, we might agree to provisions that materially restrict us from selling that property for a period of time or impose other restrictions, such as limitations on the amount of debt that can be placed or repaid on that property. These factors and any others that would impede our ability to respond to adverse changes in the performance of our properties could adversely affect our financial condition and results of operations.

Environmental discoveries may have a significant impact on the budget, schedule, viability and marketability of our assets.

We may encounter unforeseen construction delays or compliance defaults due to factors beyond our control such as delays or defaults caused by previously unknown soil contamination or the discovery of archeological findings which may have a significant impact on development budget and schedules and which may, in turn, have a detrimental effect on the viability or marketability of the development or cause legal liability in connection with a portfolio asset. We may be liable for the costs of removal, investigation or remedy of hazardous or toxic substances located on or in a site owned or leased by us, regardless of whether we were responsible for the presence of such hazardous or toxic substances. The costs of any required removal, investigation or remedy of such substances may be substantial and/or may result in significant budget overruns and critical delays in construction schedules. The presence of such substances, or the failure to remedy such substances properly, may also adversely affect our ability to sell or lease such property or to obtain financing using the real estate as security. Additionally, any future sale of such property will be generally subject to indemnities to be provided by us to the purchaser against such environmental liabilities. Accordingly, we may continue to face potential environmental liabilities with respect to a particular property even after such property has been sold. Laws and regulations may also impose liability for the release of certain materials into the air or water from a property, and such release can form the basis for liability to third persons for personal injury or other damages. Other laws and regulations can limit the development of, and impose liability for, the disturbance of wetlands or the habitats of threatened or endangered species. Any environmental issue may significantly increase the cost of a development and/or cause delays, which could have a material adverse effect on the profitability of that development and our results of operations and cash flows.

There is an increasing awareness of environmental issues in CEE and India. This may be of critical importance in areas where soil pollution may be prevalent. If a property that we acquire turns out to be polluted, such a finding will adversely affect our ability to construct, develop and operate a commercial and entertainment center, a hotel or a residential project on such property, and may cause us to suffer expenses incurred in cleaning up the polluted site which may be significant.

RISKS RELATING TO OUR MEDICAL COMPANIES

InSightec's future growth substantially depends on its ability to develop and obtain regulatory clearance and reimbursement for additional treatment applications for the ExAblate.

Our associate InSightec Ltd. ("InSightec") has received regulatory approvals to market the ExAblate in the United States, Israel, Canada, Russia, Brazil, Mexico, Korea, Taiwan, Australia, New Zealand, Singapore, Japan, China and the European Union Economic Area ("EEA"), which is comprised of the member nations of the European Union and certain additional European nations, solely for the treatment of uterine fibroids. In addition, in May 2007 InSightec received CE-marking (approval to market in the EEA) and in January 2008 it received Israeli approval and in October 2012 it received FDA approval for pain palliation of bone metastases. Finally, in December 2012, InSightec's ExAblate Neuro system received the CE-marking for the treatment of neurological disorders in the brain including essential tremor, Parkinson's disease and neuropathic pain. However, clinical experience for the bone metastases and for the neurological disorders in the brain application is still in the early stages and therefore commercial acceptance is expected to take some time. InSightec's objective is to expand the use of the ExAblate by developing and introducing new treatment applications. InSightec is currently in various stages of product development and clinical studies for a number of new treatment applications for the ExAblate. It will be required to obtain FDA approval in the United States and other regulatory approvals outside of the United States before marketing the ExAblate for these additional treatment applications. InSightec cannot guarantee that InSightec's product development activities for these other applications will be successful and if not, InSightec's future growth will be harmed. In particular, InSightec's future curative oncology treatment applications are subject to significant risks since these applications must be able to demonstrate complete ablation of malignant tumors, or meet or exceed the current medical standard related to the oncology application in question. If InSightec is unable to demonstrate this degree of efficacy, its future curative oncology treatment applications may not prove to be successful. In addition, assuming product development is successful, the regulatory processes can be lengthy, lasting many years in some cases, and expensive. We cannot assure that FDA approval or other regulatory approvals will be granted.

In order to obtain FDA clearance and other regulatory approvals, and to obtain reimbursement coverage for use of the ExAblate treatment for additional applications, InSightec is required to conduct extensive clinical studies which may take several years to demonstrate the therapeutic benefits, absence of dangerous adverse side effects and cost-effectiveness of these new treatment applications and products. Clinical trials are expensive and may take several years to complete. If future clinical trials indicate that the ExAblate is not as beneficial or cost-effective as existing treatment methods, or that such products cause unexpected complications or other unforeseen adverse events, InSightec may not obtain regulatory clearance to market and sell the ExAblate for these additional treatment applications or obtain reimbursement coverage, and InSightec's long-term growth would be seriously harmed.

Gamida's future growth substantially depends on their ability to develop and obtain regulatory clearance for additional treatment applications for their products.

Our associate Gamida Cell Ltd. ("Gamida"), a leader in stem cell expansion technologies and therapeutic products, is substantially dependent on receiving FDA and other applicable regulatory approval of its products and is also required to conduct extensive clinical studies that may take several years to demonstrate the therapeutic benefits, absence of dangerous adverse side effects and cost-effectiveness of these new treatment applications and products.

In the event that Gamida does not receive regulatory approval to market and sell their products it would have a material adverse effect on their respective sales and results of operations

If the ExAblate systems do not achieve broad market acceptance, InSightec will not be able to generate sufficient sales to support its business.

InSightec must achieve broad market acceptance of the approved ExAblate systems among physicians, patients and third-party payors in order to generate sufficient sales to support its business. Physicians will not recommend the use of any of the approved systems unless InSightec can demonstrate that it produces results comparable or superior to existing alternative treatments. If long-term patient studies do not support InSightec's existing clinical results, or if they indicate that the use of the particular approved systems has negative side effects on patients, physicians may not adopt or not continue to use them. Even if InSightec demonstrates the effectiveness of the approved systems, physicians may still not use the systems for a number of other reasons. Physicians may continue to recommend traditional treatment options simply because those methods are already widely accepted and are based on established technologies. Patients may also be reluctant to undergo new, less established treatments. If, due to any of these factors, the approved ExAblate systems do not receive broad market acceptance among physicians or patients, InSightec will not generate significant sales. In this event, InSightec's business, financial condition and results of operations would be significantly harmed, and InSightec's ability to develop additional treatment applications for the ExAblate would be adversely affected.

If physicians, hospitals and other healthcare providers are unable to obtain coverage and sufficient reimbursement from third-party healthcare payors for treatment procedures using the ExAblate, InSightec may be unable to generate sufficient sales to support its business.

Demand for commercial use for the ExAblate is likely to depend substantially on the extent to which sufficient reimbursement for treatment procedures using InSightec's system will be available from third-party payors, such as private health insurance plans and health maintenance organizations and, to a lesser degree, government payor programs, such as Medicare and Medicaid. Reimbursement practices vary significantly from country to country and within some countries, by region. InSightec believes that third-party payors will not provide reimbursement on a national basis for treatments using the ExAblate, unless InSightec can generate a sufficient amount of data through long-term patient studies to demonstrate that such treatments produce favorable results in a cost-effective manner relative to other treatments. Furthermore, InSightec could be adversely affected by changes in reimbursement policies of private healthcare or governmental payors to the extent any such changes affect reimbursement for treatment procedures using the ExAblate. If physicians, hospitals and other healthcare providers are unable to obtain sufficient coverage and reimbursement from third-party payors for treatment procedures using the ExAblate, InSightec may be unable to generate sufficient sales to support its business.

Our medical companies' operations (which include clinical trials) may lead to exposure to legal claims.

Our medical companies' activity in the field of medical equipment and devices development include clinical trials, which raise exposure to legal claims due to bodily injury or side effects resulting from the usage of such medical devices or the negligence or improper usage of such equipment by our treatment staff. Any such claims could result in harm to our business and results of operations.

InSightec is dependent on General Electric.

The ExAblate is compatible only with certain Magnetic Resonance Imaging (MRI) systems of GE Healthcare, a division of the General Electric Company ("GE"), which may limit InSightec's potential market. A significant portion of the MRI systems in use in the United States and elsewhere are not GE MRI systems. On October 17, 2012, InSightec and GE entered into a Technology, Co-operation, and Distribution Agreement as amended on June 26, 2014 and on March 30, 2015 (the "Cooperation Agreement") relating, *inter alia*, to product exclusivity, cooperation with respect to the development and sale of the parties' complementary products, distribution, marketing and sales, intellectual property rights and licenses, sale terms and conditions, and similar items. Under the Cooperation Agreement, InSightec was prohibited from developing systems that would be compatible with MRI systems manufactured by companies other than GE and is, therefore, limited in its target market to potential customers who already own or otherwise have access to a compatible GE MRI system, or are willing to purchase such a system in order to use the ExAblate. In addition, in the event that GE is unable to effectively market its MRI systems or compete in the MRI market, InSightec's ability to generate additional sales of the ExAblate could have been adversely affected. In addition, InSightec's interface technology relies on GE's intellectual property rights and licenses. If and in the event GE will terminate those IP licenses (such as in the case of transfer of shares of InSightec to a competitor of GE), InSightec's ability to support its products and generate additional sales of the ExAblate may be adversely affected. As discussed below under Item 4B. "Business Overview", GE has agreed to waive its product exclusivity in consideration for royalties from the sales of InSightec's products (sales of the ExAblate). Although InSightec was released from the product exclusivity limitations, to date it has not developed an interface to any other MRI machine developed by MRI manufacturers other than GE. Hence, the disadvantages of a single MRI source and reliance on GE have not changed yet.

In light of the above, InSightec still depends on its collaboration with GE to ensure the compatibility of the ExAblate with new models of GE MRI systems and upgrades to existing GE MRI systems. GE regularly develops new models of its MRI systems, as well as new capabilities for its existing MRI systems, which could affect their compatibility with the ExAblate. If InSightec is unable to receive information regarding new models of the GE MRI systems or upgrades to existing GE MRI systems, and coordinate corresponding upgrades to the ExAblate to ensure continued compatibility with new and existing GE MRI systems, and if InSightec is unable to achieve collaboration with other MRI manufacturers and adjust its products to other MRI machines, its ability to generate sales of its system will be adversely affected. In addition, If InSightec is unable to coordinate new applications or upgrades with GE's research and development team (or such teams of other MRI manufacturers), it may be unable to develop such applications or upgrades in a timely manner and its future revenue growth may be seriously harmed.

If the ExAblate is subject to a product recall, InSightec will not be able to generate sufficient sales to support its business.

If the ExAblate does not comply with regulatory standards or if it is subject to reports of damaging effects to patients, it may be subject to a mandatory recall by the relevant authorities and sales may be stopped until it can clear regulatory approvals once again. A recall may harm the reputation of InSightec and its products and its ability to generate additional sales of the ExAblate may be adversely affected.

InSightec and Gamida are dependent on further capital investments.

Until InSightec achieves broad market acceptance of the ExAblate and is able to generate sufficient sales to support its business and until Gamida begins selling its products and generating positive cash flow, each of them will need to obtain additional capital investments to support its business in general and, in particular, its significant research and development costs and expenses. The current volume of sales and backlog of InSightec will not suffice to maintain its current cash burn-rate and expenditure levels. Each of InSightec's or Gamida's inability to obtain additional funding sources, particularly capital investments, might have a material adverse effect on its business and/or ability to continue its operations.

If InSightec and Gamida are unable to protect their intellectual property rights, their competitive position could be harmed. Third-party claims of infringement could require InSightec and Gamida to redesign their products, seek licenses, or engage in future costly intellectual property litigation, which could impact InSightec's and Gamida's future business and financial performance.

InSightec's and Gamida's success and ability to compete depends in large part upon their ability to protect their proprietary technology. InSightec and Gamida rely on a combination of patent, copyright, trademark and trade secret laws, and on confidentiality and invention assignment agreements, in order to protect their intellectual property rights. A few of InSightec's patents were transferred to InSightec from GE at the time of its formation, and GE retains a non-exclusive license to make, use and sell products covered under these patents (including improvements to those patents that were developed by InSightec) without InSightec's permission. The Cooperation Agreement sets forth cross-licensing arrangements on a non-exclusive basis. As a result, InSightec is exposed to the risk that GE may grant licenses for the same intellectual property rights to third parties who might compete with InSightec (subject, however, to the product exclusivity provisions under the Cooperation Agreement, which limits GE from pursuing such competition).

The process of seeking patent protection can be long and expensive, and there can be no assurance that InSightec's and Gamida's existing or future patent applications will result in patents being issued, or that InSightec's and Gamida's existing patents, or any patents, which may be issued as a result of existing or future applications, will provide meaningful protection or commercial advantage to InSightec and Gamida.

Claims by competitors and other third parties that InSightec's or Gamida's products allegedly infringe the patent rights of others could have a material adverse effect on InSightec's or Gamida's business. Any future litigation, regardless of outcome, could result in substantial expense and significant diversion of the efforts of InSightec's and Gamida's technical and management personnel. An adverse determination in any such proceeding could subject InSightec and Gamida to significant liabilities or require InSightec or Gamida to seek licenses from third parties or pay royalties that may be substantial.

InSightec's and Gamida's technology may become obsolete, which could materially adversely impact InSightec's and Gamida's future business and financial performance.

InSightec's and Gamida's success and ability to compete depends in large part upon their ability to develop and maintain unique and leading technologies and capabilities, providing medical solutions superior to alternative treatments and technologies. The discovery or development of more advanced, efficient or cost-effective treatments or technologies by third parties providing better solutions to the same diseases, could make InSightec's or Gamida's technologies or solutions inferior, obsolete or irrelevant. The rapid development and massive research and development activities in the medical areas in which these companies operate creates constant risk of such occurrence, which could adversely impact InSightec's and Gamida's future business and financial performance.

RISKS RELATING TO ISRAEL

Security and economic conditions in Israel may affect our operations.

We are incorporated under Israeli law and our principal offices are located in Israel. In addition, our operations in our other lines of business, such as Elbit Fashion and venture capital investments, operate in Israel. Political, economic and security conditions in Israel directly affect our operations. Since the establishment of the State of Israel in 1948, various armed conflicts have taken place between Israel and its Arab neighbors, Hamas (an Islamist militia and political group in the Gaza Strip) and Hezbollah (an Islamist militia and political group in Lebanon), and a state of hostility, varying in degree and intensity, has led to security and economic problems for Israel.

In addition, acts of terrorism, armed conflicts or political instability in the region could negatively affect local business conditions and harm our results of operations. We cannot predict the effect on the region of any diplomatic initiatives or political developments involving Israel or the Palestinians or other countries in the Middle East. Recent political uprisings, social unrest and violence in various countries in the Middle East and North Africa, including Israel's neighbors Egypt and Syria, are affecting the political stability of those countries. This instability may lead to deterioration of the political relationships that exist between Israel and these countries and have raised concerns regarding security in the region and the potential for armed conflict. In addition, Iran has threatened to attack Israel and is widely believed to be developing nuclear weapons. Iran is also believed to have a strong influence among extremist groups in the region, such as Hamas in Gaza and Hezbollah in Lebanon. This situation may potentially escalate in the future to violent events which may affect Israel and us.

Furthermore, some neighboring countries, as well as certain companies and organizations, continue to participate in a boycott of Israeli firms and others doing business with Israel or with Israeli companies. Restrictive laws, policies or practices directed towards Israel or Israeli businesses could have an adverse impact on the expansion of our business. In addition, we could be adversely affected by the interruption or curtailment of trade between Israel and its trading partners, a significant increase in the rate of inflation, or a significant downturn in the economic or financial condition of Israel.

Service and enforcement of legal process on us and our directors and officers may be difficult to obtain.

Service of process upon our directors and officers, all of whom reside outside the United States, may be difficult to obtain within the United States. Furthermore, since the majority of our assets and all of our directors and officers are located outside the United States, any judgment obtained in the United States against us or these individuals or entities may not be collectible within the United States. Additionally, it may be difficult to enforce civil liabilities under U.S. federal securities law in original actions instituted in Israel. Israeli courts may refuse to hear a claim based on a violation of U.S. securities laws on the grounds that Israel is not the most appropriate forum to bring such a claim. In addition, even if an Israeli court agrees to hear a claim, it may determine that Israeli law and not U.S. law is applicable to the claim. If U.S. law is found to be applicable, the content of applicable U.S. law must be proved as a fact, which can be a time-consuming and costly process. Certain matters of procedure will also be governed by Israeli law. There is little binding case law in Israel addressing these matters. For more information, see below under "Enforceability of Civil Liabilities."

Furthermore, the Debt Restructuring included an exemption from personal civil liability with respect to our then-current officers and directors, other than Mr. Mordechai Zisser, for actions and omission during the period preceding the consummation of the Debt Restructuring. This also limits the ability to pursue legal action against such individuals.

Provisions of Israeli law may delay, prevent or make more difficult a merger or other business combination, which may depress our share price.

Provisions of Israeli corporate law may have the effect of delaying, preventing or making more difficult a merger with, or acquisition of, us. The Companies Law generally provides that a merger be approved by the board of directors and a majority of the shares present and voting on the proposed merger. For purposes of the shareholder vote, unless a court rules otherwise, the merger will not be deemed approved if a majority of the shares not held by the other party to the merger (or by any person who holds 25% or more of the shares or the right to appoint 25% or more of the directors of the other party or its general manager) have voted against the merger. Upon the request of any creditor of a party to the proposed merger, a court may delay or prevent the merger if it concludes that there is a reasonable concern that, as a result of the merger, the surviving company will be unable to satisfy the obligations of the surviving company. Finally, a merger may not be completed unless at least (i) 50 days have passed since the filing of a merger proposal signed by both parties with the Israeli Registrar of Companies and (ii) 30 days have passed since the merger was approved by the shareholders of each merging company.

The Companies Law also provides that an acquisition of shares of a public company must be made by means of a tender offer if as a result of the acquisition the purchaser would become (i) a 25% or greater shareholder of the company unless prior to such acquisition there is already another 25% or greater shareholder of the company or (ii) a 45% or greater shareholder of the company unless prior to such acquisition there is already a 45% or greater shareholder of the company. These requirements do not apply if the acquisition (i) occurs in the context of a private placement by the company that received shareholder approval or (ii) was from a 25% or 45% shareholder, as the case may be. The tender offer may be consummated only if (i) at least 5% of the company's outstanding shares will be acquired by the offeror and (ii) the number of shares tendered in the offer exceeds the number of shares whose holders objected to the offer. In addition, under our amended articles of association, a person seeking to cross the 25% ownership threshold is required to offer to purchase at least 10% of our outstanding ordinary shares in such a tender offer. In any event, if as a result of an acquisition of shares the purchaser will beneficially own more than 90% of a company's shares, the acquisition must be made by means of a tender offer for all of the remaining shares. Shareholders may request an appraisal in connection with a tender offer for a period of six months following the consummation of the tender offer, but the purchaser is entitled to stipulate that any tendering shareholder surrender its appraisal rights.

Finally, Israel tax law treats some acquisitions, such as stock-for-stock exchanges between an Israeli company and a foreign company, less favorably than U.S. tax laws. For example, Israeli tax law may, under certain circumstances, subject a shareholder who exchanges its ordinary shares for shares in another corporation to taxation prior to the sale of the shares received in such stock-for-stock swap.

The described restrictions could prevent or make more difficult an acquisition of us, which could depress our share price.

RISKS RELATING TO EASTERN EUROPE AND GREECE

We are subject to various risks related to our operations in Eastern Europe, including economic and political instability, political and criminal corruption and the lack of experience and unpredictability of the civil justice system.

Many of the Eastern European countries in which we operate are countries which were allied with the former Soviet Union under a communist economic system, and they are still subject to various risks. Certain Eastern European countries, in particular those countries that are not expected to join the European Union in the near future, are still economically and politically unstable and suffer from political and criminal corruption, lack of commercial experience, unpredictability of the civil justice system, land expropriation, changes in taxation legislation or regulation, changes to business practices or customs, changes to laws and regulations relating to currency repatriation and limitations on the level of foreign investment or development. Certain Eastern European countries also continue to suffer from high unemployment and low wages. These risks could be harmful to us and are very difficult to quantify or predict. Although many governments of Eastern European countries have liberalized policies on international trade, foreign ownership and development, investment, and currency repatriation to increase international trade and investment, such policies might change unexpectedly. We will be affected by the rules and regulations regarding foreign ownership of real and personal property. Such rules may change quickly and dramatically and thus may have an adverse impact on ownership and may result in a loss without recourse of our property or assets. Domestic and international laws and regulations, whether existing today or in the future, could adversely affect our ability to market and sell our products and could impair our profitability. With respect to our operations in Romania, any foreign company or litigant may encounter difficulties in prevailing in any dispute with, or enforcing any judgment against, the Romanian government or officers or directors under the Romanian legal system. The joint venture in relation to the Casa Radio site in Bucharest is governed by the public-private partnership laws of Romania pursuant to which no projects have yet been implemented in Romania. There is a risk that the legal structure of this partnership may be challenged in the future and that the development and exploitation rights to be granted by the Romanian government to the joint venture company are more restrictive than currently anticipated, leading to us being unable to obtain the development profits predicted for the project. Furthermore, third parties could challenge the Romanian government's decision, following the failure of the original partners to fulfill their obligations or to put the contract out to tender or to carry out a new site valuation. A successful challenge on either count could result in us having to enter a new tender process, which would lead to an increase in associated expenses and uncertainty.

Certain Eastern European countries such as Serbia may regulate or require governmental approval for the repatriation of investment income, capital or the proceeds of sales of securities by foreign investors. In addition, if there is deterioration in a country's balance of payments or for other reasons, a country may impose temporary restrictions on foreign capital remittances abroad. Any such restrictions may adversely affect our ability to repatriate investment loans or to remit dividends. Many emerging countries have experienced substantial, and in some periods extremely high, rates of inflation for many years. Inflation and rapid fluctuations in inflation rates have had and may continue to have negative effects on the economies and securities markets of certain emerging countries. In addition, in an attempt to control inflation, price controls at our hotels have been imposed at times in certain countries, which may affect our ability to increase our room rates.

Certain Post-Communist Eastern Europe countries initiated legislation that cancels and nullifies transactions involving real estate that were subject to confiscation, condemnation or eminent domain proceeding by the former communist regime. While we make every effort to conduct thorough and reliable due diligence investigations, in some countries where former communist regimes carried out extensive land expropriations in the past, we may be faced with restitution claims by former land owners in respect of project sites acquired by it. If upheld, these claims would jeopardize the integrity of our title to the land and our ability to develop the land.

The economic crisis in the Balkans is also placing stress on the real estate industry, which has been experiencing difficulties since late 2008. The cost of real estate has fallen by approximately 30% to 50% across the region, and plans for developing industrial or tourist projects have been terminated or postponed. If the current trend continues, future prospects for the industry in this region are limited and could adversely affect our ability to develop and sell our projects there.

While the Greek government has overcome a number of obstacles, and the pace of contraction there continued to ease in 2014, in light of a negative short-term outlook, areas of the economy that remain in recession and currency instability due to the Euro, targeted policies at future growth industries and restoring confidence will be required to restore sustainable growth.

Recent political changes in Romania have resulted in delays in receiving required communications, regulatory approvals and permits from the Romanian government, which may affect our ability to develop and sell our projects there.

Hostilities in Eastern European countries could have a material adverse effect on our financial conditions and results of operations.

Several Eastern European countries have from time to time experienced instances of terror attacks and hostilities with neighboring countries. Military activity or terrorist attacks in the future could influence their economies by disrupting communications and making travel more difficult and such political tensions could create a greater perception that companies operating in such countries are usually involved in higher degrees of risk. Events of this nature in the future, as well as social and civil unrest within other neighboring countries at which we operate, could influence their economies and could have a material adverse effect on our financial condition and results of operations.

Expropriation of land

While we make every effort to conduct thorough and reliable due diligence investigations, in some countries where former Communist regimes carried out extensive land expropriations in the past, we may be faced with restitution claims by former land owners in respect of project sites acquired by it. If upheld, these claims would jeopardize the integrity of our title to the land and our ability to develop the land, which may have a material adverse effect on our business, financial condition and/or results of operations.

RISKS RELATING TO INDIA

In certain projects we rely on local joint venture partners, and in the event that these partners do not perform their obligations, such partners and we have different interests or disputes arise between such partners and us, this could have a material adverse effect on our financial condition and results of operations.

In certain projects we rely on local joint venture partners to work with us in developing the project, which, in certain cases, may be awarded the performance of construction work, obtaining of permits, marketing and sales or any combination of the above. In such projects, we rely on our partner to perform its scope of work under the joint venture or joint development agreement. If our partner does not perform for any reason (either due to default, bankruptcy or other reasons), or if we cannot enter into agreements with the partner to perform these tasks on terms acceptable to us or at all, we will incur additional costs, or enter into a deadlock, which will have an adverse effect on our business. Such occurrences may cause delays in construction, thus exposing us to a loss of our competitive advantage. By relying on partners, we become subject to a number of risks relating to these entities, such as different standards of quality of performance and work ethics, performance delays, construction defects, breach or non-performance of agreements and the financial stability of the partner.

Some of our projects are held through joint venture arrangements with third parties with whom we share ownership and control of such assets. As a result, these arrangements entail risks in addition to those associated with projects in which we own a controlling interest, including the possibility that: our joint venture partner may (i) at any time have economic or other business interests that are inconsistent with ours; (ii) be in a position to take action contrary to our instructions or requests, or contrary to our policies or objectives, or frustrate the execution of acts which we believe to be in the interests of any particular project; (iii) have different objectives than us, including with respect to the appropriate timing and pricing of any sale or refinancing of a development and whether to enter into agreements with potential contractors, tenants or purchasers; (iv) become bankrupt or insolvent; and (v) fail to provide equity finance or furnish collaterals to financing third parties in which case we may be required to provide financing to make up any shortfall. In addition, see also our discussion with respect to risks relating to residential projects, under the heading "Our residential projects are mainly located in India and depend on joint ventures with local partners".

Hostilities in India and other countries in Asia could have a material adverse effect on our financial conditions and results of operations.

India has from time to time experienced instances of internal terror attacks and hostilities with neighboring countries, including Pakistan and China. Military activity or terrorist attacks in the future could influence the Indian economy by disrupting communications and making travel more difficult and such political tensions could create a greater perception that companies operating in India are usually involved in higher degrees of risk. Events of this nature in the future, as well as social and civil unrest within other countries in Asia or within India, could influence the Indian economy and could have a material adverse effect on our financial condition and results of operations. In addition, India has from time to time experienced social and civil unrest due to religious strife.

Changes in the economic policies of the Government of India or political instability could have a material adverse effect on our business.

Since 1991, successive Indian governments have pursued policies of economic liberalization, including significantly relaxing restrictions on the private sector and significantly reducing the roles of the state governments in the Indian economy as producers, consumers and regulators. The Indian Government has announced policies and taken initiatives that support the continued economic liberalization pursued by previous governments. However, this trend of liberalization may not continue in the future. The rate of economic liberalization could change, and specific laws and policies generally affecting, among other things, foreign investments, currency exchange, local taxation legislation, repatriation of profits and other matters affecting our investments, as well as specifically affecting the sectors of commercial activity in which we operate, could also change. A significant shift in India's economic liberalization and deregulation policies could materially adversely affect business and economic conditions in India generally, as well as our business operations in particular. In addition to potential economic instability, the Indian economy and business practices are relatively unsophisticated and lacking in experience, and there have been some instances of political and criminal corruption. Furthermore, India continues to suffer from high unemployment, low wages and low literacy rates. These risks could be harmful to us and are very difficult to quantify or predict. Indian governments are democratically elected, but are invariably comprised of a coalition of several political parties. The withdrawal of one or more of these parties from the coalition could cause the government to fall, resulting in political instability or stagnation pending new elections. Such events could delay or even halt the progress and development of the Indian economy and its receptiveness to foreign investment, and may have a material adverse effect on our business.

There is no assurance that our skills and experience can be applied successfully in our operations in India.

The differences between emerging markets in CEE and emerging markets in India or other countries, such as differing mentalities, social and business cultures, legal structures and systems, integrity of the courts, and restrictions on foreign ownership of real estate, may mean that our success in developing and selling commercial and entertainment centers in CEE may not be replicated in India or in other countries.

Real estate legislation in India does not assure clear title and ownership status.

Under Indian law, the registration of ownership in land with the land registration offices does not automatically guarantee the absence of third party rights to such land. In contrast to other countries, India does not have a central title registry for real property. Title registries are maintained at the state and district level and, since the process of storing such records digitally has only recently started, may not be available online for inspection. In addition, because it is common practice in some parts of India (especially in villages) for transfers of title upon deaths of family members and in certain other circumstances to be made only by notation in local revenue records, changes in the ownership of land may not be registered with the relevant land registry in a timely manner or at all. Title registries and local revenue records may not be updated or complete. As such, legal defects and irregularities may exist in the title to the properties on which our existing facilities and/or future facilities are or may be located. While we utilize all reasonable efforts to ensure integrity of title in the real estate properties acquired by us, the system of recording ownership and rights in and to immovable property is not conclusive. Our rights in respect of such properties may be threatened by improperly executed, unregistered or insufficiently stamped conveyance instruments, unregistered encumbrances in favor of third parties, rights of adverse possessors, ownership claims of family members of prior owners, or other defects of which we may not be aware. These defects may arise after land is acquired by us, and are not necessarily revealed by due diligence, due to various factors, including incomplete land records, transactions without registered documents, the decentralized nature of land registries and local revenue records, property-related litigation in India and family disputes in previous sellers' families. Any defects or irregularities of title may result in litigation and/or the loss of development rights over the affected property. With respect to projects on leasehold land, revocation/expiry of the lease and any defect or irregularity in the lessor's title may result in loss of our rights over affected property. This would have an adverse effect on our business and results of operations.

Restrictions on the repatriation of capital in India may adversely affect our cash flows and results of operations.

Pursuant to regulations promulgated under the FDI Policy and by the central bank of India, the repatriation of capital with regard to investments made in the real estate sector is subject to strict regulatory procedures, and is restricted during three years commencing on the date of such investment. If we are unable to repatriate capital from our investments in India, in whole or in part, this may have an adverse effect on our cash flows and our results of operations.

Limitations by the Indian government to invest in India may adversely affect our business and results of operations.

Under the Indian FDI Policy, an acquisition or investment in an Indian sector or activity, in particular in the commercial centers business, which does not comply with certain limitations, is subject to governmental approval. With respect to the real estate sector, these limitations include, among other things, a minimum investment, minimum size of land to be acquired or built-up and restrictions on selling an undeveloped land without governmental approval. In addition, under the FDI Policy it is not permitted for foreign investors to acquire agricultural land for real estate development purposes. There is no assurance that we will comply with the limitations prescribed in the FDI Policy in order to not be required to receive governmental approvals. Failure to comply with the requirements of the FDI Policy will require us to receive governmental approvals which we may not be able to obtain or which may include limitations or conditions that will make the investment unviable or impossible, and non-compliance with investment restrictions may result in the imposition of penalties and inability to dispose of our projects.

ITEM 4. INFORMATION ON THE COMPANY

A. HISTORY AND DEVELOPMENT OF THE COMPANY

Elbit Imaging Ltd. was incorporated in 1996 under the laws of the State of Israel. Our shares are listed on the NASDAQ Global Select Market (ticker symbol: EMITF) and on the Tel Aviv Stock Exchange ("TASE"). Our executive offices are located at 5 Kinneret Street, Bnei-Brak 51261, Israel. You may reach us by telephone at (972-3) 608-6000 or by fax at (972-3) 608-6050. Our address in the U.S. is c/o Elscint, Inc., 747 Third Avenue, 4th Floor, New York, N.Y. 10017-2803.

For a summary of our recent acquisitions, dispositions and other activities and of our capital expenditures and divestitures during the years 2012, 2013 and 2014, and that are currently in progress, see "Item 5. Operating and Financial Review and Prospects - Overview."

Recent Events

Delisting of Bucuresti Turism S.A.

On February 19, 2015, we announced that the extraordinary general meeting of shareholders of our subsidiary Bucuresti Turism S.A. ("BUTU") (in which we hold 77% of the issued share capital), the shares of which were traded on the Bucharest Stock Exchange (RASDAQ) that took place on February 18, 2015, resolved, among other things, that BUTU will not take the necessary legal actions for the shares issued by it to be admitted for trading on a regulated market or to be listed on an alternate trading system. BUTU is the owner of the hotel complex known as the "Radisson Blu" in Bucharest, Romania. On April 14, 2015, we announced that the independent certified expert nominated in accordance with the provisions of the Romanian law and regulations (Ernst & Young Services SRL), has determined the estimated shareholders' equity fair value of BUTU to be Euro 64,630,000 (approximately US\$ 78,550,000) resulting in a price per share of Euro 4.50, equivalent to a price per share of RON 20.17 (US\$ 4.73). To our knowledge, the maximum amount payable by BUTU to its shareholders who did not vote in favor of the aforementioned resolution to the extent all such shareholders will exercise their right to withdraw from BUTU as a result of the aforementioned resolution, is approximately Euro 14.5 million (approximately US\$ 15.2 million), which amount will be financed by BUTU either from its own resources and/or third party loans and/or controlling shareholders loans.

Appointment of Acting Chief Executive Officer

On August 21, 2014, our shareholders approved the appointment of our Chairman of our Board of Directors, Mr. Ron Hadassi, as Acting Chief Executive Officer, as a temporary measure and until appointment of a suitable candidate for the position. On April 2, 2015, our Board approved the appointment of Mr. Doron Moshe as Acting Chief Executive Officer in addition to his continuing to serve as our Chief Financial Officer.

Sale of Elbit Fashion's Mango franchise rights

On September 29, 2014, we announced that our subsidiary Elbit Fashion Ltd. ("Elbit Fashion") received from PUNTO FA, S.L. ("Punto") written notice of its intention not to extend the term of the franchise rights of Elbit Fashion for operation of the "Mango" retail stores in Israel, as granted under the agreement entered between Elbit Fashion and Punto on May 3, 2005 (the "Franchise Agreement") and to terminate the Franchise Agreement. On October 27, 2014, we announced that Elbit Fashion signed a sale agreement (the "Fox Agreement") with Fox-Wisel Ltd. ("Fox") with regards to the sale of the operation and business of "Mango" retail stores in Israel. Under the Fox Agreement, which was consummated on January 5, 2015, Elbit Fashion sold and assigned Fox all business activity, stores, investments in the leased properties, furniture and equipment, inventory and customer loyalty program and any and all rights relating thereto, free and clear of any third party rights, except as explicitly set in the Fox Agreement and net of certain liabilities related to the business activities of Mango, for consideration of approximately NIS 37.7 million, out of which NIS 4.9 million were deposited in escrow, subject to certain adjustments in accordance with the provisions of the transaction documents. Following the consummation of the transaction, Elbit Fashion has ceased to operate the "Mango" retail stores activity, and accordingly the said activity was classified as discontinued operation in our financial statements.

Reverse Share Split

On August 21, 2014, we effected a 1-for-20 reverse split of our ordinary shares, no par value. As a result of such reverse share split, our authorized share capital was decreased from 700,000,000 ordinary shares, no par value, to 35,000,000 ordinary shares, no par value, and our outstanding shares and options to purchase shares were adjusted accordingly. The reverse share split was intended to increase the per share trading price of our ordinary shares to satisfy NASDAQ Listing Rule 5450(a)(1) which requires that listed stocks maintain a closing bid price in excess of \$1.00 per share for continued listing on the NASDAQ Global Select Market. On September 10, 2014, we received notice from the NASDAQ Global Select Market that we had regained compliance with Listing Rule 5450(a)(1).

PC Debt Restructuring

On November 18, 2013 our subsidiary PC announced that it had filed for reorganization proceedings (preliminary suspension of payments) with the District Court of Amsterdam in the Netherlands (the "Dutch Court") and submitted a restructuring plan to the Dutch Court. Further to that announcement, PC announced that the Dutch Court had granted its application for preliminary suspension of payment proceedings. PC noted further that in order to resolve its liquidity situation it had filed with the Dutch Court a restructuring plan proposed to its creditors. On March 26, 2014 PC announced that it has agreed to make certain commercial amendments to such plan, which it intends to submit to the Dutch Court (the "Amended PC Plan"). The Amended PC Plan proposed, *inter alia*, that all principal payments of any unsecured debt due during 2013-2015 be deferred for three years from the date of approval of the Amended PC Plan by the Dutch Court ("Approval Date"). If within two years from the Approval Date PC manages to repay 50% of such unsecured debt, then the remaining principal payments shall be deferred for an additional one year. Under the Amended PC Plan, following the removal of the suspension of payments order by the Dutch Court, PC will be required to assign 75% of the net proceeds received from the sale or refinancing of any of its assets to early repayment of its unsecured debt, to be allocated among the holders of such unsecured debt. PC will be permitted to make investments only if its cash reserves contain an amount equal to general and administrative expenses and interest payments for such unsecured debt for a six-month period. The Amended PC Plan was made contingent upon a cash injection of approximately €20 million in PC, by way of a rights issuance (the "Rights Offering"), and we, PC, its directors and officers shall be fully released from all claims. During the restructuring process PC's creditors were subject to a moratorium. On June 23, 2014, subject to the application of certain conditions precedent, we undertook to exercise (or procure that other persons will exercise) all of our rights in the proposed Rights Offering and to procure subscriptions for any unexercised portion of the Rights Offering (the "Undertaking"). In relation to the above, we entered into a back-stop agreement with Burlington Loan Management Limited ("BLML"), pursuant to which BLML agreed to purchase under the Rights Offering up to €10 million of shares of PC, subject to similar conditions precedent (the "Back-Stop Agreement"). On June 26, 2014 PC announced that a majority of its creditors voted to approve the Amended PC Plan, and on July 10, 2014, the Dutch Court approved the Amended PC Plan, with the Approval Date being July 18, 2014, upon which PC's management resumed full control of PC's business. On November 28, 2014 PC announced that its shareholders have approved the rights offering which forms part of the Amended PC Plan (the "Rights Offering"), as well as the opening of the Rights Offering. Following this, and in accordance with the Undertaking and Back-Stop Agreement, Elbit Ultrasound (Luxembourg) B.V. / S. à r. l., our wholly owned subsidiary ("EUL"), and BLML exercised our rights in the Rights Offering, by way of depositing the funds as described below, out of which €12.5 million were deposited by EUL and €7.5 million were deposited by BLML, subject to adjustments in the course of the Rights Offering. On December 19, 2014, PC announced that it had successfully completed the Rights Offering, and we announced that EUL had purchased 122,847,376 new ordinary shares of PC under the Rights Offering and the arrangements under the Undertaking for an aggregate amount of approximately €8.3 million and procured that BLML will purchase 163,803,197 new ordinary shares of PC for an additional amount of €11.05 million.

In addition, the Amended PC Plan includes other provisions such as: increased compensation to the note holders by increasing the interest rate on the notes, issuance of shares to PC's unsecured financial creditors equal to 13.1% of PC's share capital, placing a negative pledge on PC's assets, certain limitations on distribution of dividends and incurring of new indebtedness, financial covenants and undertakings of PC with respect to the sale and financing of certain projects and investment in new projects, and a commitment to publish quarterly financial statements as long as such unsecured debt is outstanding. This essentially prevents us from using the proceeds from realization of PC's projects for the development of PC's existing projects designated for development. As a result, any future development of existing projects by PC may not be executed due to insufficient cash for equity injection into such projects.

Our Debt Restructuring

For a discussion regarding our court-approved plan of arrangement under Section 350 of the Israeli Companies Law, 5759-1999, providing for the restructuring of our unsecured financial debt, which was consummated on February 20, 2014, or the "Debt Restructuring", please see "Item 4.A History and Development of the Company – Recent Events" of our annual report on Form 20-F for the year ended December 31, 2013, as well as our current report on Form 6-K dated July 23, 2014 which are incorporated herein by reference.

Dispute with Bank Leumi

On March 20, 2013, we received a letter from Bank Leumi B.M. ("Bank Leumi") demanding repayment within ten days of the outstanding balance of approximately \$14.1 million (approximately NIS 53 million) due primarily under certain loans made by Bank Leumi to us pursuant to a refinancing agreement dated May 5, 2011. Bank Leumi stated that it was taking this action in light of our current financial situation and our having informed Bank Leumi that we would not be making the upcoming payment to it on March 29, 2013 of principal and interest due under the loans advanced by Bank Leumi. Bank Leumi also informed us that it had placed a freeze on certain accounts maintained by us in which we hold cash and trading securities in the amount of approximately NIS 13 million (approximately \$3.5 million) with Bank Leumi ("Leumi Accounts") until the outstanding amounts are repaid. Bank Leumi also notified us that it had reserved all its rights in the event all outstanding amounts under the loans are not repaid within ten days, including offsetting any amounts in the Leumi Accounts against the outstanding amounts, while arguing, *inter alia*, that the Leumi Accounts were pledged in its favor on February 29, 2000 and April 18, 2000 and that those pledges are securing also the loans advanced pursuant to the May 4, 2011 refinancing agreement. Bank Leumi had also argued that it should be classified as a secured creditor, and as such, should be excluded from the Debt Restructuring. The Company disputed the validity of the aforementioned pledges over the Leumi Accounts and their application to the May 5, 2011 agreement, and classified the outstanding debt to Bank Leumi as unsecured and hence, to be included within the Debt Restructuring. As part of the approval of the Company's Debt Restructuring by the Court on January 1, 2014, the Court ruled that this dispute should be resolved separately and the status of Bank Leumi and the application of the Debt Restructuring thereto, shall be determined according to the outcome of the proceedings for the resolution of the above dispute. On July 23, 2014, following the Court's approval, we announced the consummation of a settlement of the dispute (the "Settlement"), under which Bank Leumi received ownership of all marketable securities held in the Company's accounts at Bank Leumi having a fair value of approximately NIS 8.7 million (based on their quoted market price). In addition, our net debt (after offset of the aforementioned marketable securities) to Bank Leumi in the amount of approximately NIS 38 million was cancelled in exchange for 7,404,119 ordinary shares, NIS 6,507,666 aggregate principal amount of Series H notes and NIS 3,166,678 aggregate principal amount of Series I notes of the Company. The balance of 1,686,003 ordinary shares, NIS 1,481,870 aggregate principal amount of Series H notes and NIS 721,089 aggregate principal amount of Series I notes of the Company retained in escrow under the Debt Restructuring was annulled and delisted from trade in the Tel Aviv Stock Exchange. The Settlement constituted the full settlement of our obligations to Bank Leumi under the Debt Restructuring as well as the loan agreement entered between the parties on May 5, 2011, and Bank Leumi released all liens registered for its benefit on the Company's assets. The Settlement also included a mutual waiver of claims.

Appeal to the Israeli Supreme Court

Following the approval of the Debt Restructuring by the Court (the “Court Ruling”), a holder of our Series B Notes which had previously filed with the Court a purported class action lawsuit against us on April 11, 2013 (the “Previous Action”), filed an appeal with the Israeli Supreme Court arguing that the Court erred in approving the Debt Restructuring, with specific reference to the exemption from personal civil liability that could potentially have been accorded to our officers and directors (other than Mr. Mordechai Zisser) and the rejection of the Previous Action. It should be noted that the Previous Action was dismissed on June 26, 2014 by the Court. To date, the appeal is yet to be heard by the Supreme Court, and the Debt Restructuring was consummated as mentioned above. The hearing of the appeal is currently scheduled for June 2015.

B. BUSINESS OVERVIEW

We operate primarily in the following principal fields of business:

- Commercial Centers - Initiation, construction and sale of commercial centers and other mixed-use real property projects, predominantly in the retail sector, located in Central and Eastern Europe and in India, primarily through PC. In certain circumstances and depending on market conditions, we operate and manage commercial and entertainment centers prior to their sale;
- Hotels - Hotel operation and management;
- Medical Industries - (a) research and development, production and marketing of magnetic resonance imaging guided focused ultrasound treatment equipment and (b) development of stem cell population expansion technologies and stem cell therapy products for transplantation and regenerative medicine;
- Residential Projects - Initiation, construction and sale of residential projects and other mixed-use real property projects, predominately residential, located primarily in India.

As discussed above in “Recent Events”, on January 5, 2015, we completed a transaction to sell all of our fashion apparel operations. Accordingly, these operations are presented in these financial statements as discontinued operations. It should be noted that the Company may pursue additional investments in the fashion apparel sector.

Commercial Centers

This business includes operational commercial centers, plots designated for the construction and/or development of commercial centers in CEE as well as plots not designated for development in the foreseeable future. Certain projects designated for development are mixed-use real estate projects which include predominantly commercial centers combined with other elements of operations, including offices, residential units, conference centers and leisure facilities. In this annual report, we refer to all projects mentioned above, as “commercial centers.” Construction or development of each such project is generally conducted through a special purpose project corporation, owned by PC. In certain cases, such special purpose corporation is held as a joint venture with project partners.

As of the date of this annual report, our commercial segment of operations includes a total of six operating projects and five projects which are designated to be developed by PC in the coming years. In addition, we have nine projects which are not designated to be developed by us in the foreseeable future. Our projects are located in Romania, Poland, Serbia, India, Latvia, Bulgaria, the Czech Republic, Greece, and Hungary.

Business Concept and Strategy

General

Our main focus in this field of operations is development and construction of new commercial centers and redeveloping existing centers, where there is significant redevelopment potential, in both capital cities and important regional centers and the subsequent sale of such centers.

Our commercial centers vary in size and may range between 6,000 square meters and 66,000 square meters gross lettable area ("GLA"), but we may develop larger commercial centers if our development criteria are met. We develop commercial centers whose size, tenant mix and design are dictated by market demand, and that take into account particular factors such as the size of the population in the area (generally a minimum of 50,000 people), the socio-economic status of the population, any competing commercial centers in the locality, local retail demand (whether for fashion, grocery, local convenience stores or entertainment) and the location of the site (whether city center or suburban).

Our commercial centers is comprised of large retail anchor tenants (such as C&A, H&M, TK Maxx, Toys R' Us, Match, New Yorker, Peek & Cloppenburg, Tesco and the Inditex brands). These anchor tenants form the basis of the shopping areas around which smaller boutiques, international brands (such as House, Aldo, Hugo Boss, Esprit, Reserved and Sephora) and local retailers create a carefully balanced tenant mix to meet local demand. Leases with anchor tenants generally run for a term of ten to fifteen years, with an option to extend. Leases with semi-anchor tenants are usually for a term of five to ten years, while standard units are usually leased for three to five years.

Our commercial centers also include a multiplex cinema complex of between four and 12 theater screens, depending on the size of the center, and, where appropriate, an IMAX auditorium. Each entertainment area also includes a food court offering a wide range of food outlets, coffee shops and restaurants.

Operational commercial centers

Our main goal is to sell the operational commercial centers subject to prevailing market conditions. Up to the consummation of a transaction for the sale of the operational commercial centers we will operate the commercial centers. In the operational period of the commercial centers we will aim to improve their operational results by increasing the occupancy rates, the average rent rate as well as changing the mixture of the tenants. PC monitors regularly whether according to market yields at the relevant time it is favorable to hold and operate centers or to sell upon completion. While yields are high, PC believes that it has the management skills to operate the assets, as done in the past, until the next low yields cycle. Currently, PC operates and manages its six active commercial and entertainment centers, attempting to stabilize them prior to selling them, as it believes that investors are seeking to invest in assets with a track record and above to 90% occupancy. However, following the completion of the Amended PC Plan, PC still needs to serve its interest expenses, general and administrative expenses and equity investments in the projects designated for development. Therefore the timing of the sale of our operating commercial centers depends also on PC's cash flow needs.

The following provides additional information with respect to our operational projects:

Riga Plaza - Riga, Latvia

In March 2009, PC opened the Riga Plaza in Latvia. This commercial center is located on the west bank of the Daugava River, and is comprised of a two-floor commercial center with a GLA of approximately 49,000 square meters and over 1,500 parking spaces. It houses over 130 stores, anchored by a supermarket on the ground floor, an eight-screen multiplex cinema and a 2,000 square meter of Fantasy Park.

This project is held by PC and an unrelated third party in equal parts through a special purpose company. The agreement between the parties provides for a buy-out mechanism in the event of certain deadlocks and for certain limitations on the sale of each party's holdings in such company, including a right of first offer and a tag along right to all of each party's shares.

Liberec Plaza – Liberec, Czech Republic

In March 2009, PC opened the Liberec Plaza, in the center of Liberec, a city in the north of the Czech Republic. This commercial center has a GLA of approximately 17,000 square meters and includes an anchor supermarket, fashion retailers, a squash and sports center, a Dino Park, a food court and restaurants. The commercial center also includes a residential area of 514 square meters (five apartments) and 1,100 square meters of office space. This center is 100% owned by PC.

Zgorzelec Plaza - Zgorzelec, Poland

In March 2010, PC opened the Zgorzelec Plaza in Zgorzelec, Poland, a town in south-western Poland. This commercial center has a GLA of approximately 13,000 square meters. It houses over 35 stores, anchored by a supermarket, a cinema and brand name fashion retailers and has 300 parking spaces. This commercial center is 100% owned by PC.

Suwalki Plaza - Suwalki, Poland

In May 2010, PC opened the Suwalki Plaza in Suwalki, Poland, a town in north-eastern Poland. This commercial center has three floors, with a GLA of approximately 20,000 square meters and 450 parking spaces. It houses over 55 stores, anchored by brand name fashion retailers, a three screen cinema, fantasy park bowling and entertainment center and a delicatessen. This center is 100% owned by PC.

Torun Plaza – Torun, Poland

In November 2011, PC opened the Torun Plaza in Torun, Poland, an 800-year old city of 200,000 inhabitants located in the north-west of Poland. This commercial center comprises 40,000 square meters of gross lettable area spread over two floors with approximately 1,100 parking spaces. The commercial center includes a multi-screen cinema, fantasy park entertainment center as well as over 95 shops with international and local brands. This commercial center is 100% owned by PC.

Koregaon Park Plaza – Pune, India

In 2007 PC purchased a plot of land of approximately six acres (24,000 square meters) in Koregaon Park, an upmarket area of Pune, Maharashtra State, India. The commercial center, which comprises a 41,000m² GLA, was completed and opened to the public on March 2, 2012. It is PC's first completed project in India.

In June 2012, a fire event occurred at the center (due to a tenant's faulty electrical equipment), which required a temporary close-down. The center's safety and evacuation procedures were implemented quickly and efficiently and no injuries occurred in the incident. Although roughly two-thirds of the center's rentable area was reopened in August 2012, the remainder of the center required extensive renovation and these works were completed in the second quarter of 2013. In June 2013 PC collected INR 529 million (\$9 million) refund from the insurance company in connection with the damage that occurred in the fire, which covered all the renovation costs.

Projects Proposed for Development

Our goal is to develop modern western-style commercial centers and mixed-use developments in the capital and regional cities of selected countries, primarily in CEE, focusing in the medium-term on Serbia and Romania.

All of our plots designated for development are currently in a status of planning stage and a constructions works are not yet started. The last commercial center which was built by us was the Kragujevac Plaza which was opened to the public in March 2012. Since that date we did not start any construction of commercial centers. As of the date of this filing all of our commercial centers are in planning status and the construction works have not yet started.

In light of market conditions at the time, PC took the strategic decision to scale back on starting new projects and to focus on projects with available external financing and strong tenant demand. PC currently plans to progress in a selected number of projects, which are: (i) Casa Radio (Phase 1) in Romania; (ii) Timisoara in Romania; (iii) Lodz Mall in Poland; (iv) Belgrade Plaza (MUP) in Serbia; and (v) Belgrade Plaza (Visnjicka) in Serbia. All of PC's other projects are not designated to be developed in the foreseeable future. PC intends to either sell these plots without further development or to hold them until market conditions in the CEE improve. Due to the recent Debt Restructuring and due to the existing backlog of undeveloped plots, PC is not actively seeking any significant acquisitions of new plots or operating commercial centers.

The following table provides additional information for projects designated for developments in the foreseeable future:

Name of Project	Location	Type	Title	PC Share % ¹	Approx. Land Area (m ²)	Approx. Gross Lettable Area (m ²)	Estimated Completion	Status
Lodz Plaza	Lodz, Poland	Commercial and Entertainment Center	Perpetual Usufruct	100	62,000	35,000	2018	Planning and development stage
Timisoara Plaza	Timisoara, Romania	Commercial and Entertainment Center	Ownership	100	32,000	38,000	2017	Planning and development stage
Belgrade Plaza (Visnjicka)	Belgrade, Serbia	Commercial and Entertainment Center	Land use rights	100	31,000	32,000	2017	Planning and development stage
Casa Radio	Bucharest, Romania	Mixed Use	Leasing for 49 years	75 ³	97,000	555,000 ^{2, 4}	2017 (first phase)	Planning and development stage
Belgrade Plaza (MUP)	Belgrade, Serbia	Mixed Use	Ownership	100	9,000	63,000 ²	2017	Planning and development stage

¹ Directly or indirectly.

² Gross building area ("GBA").

³ Other investors in the project include the Government of Romania, which will procure that the project company is granted the necessary development and exploitation rights in relation to the site for a 49-year period in consideration for a 15% interest in the project and an additional developer which holds 10%.

⁴ The project will consist of a complex with a planned GBA of approximately 467,000 square meters (including parking), and will include a commercial and entertainment center of approximately GLA of 90,000 square meters, with a hypermarket, office buildings of approximately GBA of 127,000 square meters, hotel complex with conference center and a Public Authority Building ("PAB").

Total additional estimated costs of construction, required for completion of the above 5 projects designated for development and the percentage of pre-leased areas are presented in the following table

Country	Estimated cost of completion	Percentage Pre-leased *
Poland	€49.9 million (approximately \$.million)	-
Romania ¹	€253.5million (approximately \$.million)	-
Serbia	€142.8 million (approximately \$.million)	-

¹ In respect of Casa Radio, the cost represents Phase 1 of the project.

Projects (plots) not designated for future development

Our main goal in respect of plots which are designated for future development is to hold it at their current status without investments of significant financial and managerial resource. During the last years we have executed several transactions for the sale of undeveloped plots and, subject to prevailing market condition, we will consider the sale of the additional undeveloped plots at their current situation to third parties.

The following table provides additional information in respect of our plots which are not designated for future development:

Name of Project	Location	Type	Title	PC Share % ¹	Approx. Land Area (m ²)	Approx. Gross Lettable Area (m ²)
Csiki Plaza	Miercurea Ciuc, Romania	Commercial and Entertainment Center	Ownership	100	36,500	14,000
Kielce Plaza	Kielce, Poland	Commercial and Entertainment Center	Perpetual Usufruct	100	25,000	33,000
Leszno Plaza	Leszno, Poland	Commercial and Entertainment Center	Perpetual Usufruct	100	18,000	16,000
Shumen Plaza	Shumen, Bulgaria	Commercial and Entertainment Center	Ownership	100	26,000	20,000
Slatina Plaza	Slatina, Romania	Commercial and Entertainment Center	Ownership	100	24,000	17,000
Constanta Plaza	Constanta, Romania	Commercial and Entertainment Center	Ownership	100	26,500	18,000
Pireas Helios Plaza	Athens, Greece	Commercial and Entertainment Center	Ownership	100	15,000	38,000
Iasi Plaza	Iasi, Romania	Mixed Use	Ownership	100	46,500	58,000
Arena Extension	Budapest, Hungary	Offices	Land use rights	100	22,000	40,000

Hotels

General

The goal of our hotel business is to hold and operate, generally via management companies, deluxe hotel properties, that are conveniently located near major transportation stations which provide the business and vacation traveler with upscale quality accommodation. In certain circumstance and depending on market condition and available opportunities, we may execute sale of our holdings (in whole or in part) to a third party.

Ownership Structure of Hotels

Our hotels in Belgium are wholly owned by us while our holding in the Radisson Blu in Bucharest is 77% and the rest is owned by various unrelated third parties. For a discussion of the procedure under the Romanian law for the delisting of the sale-out right of the minority shareholders in Bucuresti – see "Recent Events".

Management of Hotels

Rezidor manages two of our hotels in Belgium and our Radisson Blu hotel complex in Romania.

Under the respective management agreements signed with Rezidor, we undertook to pay Rezidor certain agreed upon fees which are calculated as a percentage from the respective hotel's revenue as well as a certain agreed upon percentage from the gross operating profit of each such hotel. We also undertook to participate in certain portions of the expenses incurred by Rezidor in the course of performance of their obligations (mainly marketing and advertising expenses), up to a certain percentage of the room revenues, and to invest in the hotel's capital expenditures.

Under the management agreement in respect of our hotel in Belgium we are entitled to terminate the management agreements with Rezidor subject to payment of a termination fee. In regards to the agreement to manage the Radisson Blu Bucharest Hotel we can terminate the agreement only in limited circumstances set forth in the agreement.

Business Concept and Strategy

Our business concept and strategy for our hotels include the following elements:

Location: Our hotels in Belgium are located near the central railway station in Antwerp (situated opposite our Radisson Blu Astrid Antwerp Hotel and next to the Park Inn Antwerp). The Antwerp station accommodates the services of the high-speed Train de Grand Vitesse (the “TGV”). The Radisson Blu in Bucharest is located in the center of Bucharest.

Service: Our hotels make considerable efforts to offer personal services at an upscale level with a true commitment to service.

Customer base: Our hotels' principal target customer base is the business traveler and the tourist industry, both individuals and in groups.

Management: Our hotels focus on strategic cooperation and affiliation with Rezidor who has with the know-how and expertise in hotel management, which enables optimal use of a centralized reservation system, and which provides the advantage of a unified management system that promotes the efficiency of the operation and control of our hotels.

Strategy: Our strategy for our hotel business is to increase the performance of our hotels' portfolio. The duration of our holding and managing of our hotel portfolio varies and is dependent upon business cycles, economic conditions, property yields, and trends affecting the hotel industry or capital market opportunities. We are currently investigating certain opportunities to realize some of the hotels held by our group.

Operating Hotels

The tables below provide information with regard to our operating hotels:

Name and	Title	Our Share As of December 31, 2014	Approximate Constructed Area (square feet)	Rate of Hotel	Total Rooms and description	Additional information
Radisson Blu Bucharest Bucharest, Romania	Freehold	77%	900,000	Five Star Hotel and ApartHotel	424 rooms suites, executive suites and one exclusive royal suite and 294 apartments in a level of 4 and 5 stars	The complex of both hotels includes several restaurants, a spa and a world class health academy, casino, shopping area and supermarket services
Radisson Blu Astrid Antwerp Antwerp, Belgium	Freehold	100%	223,000	Four Star Deluxe	247 rooms including business class suites & 19 new luxury apartments	Includes an oceanarium attraction, 18 conference rooms, a bar, a restaurant and a fully equipped health club with a pool
Park Inn Antwerp, Belgium	Freehold	100%	32,250	Three star boutique	59 rooms going from standard to junior suite with terrace	Includes a restaurant, a lounge and a fitness room

Name	Average Room Rate (Euro)	Average Occupancy Rates (%)	Revenue Per Available room (RevPar)
Radisson Blu Bucharest Bucharest Romania	81.7	74%	61
Radisson Blu Astrid Antwerp Antwerp, Belgium	117	78%	91
Park Inn Antwerp, Belgium	95	88%	83

Plot in Tiberius, Israel

In July 2007 we entered into an agreement with the Israel Land Administration, according to which we leased a plot of approximately 44,600 square meters near Tiberius, Israel for a term of 49 years (through 2056) with an option to extend the lease term for an additional 49 years. The total consideration paid amounted to NIS 30.6 million. Under the agreement, we undertook to complete the construction work of the hotel within a period not exceeding 36 months (July 2010). During 2010 we received an extension of an additional three years until July 2013 to complete the construction of the hotel. Also under the agreement, we provided the Israel Land Administration with two bank guarantees in the aggregate amount of NIS 14 million (in order to secure our undertakings under the lease agreement). The agreement may be terminated upon a breach of its terms. Following the appointment of the new board of directors it was decided that we will seek a buyer to this plot or a joint venture partner which will manage the initiation and the construction of the project.

Medical Companies

On November 24, 2010, we restructured our holdings in the medical companies InSightec and Gamida, under Elbit Medical Technologies Ltd. (formerly Enter Holdings 1 Ltd.), an Israeli company traded on the TASE ("Elbit Medical"). As of the date of this annual report, we hold 88.4% of Elbit Medical's share capital (on a fully diluted basis).

On March 13, 2011, we entered into a credit facility with Elbit Medical, pursuant to which we provided Elbit Medical with a credit line up to an aggregate amount of NIS 39 million. The amounts drawn down from the credit facility do not bear any interest but are linked to the Israeli consumer price index. During the years 2012-2015, the amount of the credit line was increased to NIS 56.5 million and the maturity date was extended to December 31, 2017, with the option to prepay at any time after April 1st, 2016, at the sole discretion of Elbit Medical, and subject to approval of Elbit Medical's Independent directors Committee. In addition, there's a mechanism for early prepayment if the Novartis Option (as defined below) is exercised. As of the date of this annual report Elbit Medical has drawn down NIS 52.9 million from the credit facility.

On March 9, 2010, we entered into a credit facility with InSightec, pursuant to which we provided InSightec with a credit line up to an aggregate amount of NIS 58.9 million. In July 2012, the credit facility was assigned to Elbit Medical in consideration of a loan from us to Elbit Medical in an amount of NIS 62 million (approximately \$17.8 million), linked to the U.S. dollar exchange rate and bearing interest at an annual rate of 6.0%. The maturity date of the loan is December 31, 2017, with the option to prepay at any time after October 1st, 2016 at the sole discretion of Elbit Medical, and subject to approval of Elbit Medical's Independent directors Committee. In addition, early prepayment is possible subject to, inter alia, the Novartis Option (as defined below) being exercised. As of the date of this annual report the outstanding balance of the loan, including accumulated interest, was \$20.6 million.

InSightec

We indirectly hold, through Elbit Medical, approximately 36% of the outstanding share capital (30% on a fully diluted basis) of InSightec. InSightec is engaged in the research and development, production and marketing of magnetic resonance imaging guided focused ultrasound treatment equipment.

Recent transactions in InSightec's shares

On February 23, 2012, InSightec and InSightec's wholly owned subsidiary concluded a series of agreements with GE through its healthcare division ("GEHC") pursuant to which GEHC will provide financing to InSightec in the form of convertible notes up to a total of \$13.75 million, bearing interest at a rate of 6% per annum or a rate equivalent to the interest applicable to the financing provided by us and Elbit Medical. The convertible notes are due and payable by October 1, 2016, and will be convertible into Series B-1 Preferred Shares of InSightec. In addition, we and Elbit Medical entered into a series of agreements with InSightec and GEHC pursuant to which, among other things, the financing granted to InSightec by us and Elbit Medical during 2010 and 2011 was amended to provide similar loan terms and security mechanisms as set forth in the funding agreement, so that Elbit Medical and us will receive convertible notes convertible on the same terms and up to the same amounts as the GEHC notes. The loans and convertible notes issued to GEHC and Elbit Medical and the note that were issued to us are secured, *pari passu*, by floating charges over the assets of InSightec and its wholly owned subsidiary.

On December 6, 2012, InSightec completed its issuance of Series C preferred shares for an aggregate amount of \$30.9 million, which included \$27.6 million invested by GE and \$3.9 million invested by other investors. According to the terms of the transaction, GE and we converted all the existing shareholders loans that had been granted to InSightec into InSightec's series B-1 preferred shares in accordance with the terms of those loans. The transaction reflected a post-money valuation of InSightec of approximately \$105.9 million (or pre-money valuation of \$75 million and following the conversion of the loans as described above). As part of the transaction GE and InSightec entered into a Technology, Co-Operation and Distribution Agreement (the "Cooperation Agreement"), which regulates the commercial relationship between the parties, including, amongst other things, with respect to product exclusivity, cooperation with respect to the development and sale of the parties' complementary products, distribution, marketing and sales, intellectual property rights and licenses, sale terms and conditions, and similar items. After completion of the transaction we no longer have the right to appoint the majority of InSightec's board members and therefore we ceased to consolidate InSightec's financial statements, and our investment in InSightec is presented based on the equity method.

As discussed under Item 5 "Operating and Financial Review and Prospects" below, on June 26, 2014 InSightec entered into a Series D Preferred Share Purchase Agreement with York Global Finance II S.à r.l., a company owned by York Capital Management Global Advisers LLC and affiliated with York Global Finance Offshore BDH (Luxembourg) S.à r.l (for purposes of this item only, "York"), as amended on September 7, 2014, and on December 15, 2014, pursuant to which York and subsequent investors invested a total of \$59 million in InSightec (the "Series D Transaction").

In addition, under the terms of the Series D Transaction, Elbit Medical has a right to invest a total amount of up to \$3.5 million in InSightec, in consideration for 1,804,433 Series D Preferred Shares, upon written notice to be submitted to InSightec not later than May 31, 2015. York may purchase any Series D Preferred Shares not purchased by Elbit Medical under such right.

The Series D Transaction reflects a pre money valuation of InSightec of \$200 million (on a fully diluted, as-converted basis). In the event InSightec's aggregate revenues for 2014 and 2015 as reflected in its annual audited financial statements for such years are less than \$60,000,000, the Series D price per share will be adjusted proportionately and the investors in the InSightec Investment Agreement shall be issued additional Series D Preferred Shares, provided, however, that the price per share shall not be reduced by more than 8%.

On March 31, 2015 GE signed and executed an agreement with York, other shareholders of InSightec and certain other purchasers (the "InSightec Purchasers"), for the sale of 6 million Series C Preferred Shares of InSightec held by GE, which constitutes approx. 4.2% of InSightec's issued and outstanding share capital on a fully diluted basis, at a price of \$1.50 per share. Furthermore, the agreement grants the Purchasers an option to purchase 12 million additional Series C Preferred Shares from GE, which represent approx. 8.5% of InSightec's issued and outstanding share capital on a fully diluted basis, for the same price (\$1.50) within one year of the closing date of the transaction, subject to the conditions stipulated in the agreement (the "Sale Transaction"), and that the Sale Transaction had been closed and consummated.

Under the Cooperation Agreement, InSightec was prohibited from developing systems that would be compatible with MRI systems manufactured by companies other than GE for a defined time period. As part of the Series D Transaction and the Sale Transaction, certain amendments were made to the Cooperation Agreement. The parties agreed that the product exclusively granted to GE, will terminate, and in exchange, InSightec will pay to GE a quarterly royalty on a going forward basis equal to 15% of the net selling price of the first 250 products directly or indirectly sold to customers other than GE for use with MRI or other scanners manufactured by companies other than GE or any GE affiliates. InSightec may elect to terminate its obligations, by so notifying GE and paying GE an amount equal to \$10 million prior to a Qualified IPO and \$7.5 million after a Qualified IPO (within the definition of such terms in the articles of association of InSightec), less any royalties previously paid by InSightec to GE pursuant to the above agreement. Certain other principal amendments to the Cooperation Agreement that were made in the framework of the Sale Transaction were removal of restrictions on the performance of transactions in InSightec shares with a party competing with GE, termination of GE's Right of First Negotiation for Sale of InSightec with respect to any Company Sale (as such terms are defined in the Cooperation Agreement) and the extension of the term of the Cooperation Agreement until the fifth anniversary of the closing date. Certain decisions of InSightec are required to be approved by a vote of the holders of at least 70% of the Preferred Shares of InSightec voting together as a single class, such as the issuance of shares ranking equal or senior to the existing Preferred Shares, amending InSightec's Articles of Association, the sale of all or substantially all of InSightec's assets and/or intellectual property, and effecting an initial public offering of InSightec's shares subject to certain limitations and terms and conditions. Certain decisions as to matters affecting a class of the Preferred Shares are required to be approved by a vote of holders of at least a threshold percentage of the holders of such class of Preferred Shares as follows:

1. Increase or decrease in the authorized Series D Preferred Shares, or amendment of any of the rights or privileges of the Series D Preferred Shares shall require the approval of the holders of at least 60% of the Series D Preferred Shares;
2. With respect to the Series C Preferred Shares, the aforementioned changes will require the approval of at least 70% of the Series C Preferred Shares; and
3. With respect to the Series B and B-1 Preferred Shares, the aforementioned changes will require the approval of at least 80% of the Series B and B-1 Preferred Shares, respectively.

With respect to all other major decisions as set forth in InSightec's Articles of Association, the threshold was set to the holders of at least 85% of the Preferred Shares voting together as a single class on an as converted basis.

Business description and products

InSightec develops and markets the ExAblate, the first FDA-approved system for magnetic resonance imaging guided focused ultrasound treatment equipment ("MRgFUS"). InSightec's objective is to transform the surgical environment for the treatment of a limited number of forms of benign and malignant tumors by replacing invasive and minimally invasive surgical procedures with an incision-less surgical treatment solution. The system is designed to deliver safe and effective non-invasive treatments while reducing the risk of disease, potential complications, as well as the direct and indirect costs associated with surgery. In October 2004, InSightec received FDA approval to market the ExAblate in the United States for the treatment of uterine fibroids, a type of benign tumor of the uterus. InSightec also has regulatory approval to market the ExAblate for the treatment of uterine fibroids in Israel, Canada, Russia, Brazil, Mexico, Korea, Taiwan, Australia, New Zealand, Singapore, Japan, China and the European Union Economic Area ("EEA"), which is comprised of the member nations of the European Union and certain additional European nations, as well as for the treatment of breast cancer in Korea. In February 2013, the Clalit healthcare fund agreed to cover treatments executed at Sheba Medical Center using ExAblate technology to treat uterine fibroids.

In May 2007, InSightec received CE marking for the pain palliation of bone metastases. In October 2012 the U.S. FDA approved ExAblate to treat pain from bone metastases in patients who do not respond or cannot undergo radiation treatment for their pain. In July 2013 ExAblate systems also received an extended European CE Mark for the local treatment of cancerous and benign primary and secondary bone tumors. In August 2013 InSightec received the approval of the Health Canada Administration, and in November 2014 the approval of Japanese Ministry of Health, for the treatment for pain result from bone tumors.

In October 2013 the Israeli Ministry of Health approved ExAblate Neuro (known as ExAblate 4000) for the treatment of neurological movement disorders including Essential Tremor and tremor-dominant Parkinson's disease. In December 2012, ExAblate Neuro, was awarded the European CE mark for the treatment of neurological disorders in the brain including essential tremor, Parkinson's disease and neuropathic pain

ExAblate is currently the only non-invasive treatment for uterine fibroids approved for use in Japan. InSightec is also in various stages of development and clinical research for the application of its MRgFUS technology to the treatment of other types of benign and malignant tumors. These additional applications are being developed to take advantage of the modular design of the ExAblate, which enables it to function as a common platform for multiple MRgFUS-based surgical applications. Currently, InSightec has an installed base of more than 100 units in academic hospitals, community hospitals, MRI clinics and physician-formed joint ventures. Currently, the ExAblate is operable only with certain MRI systems manufactured by GE.

InSightec's MRgFUS technology integrates the therapeutic effects of focused ultrasound energy with the precision guidance and treatment outcome monitoring provided by MRI systems. Ultrasound is a form of energy that can pass harmlessly through skin, muscle, fat and other soft tissue, and is widely used in diagnostic applications. The ExAblate uses a phased-array transducer that generates a high intensity, focused beam of ultrasound energy, or a sonication, aimed at a small volume of targeted tissue. The focused ultrasound energy provides an incision-less therapeutic effect by raising the temperature of the targeted tissue mass high enough to ablate, or destroy it, while minimizing the risk of damage to overlying and surrounding tissue.

InSightec believes that by combining the non-invasive therapeutic effects of focused ultrasound energy and the precise "real-time" data provided by the MRI system, it has developed an effective, non-invasive treatment solution for its approved applications.

InSightec also believes that its MRgFUS technology can be applied to the treatment of other medical conditions, providing similar advantages by presenting both physicians and patients with a safe and effective incision-less surgical treatment option for several medical conditions, including a number of indications for which there are currently few effective treatment options.

In January 2012 a team at the University of Virginia Medical Center completed a feasibility study testing the use of ExAblate Neuro for the treatment of essential tremor in fifteen adult patients. The results show significant tremor suppression at the three-month follow up period and a very positive safety profile. This supported additional phase-I studies performed in Canada, Korea and Japan all of which were completed in early 2013. This accumulated data has led to a phase-III study for essential tremor under FDA approval that includes eight sites globally. This study commenced in 2013, and in 2014 InSightec completed the recruitment of patients and accomplished their treatment. First results are expected to be submitted to the FDA at the end of 2015 after one year's follow up.

The ExAblate is also being evaluated in additional feasibility studies for Parkinson's Disease in Korea and the United States. These studies commenced in 2013 and are expected to continue until 2016.

In March 4, 2014, focused ultrasound was successfully used for the first time in the treatment of a brain tumor. The patient had a recurrent glioma, a portion of which was thermally ablated using InSightec's ExAblate Neuro system. The treatment was conducted at the FUS Center of University Children's Hospital Zurich. Since then, three more patients were treated successfully in the treatment of brain tumor.

Distribution and Marketing

InSightec's main distribution channel is through GE, as a non-exclusive distributor. In addition, InSightec distributes and markets its products directly and through the entering into distribution agreements with third parties. Distribution agreements are generally for a term of between one and five years, with an option to extend the agreement based on the performance of the distributor.

InSightec has contracted with several non-exclusive distributors in Europe and Asia who market and sell its systems.

Business Concept and Strategy

InSightec's strategic objective is to continue to expand its approved applications, as well as the product development efforts and clinical studies for additional applications. If the results of its clinical studies are positive, InSightec intends to pursue regulatory approval in the United States and other targeted jurisdictions to market the ExAblate for these additional treatment applications.

In addition, InSightec aims to become the market leader in MRgFUS systems and to achieve a significant improvement in the quality and efficacy of the treatment while demonstrating cost effectiveness. To that effect, InSightec is developing the ExAblate® Neuro, a unique system targeted at non-invasive treatment of brain tumors and central nervous system targets. InSightec is contemplating entering into a strategic cooperation with partners in the relevant markets. In addition, InSightec aims to raise additional funds from its shareholders or new investors. InSightec aims to develop a new surgical method that would enable non-invasive treatment in several clinical applications. In addition, InSightec is examining the use of MRgFUS as an additional instrument in the radiation oncology unit. In addition, InSightec aims to expand the marketing of the ExAblate to additional countries, such as the United States, Europe, Asia and Ukraine. InSightec also aims to develop further applications to its existing systems, such that each purchased system will be used to treat a variety of diseases.

Gamida Cell Ltd.

We indirectly hold, through Elbit Medical, approximately 26% of the outstanding share capital (23% on a fully diluted basis) of Gamida. Other shareholders of Gamida include Novartis Pharma AG ("Novartis"), Clal Biotechnology Industries, Israel Healthcare Venture, Teva Pharmaceuticals, Amgen, Denali Ventures and Auriga Ventures.

Recent transactions in Gamida's shares.

In September 2, 2014, Novartis invested \$35 million in Gamida in exchange for approximately 15% of Gamida's share capital and an option to purchase the holdings of the other shareholders in Gamida, including Elbit Medical's holdings. For further discussion, see "Item 5. Operating and Financial Review and Prospects – Overview - 2014".

In May 2012 Gamida finalized an internal investment round of \$10.0 million by its existing shareholders. We invested \$3.0 in order to preserve our ownership percentage in Gamida.

In January 2014 Gamida finalized an additional internal investment round of \$2.9 million by its existing shareholders. We invested \$1.0 million in order to preserve our ownership percentage in Gamida.

Gamida's leading product, NiCord®, is in clinical development (Phase I/II) for potential use as a hematopoietic (blood) stem cell (HSC) transplantation product in patients with hematological malignancies (blood cancer) such as leukemia and lymphoma, and serious genetic blood diseases such as sickle cell disease (SCD) and thalassemia. HSC transplantation from bone marrow (also called bone marrow transplantation) is currently the standard of care treatment for many of these patients, but we believe there is a significant unmet need for patients who cannot find a fully matched bone marrow donor. NiCord is derived from a unit of umbilical cord blood whose HSC have been expanded in culture using our NAM platform technology. Clinical results obtained to date suggest that NiCord may effectively address this unmet need.

On February 14, 2013 Gamida announced successful results of NiCord's Phase I/II study for treating patients with hematological malignancies. An additional Phase I/II clinical study with respect to patients suffering of SCD is ongoing. On September 9, 2013 Gamida announced the successful transplantation of the first patient in Gamida's Phase I/II study of NiCord using a single unit of cord blood. Additional indications and products are in development for cancer, hematological diseases, autoimmune diseases and regenerative medicine.

On January 8, 2015, the first person has been successfully transplanted with cryopreserved (frozen) NiCord® in Gamida's ongoing Phase I/II clinical study for blood cancer patients. After thaw, the cryopreserved product maintained the advantage of NiCord® in demonstrating very rapid engraftment (white blood cell recovery). Gamida expects that this rapid engraftment will reduce the risk of opportunistic infections, will lower the morbidity associated with cord blood transplantation and shorten hospitalization.

In addition, on January 2014, orphan drug designation has been granted to NiCord® by The US Department of Health and Human Services, The FDA Office of Orphan Products Development, for treatment of several medical conditions.

Residential Projects

Joint Venture with PC to Develop Residential Projects in India

In August 2008 we entered into a joint venture agreement with PC for the development of major mixed-use projects in India (except for projects which are only or mainly commercial centers, which will be developed only by PC and are excluded from the framework of this joint venture) (the "EPI Agreement"). Under the terms of the EPI Agreement, amongst other things PC was allotted 47.5% of the shares of our subsidiary Elbit Plaza India Real Estate Holdings Limited ("EPI"). EPI is holding two plots in India (in Bangalore and Chennai) in conjunction with local Indian partners and has engaged with certain third parties with respect of a plot in Kochi, India ("Kochi Island"). As of the date of the execution of the EPI Agreement through the date of this annual report, the Kochi Island project was held through a special purchase vehicle other than EPI. We agreed that 50% of our rights in the Kochi Island project will be held in favor of PC, and we undertook and guaranteed to transfer the holdings in the Kochi project to EPI or 50% to PC within 12 months following the execution of the EPI Agreement, or alternatively to repay the consideration paid by PC for the rights in the project. This undertaking and guarantee have since been extended until August 25, 2013. On November 11, 2013, PC notified us of its demand that we repay the amount paid by PC for the Kochi Island project together with the interest accumulated thereupon, amounting to approximately €4.3 million (US\$ 5.2 million) due to alleged failure to timely meet certain conditions set forth in the EPI Agreement. On November 24, 2013 we rejected PC's claims of such failure and demand for repayment.

Under the EPI Agreement, PC has paid us approximately \$126 million, reflecting 50% of all loans and financing invested by us in the Bangalore, Chennai and Kochi projects as of such date. The loans and financing were used to, or designated to be used for, the purchase of the plots of land and for other associated costs related to EPI's real estate activities.

Following the execution of the EPI Agreement, PC and us each hold 50% of the voting rights (excluding the voting rights relating to the Series B shares constituting 5% of the currently issued and outstanding share capital of EPI, which are held by our former Executive Vice Chairman, so long as the resolution tabled for vote may impact its rights) in EPI and 47.5% of the equity. The additional 5% of the equity rights that are held by our former Executive Vice Chairman were allotted to him in accordance with an agreement executed by us and our former Executive Vice Chairman in January 2008. For additional information, see "Item 6.B. Directors, Senior Management and Employees - Compensation of Directors and Officers - Agreements with our Former Executive Vice Chairman" of our annual report on Form 20-F for the year ended December 31, 2013, which is incorporated herein by reference.

Under the EPI Agreement, we and PC each have the right to appoint 50% of the board members in EPI, rights of first refusal for transfer of shares and tag along rights. Future issuances of shares by EPI are subject to pro-rata preemptive rights.

The EPI Agreement cancelled and replaced a previous sourcing agreement between the parties from October 2006, under which we undertook to offer PC potential real estate development sites sourced by us in India, suitable for commercial center development projects as well as mixed-use projects (the "Sourcing Agreement"). The EPI Agreement provides that if it will be terminated before October 2021, the parties shall enter into the Sourcing Agreement again for the period commencing as of the termination of the EPI Agreement until October 2021.

Project Proposed For Development

Business concept and strategy

As at the date of this Annual Report, the Chennai project is the only project which is designated for development. Our business concept and strategy in respect of this project is to develop it under Joint Development Agreement ("JDA"). Under such JDA agreement, the JDA partner will be responsible to the planning, construction, marketing and sale of the residential units (or developed plots in certain cases) and certain agreed upon percentage from the sales of the residential units (or developed plots) will be allocated to us, subject to the terms and condition specified in the agreement.

In certain circumstances and subject to market condition, we might consider the sale or the Chennai plot at its current status or during the development of the Projects under the JDA. As to our other residential projects, the strategy is to investigate possibilities to sell those projects or achieve the minimal development threshold under the respective FDI legislation that will allow us to dispose of the land.

Additional information in respect of the Chennai Project

In December 2007, EPI executed agreements for the establishment of a special purpose vehicle ("Chennai Project SPV") together with one of the leading real estate developers in Chennai ("Local Partner"). Subject to the fulfillment of certain conditions, the Chennai Project SPV undertook to acquire the ownership and development rights in and up to 135 acres of land situated in the Sipcot Hi-Tech Park in the Siruseri District of Chennai, India. Due to changes in market conditions, EPI and Chennai Project SPV later decided to limit the extent of the project to 83.4 acres.

Under these agreements, EPI holds 80% of the equity and voting rights in the Chennai Project SPV, while the Local Partner will retain the remaining 20%. The project land is to be acquired by the SPV in stages subject to such land complying with certain regulatory requirements and the due diligence requirements of EPI. Through December 31, 2014 the Chennai Project SPV has completed the purchase of approximately 74.3 acres out of the total 83.4 acres for consideration of a total of INR 2,367 million (NIS 145 million) (EPI share). In addition, as of December 31, 2014, EPI paid advances in the amount of INR 564 million (NIS 35 million) in order to secure acquisition of an additional 8.4 acres.

The parties have entered into a shareholders' agreement in respect of the management of the Chennai Project SPV, which provides, among other matters, for a five member board of directors, with one member appointed by the Local Partner for so long as it maintains a 10% holding in the Chennai Project SPV and four members appointed by EPI. The shareholders' agreement also includes pre-emptive rights and certain restrictions pertaining to transferring of securities in the Chennai Project SPV. Profit distributions declared by the Chennai Project SPV will be distributed in accordance with the parties' proportionate shareholdings, subject to EPI's entitlement to receive certain preferential payments out of the Chennai Project SPV's cash flow, as determined in the agreements.

EPI intends to make certain changes in the project's implementation plan, and in this respect the Chennai Project SPV signed a memorandum of understanding with a local developer for the joint development of the project ("JD Transaction" and "MOU", respectively). On the basis of the MOU, the parties to the JD Transaction have finalized the terms and conditions of the definitive Joint Development Agreement, and they intend to execute the JD Transaction upon fulfillment of a certain condition precedent. In accordance with the provisions of the JD Agreement, certain percentage from the sales of the villas and the plotted land will be allocated to the Chennai SPV. If the parties fail to execute the JD Transaction prior to June 30 2015, then Chennai Project SPV shall have to reimburse to the local developer the initial deposit and certain expenses in the aggregate amount of INR 75 million (NIS 4.5 million).

On December 12, 2014, the Local Partner filed a request with the Chennai court for a stay order against; inter alia, the directors of the Chennai Project SPV, ordering them not to make any disposition with respect to the land property. A temporary stay order was granted by the court, and immediately thereafter, EPI filed a request for a removal of the stay order. The court set a date for a hearing on this case on April 28, 2015. As of the date hereof, EPI and the Local Partner are holding discussions with the objective to amicably settle the dispute.

Plots not designated for development in the foreseeable future

Business concept and strategy

As of the date of this filing we have 3 plots in CEE and 2 plots in India which are not designated for development in the foreseeable future. For most of these plots our strategy is to sell our rights in such plots to third parties or to our JV partners. Such sale will be executed depending on market conditions and certain regulatory requirements under applicable law in the respective countries. During the period until the execution of the sale we intend to hold these plots at their current status without investment of significant financial and managerial resources.

Additional information in respect of the Plots

Set forth below is certain additional information with respect to our plots not designated for development in the foreseeable future:

Name of Project		Location	Title	Share %	Approximate Land Area (square meters)
Lódź		Lódź, Poland	Ownership/ Perpetual usufruct	100 ¹	29,700
Plaza BAS	Green Land	Ploiest, Romania	Ownership	100 ¹	18,400
	Poiana Brasov	Brasov, Romania	Ownership	100 ¹	73,000
	Pine Tree Glade	Brasov, Romania	Ownership	100 ¹	17,770
Bangalore Project		Bangalore, Karnataka State, India	Freehold and Development Rights	2, 3, 4	4
Kochi		Kochi, Kerala State, India	Freehold and Development Rights	50 ^{2,3,5}	166,000 (of which rights to 52,600 obtained so far)

1 Represents share percentage owned by PC.

2 For information regarding the EPI Agreement, a joint venture agreement signed with PC in respect to our India operations, see “ - Joint Venture with PC to Develop Mixed-Use Projects in India” above.

3 For information regarding the rights of Mr. Abraham (Rami) Goren, our former Executive Vice Chairman of the board of directors, in the projects, see “Item 6.B. Directors, Senior Management and Employees - Compensation of Directors and Officers - Agreements with our Former Executive Vice Chairman.” of our annual report on Form 20-F for the year ended December 31, 2013, which is incorporated herein by reference.

4 For information regarding the shareholdings of the Bangalore Project, see below under “Bangalore, Karnataka State, India”.

5 For information regarding the allotment of our shares in the Kochi project SPV see “Kochi, Kerala State, India”.

Bangalore, Karnataka State, India

Amended framework agreement (March 2008): In March 2008, EPI entered into an amended and reinstated share subscription and framework agreement (the “Amended Framework Agreement”), with a third party (the “Partner”), and a wholly owned Indian subsidiary of EPI which was designated for this purpose (“SPV”), to acquire, through the SPV, up to 440 acres of land in Bangalore, India (the “Project”) in certain phases as set forth in the Amended Framework Agreement. As of December 31, 2014, the Partner has surrendered land transfer deeds in favor of the SPV to an escrow agent nominated by the parties for approximately 54 acres for a total aggregate consideration of approximately INR 2,843 million (NIS 174 million). Upon the actual transfer of title of such 54 acres, the Partner will be entitled to receive 50% of the shareholdings in the SPV. In addition, the SPV has paid to the Partner advances of approximately INR 2,536 million (NIS 156 million) on account of future acquisitions by the SPV of a further 51.6 acres.

New Framework Agreement (July 2010): In July, 2010, a new set of arrangements was entered into between EPI, the SPV and the Partner (the “New Framework Agreement”). In accordance with this agreement:

EPI will remain the holder of 100% of the shareholdings and the voting rights in the SPV. The scope of the Project will be decreased to 165 acres. The net proceeds from the Project will be distributed in a manner by which the our share will be approximately 70% until such time that EPI’s investment in the amount of INR 5,780 million (approximately NIS 355 million) (“EPI’s Investment”) plus an internal return rate of 20% per annum calculated from September 30, 2009 (“IRR”) is paid to the SPV (the “Discharge Date”). Following the Discharge Date, EPI will not be entitled to receive any additional profits from the Project and it will transfer to the Partner the entire shareholdings in the SPV for no consideration. In addition, the Partner has a call option, subject to applicable law and regulations, to acquire the entire shareholdings of the SPV, at any time, in consideration for EPI’s Investment plus the IRR calculated on the relevant date of acquisition.

The New Framework Agreement will enter into full force and effect upon execution of certain ancillary agreements as set forth therein. As of December 31, 2014 these ancillary agreements were not yet executed. Due to the difficulties in the performance of the New Framework Agreement the parties to those agreements are discussing separation or buy-out mechanisms.

In September 2006, the Company together with an Indian corporation wholly owned by certain unrelated third parties entered into a transaction (as amended in January 2007), comprising of a land purchase agreement and a share subscription agreement ("Project SPV"), for the purchase of a land located in Kochi, India. In accordance with the terms of the land purchase agreement, the Project SPV acquired 13 acres ("Property A") for a total consideration of INR 1,495 million (NIS 84 million) payable subject to fulfillment of certain obligations and conditions by the seller in respect of the land including obtaining all permissions required for construction thereon and making good and marketable title with regard to Property A and others ("Conditions Precedent"), out of which an advance of approximately 48% of the total purchase price was paid to the seller by the Project SPV in consideration for the transfer of title in Property A to the Project SPV. The land purchase agreement further provides that additional 28 acres ("Property B") would be included in a Joint Development Agreement ("JDA") between the seller and the Project SPV according to which the Project SPV will be entitled to 60% of the undivided share which is corresponding to 60% of the constructed area on Property B without any consideration and the seller will be entitled to receive 40% of the constructed area which will be built by the Project SPV on Property B. The agreement also provides that if the seller fails to comply with the aforementioned conditions precedent by an agreed date, the Project SPV and the Company shall have the right to terminate the agreement.

Under the share subscription agreement, the Company will be allotted 50% shareholding and voting rights in the Project SPV, subject to obtainment of certain regulatory provisions in respect of the land and securing of sanctioned plans for the project, which as of December 31, 2014 have not been obtained. To date, there is no change in the zoning and sanctioned plans and there is no assurance that the current planning will be feasible.

Fashion Apparel

Our fashion business was operated through our wholly owned subsidiary Elbit Fashion.

As discussed above in Item 4A "Recent Events", in January 2015, we completed the sale of the operation and business of "Mango" retail stores in Israel, to Fox. The purchase price paid by Fox under the agreement was approximately NIS 37.7 million, out of which NIS 4.9 million were deposited in escrow, subject to certain adjustments in accordance with the provisions of the transaction documents. This effectively ended our fashion apparel operations.

In April 2012, we completed the sale of all our shares in Elbit Trade & Retail Ltd. ("Elbit Trade") and all the interests in G.B. Brands, Limited Partnership ("GB Brands"), which was the franchisee of the Gap™ and Banana Republic™ brands, to Gottex Models Ltd. ("Gottex"). The purchase price paid by Gottex under the agreement was NIS 25 million, plus the agreed value of the GAP inventory as of the closing date and adjustments based on the agreed value of the working capital attributed to the GAP activity as of the closing date.

On March 22, 2012, we entered into a termination agreement with G-Star International B.V. to end our exclusive license to distribute G-Star™ products in Israel within the time period set forth in the agreement.

Revenues classified by geographical markets and by business segments

The following table sets forth our breakdown of revenues by each geographic market in which we operate, for each of the last three years (in NIS thousands):

	2014	2013	2012	Convenience Translation in U.S. Dollars for 2014
Western Europe	72,537	90,470	169,211	18,652
Central and Eastern Europe	435,355	269,896	342,784	111,945
Other and Allocations	15,648	(19,213)	(36,595)	4,024
Total Revenues	523,540	341,153	475,400	134,621

The following table sets forth our breakdown of revenue by business segments for each of the last three years (in NIS thousands):

	2014	2013	2012	Convenience Translation in U.S. Dollars for 2014
Commercial and Entertainment Centers	341,937	162,639	300,641	87,924
Hotels	197,007	202,791	276,703	50,657
Medical Companies*	92,026	74,670	286,031	23,663
Residential Projects	-	-	1,622	-
Other and Allocations*	(107,430)	(98,948)	(389,597)	(27,624)
Total	<u>523,540</u>	<u>341,153</u>	<u>475,400</u>	<u>134,620</u>

*Because we lost control over InSightec during 2012 revenues were classified to discontinued operations.

** Other and Allocations includes equity method adjustments to eliminate revenues of our equity method investments that are reviewed on a full basis. See note 22 to our financial statements.

Seasonality

Hotels

The business activities of our hotels are influenced by several factors that affect our revenues and gross operating profit. These factors include (i) fluctuations in business activity in certain seasons, which affects the volume of traffic in the business community, (ii) holiday seasons, such as Christmas and Easter and (iii) weather conditions. These factors generally cause the first and third quarters to be weaker than the second and fourth quarters.

The first quarter, which is the period immediately following the Christmas season and the height of the European winter, is traditionally characterized by lower revenues and gross operating profit resulting from lower occupancy rates and reduced room rates. During the third quarter, there is generally a decrease in local business activities due to the summer holidays, which, together with a tendency for local tourist traffic to seek out resort destinations, also generates slower results. This is offset somewhat by increase in international tourism, but the impact of this increase is, in turn, offset by lower room rates, particularly for groups.

However, during the second quarter, there is generally a marked increase due to more favorable weather conditions (spring to early summer), the Easter holiday and the corresponding revival of both business and tourist activity. The fourth quarter is usually the strongest period due to increased business in October and November, the Christmas and New Year's holiday season and a significant year-end increase in business activities.

Patents and Proprietary Rights; Licenses

PC is the registered owner of a European Community trademark "Plaza Centers + figures." The trademark is also registered in India.

Pursuant to our agreements with Rezidor, our hotels are managed under the names: "Radisson Blu" and "Park Inn." We have also registered our CenterVille operations as a trademark in Romania. In November 2010 we entered into an agreement with Rezidor pursuant to which the CenterVille apartment hotel, now known as the ApartHotel, which is located next to the Radisson Blu Bucharest Hotel, will be managed by Rezidor so that both hotels will be operated as one complex, under the "Radisson Blu" brand. We still utilize the trade mark of CenterVille in connection with the ApartHotel.

InSightec's intellectual property includes ownership of 116 patents, out of which 42 are registered in the United States, 60 in various European countries, seven in Japan and seven in China. In addition, InSightec has submitted 45 patent applications, which remain pending and in process. InSightec has registered trademarks for "ExAblate," "ExAblate 2000" and "InSightec" in the United States, European Union, Canada and Israel.

As of March 15, 2015, Gamida's patent portfolio is comprised of 19 issued U.S. patents, 22 issued non-U.S. patents, 8 pending U.S. patent applications, 21 pending non-U.S. patent applications, and 0 pending patent applications under the Patent Cooperation Treaty.

Competition

Commercial centers

We have been active in emerging markets since 1996, when we opened the first western-style commercial center in Hungary and began to implement our vision of offering western-style retail facilities to a growing middle class and an increasingly affluent consumer base. Over the past 19 years, we have expanded our operations in Central Europe and eastward into Poland, Greece, the Czech Republic, Latvia, Serbia, Romania, Bulgaria and India, and have proven our ability to anticipate and adapt to market trends and deliver innovative large-scale projects.

We have a number of competitors in CEE countries in which we operate or intend to operate in the commercial centers business, particularly in the larger capital cities. The following factors, however, should be noted:

- shopping centers which are not in close proximity and which do not draw their clientele from the same population areas are not considered competitive;
- we believe that large retail centers (known as "power centers"), even if they compete with our centers directly merely by virtue of their proximity to our commercial centers, are at a disadvantage because they do not offer the entertainment facilities that are offered at our commercial centers, and which we consider to be a significant element in the attraction of our patrons. These power centers also lack a wide range of services and common areas; and
- in the regional cities of our targeted countries, competitive activity is more limited. In these cities, we compete with traditional shopping outlets. These outlets lack the added benefit of the entertainment activities that our centers offer and, accordingly, we believe that they have difficulty competing with us.

In addition to several ad hoc entrepreneurial projects, there are a number of significant groups operating commercial centers in CEE with whom we compete directly, namely Globe Trade Centre SA, ECE Projekt Management GmbH TriGranit Holding Limited, NEPI and Atrium European Real Estate. We compete with these chains, and with other developers, in the pre-development stage, in the cost of acquisition of such sites, in the development stage (in retaining suitably qualified architects, consultants and contractors), in receiving financing and in the operational stage, if the centers compete for the patronage of the same population. We also compete for quality "brand name" tenants to occupy rental units. In locations where competing centers are being constructed simultaneously, the first center to open generally enjoys an advantage over its competitor, which is the reason behind our emphasis on the expeditious completion of construction operations.

In Pune, India, our main competitors in commercial centers are Phoenix Market City (which is a 1 million square foot mall) and Inorbit Mall (which is a 275,000 square foot mall). We also compete with small malls such as Central and Mariplex Gold located in Kalyani Nagar and from a mall located in Bund Garden Road.

Hotels

The lodging industry in Europe has traditionally been classified on a grading system, with five-stars representing a luxury hotel and one-star a budget hotel. Our Radisson Blu Bucharest Hotel is rated a five-star luxury hotel, our Radisson Blu Astrid Antwerp is rated a four star deluxe hotel and our Park Inn is rated a three star hotel.

Each of our hotels competes with other hotels in its geographic area for clientele, including hotels associated with other franchisers, which may have different reservation networks than those that may be available to us. We compete with other facilities on various bases, including room prices, quality, service, location, reservation service, marketing tools and amenities customarily offered to the traveling public. Levels of demand are dependent upon many factors, including general and local economic conditions and changes in levels of tourism and business-related travel. Our hotels depend upon both business and tourist travelers for revenues.

Many of these other companies are larger than us. However, we believe that our hotels nevertheless offer quality and value for competitive prices. In addition, our cooperation with Rezidor, using the Radisson Blu and Park Inn brands assists us in gaining recognition. This recognition is established as Rezidor is one of the fastest growing management companies in Europe.

Competition

Medical Companies - InSightec

Competition to MRgFUS treatments include traditional surgical modalities, minimally invasive surgery, and competing image guided high intensity focused ultrasound (HIFU) systems.

Minimally invasive procedures involving tissue ablation methods include radiofrequency ablation where electromagnetic energy is inserted into the body with a special needle, microwave ablation, laser, cryoablation which ablates tissue through freezing, embolization of the blood vessels, and irreversible electroporation, are potential competitors of InSightec. Depending upon the medical indication treated these methods may have regulatory approval in various geographies, including CE marking in Europe and FDA approval in the US.

InSightec faces competition from both traditional and minimally invasive treatments of uterine fibroids and the other medical conditions that InSightec has targeted for its future applications. Traditional treatment methods for uterine fibroids and other medical conditions that InSightec has targeted for product development are more established, accepted and practiced widely among physicians, and reimbursed by healthcare insurance. Competitive treatments for uterine fibroids, which are approved by the FDA and CE marked include hysterectomy, myomectomy, radiofrequency ablation, cryotherapy, and uterine artery embolization. Competitive treatments for bone metastases include external beam radiation therapy, radio frequency, cryoablation and microwave ablation. Similarly for medical procedures that are under investigation by InSightec there are a number of competitive treatment modalities.

In recent years, GE's main competitors in magnetic resonance imaging, Philips and Siemens, have developed MRgFUS devices; Philips has designed and manufactures its own system, Sonalleve, whereas Siemens has partnered with Chongqing Haifu, a Chinese manufacturer of therapeutic ultrasound systems, a partnership that has since dissolved. In 2010 Philips announced that their MRgHIFU Sonalleve device for treatment of uterine fibroids received CE Mark and is available commercially in Europe and other countries that recognize the CE regulation. In 2011 ECR Philips also announced that Sonalleve has been cleared for treating painful bone metastases. As of January 2015, Philips has installed at least 32 systems worldwide. Some sites are participating in an FDA Phase III study for the treatment of uterine fibroids. They are also conducting a clinical trial for CFDA approval in China. This validates the uterine fibroid application for which InSightec's ExAblate received FDA approval in 2004. There are several ultrasound-guided HIFU approved in China, including Chongqing. According to recent publications more than 10,000 UF treatments were performed in China using these systems. Treatments however are limited to relatively small fibroids, and reports regarding the safety of the procedures significantly vary between less than 1% and more than 28% serious complications. At present, to our knowledge, the Chinese ULsgFUS companies have focused their marketing efforts in Asia. Chongqing Haifu has placed systems in the United Kingdom (1), Spain (1), Russia (1) and Italy (1) and obtained a CE mark for treating liver, pancreatic, and renal cancer.

In 2008, YDME (US-guided HIFU system) received FDA IDE to start a phase I pancreatic cancer study in the United States but terminated that study due to its own financial reasons.

Two US-guided systems for treatment of prostate cancer, Ablatherm (EDAP TMS) and Sonablate (SonaCare Medical) have registered a CE Mark, but FDA recently rejected their PMA approvals.

To the extent InSightec enters the European and Far East markets for the treatment of prostate cancer it may face competition from both of these companies.

In the area of treating brain disorders (tremor, tumors, CNS, stroke, mediated drug delivery) using MRgFUS, InSightec faces potential competition from the French company Supersonic Imagine. The company has been developing a product similar in capabilities to InSightec's ExAblate Neuro device. The Supersonic Imagine device is still in a pre-clinical development stage.

Medical Companies – Gamida

NiCord may face indirect competition from other pharmaceutical and biotechnology companies that develop products for the treatment of the diseases that we target. If these therapies are successful in curing these diseases, they may reduce the number of patients undergoing hematopoietic (blood) stem cell transplantation (HSCT) procedures.

HSCT from cord blood in general may face additional competition from haplo-identical peripheral blood transplantation, another therapeutic approach currently being studied. This approach uses blood from a non-matched family related donor and is not currently regulated by the FDA. Companies like MolMed S.p.A. and Kiadis Pharma B.V. are developing technologies aiming to improve the clinical outcomes of haplo-identical transplantation.

Other companies are developing clinical-stage technologies that aim to improve the clinical outcomes of HSCT from cord blood by expanding HSCT from cord blood. These companies include Mesoblast Limited, Fate Therapeutics, Cellerant Therapeutics, and Novartis International AG. In addition, the bio-medical field is characterized by rapid development and massive research and development activities, having potential for direct or non-direct competition resulting from the discovery or development of more advanced, efficient or cost-effective treatments or technologies by third parties providing better solutions to the same diseases, while making InSightec's (or Gamida's) technologies or solutions inferior, obsolete or irrelevant. Such occurrence could adversely impact InSightec's (and Gamida's) future business and financial performance.

Residential Projects

In Bangalore, India, the main current competitors in residential projects are “White meadows” villas by Prestige Group, “Palm retreat” villas by Adarsh Developers (Resale), “Wind mills of your mind” villas by Total Environment and “Lakeside Habitate” by Prestige group as well as other small scale developers.

In Chennai, India, the main competitors in residential projects are “Panache” villa developed by Olympia, “Grand Elora” row houses developed by Joy Housing, “Pavillion” villas and Row houses by Casa Grande “Greenwood” plots developed by Arihant, “Hub 6” plots developed by Divyashree and “The Village” Villas developed by Phoenix as well as other small scale developers.

Governmental Regulation

Commercial centers

The development, construction and operation of commercial centers are subject to various regulatory controls, which vary according to the country of activity. Some countries require that a developer provide an environmental report on the land before building permit applications are considered, while in other countries we usually have direct contact with the local authorities to receive basic information on environmental issues. In certain European countries, antitrust permits must be obtained before a foreign investor is allowed to acquire shares of a local entity. In most Eastern European countries, construction work may only begin after the lapse of the objection period provided for third parties whose interests may be affected by such permits, at which time the contestation permit becomes final. If restitution claims made by former land owners in respect of project sites are upheld, these claims can jeopardize the integrity of title to the land and the ability to develop the land. Generally, construction must commence within a specified period following issuance of the permit, otherwise, the construction permit may expire.

Generally, the approval process for construction projects requires compliance with local zoning plans which state the conditions for construction and development and the designated permitted uses for the property. After review by the relevant authorities to verify that the developer complies with the local zoning plan, the developer must apply for a building permit, which includes the building design, permits, utility plans, surveys, environmental reports and any other documentation required by applicable law. Construction may commence upon receipt of a final valid building permit. Building permits are usually limited in time, and if construction does not commence before the expiration of the building permit, a developer will have to obtain a new building permit prior to construction. After completion, finished buildings are subject to operational inspection by applicable authorities such as environmental, sanitation, labor, utility and fire authorities. Once all approvals are obtained, an occupancy permit can be obtained for the building.

FDI in the construction development sector is subject to certain conditionalities under the FDI Policy. Under the FDI Policy, FDI is allowed up to 100% under the automatic route in townships, housing, built-up infrastructure and construction-development projects (which includes, but is not restricted to, residential/ commercial premises, roads or bridges, hotels, resorts, hospitals, educational institutions, recreational facilities, city and regional level infrastructure), subject to restrictions pertaining, inter alia, to the following matters: (a) minimum area of 20,000 square meters to be developed under each construction development project (there is no minimum area condition in case of development of serviced plots); (b) minimum capitalization of USD 5 million per project to be brought in within 6 months of commencement of the project (Commencement of the project has been defined to mean the date of approval of the building plan/ lay out plan by the relevant statutory authority. Subsequent tranches of FDI can be brought in till the period of 10 years from the commencement of the project or before the completion of the project, whichever is earlier.); (c) the investor will be permitted to exit on completion of the project or after development of trunk infrastructure, i.e. roads, water supply, street lighting, drainage and sewerage (lock-in period); (d) project completion schedule; (e) conformance with local laws and applicable standards; (f) obtaining necessary approvals; (g) supervision by the state government/municipal/local body concerned and (h) ability to sell only developed plots (developed plots has been defined to mean plots where trunk infrastructure i.e. roads, water supply, street lighting, drainage and sewerage has been made available. Certain conditions are relaxed to not apply to hotels and tourist resorts, special economic zones, educational institutions, old age homes and investment by NRIs or where the companies commit at least 30% of the total project cost for low cost affordable housing, (which have also been defined and detailed in the policy).

With the coming into effect of the revised policy norms as above, even prior investments will now be governed by the revised norms.

100% FDI under the automatic route is also permitted in completed projects for operation and management of townships, malls/ shopping complexes and business centers.

Under the Foreign Exchange Management (Acquisition and Transfer of Immoveable Property in India) Regulations, 2000, we cannot acquire any agricultural land without a prior approval of the Reserve Bank of India (“RBI”) and proposals relating to acquisition of agricultural land are considered in consultation with the Government of India, and such approval process can be time consuming.

Due to the urbanization process in India, former agricultural lands and villages were merged into expanding urban areas, and as a result, those lands and the buildings that were built on them became subject to various municipal regimes, some of which were legislated by municipal authorities that no longer exist. As a result, in certain locations throughout India, it is impossible to initiate rezoning activities and/or obtain building permits from the currently governing municipal authorities, with respect to lands and buildings that were handled by the former municipal authorities. Those problems are being solved either by specific legislation or by other solutions, such as municipal tax assessments that define the new land usage. The solutions may vary from state to state within India. There is no assurance that those solutions will be validated by future legislations or recognized by the respective authorities, at any time in the future.

Certain commercial center projects, as well as our other projects in India, are being carried out through joint ventures with Indian partners. The RBI has from time to time, amended certain provisions under the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations (2000), relating to the pricing norms for issuance of shares by an Indian company to persons residing outside India. These regulations include provisions stipulating that the shares of an unlisted company have to be issued at a price not less than the fair valuation of the shares (arrived at by adopting an international pricing methodology), in case of issuance on preferential allotment, and the issue price cannot be less than the price so arrived at. Also in case of transfer of shares from resident to non-resident, the price so arrived at will operate as the minimum price payable by the non-resident to the resident. Furthermore, certain provisions of the Companies Act, 2013 have also recently been amended, which pertain to compliances to be made by Indian companies in relation to the issue and allotment of shares on rights or preferential basis. These provisions include a new requirement of obtaining a valuation report from a registered appraisal agency where shares are to be issued on a preferential basis.

There is an increasing awareness of environmental issues in CEE and India. This may be of critical importance in areas where soil pollution may be prevalent. If a property that we acquire turns out to be polluted, such a finding will adversely affect our ability to construct, develop and operate a commercial center, a hotel or a residential project on such property. This may have a significant impact on development budget and schedules and may have a detrimental effect on the viability or marketability of the development or cause legal liability in connection with a portfolio asset. We may be liable for the costs of removal, investigation or remedy of hazardous or toxic substances located on or in a site owned or leased by us, regardless of whether we were responsible for the presence of such hazardous or toxic substances. The costs of any required removal, investigation or remedy of such substances may be substantial and/or may result in significant budget overruns and critical delays in construction schedules. The presence of such substances, or the failure to remedy such substances properly, may also adversely affect our ability to sell or lease such property or to obtain financing using the applicable property as a security.

Residential Projects

For information regarding governmental regulation applicable to our residential and mixed-use real estate projects, see "Governmental Regulations - Commercial Centers" above.

Hotels

The development, construction and operation of hotels and leisure facilities, including advertising tariffs and hotels, health safety issues, environmental regulations, activities conducted within the premises of the hotels (such as restaurants, bars, shops, health clubs, and in particular the sale of alcohol, food and beverage to the public), installations and systems operating within the hotel (elevators, sprinkler systems, sanitation, fire department etc.), terms of employing personnel, as well as methods of rating the hotels, are all subject to various regulatory controls, which vary according to the country of activity.

In the countries in which we operate, the operation of hotels requires licenses for the operation of the building as a hotel and the obtaining of local municipal and police approvals for the means of access to and egress from the hotel for motor vehicles. In addition, in certain countries we are required to obtain licenses for the sale of alcohol on the premises and the operation of a restaurant and tourism services. Our hotels are also required to comply with regulations regarding food, hygiene, the operation and maintenance of the swimming pool, casino, elevators, health, sanitation, electricity and fire hazards prevention.

In addition, in the countries in which we operate hotels we are required to comply with various regulations in connection with employees, in particular working hours' regulations. For each grade there is a minimum wage mandated. Among other things, the provisions of the collective labor agreement obligate the employer to provide money for employees for a number of funds. Also, the total obligations of companies that might arise from the termination of employees cannot be predicted.

Medical Companies

InSightec

The testing, manufacture and sale of InSightec's products are subject to regulation by numerous governmental authorities, principally the FDA, the EEC, and corresponding state and foreign regulatory agencies.

The U.S. Safe Medical Devices Act of 1990 (the “SMDA”) includes various provisions which are applicable to each of the existing products of InSightec and may result in the pre-market approval process (a process whereby the FDA approves high risk or a new system that has no predicate devices that have been approved in the past) for such products becoming lengthier and more costly. Under the SMDA, the FDA can impose new special controls on medical products. These include the promulgation of performance standards, post-market surveillance requirements, patient registries, and the development and dissemination of guidelines and other actions as the FDA may deem necessary to provide a reasonable assurance and effectiveness.

In June 1993, directive 93/42/EEC for medical devices was adopted by the EEC. In June 1998, this directive replaced the local regulation and ensured free transfer of qualified medical equipment among member states. Medical devices that meet the established standards, receive certification represented by the symbol “CE”. There are two types of certifications that are granted: (1) general certification of a company and (2) CE certification for a specific product. InSightec decided to comply with Medical Device Directive 93/42/EEC (“MDD”) and with the international standard ISO 13485 entitled “Medical Devices - Quality management systems - requirements for regulatory purposes”. InSightec obtained a certification of compliance with the standard in May 2001, and is subject to annual audits by the European Notified Body to renew the certification in accordance with all applicable updates of the standard and the MDD.

The Japanese MHLW (Ministry of Health, Labor, and Welfare) with JPAL (Japan Pharmaceutical Affairs Law) also requires company registration and a device license. InSightec obtained a device license in September 2009. In Japan the ExAblate is classified as class 4 (highest risk category) and as such it is highly regulated.

The Chinese CFDA requires the ExAblate to be registered as high risk as well under the relevant regulatory orders. ExAblate has been registered in the Chinese CFDA since July 2013.

Gamida

In the United States, the FDA regulates biological products under the Federal Food, Drug, and Cosmetic Act, or FDCA, and the Public Health Service Act, or PHS Act, and related regulations. Biological products are also subject to other U.S. federal, state, and local statutes and regulations, as well as non-U.S. statutes and regulations. The FDA and comparable regulatory agencies in state and local jurisdictions and in countries outside the United States impose substantial requirements upon the clinical development, manufacture and marketing of biological products. These agencies regulate research and development activities and the testing, manufacture, quality control, safety, effectiveness, packaging, labeling, storage, distribution, record keeping, reporting, approval, advertising and promotion of our products. These requirements and regulations vary from country to country. Failure to comply with the applicable regulatory requirements at any time during the product development process, including during clinical testing, during the approval process, or after approval, in Israel, the United States and any other country in which Gamida conducts its operations or sells its products may subject us to administrative or judicial sanctions.

Government regulation may delay or prevent marketing of product candidates for a considerable period of time and impose costly procedures upon Gamida's activities. The testing and approval process requires substantial time, effort, and financial resources, and Gamida cannot be certain that the FDA or any other regulatory agency will grant approvals for NiCord, CordIn, Gamida's NK cell product, StemEx or any future product candidates on a timely basis, if at all. The FDA's policies and the policies of comparable regulatory authorities in other countries may change and additional government regulations may be enacted that could prevent or delay regulatory approval of Gamida's current product candidates or any future product candidates or approval of new disease indications or label changes. We cannot predict the likelihood, nature or extent of adverse governmental regulation that might arise from future legislative, judicial, or administrative action, either in the United States or elsewhere.

C. ORGANIZATIONAL STRUCTURE

Our significant subsidiaries and companies in which we have a significant interest as of the date of this annual report are as follows:

NAME OF COMPANY	COUNTRY OF ORGANIZATION	DIRECT/INDIRECT OWNERSHIP PERCENTAGE
Plaza Centers N.V.	The Netherlands	44.9 ⁽¹⁾ %
Elscint Holdings & Investment N.V.	The Netherlands	100%
Elbit Medical Technologies Ltd.	Israel	82.71 ⁽²⁾ %
Elbit Plaza India Real Estate Holdings Limited	Cyprus	50 ⁽³⁾⁽⁴⁾ %
Elbit Ultrasound (Luxemburg) B.V./S.a r.l.	The Netherlands and Luxemburg	100%

(1) Approximately 43% on a fully diluted basis.

(2) Approximately 88% on a fully diluted basis.

(3) We hold 47.5% of the shares in EPI directly, and an additional 47.5% through PC. For additional information as to the joint venture signed between us and PC regarding EPI, see “Item 4.B Business Overview - Residential Projects.”

(4) For details as to the grant of 5% of EPI's equity to Mr. Abraham (Rami) Goren, our former Executive Vice Chairman of the board of directors, see “Item 6.B. Directors, Senior Management and Employees - Compensation of Directors and Officers - Agreements with our Former Executive Vice Chairman.” of our annual report on Form 20-F for the year ended December 31, 2013, which is incorporated herein by reference.

D. PROPERTY, PLANTS AND EQUIPMENT

Our operational portfolio consists of various freeholds, leaseholds and other tangible assets. For details as to such real estate portfolio, see “Item 4.B Business Overview.” Below we present information regarding certain tangible fixed assets including leasehold properties that do not form part of our operational portfolio, but rather serve as basis for our and our subsidiaries’ offices and management, as of March 31, 2015.

On July 19, 2012 we signed a lease agreement for approximately 1,475 square meters of space, including parking spaces, for management and administrative purposes in an office building in Bnei-Brak, Israel, to which we relocated our offices in May 2013. The agreement is for a period of five years with an option to extend for an additional period of five years. The annual aggregate rental fee (including management fees and index linkage pursuant to the lease agreement, and excluding VAT) to be paid by us will be approximately NIS 2 million (approximately \$0.5 million) on an annual basis. As of the date of this filing all the area is subleased to third parties till the end of the period. We intend to sign a lease agreement for approximately 300 square meters of space, including storage area and parking spaces, for management and administrative purposes in an office building in Petach Tikva, Israel, to which we plan to relocate our offices in May 2015. The annual aggregate rental fee (including management fees and index linkage pursuant to the lease agreement, and excluding VAT) to be paid by us will be approximately NIS 430,000 (approximately \$111,000) on an annual basis.

PC’s headquarters are located in an office building located on Andrassy Boulevard, Budapest, Hungary. The building is located on an 800 square meter plot and consists of four floors, an atrium and a basement, with a total built area of approximately 2,000 square meters.

PC also owns a villa converted into an office building, located in the center of Bucharest. The total office area is approximately 700 square meters build on a plot of approximately 450 square meters and consists of three floors, a basement and a garage.

On March 31, 2014 Elbit Plaza India Management Services Pvt. Ltd. signed a lease agreement for approximately 150 square meters of office space in Bangalore, Karnataka, India, for its management and administration activities. The term of the lease is until March 31, 2017. The annual rental and management maintenance fees payable by Elbit Plaza India Management Services Pvt. Ltd. are INR 1,312,080 (approximately \$21,162) and INR 93,000 (approximately \$1500), respectively, with an annual increase in the monthly rental fees of 5%.

ITEM 4A. UNRESOLVED STAFF COMMENTS.

Not applicable.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS.

Overview

We operate primarily in the following principal fields of business:

- Commercial Centers - Initiation, construction and sale of commercial centers and other mixed-use real property projects, predominantly in the retail sector, located in Central and Eastern Europe and in India, primarily through Plaza Centers N.V. ("PC"), of which we own approximately 44.9% of its share capital. In certain circumstances and depending on market conditions, we operate and manage commercial centers prior to their sale;
- Hotels - Operation and management of hotels primarily in major European cities;
- Medical Industries - Through our investee entities, we engage in (a) research and development, production and marketing of magnetic resonance imaging guided focused ultrasound treatment equipment and (b) development of stem cell population expansion technologies and stem cell therapy products for transplantation and regenerative medicine; and
- Residential Projects - Initiation, construction and sale of residential units or plots designated for residential, located primarily in India.

On January 5, 2015, we completed the sale of all of our fashion apparel operations. Accordingly, this operation is presented in our annual consolidated financial statements appearing elsewhere in this report as discontinued operations.

During 2012, we completed a transaction to sell all of our investments in commercial centers in the United States. In addition, as discussed below in 2012 we lost majority control over our subsidiary InSightec, the entity operating the medical industry and devices business. Accordingly, both of these operations are presented in these financial statements as discontinued operations.

Our revenues from the sale of real estate and trading property are subject to the execution and consummation of sale agreements with potential purchasers. In periods when we consummate a sale of a real estate asset we record revenues in substantial amounts and as a result we may experience significant fluctuations in our annual and quarterly results. We believe that period-to-period comparisons of our historical results of operations may not necessarily be meaningful or indicative and that investors should not rely on them as a basis for future performance.

Our functional currency is NIS. Our consolidated financial statements are also presented in NIS. Since our revenues and expenses are recorded in various currencies, our results of operations are affected by several inter-related factors, including the fluctuations of the NIS compared to other currencies at the time we prepare our financial statements.

Financial data included in this discussion were derived from our consolidated financial statements and the analysis herein is based on our general accounting records and published statistical data. Such financial data have been rounded to the nearest thousand or million. Unless otherwise indicated, we have translated NIS amounts into U.S. dollars at an exchange rate of NIS 3.889 to \$1.00, the representative exchange rate on December 31, 2014, and we have translated Euro amounts into U.S. Dollars and NIS at the respective exchange rates of €0.82272 to \$1.00 and €0.21 to NIS 1.00, the representative exchange rates on December 31, 2014.

The following activities affected our operational results for 2012, 2013, 2014 and 2015 (to date) and may continue to affect our operational results and cash flow in the coming years.

2015

- On April 2, 2015, our Board approved the appointment of Mr. Doron Moshe as Acting Chief Executive Officer in addition to continuing to serve as our Chief Financial Officer.
- On February 19, 2015, we announced that the extraordinary general meeting of shareholders of our subsidiary Bucuresti Turism S.A. (in which we hold 77% of the issued share capital), which shares were traded on the RASDAQ market ("BUTU") that took place on February 18, 2015, resolved, amongst other things, that BUTU will not take the necessary legal actions for the shares issued by it to be admitted for trading on a regulated market or to be listed on an alternate trading system. BUTU is the owner of the hotel complex known as the "Radisson Blu" in Bucharest, Romania. On April 14, 2015, we announced that the independent certified expert nominated in accordance with the provisions of the Romanian law and regulations (Ernst & Young Services SRL), has determined the estimated shareholders' equity fair value of BUTU to be Euro 64,630,000 (US\$ 78,523,000) resulting in a price per share of Euro 4.50, equivalent to a price per share of RON 20.17. (US\$ 4.73). To our knowledge, the maximum amount payable by BUTU to its shareholders who did not vote in favor of the aforementioned resolution to the extent all such shareholders will exercise their right to withdraw from BUTU as a result of the aforementioned resolution, is approximately Euro 14.5 million (approximately US\$ 15.2 million), which amount will be financed by BUTU either from its own resources and/or third party loans and/or controlling shareholders loans.

2014

- On September 29, 2014, we announced that our subsidiary Elbit Fashion Ltd. ("Elbit Fashion") received from PUNTO FA, S.L. ("Punto") written notice of its intention not to extend the term of the franchise rights granted by Punto to Elbit Fashion for operation of the "Mango" retail stores in Israel under the franchise agreement entered into by the parties on May 3, 2005 (the "Franchise Agreement") and to terminate the Franchise Agreement. On October 27, 2014, we announced that Elbit Fashion signed a sale agreement (the "Fox Sale Agreement") with Fox-Wisel Ltd. ("Fox") with regards to the sale of the operation and business of "Mango" retail stores in Israel. Under the Fox Sale Agreement, which was consummated on January 5, 2015, Elbit Fashion sold and assigned Fox all business activity, stores, investments in the leased properties, furniture and equipment, inventory and customer loyalty program and any and all rights relating thereto, free and clear of any third party rights, except as explicitly set in the Fox Sale Agreement and net of certain liabilities related to the business activities of Mango for consideration of approximately NIS 37.7 million (\$ 9.7 million). Following the consummation of the transaction, Elbit Fashion ceased to operate the "Mango" retail stores activity, and accordingly such activity was classified as discontinued operations in our financial statements.

- On September 28, 2014, we announced that BUTU, as borrower, we as a guarantor, certain other subsidiaries of us, as additional obligors, and a leading international European bank, as lender ("Lender"), have entered into an amendment to the facilities agreement between the aforementioned parties entered into on September 16, 2011 (the "Facilities Agreement") which facilitates the drawdown of the second facility under the Facilities Agreement and that BUTU has consummated such drawdown in the amount of approximately €9 million (\$ 11 million, 42.5 NIS million).
- On September 2, 2014, Elbit Medical announced that Gamida Cell Ltd., ("Gamida Cell"), and the vast majority of Gamida Cell's shareholders (including Elbit Medical), completed the execution of the Option and Investment Agreements (the "Novartis Agreements") with Novartis. Under the Novartis Agreements, Novartis invested \$35 million in Gamida Cell in exchange for approximately 15% of Gamida Cell's share capital and an option to purchase the holdings of the other shareholders in Gamida Cell, including Elbit Medical's holdings (the "Novartis Option"). The Novartis Option is exercisable, for a limited period of time, following Gamida Cell achieving certain milestones relating to the development of NiCord (the "Product"). Gamida Cell estimates that these milestones will be met during 2015. In any event, the Novartis Option, if not exercised, will expire in first half of 2016. Upon exercising the Novartis Option, Novartis would pay other shareholders in Gamida Cell (the "Sellers") a cash payment of approximately \$165 million, in accordance with the terms of the Novartis Agreements. In addition, the Sellers will be entitled to potential future payments which can reach a total of \$435 million, depending on certain development and regulatory milestones and on sales of Gamida Cell's products. Gamida Cell is currently conducting two Phase I/II trials using the Product to treat patients suffering from hematologic malignancies and Sickle Cell Disease. Following completion of the Investment Agreement and as of December 31, 2014 Elbit Medical holds approximately 26% of Gamida Cell's share capital and approximately 25% in Gamida Cell in a fully diluted basis. At this point in time, there is no certainty that Novartis will exercise the Novartis Option and/or that the milestones will be achieved and/or the product or any other of Gamida Cell's products will reach the market and generate earn-out payments from their sales.
- Effective beginning September 2014, PC completed the disposition of its commercial center, Kragujevac Plaza, in Serbia for approximately €38.6 million (\$ 47 million, NIS 182 million). Following the repayment of a related bank loan of approximately €28.2 million (\$ 34 million, NIS 133 million), PC received net cash from the disposition of approximately €10.4 million (\$ 12.6 million, NIS 49 million). Restricted cash linked to the bank debt and other working capital balances of approximately €2 million (\$ 2.4 million, NIS 9.4 million) were also released following the transaction. As a result of the transaction, a loss of €0.6 million (\$ 0.7 million, NIS 2.8 million) was recorded in the profit and loss statement for the year ended December 31, 2014.
- In June 2014, PC terminated, following a mutual agreement, its joint venture agreement with an Israeli based company ("Aura"). The seven asset companies held by the joint venture were spilled between PC's 50.1% subsidiary ("Plaza Bas") and Aura, where Aura received a full control over three of the asset companies, and Plaza Bas received full control over the remaining four asset companies. The carrying amount of the assets received by Plaza Bas valued at €9 million, (\$ 11 million, NIS 42.5 million) and Plaza Bas assumed two bank facilities with principal of €9.7 million, (\$ 11.8 million, NIS 46 million. In addition, Aura paid €0.6 million, (\$ 0.7 million, NIS 2.8 million) to PC as part of the joint venture termination. PC has performed internal valuation of the assets and liabilities it obtained in full following the termination, and as a result recorded a loss of €4.1 million (\$ 5 million, NIS 19.4 million) from this transaction in the financial statements for the year ended December 31, 2014.
- During 2014, PC completed the sale of two plots in Romania (Targu Mures and Hunedoara) to third party developers for a total consideration of €4.7 million (\$ 5.7 million, NIS 22 million). No profit or loss was recorded as a result of these transactions.
- On July 6, 2014, we announced that our wholly owned subsidiary entered into a transaction for the sale of 1.7 million shares of PPHE Hotel Group (LSE: PPH) for a net consideration of GBP 6.0 million (\$ 9 million, NIS 35 million).
- On June 29, 2014, InSightec entered into the Series D Preferred Share Purchase Agreement with York Global Finance II S.à r.l. (an affiliate of York Capital Management, which is a related party of ours) (the "Investor"), pursuant to which the Investor and certain other investors as well as all the other shareholders of InSightec except for Elbit Medical, invested, in stages during the second half of 2014, an aggregate amount of \$59 million in InSightec, reflecting a pre-money valuation of InSightec of \$ 200 million (NIS 778 million) (on a fully diluted, as-converted basis), subject to certain adjustments as specified in the InSightec Investment Agreement. In addition, Elbit Medical has the right to invest up to an additional \$ 3.5 million (NIS 14 million) in InSightec by the end of May 31, 2015, and the Investor has the option to purchase any additional Series D Preferred Shares not purchased by Elbit Medical, up to a total investment in the round of \$ 62.5 million (NIS 243 million). For additional information, see note 8 A to our consolidated financial statements for the year ended December 31, 2014 included elsewhere in this report. As of December 31, 2014, Elbit Medical holds approximately 36% (30% on a fully diluted basis) of the issued and outstanding share capital of InSightec.

- On June 26, 2014 PC's unsecured financial creditors approved the Amended PC Plan. On July 9, 2014, the Dutch Court approved the Amended PC Plan. All conditions precedent of the Amended PC Plan were fulfilled by November 30, 2014.

The following are the material terms of the Amended PC Plan:

- o Each principal payment under the PC's notes due in the years 2013, 2014 and 2015 pursuant to the original terms of the notes shall be deferred by four and a half years and each principal payment due pursuant to the original terms of the notes in subsequent years (i.e., 2016 and 2017) will be deferred by one year.
- o In the event that PC does not succeed in prepaying an aggregate amount of at least NIS 434 million (\$ 111.6 million) of the principal of the notes, excluding linkage differentials before 1 December 2016, then all principal payments under the notes deferred in accordance with above, shall be advanced by one year (i.e., shall become due one year earlier).
- o Accrued interest on the notes up and until December 31, 2013 was added to the principal of the notes. Accordingly, PC issued additional NIS 5.5 million (\$ 1.4 million) par value notes to series A holders and NIS 13.3 million (\$ 3.4 million) par value notes to series B holders and PLN 2.8 million (\$ 0.9 million, NIS 3.4 million) par value to Polish investors. The accrued interest will be paid together with the principal.
- o Following January 1, 2014 ("Effective Date"), interest payments will be paid on their due dates. PC paid to its note holders an amount of €13.8 million (\$ 16.8 million, NIS 65 million) of 2014 interest payments.
- o As from January 1, 2014, the annual interest rate on the notes was increased by 1.5%.
- o PC, its directors and officers and its controlling shareholder were fully released from claims.
- o The net cash flow received by PC following an exit or raising new financial indebtedness (except if taken for the purpose of purchase, investment or development of real estate asset) or refinancing of real estate asset's after the full repayment of the asset's related debt that was realized or in respect of a loan paid in case of debt recycling (and in case where the exit occurred in the subsidiary – amounts required to repay liabilities to the creditors of that subsidiary) and direct expenses in respect of the asset (any sale and tax costs, as incurred), will be used for repayment of the accumulated interest until that date in all of the series (in case of an exit which is not one of the four shopping centers only 50% of the interest) and 75% of the remaining cash (following the interest payment) will be used for an early repayment of the close principal payments for each of the series (A, B, Polish) each in accordance with its relative share in the deferred debt. Such prepayment will be real repayment and not in bond purchase.
- o An injection of a €20 million (\$ 24.3 million) into PC at a price per-share of €0.0675, ("Equity Contribution") was executed by PC in the form of the Rights Offering to its shareholders. As part of PC's injection, EUL entered into the Back-Stop Agreement with various affiliates of Davidson Kempner Capital Management LP ("DK", a related party of ours), pursuant to which DK undertook to purchase under the Rights Offering, in lieu of EUL, a portion to be determined by EUL, provided that such portion shall be the higher of €3 million (\$ 3.6 million) and shall not exceed €10 million (\$ 12 million) or result in DK and its affiliates directly or indirectly holding shares representing 30% or more of the total voting rights in PC, all subject to the terms and conditions therein. Consequently EUL has purchased 122,847,376 new ordinary shares of PC for the total amount of approximately €8.3 million (\$ 10 million) and DK purchased 163,803,197 new ordinary shares of PC for an additional amount of € 11.05 million (\$ 13.4 million).
- o PC issued to the noteholders of 13.21% of PC's shares (post Equity Contribution) for payment of par value of shares. Such issuances of shares were distributed among the noteholders pro rata to the relative share of each relevant creditor in the Deferred Debt.

- o Following the Rights Offering and associated placing of shares and the issuance of new ordinary shares to PC's noteholders under the Amended PC Plan, EUL holds 44.9% in PC and DK holds approximately 26.3% of the outstanding shares of PC.
- On September 18, 2013, our unsecured financial creditors (the holders of our publicly traded Series 1 and Series A to Series G notes and Bank Leumi) approved the Debt Restructuring under Section 350 of the Israeli Companies Law, and on January 1, 2014, the Court approved the Debt Restructuring. On February 20, 2014, following the satisfaction of all conditions required to be satisfied prior to the effectiveness of the Debt Restructuring (other than registration of liens in favor of the trustees of the new series of notes), the Debt Restructuring was consummated and came into effect. In accordance with the terms of the Debt Restructuring, our unsecured financial creditors were issued 508,027,457 ordinary shares, which represented 95% of our share upon effectiveness of the Debt Restructuring on a fully diluted basis (except for certain options issued to our employees and officers) and before the issuance of our ordinary shares to Bank Hapoalim (as detailed below). According to the terms of the Debt Restructuring, the outstanding balance under our unsecured financial debt was extinguished and converted into these ordinary shares and new notes issued by us to our unsecured financial creditors. The aggregate principal amount of the two series of new notes issued pursuant to the Debt Restructuring was equal to NIS 666 million (\$ 190.3 million). The principal amount of the first series of new notes ("Series H") was equal to NIS 448 million (\$ 128.7 million), repayable in a single payment by May 31, 2018. The principal amount of the second series of new notes ("Series I") was equal to NIS 218 million (\$ 62.3 million), repayable in a single payment by November 30, 2019. Both series of the new notes bear interest at the rate of 6% per annum and are linked to the Israeli consumer price index, while interest on Series H notes is payable in cash on a semi-annual basis, and interest on the Series I notes will be payable on the final maturity date. In addition, the new notes include mandatory prepayment provisions in the event we pay cash, distribute dividends or make any other distribution within four and half years following the date of issuance thereof, such that we will be obligated to prepay an amount equal to the amount distributed. In addition, the new notes are secured by first ranking and second ranking floating charges that were placed on all of our assets in favor of the Series H and Series I trustees, respectively, and first-ranking and second ranking fixed pledges that were placed on our various holdings and rights in our subsidiaries Elbit Ultrasound (Luxembourg) B.V./S.ar.l (through which we hold a controlling stake in PC) and Elscint Holdings and Investments N.V. (through which we hold our hotels in Belgium and Romania) as well as any amounts which we shall be entitled to receive therefrom (including under all and any shareholders loans advanced by us to those companies, if any). Furthermore, our Articles of Association were amended such that (i) a decision by us to engage in a field of business that is new to us and our subsidiaries and is material to us requires the unanimous approval of all of the members of the Board present and lawfully entitled to vote at the relevant meeting and (ii) in certain events, a person contemplating a purchase of our shares shall be required to offer to acquire ordinary shares representing at least 10% of our voting rights in connection with such purchase. The Series H Notes and the Series I Notes were listed on the TASE, and the New Shares were listed on NASDAQ and the TASE. For a discussion of the approval and consummation of the Debt Restructuring, please see the Forms 6-K we filed on September 18, 2013, January 2, 2014 and February 20, 2014.
- On January 26, 2014 a holder of the our Series B notes ("the Plaintiff") filed an appeal to the Supreme Court, against the ruling of the Tel-Aviv District Court, dated 1 January, 2014 approving the amended plan of arrangement (the "Appeal"). In the Appeal the Plaintiff is seeking, inter alia, to cancel the section which granted release from potential liability and claims to our officers and directors, and also the section which determines the class action that was filed by the Plaintiff shall be stricken; Alternatively, the Plaintiff has requested to cancel the section on the said court ruling which determines the class action shall be stricken against Mr. Mordechai Zisser, who is not included in the release from potential liability and claims provided to our other officers, or that the whole Arrangement shall be canceled. A hearing of the appeal is scheduled to be held on June 11, 2015.
- In connection with the Debt Restructuring, we issued 16,594,036 ordinary shares to Bank Hapoalim pursuant to the terms set forth in the Refinancing Agreement. Pursuant to the Refinancing Agreement, the outstanding loan amount (approximately \$48 million) will be repayable by us on February 20, 2017, and bears interest of LIBOR +3.8% per year, payable quarterly, and an additional 1.3% per year, payable on the final maturity date. In addition, pursuant to the Refinancing Agreement, first-ranking fixed charges were placed on our holdings and other rights in certain of our subsidiaries holding our hotels in Romania and Belgium as collateral securing our debt to Bank Hapoalim under the Refinancing Agreement. Such charges were placed in addition to the existing securities that Bank Hapoalim held under the loan previously received from Bank Hapoalim, i.e., a first ranking pledge over an amount of 86 million shares of PC, representing approximately 13% of PC's outstanding shares. We are subject to certain prepayment obligations in the event of prepayment of the aforementioned new notes or a distribution. For further details regarding the Refinancing Agreement, please see the Form 6-K we filed on November 14, 2013.

- in 2012, we granted Eastgate Property LLC (“Eastgate”) a warrant to purchase our ordinary shares, as subsequently amended (the “Warrant”). Pursuant to an understanding between us and Eastgate, in connection with the Debt Restructuring, Eastgate exercised the Warrant for 1,924,215 ordinary shares immediately following the consummation of the Debt Restructuring, at which time the Warrant was terminated. For further details regarding the Warrant, please see the Form 6-K we filed on February 20, 2014.
- Our unsecured debt prior to the entering into effect of the Debt Restructuring included approximately \$12.8 million (NIS 50 million) principal amount of bank debt held by Bank Leumi. As of the Closing of the Debt Restructuring, we had outstanding disputes with Bank Leumi with respect to the validity of certain pledges over accounts held by us at Bank Leumi and consequently, whether the debt we owed to Bank Leumi should be classified as unsecured or secured. As a result of this dispute and in connection with the Debt Restructuring, we issued to an escrow agent for the benefit of Bank Leumi approximately NIS 8.0 million (approximately \$2.3 million) in principal amount of our Series H Notes, approximately NIS 3.9 million (approximately \$1.1 million) in principal amount of our Series I Notes, and 9,090,122 ordinary shares. On July 23, 2014, following the Court’s approval and the closing of the Debt Restructuring, we announced the consummation of a settlement of the dispute (the “Settlement”), under which Bank Leumi received ownership of all marketable securities held in our accounts at Bank Leumi having a fair value of approximately NIS 8.7 million (\$ 2.2 million) (based on their then-market price). In addition, our net debt (after offset of the aforementioned marketable securities) to Bank Leumi in the amount of approximately NIS 38 million (\$ 9.8 million) was cancelled in exchange for 7,404,119 ordinary shares, NIS 6,507,666 aggregate principal amount of our Series H notes and NIS 3,166,678 aggregate principal amount of Series I notes of us. The balance of 1,686,003 ordinary shares, NIS 1,481,870 aggregate principal amount of Series H notes and NIS 721,089 aggregate principal amount of Series I notes of us retained in escrow under the Debt Restructuring was annulled and delisted from trade in the Tel Aviv Stock Exchange. The Settlement constituted the full settlement of our obligations to Bank Leumi under the Debt Restructuring as well as under the loan agreement entered between the parties on May 5, 2011, and Bank Leumi released all liens registered for its benefit on our assets. The Settlement also included a mutual waiver of claims.
- On January 13, 2014 PC announced that its subsidiary (in which it holds approximately 70% of its voting power) had reached an agreement to sell its 50% equity stake in the Uj Udvar project in Budapest, Hungary. As a result of the transaction, PC received cash proceeds of €2.4 million (\$ 2.9 million, NIS 11.2 million).

2013

- In February 2013 we announced that we would temporarily cease making all principal payments due under our Series A and Series B notes and all interest payments due under all of our publicly-traded notes; for a discussion of these announcements please see the Form 6-Ks we filed on February 5, 2013, and February 19, 2013, respectively. In March 2013 we entered into a letter of undertaking (the “Letter of Undertaking”) with the trustees of our Series 1, C, D, E, F and G note holders regarding our activities during an interim period, under which, *inter alia*, it was agreed that we and the entities controlled by us (excluding PC) would not make any payments to our respective creditors, other than under certain circumstances, we will not dispose and/or undertake to dispose any of our material assets and/or our Controlled Entities, and we will not provide any guarantee and/or security of any kind, to secure our or any third party’s debt. Furthermore we will not make any payments and/or engage in any transactions with the former Controlling Shareholder and/or entities under the control of the former Controlling Shareholder and/or Mr. Mordechai Zisser’s relatives either directly or indirectly. As indicated above under “-2014”, we have consummated our Debt Restructuring including with respect to the Letter of Undertaking. For a discussion of the Letter of Undertaking, please see the Form 6-K we filed on March 21, 2013. For a discussion of the terms of the Debt Restructuring, please see “-2014” above.
- In August and November 2012, acting through our wholly owned subsidiary Elbit Imaging Financing Services, Limited Partnership (“Elbit Financing”), we entered into two note structured transactions with two leading global financial institutions (the “Counterparties”). On February 20, 2013, the Counterparties notified us of the early termination of the transactions as a result of the decline in the market price of our outstanding notes and consequent failure to meet the loan-to-value covenants under the agreements governing the transactions.
- In March 2013, we received a letter from Bank Leumi demanding repayment within ten days of the outstanding balance of approximately \$14.1 million due primarily under certain loans made by Bank Leumi to us pursuant to a refinancing agreement dated May 5, 2011. Bank Leumi stated that it was taking this action in light of our then-financial condition and our having informed Bank Leumi that we would not pay the principal and the interest due on March 29, 2013. Bank Leumi also informed us that it had placed a freeze on the Leumi Accounts (certain accounts maintained by us with Bank Leumi in which we held cash and trading securities in the amount of approximately NIS 8 million) until the outstanding amounts due are repaid. Bank Leumi also notified us that should such repayment not be made within ten days Bank Leumi was reserving its rights to take all actions necessary in order to protect its rights under the loan agreements including offsetting any amounts in the Leumi accounts against the loans. Bank Leumi also claimed that it has certain pledges registered in its favor and therefore it is a secured creditor and should not be included in the Debt Restructuring. For a discussion of the settlement agreement with Bank Leumi, please see “-2014” above.

- On May 29, 2013 PC successfully completed the sale of its 50% interest in an entity which mainly holds interests in an office complex project located in Pune, Maharashtra. The transaction valued the entity at €3.4 million and, as a result, PC received gross cash proceeds of approximately €6.7 million.
- On June 6, 2013, we received a letter from Bank Hapoalim, demanding repayment within seven days of the outstanding balance of the loan owed to Bank Hapoalim under the March 31, 2011 Facility Agreement, without prejudicing its right under any other loan facility to which we are a party as a guarantor or otherwise. Bank Hapoalim stated that it was taking this action in light of our alleged breaches under the loan, including, *inter alia*, non-payment to Bank Hapoalim on March 31, 2013 of approximately \$14.5 million, failure to satisfy certain financial covenants under the loan and adverse change in our financial position. On November 4, 2013, we announced that we and Bank Hapoalim reached general terms of agreement between the parties, and on November 12, 2013, we had announced certain amendments to the said general terms of agreement. On November 26, 2013, our unsecured financial creditors voted on the general terms of agreement to be entered into with Bank Hapoalim. At the Meeting, unsecured financial creditors holding approximately 70.6% of the aggregate voting power that had participated in the meeting voted in favor of the refinancing. On December 29, 2013 we entered into a new facility agreement with Bank Hapoalim based on the aforementioned general terms of agreement, and on February 20, 2014, the transactions under the agreement were consummated. For further discussion of the terms and the closing of the Refinancing Agreement, please see "-2014" above.
- In July 2013 PC completed the sale of 100% of its interest in an entity which holds the interest in a plot of land in Prague. The transaction values the entity at approximately €1.9 million (NIS 9 million). The net cash consideration after deducting a liability to a third party amounted to €1.3 million.

A subsidiary of PC was party to a loan with a commercial bank, secured by PC's notes that PC had repurchased, that was due to be repaid in September 2013. Due to a rating downgrade that resulted in a loan covenant breach, PC entered into negotiations with the bank and the two parties agreed upon an early repayment of the loan that was consummated during the first half of 2013. The loan balance, including accrued interest, was approximately NIS 77.5 million. To finance the early repayment of the loan, PC sold NIS 66 million of the notes it had repurchased that served as the loan's collateral.

- On October 31, 2013 the consortium of shareholders of Dream Island, in which PC holds a 43.5% stake, completed the sale of the Dream Island project land to the Hungarian State for approximately €15 million. The proceeds of the transaction were used by the consortium to repay a proportion of a secured bank loan.
- On November 18, 2013, PC announced that it had filed for reorganization proceedings (preliminary suspension of payments) with the Dutch Court and submitted a restructuring plan to the Dutch Court. Further to that announcement, PC announced that the Dutch Court had granted its application for preliminary suspension of payment proceedings. PC noted further that in order to resolve its liquidity situation it had filed with the Dutch Court a restructuring plan proposed to its creditors. For a discussion of PC's reorganization proceedings, please see the Forms 6-K we filed on November 14, 2013, November 20, 2013 and November 25, 2013. For a discussion regarding the amendment to the restructuring plan and the consummation of the Amended PC Plan, see "- 2014" above.

Critical judgment in applying accounting policies and use of estimates

General

In the application of our accounting policies, we are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis, and revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. In addition, in the process of applying our accounting policies, management makes various judgments, apart from those involving estimations, that can significantly affect the amounts recognized in the financial statements.

The followings are the critical judgments and key sources of estimation that management has made while applying our accounting policies and that have the most significant effect on the amounts recognized in our consolidated financial statements.

Use of estimates

Write-down of trading properties

The recognition of a write-down of our trading properties is subject to a considerable degree of judgment and estimates, the results of which, when applied under different principles, conditions and assumptions, are likely to result in materially different results and could have a material adverse effect on our consolidated financial statements.

This valuation becomes increasingly difficult as it relates to estimates and assumptions for projects in the preliminary stage of development in addition to current economic uncertainty and the lack of transactions in the real estate market in the CEE and India for same or similar properties.

We are responsible for determining the net realizable value of our trading properties. In determining net realizable value of the vast majority of trading properties, we utilize the services of an independent third party recognized as a specialist in valuation of properties. Independent valuation reports for our trading properties as of December 31, 2014 and 2013 were prepared by Cushman & Wakefield.

On an annual basis, we review the valuation methodologies utilized by the independent third party valuator service for each property. The main features included in each valuation are:

1. Operating trading properties (mainly commercial centers)

The net realizable value of operating commercial centers includes the rental income from current leases and assumptions in respect of additional rental income from future leases in the light of current market conditions. The net realizable value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. We use assumptions that are mainly based on market conditions existing at the reporting date.

The principal assumptions underlying our estimation of net realizable values for operating commercial centers are those related to the receipt of contractual rentals, expected future market rentals, void periods, maintenance requirements and appropriate discount rates. These valuations are regularly compared to actual market yield data and actual transactions made by us and those reported by the market, if available. Expected future rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

2. Undeveloped trading properties

The vast majority of our undeveloped real estate assets are lands which are designated for development of commercial centers and residential units.

The net realizable value for an undeveloped project is determined based on our business plans for the specific project as of the balance sheet date. Some of our lands are designated for future development in the foreseeable future. Other undeveloped lands are in early planning stage or are planned to be sold at their current status.

A considerable degree of judgment is required in order to determine whether a specific real estate project can be developed in the foreseeable future or not. The most significant factors in such decision are: market condition in the surrounding area of the project; availability of bank financing for the development; competition in the area; zoning and building permits to the project; our liquidity and ability to invest equity into the project; our ability to enforce the joint development agreement against our partners in a joint venture project (mainly, our residential project in India); the scale of the project and our ability to execute it and others. As explained below, the status of the project, as determined by us in each reporting period, also determines the net realizable value which will be used in the preparation of the financial statements. Therefore, a change in each of the factors mentioned below may lead to a change in the status of a project (from project designated for future development to project in hold) and may cause an additional write-down which was not recognized in our financial statement for the year ended December 31, 2014.

As for accounting policies in respect of the measurement of net realizable value for undeveloped trading property – see note 2L to our consolidated financial statements included elsewhere in this report.

2.1 Critical assumptions under the residual method

Our trading properties which are designated by us for development in the foreseeable future are usually measured using the residual method. Estimations of fair value under the residual method involve in general, critical estimations and takes into account special assumptions in the valuations, many of which are difficult to predict, in respect of the future operational cash flows expected to be generated from the real estate asset, yield rate which will be applied for each real estate asset, estimate of developer's profit and time line to commencement of the construction of the project. Actual results could be significantly different than the estimates and could have a material effect on our financial results.

Determination of the operational cash flow expected to be generated from the real estate asset is based on reasonable and supportable assumptions, as well as on historical results adjusted to reflect our best estimate of future market and economic conditions that we believe will exist during the remaining useful life of the assets. Such determination is subject to significant uncertainties. In preparing these projections, we take assumptions, the major of which relate to market share of the real estate asset, benchmark operating figures such as occupancy rates, rental and management fees rates (in respect of commercial centers), selling price of apartments (in respect of residential units), the expected schedule to complete the real estate assets under construction, costs to complete the establishment of the real estate asset, expected operational expenses and others. In addition the process of construction is long, and subject to approvals and authorization from local authorities. It may occur that building permits will expire, and will cause us additional preparations and costs and can cause construction to be delayed or abandoned.

The yield rate reflects economic environment risks, current market assessments regarding the time value of money, industry risks as a whole and risks specific to each asset, and it also reflects the return that investors would require if they were to choose an investment that would generate cash flows of amounts, timing and risk profile equivalent to those that we expect to derive from the assets. Such rate is generally estimated from the rate implied in current market transactions for similar assets, or where such transactions do not exist, based on external appraisers.

2.2 Critical assumptions under the comparable method

Our trading property which is not designated by us for development in the foreseeable future is usually measured using the comparable method or the residual method (for details regarding the residual method see 2.1 above). Valuation by comparison is essentially objective, in that it is based on an analysis of the price achieved for sites with broadly similar development characteristics. Valuation by comparison is generally used if evidence of actual sales can be found and analyzed on a common unit basis, such as site area, developable area or habitable room.

Where comparable development cannot be identified in the immediate area of the subject site or when sales information is not clearly available through common channels of information (internet, newspapers, trade journals, periodic, market research), it is necessary to look further out for suitable comparable and to make necessary adjustments to the price in order to account for dissimilarities between the comparable development and the subject site. Such adjustments include, but not limited to:

- Adjustment in respect of the time of the transaction. Market conditions at the time of the sales transaction of a comparable property may differ from those on the valuation date of the property being valued. Factors that impact market conditions include rapidly appreciating or depreciating property values, changes in tax laws, building restrictions or moratoriums, fluctuations in supply and demand, or any combination or forces working in concert to alter market conditions from one date to another.
- Adjustment in respect of asking price and condition of payment. The special motivations of the parties to the transaction in many situations can affect the prices paid and even render some transactions as non-market. Examples of special conditions of sale include: a higher price paid by a buyer because the parcel has synergistic, or marriage, value; a lower price paid because a seller was in a hurry to conclude the sale; a financial, business or family relationship between the parties involved in the transaction; unusual tax considerations; lack of exposure of the property in the (open) market; or the prospect of lengthy litigation proceedings.
- Adjustment in respect of size, shape and surface area. Where the physical characteristics of a comparable property vary from those of the subject property, each of the differences is considered, and the adjustment is made for the impact of each of these differences on value.
- Adjustment in respect of location. The locations of the comparable sale properties and the subject property are compared to ascertain whether location and the immediate environs are influencing the prices paid. The better location a property is located in, the more it is worth per square meter; and, conversely, the worse location a property is in, the less it is worth per square meter. An adjustment is made to reflect such differences based on the valuator's professional experience. Extreme location differences may indicate that a transaction is not truly comparable and are disqualified.

Litigation and other contingent liabilities

We are involved in litigation, tax assessments and other contingent liabilities in substantial amounts, including class actions. See note 17B to our annual consolidated financial statements included elsewhere in this report. We recognize a provision for such litigation when it is probable that we will be required to settle the obligation and the amount of the obligation can be reliably estimated. We evaluate the probability and outcome of these litigations based on, among other factors, legal opinion and consultation and past experience. The outcome of such contingent liabilities may differ materially from management's estimation. We periodically evaluate these estimations and makes appropriate adjustments to the provisions recorded in the consolidated financial statements. In addition, as facts concerning contingencies become known, we reassess its position and make appropriate adjustments to the consolidated financial statements. In rare circumstances, mainly with respect to class actions, when the case is unique, complicated and involves prolong and uncommon proceedings, we cannot reliably estimate the outcome of said case.

The calculation of our tax liabilities involves uncertainties in the application and/or interpretation of complex tax laws, tax regulations and tax treaties in respect of various jurisdictions in which we operate and which vary from time to time. In addition, tax authorities may interpret certain tax issues in a different manner other than that which we adopted. Should such contrary interpretive principles be adopted upon adjudication of such cases, our tax burden may be significantly increased. In calculating deferred taxes, we are required to evaluate (i) the probability of the realization of our deferred income tax assets against future taxable income and (ii) the anticipated tax rates in which our deferred taxes would be utilized.

Potential penalties, guarantees issued and expired building permits

Penalties and guaranties are part of the on-going construction activities and result from obligations we have towards third parties, such as banks and municipalities. Our management is required to provide estimations regarding risks evolving from such potential guarantees or penalties that we may have to settle. In addition, our operations in the construction area are subject to valid authorizations and building permits from local authorities. Under certain circumstances we are required to determine whether the building permits we obtain have not yet expired. It may occur that building permits have expired, which might impose additional costs and expenses, or delays and even abandon a project under construction.

Fair value of hotels

As of December 31, 2014, our fair value operational hotels is determined based upon the discounted cash flows ("DCF") approach. The assumptions underlying the model, as well as the ability to support them by means of objective and reasonable market benchmarks, so they can be viewed as assumptions that market participants may have used, are significant in determining the fair value of the hotels. The predominant assumptions that may cause substantial changes in the fair value are: the capitalization rate; exit yield rate; the expected net operating income of the hotel (which is mainly affected by the expected average room rate and the occupancy rate, as well as the level of operational expenses of the hotels); the level of refurbishments reserve; and the capital expenditures that need to be invested in the hotel. The fair value of our hotels is appraised by independent appraisers with knowledge in the local hotels business.

Critical judgment in applying accounting policies

Classification of trading property as current/non-current asset

We classify our assets and liabilities as current or non-current based on the operating cycle of each of our operations (generally 12 months). Careful consideration is required with respect to assets and liabilities associated with our operations of commercial centers and trading property, where by their nature the operating cycle is more than 12 months. These assets and liabilities are classified as current only if their operating cycle is clearly identifiable. In accordance with guidance set out in IAS 1, if we cannot clearly identify the actual operating cycle of a specific operation, then the assets and liabilities of that operation are classified as non-current. Our determination of our inability to clearly identify the actual operating cycle is a matter of judgment. A different conclusion can materially affect the classification of current assets and current liabilities. See also note 2 E to our financial statements included elsewhere in this report.

Classification of operating commercial centers as trading property rather than investment property

We classified operating commercial centers as trading property rather than investment property even though we are currently earning rental income from these properties. Our business model is to sale the shopping centers in the ordinary course of our business. An operational commercial center becomes attractive to potential buyers when its occupancy reaches at least 95%. Based on our historical experience, this threshold ensures that it will gain the best price for these projects.

The lingering real estate and financing crisis in CEE over the last five years has forced us to revise our approach in order to accomplish our business model (i.e., to sell our operational commercial centers) by expanding the time period in which operational commercial centers are sold. Specifically, said objective change in economic environment dictated us to apply the criterion of "ready for intended use" by lengthening the period required to reach the defined occupancy threshold, before the operational commercial center is indeed ready for its intended use (that is, prepared for sale). Accordingly, any rentals obtained during that interim period are incidental to the sale of our commercial centers and constitute part of the activities required to bring them to their intended use.

Consequently, in the interim period from completion of construction until the commercial center is sold, we have been maintaining and operating our completed shopping centers, and during that interim period the commercial centers are classified as trading property.

De facto Control

As for December 31, 2014, we hold approximately 44.9% of PC share capital; DK holds approximately 26.3% of PC share capital and the rest is widely spread among the public. We are of the opinion that based on the absolute size of its holdings, the relative size of the other shareholdings and due to the fact that PC's directors are appointed by normal majority of PC's General Meeting, we have a sufficiently dominant voting interest to meet the power criterion, therefore we have de facto control over PC.

New accounting standards and interpretation issued that are not yet effective

For information on recently issued accounting standards under IFRS, see note 2Y to our annual consolidated financial statements included elsewhere in this report.

A. Operating Results

Presentation method of financial statements

We are involved in investments in a wide range of different activities. Accordingly, management believes that its income statements should be presented in the "single-step form." According to this form, all costs and expenses (including general and administrative and financial expenses) should be considered as continuously contributing to the generation of overall income and gains. We also believe that our operating expenses should be classified by function to: (i) those directly related to each revenue source (including general and administrative expenses and selling and marketing expenses relating directly to each operation); and (ii) overhead expenses which serve the business as a whole and are to be determined as general and administrative expenses.

Our strategy in respect of PC's commercial centers is to dispose of commercial centers upon completion, subject to certain exceptions. In response to the lingering real estate and financing crisis in CEE, and following discussion with the SEC, our management determined that PC no longer retains sufficient consistent historical experience of trading property realizations in order to clearly identify the actual operating cycle of selling its trading property. Under such circumstances, we decided to utilize for accounting reporting purposes an assumed operating cycle of 12 months. Revenues from these commercial centers are mainly derived from their disposal to third parties, while until a disposal occurs we collect rental income from our completed commercial centers. Therefore, rental income from commercial centers (from the first day of their operations till the sale thereof) may not be sustainable in the future upon PC selling the commercial centers as part of its business cycle.

Our revenues from the sale of commercial centers and other real estate properties are subject to the execution and consummation of sale agreements with potential purchasers. In periods when we consummate a sale of a real estate asset we record revenues in substantial amounts and as a result we may experience significant fluctuations in our annual and quarterly results. We believe that period-to-period comparisons of our historical results of operations may not necessarily be meaningful or indicative and that investors should not rely on them as a basis for future performance.

Our policy in respect of the hotels segment is to designate the hotels to be managed and operated by our management company. Consequently, our hotel assets are presented as part of our property, plant and equipment in the financial statements.

Translation of statements of income of foreign operations

The majority of our businesses, which operate in various countries, report their operational results in their respective functional currency which differs from the NIS (our reporting and functional currency). We translate our subsidiaries' result of operations into NIS based on the average exchange rate of the functional currency against the NIS. Therefore, a devaluation of the NIS against each functional currency would cause an increase in our reported revenues and the costs related to such revenues in NIS while an increase in the valuation of the NIS against each functional currency would cause a decrease in our revenues and costs related to such revenues in NIS.

Statements of income

The following table presents our statements of income for each of the three years ended December 31, 2014, 2013 and 2012:

	Year ended December 31			2 0 1 4 Convenience translation (Note 2D) U.S.\$'000
	2 0 1 4	2 0 1 3	2 0 1 2	
	(in thousand NIS)			
	(Except for per-share data)			
Revenues and gains				
Revenues				
Revenues from sale of commercial centers	201,571	8,614	67,594	51,831
Revenues from Hotels operations and management	197,007	202,791	206,746	50,658
Total revenues	398,578	211,405	274,340	102,489
Gains and other				
Rental income from Commercial centers	113,661	129,748	147,185	29,226
Gain from sale of investees	11,301	-	-	2,906
Gain from sale of real estate assets	-	-	53,875	-
Total gains	124,962	129,748	201,060	32,132
Total revenues and gains	523,540	341,153	475,400	134,621
Expenses and losses				
Commercial centers	291,864	124,737	213,367	75,049
Hotels operations and management	173,918	179,137	186,760	44,721
General and administrative expenses	39,785	60,643	48,771	10,230
Share in losses of associates, net	17,298	339,030	102,127	4,450
Financial expenses	237,601	334,101	184,273	61,096
Financial income	(6,317)	(3,930)	(28,303)	(1,624)
Change in fair value of financial instruments measured at fair value through profit and loss	71,432	68,407	50,229	18,368
Financial gain from debt restructuring	(1,616,628)	-	-	(415,692)
Write-down, charges and other expenses, net	531,042	840,034	302,093	136,550
	(260,005)	1,942,159	1,059,317	(66,852)
Profit (loss) before income taxes	783,545	(1,601,006)	(583,917)	201,473
Tax benefit	(2,287)	(30,937)	(9,212)	(588)
Profit (loss) from continuing operations	785,832	(1,570,069)	(574,705)	202,061
Profit (loss) from discontinued operations, net	(1,475)	5,059	90,721	(379)
Profit (loss) for the year	784,357	(1,565,010)	(483,984)	201,682

	Year ended December 31			
	2 0 1 4	2 0 1 3	2 0 1 2	2 0 1 4
				Convenience translation (Note 2D)
				U.S.\$'000
	(in thousand NIS)			
	(Except for per-share data)			
Attributable to:				
Equity holders of the Company	1,008,999	(1,155,645)	(315,746)	259,447
Non-controlling interest	(224,642)	(409,365)	(168,238)	(57,765)
	784,357	(1,565,010)	(483,984)	201,682
Profit (loss) from continuing operations				
Equity holders of the Company	1,010,619	(1,160,429)	(410,021)	259,861
Non-controlling interest	(224,787)	(409,640)	(164,684)	(57,801)
	785,832	(1,570,069)	(574,705)	202,060
Profit (loss) from discontinued operation, net				
Equity holders of the Company	(1,620)	4,785	94,275	(415)
Non-controlling interest	145	274	(3,554)	37
	(1,475)	5,059	90,721	(378)
Earnings (loss) per share - (in NIS)				
Basic earnings (loss) per share:				
From continuing operation	42.55	(932.15)	(329.51)	10.94
From discontinued operations	(0.06)	3.84	75.75	(0.02)
	42.49	(928.31)	(253.76)	10.92
Diluted earnings (loss) per share:				
From continuing operation	42.55	(932.15)	(329.51)	10.94
From discontinued operations	(0.06)	3.84	75.75	(0.02)
	42.49	(928.31)	(253.76)	10.92

2014 compared to 2013

Income - Revenues and Gains

Total income (revenues and gains) in 2014 amounted to NIS 524 million (\$135 million), compared to NIS 341 million in 2013.

Total revenues in 2014 amounted to NIS 399 million (\$103 million), compared to NIS 211 million in 2013. The increase is mainly attributable to:

- (i) Revenues from the sale of commercial centers, which increased to NIS 201 million (\$52 million), in 2014 compared to NIS 9 million in 2013. In 2014, PC consummated the sale of the Kragujevac Plaza commercial center in Serbia and a few plots in Romania. In 2013 the revenues were attributable to sale of a plot by PC in the Czech Republic.
- (ii) Revenues from hotel operations and management decreased to NIS 197 million (\$51 million) in 2014 compared to NIS 203 million in 2013. The decrease was mainly attributable to a decrease in revenues from our hotel in Romania. The average occupancy rate increase from 74% in 2013 to 76% in 2014 and the average room rate decreased from €94 in 2013 to €92 in 2014.
- (iii) Total gains and other in 2014 amounted to NIS 125 million (\$32 million), compared to NIS 130 million in 2013. Set forth below is an analysis of our gains and other:
- (iv) Rental income from commercial centers decreased to NIS 114 million (\$29 million) in 2014 compared to NIS 130 million in 2013, mainly as a result of selling the Kragujevac Plaza commercial center and the decrease in revenues from the entertainment parks within the commercial centers which were closed during 2013 and 2014. The average occupancy rates in our commercial centers were 84%-99% in 2014, compared to 86%-100% in 2013.
- (v) Gain from a sale of investees increased to NIS 11 million (\$3 million) in 2014, compared to nil in 2013, attributable to the closing of Gamida's investment round with Novartis, as described above.

Expenses and losses

Our expenses and losses (net of financial gain from debt restructuring) in 2014 amounted to income of NIS 260 million (\$67 million), compared to expenses of NIS 1,942 million in 2013. Set forth below is an analysis of our expenses and losses:

- (i) Expenses of commercial centers increased to NIS 292 million (\$75 million) in 2014, compared to NIS 125 million in 2013. The increase is mainly attributable to the sale of Kragujevac Plaza commercial center and plots in Romania in the aggregate amount of NIS 206 million (\$53 million), offset by a decrease in PC's general and administrative expenses as a result of efficiency measures taken by PC during 2014.
- (ii) Cost of hotel operations and management decreased to NIS 174 million (\$45 million) in 2014, compared to NIS 179 million in 2013. The decrease was mainly attributable to a decrease in revenue from hotel operations.
- (iii) General and administrative expenses decreased to NIS 40 million (\$10 million) in 2014, compared to NIS 61 million in 2013. The decrease was mainly attributable to our arrangement costs incurred mainly during 2013, as well as efficiency measures taken to reduce the general and administrative costs in our headquarters during 2014.
- (iv) Share in losses of associates, net decreased to NIS 17 million (\$4 million) in 2014, compared to NIS 339 million in 2013. The share in losses in 2014 is mainly attributable to the operation of our medical activity and to operations of PC's commercial center in Riga, Latvia. The losses in 2013 in attributable mainly to write-down of trading properties by our joint-venture entities in India, in addition to the operational losses attributable to the operation of our medical activity offset by the income from PC's commercial centers in Riga.
- (v) Financial expenses decreased to NIS 238 million (\$61 million) in 2014, compared to NIS 334 million in 2013. Such amount includes:

Interest and CPI-linked borrowings in the amount of NIS 202 million (\$52 million) in 2014, compared to NIS 338 million in 2013. The decrease in interest and CPI-linked borrowings in the amount of approximately NIS 136 million was mainly attributable to (i) decrease in the level of our corporate debts following the consummation of our debt restructuring from NIS 2.4 billion in 2013 to NIS 664 million (\$ 171 million) in 2014 ; and (ii) a decrease in the Israeli consumer price index to which we and several of PC's notes are linked (-0.1% in 2014, compared to 1.92% in 2013), offset by financial expenses capitalized to qualified assets in the amount of nil in 2014, compared to NIS 31 million in 2013. We temporarily suspended capitalization of borrowing costs starting July 1, 2013.

The decrease in financial expenses was offset by a loss from foreign currency translation differences and other in the amount of NIS 36 million (\$9 million) in 2014, compared to a gain in the amount of NIS 4 million in 2013. The exchange rate differences gains (losses) are mainly attributable to non-cash expenses attributed to the effect of the change in the exchange rate between the €and NIS on PC's notes, which are recorded in NIS and are measured in Euro, and to our bank loan which is recorded in \$ and measured in NIS.
- (vi) Financial income increased to NIS 6 million (\$2 million) in 2014, compared to NIS 4 million in 2013.
- (vii) Losses from changes in fair value of financial instruments amounted to NIS 71 million (\$18 million) in 2014 compared to NIS 68 in 2013. The change in fair value of financial instruments was mainly attributable to the following:
 - (i) Loss from changes in fair value of financial instruments (measured at fair value through profit and loss (mainly PC's notes)) amounted to NIS 60 million (\$15 million) in 2014 and in 2013; and
 - (ii) Loss from change in fair value of derivatives, embedded derivative and marketable securities amounted to NIS 11 million (\$3 million) in 2014, compared to NIS 4 million in 2013.
- (viii) Financial gain from debt restructuring in 2014 amounted to approximately NIS 1,616 million (\$416 million). The gain from our restructuring amounted to NIS 1,610 million (\$414 million), while PC's net gain from its restructuring amounted to NIS 6 million (\$2 million). Such gain reflects the difference between our carrying amount and PC's unsecured financial debts as of the closing of their respective restructuring plans and the fair value of the shares and notes issued by us and PC based on their respective quoted closing prices on the first day thereafter.
- (ix) Write-down, charges and other expenses, net, decreased to NIS 531 million (\$137 million) in 2014, compared to NIS 840 million in 2013. The write down in 2014 was mainly attributable to the write-down in PC's trading property in Eastern Europe and India in the amount of NIS 527 million (\$136 million).

As a result of the foregoing factors, we recognized profit before income tax in the total amount of NIS 784 million (\$202 million) in 2014, compared to loss of NIS 1,601 million in 2013.

Tax benefits amounted to NIS 2 million (\$0.5 million) in 2014 compared to NIS 31 million in 2013. The decrease in tax expenses was attributable mainly to timing differences related to PC's notes.

The above resulted in profit from continuing operations in the amount of NIS 786 million (\$202 million) in 2014, compared to loss in the amount of NIS 1,570 million in 2013.

Loss from discontinued operations, net, amounted to NIS 1 million (\$0.3 million) in 2014, compared to profit in the amount of NIS 5 million in 2013. The discontinued operations is attributable to our former Mango operation.

The above resulted in profit of NIS 784 million (\$202 million) in 2014, of which a profit of NIS 1,009 million (\$259 million) was attributable to our equity holders and loss in the amount of NIS 225 million (\$58 million) was attributable to the non-controlling interest. The loss in 2013 included NIS 1,156 million attributable to our equity holders and NIS 410 million attributable to the non-controlling interest.

Our shareholders' equity as of December 31, 2014 amounted to NIS 713 million (\$183 million) out of which an amount of NIS 232 million (\$60 million) is attributable to our equity holders.

The following table provides supplemental information of our results of operations per segment, for the year ended December 31, 2014 (in NIS million):

Segment	Hotels	Commercial Centers	Medical Industries	Residential	Other and Allocations	Total
Revenues	197	201	81	-	(81)	398
Rental income from commercial centers	-	141	-	-	(27)	114
Gain from loss of control over a subsidiary	-	-	-	-	11	11
Total revenues and gains	197	342	81	-	(97)	523
Costs and expenses	174	298	124	(6)	(112)	478
Research and development expenses	-	-	58	-	(58)	-
Other expenses (income), net	(13)	447	-	58	26	518
Segment profit (loss)	36	(403)	(101)	(52)	47	(473)
Financial expenses (income), net	30	43	(2)	-	(1)	(70)
Share in losses of associates, net	-	-	(6)	-	(11)	(17)
Unallocated general and administrative expenses						(40)
Unallocated financial expenses						(167)
Financial income						6
Financial gain from debt restructuring						1,616
Changes in fair value of financial instruments measured at FVTPL						(71)
Profit before income taxes						784
Income taxes						2
Profit from continuing operations						786
Loss from discontinued operation						(1)
Loss for the year						785

2013 compared to 2012

Income - Revenues and Gains

Total income (revenues and gains) in 2013 amounted to NIS 341 million, compared to NIS 475 million in 2012.

Total revenues in 2013 amounted to NIS 211 million, compared to NIS 274 million in 2012.

The decrease is mainly attributable to:

- (i) Revenues from sale of commercial centers decreased to NIS 8 million in 2013 compared to NIS 68 million in 2012. In 2013 the revenues were attributable to sale of a plot by PC in the Czech Republic. In 2012, the revenues were attributable to the sale of plot by PC in Bulgaria.
- (ii) Revenues from hotel operations and management decreased to NIS 203 million in 2013 compared to NIS 207 million in 2012. The decrease was mainly attributable to a decrease in revenues from our hotel in Romania offset by an increase in the revenues from our hotels in Belgium. The average occupancy rate decreased from 75% in 2012 to 73% in 2013 and the average room rate increased from ₪1 in 2012 to ₪5 in 2013.

Total gains and other in 2013 amounted to NIS 130 million compared to NIS 201 million in 2012. An analysis of our gains and other is set forth below:

- (i) Rental income from commercial centers decreased to NIS 130 million in 2013 compared to NIS 147 million in 2012. The decrease was mainly attributable to the closing of a certain location of PC's Fantasy Park operations during 2013, which resulted in a decrease of NIS 18 million in income. PC's commercial centers operations contributed income of NIS 113 million in each of the years 2013 and 2012 attributable to the operations of six operating commercial centers through the years. The average occupancy rate in 2013 was 86% - 100% compared to 80%-98% in 2012.
- (ii) Gain from a sale of real estate assets in 2013 amounted to nil as compared to gain of NIS 54 million attributable to the sale of four Dutch hotels in March 2012.

Expenses and losses

Our expenses and losses in 2013 amounted to NIS 1,942 million compared to NIS 1,059 million in 2012. An analysis of our expenses and losses is set forth below:

- (i) Expenses of commercial centers decreased to NIS 125 million in 2013 compared to NIS 213 million in 2012. The expenses in 2012 included an amount of NIS 68 million attributable to the cost of plot which was sold in Bulgaria during 2012 compared to cost of NIS 10 million in 2013.

The cost attributable to the income from the operation of commercial centers and the Fantasy Park operations was NIS 115 million in 2013 compared to NIS 145 million in 2012. The decrease in these operational costs is attributable to the decrease in income derived from the operations of Fantasy Park as discussed above and the decrease in PC's general and administrative expenses mainly due to a decrease in stock-based compensation expenses and other operational costs.
- (ii) Cost of hotel operations and management decreased to NIS 179 million in 2013 compared to NIS 187 million in 2012, mainly attributable to the decrease in activity as discussed above.
- (iii) General and administrative expenses increased to NIS 61 million in 2013 compared to NIS 49 million in 2012. General and administrative expenses less non-cash expenses amounted to NIS 51 million in 2013 compared to NIS 35 million in 2012. Such increase in 2013 resulted mainly from cost and expenses relating to the process of consummating the Debt Restructuring.
- (iv) Share in losses of associates, net increased to NIS 339 million in 2013 compared to NIS 102 million in 2012. Such losses in 2013 resulted mainly from write down of trading properties by our joint-venture entities in India as well as losses attributable to the operation of our medical activity. The losses in 2012 were mainly from write down of trading property by joint ventures entities of PC operating in Eastern Europe.

(v) Financial expenses increased to NIS 334 million in 2013 compared to NIS 184 million in 2012. Such amount includes:

- (a) Interest and CPI-linked borrowings in the amount of NIS 361 million in 2013 compared to NIS 376 million in 2012; The decrease in interest and CPI-linked borrowings in the amount of approximately NIS 15 million was mainly attributable to a repayment of outstanding principal of PC's notes during 2013.
- (b) Loss from foreign currency translation differences in the amount of NIS 4 million in 2013 compared to NIS 33 million in 2012;

The decrease in exchange rate differences and other loss in the total amount of approximately NIS 29 million was mainly attributable to non-cash expenses attributed to the effect of the change in the exchange rate between the U.S. dollars and NIS on our U.S. dollar denominated loans which are recorded in NIS and are measured in U.S. dollars.

These were offset by:

- (c) Gain from repurchase of notes in the amount of NIS 0 million in 2013 compared to gain of NIS 113 million in 2012; and
 - (d) Financial expenses capitalized to qualified assets in the amount of NIS 31 million in 2013 compared to NIS 112 million in 2012.
- (vii) Financial income decreased to NIS 4 million in 2013 compared to NIS 28 million in 2012. Such decrease was attributable mainly to a decrease in the scope of our deposit and receivable during the year as well as a decrease in the interest rate.
- (viii) Losses from changes in fair value of financial instruments amounted to NIS 68 in 2013 compared to a gain of NIS 50 million in 2012. This decrease was mainly attributable to the following:
- (i) Changes in fair value of financial instruments (mainly PC's notes which are measured at fair value through profit and loss) amounted to NIS 60 million in 2013 compared to a gain of NIS 98 million in 2012; and
 - (ii) Loss from change in fair value of derivatives, embedded derivative and marketable securities (mainly swap transactions executed mainly by PC in respect of its notes) amounted to a loss of NIS 8 million in 2013 compared to loss in the amount of NIS 48 million in 2012.
- (ix) Write-down, charges and other expenses, net, increased to NIS 841 million in 2013 compared to NIS 302 million in 2012. The write-down in 2013 was attributable to:
- i. Write-down and impairment of PC's trading property, advances on account of trading properties and investment property in the amount of NIS 615 million;
 - ii. Write-down of our trading property and advances on account of trading property in India in the total amount of NIS 132 million;
 - iii. Impairment of goodwill related to our hotels business and to our hotels under development in the total amount of NIS 56 million; and
 - iv. Initiation and other expenses, net in the total amount of NIS 38 million.

As a result of the foregoing factors, we recognized loss before income tax in the total amount of NIS 1,601 million in 2013 compared to NIS 584 million in 2012.

Tax benefits amounted to NIS 31 million in 2013 compared to NIS 9 million in 2012. The increase in tax income was attributable mainly to timing differences related to PC's notes measured at fair value through profit and loss.

The aforementioned resulted in loss from continuing operations in the amount of NIS 1,570 million in 2013 compared to NIS 575 million in 2012.

Profit from discontinued operations, net, amounted to NIS 5 million in 2013 compared to NIS 91 million in 2012. Such profit in 2013 includes our Mango operation in the total amount of NIS 5 million, while such profit in 2012 includes (a) gain from loss of control over our subsidiary InSightec in our medical segment in December 2012 in the amount of NIS 216, offset by (b) loss from InSightec's operations during 2012 in the amount of NIS 64 million and (c) loss from selling our U.S. investment properties in the amount of NIS 58 million and (d) loss from our Mango operation in the total amount of NIS 3 million.

The aforementioned resulted in a loss of NIS 1,565 million in 2013, of which a loss of NIS 1,155 million was attributable to our equity holders and NIS 409 million was attributable to the non-controlling interest. The loss in 2012 included loss of NIS 316 million attributable to our equity holders and NIS 168 million attributable to the non-controlling interest.

The deficit in our shareholders' equity as of December 31, 2013 amounted to NIS 409 million (\$118 million) out of which a deficit of NIS 1,033 million (\$298 million) is attributable to our equity holders. The following table provides supplemental information of our results of operations per segment, for the year ended December 31, 2013 (in NIS million):

Segment	Hotels	Commercial Centers	Medical Industries	Residential	Other and Allocations	Total
Revenues	203	-	75	-	(75)	211
Rental income from commercial centers	-	154	-	-	(24)	130
Gain from sale of real estate assets	-	-	-	-	-	-
Gain from loss of control over a subsidiary	-	-	-	-	-	-
Total revenues and gains	203	162	75	-	(99)	341
Costs and expenses	179	132	73	300	(372)	312
Research and development expenses	-	-	42	-	(42)	-
Other expenses (income), net	56	613	-	132	31	832
Segment profit (loss)	(32)	(582)	(40)	(432)	282	(803)
Financial expenses (income), net	(27)	(51)	(1)	-	(1)	(80)
Share in losses of associates, net	-	-	1	-	(340)	(339)
Unallocated general and administrative expenses						(61)
Unallocated financial expenses						(254)
Financial income						4
Changes in fair value of financial instruments measured at FVTPL						(68)
Loss before income taxes						(1,601)
Income taxes						31
Profit from continuing operations						(1,570)
Profit from discontinued operation						5
Loss for the year						(1,565)

B. Liquidity and Capital Resources

General

As discussed above in "Item 4. History and Development of the Company – Recent Events", on February 20, 2014, the consummation of our Debt Restructuring took place resulting, *inter alia*, in the following:

- 509,713,459 (before adjustment pursuant to the Reverse Split) ordinary shares were issued to our unsecured financial creditors;

- We issued NIS 448 million aggregate principal amount of Series H notes and NIS 218 million aggregate principal amount of Series I notes;
- We refinanced our loan to Bank Hapoalim in the amount of \$48 million; and

As a result our corporate debts (i.e., the outstanding series A-G and I notes, the secured debts to Bank Hapoalim and the outstanding debt to Bank Leumi) were reduced from approximately NIS 2.8 billion (approximately \$0.8 billion) to NIS 0.8 billion (approximately \$ 0.2 billion).

As discussed above in "Item 4. History and Development of the Company – Recent Events", during December, 2014 the consummation of the PC Debt Restructuring took place resulting, *inter alia*, in the following:

- Each principal payment under the notes due in the years 2013, 2014 and 2015 pursuant to the original terms of the notes shall be deferred by exactly four and a half years and each principal payment due pursuant to the original terms of the notes in subsequent years (i.e., 2016 and 2017) will be deferred by exactly one year.
- Following January 1, 2014 ("Effective Date"), interest payments will be paid on their due dates. PC paid to the holders of the unsecured debt an amount of EUR 13.8 million of 2014 interest payments.
- As from January 1, 2014, the annual interest rate of the unsecured debt was increased by 1.5%.
- The net cash flow received by PC following an exit or raising new financial indebtedness (except if taken for the purpose of purchase, investment or development of real estate asset) or refinancing of real estate asset's after the full repayment of the asset's related debt that was realized or in respect of a loan paid in case of debt recycling (and in case where the exit occurred in the subsidiary – amounts required to repay liabilities to the creditors of that subsidiary) and direct expenses in respect of the asset (any sale and tax costs, as incurred), will be used for repayment of the accumulated interest till that date in all of the series (in case of an exit which is not one of certain four shopping centers held by PC, only 50% of the interest) and 75% of the remaining cash (following the interest payment) will be used for an early repayment of the close principal payments for each of the series (A, B, Polish) each in accordance with its relative share in the deferred debt. Such prepayment will be real repayment and not in bond purchase.
- An injection of EUR 20 million into PC at a price per-share of EUR 0.0675 was executed by PC in the form of Rights Offering to its shareholders out of which we participated to the extent of EUR 8.3 million.

Our capital resources include the following: (a) proceeds from sales of commercial centers and other real estate properties (hotels and residential) subject to market conditions; (b) proceeds from sale of our holdings in the medical business subject to market conditions (c) new lines of credit obtained from banks and financial institutions as well as refinancing of our existing real estate project while increasing their leverage; and (d) available cash and cash equivalents.

See " - Overview" above for information on the major transactions and events carried out by us in 2012, 2013 and 2014, which resulted in material changes in our liquidity and capital resources.

Such resources are generally used for the following purposes:

- Equity investments in our commercial centers, our hotels and our residential projects, which are constructed by our wholly owned and jointly-controlled subsidiaries or joint ventures (special purpose entities that are formed for the construction of our real estate projects (a "Project Company")). We generally finance approximately 35%-50% of such projects through equity investments in the Project Companies, while the remaining amounts are generally financed through a credit facility secured by a mortgage on the project constructed by the respective Project Company, registered in favor of the financial institution that provides such financing. The equity investments in the Project Companies are typically provided by us (and our partners, if any) through shareholder loans that are subordinated to the credit facilities provided to the Project Company;
- Interest and principal payments on our notes and loans;
- Payment of general and administrative expenses.

Liquidity

The sectors in which we compete are capital intensive. We require substantial up-front expenditures for, development and construction costs in our plots designated for development and investment by us in our investees to the extent such financing would be required by our medical companies. Accordingly, we require substantial amounts of cash and financing for our operations. We cannot be certain that such external financing will be available on favorable terms, on a timely basis or at all, or that the amounts we earn from our projects will be as we planned.

Also, during recent years the world markets experienced a financial crisis from which they have not fully recovered that resulted in lower liquidity in the capital markets and lower liquidity in bank financing for real property projects. The financial crisis also affected our ability to obtain financing in CEE and India for our commercial centers and residential projects in those countries, especially for projects under developments. Lower liquidity may result in difficulties to raise additional debt or less favorable interest rates for such debt. In addition, construction loan agreements generally permit the drawdown of the loan funds against the achievement of pre-determined construction and space leasing or selling milestones. If we fail to achieve these milestones (including as a result of the global financial crisis and the significant decrease in the number and volume of transactions in general), the availability of the loan funds may be delayed, thereby causing a further delay in the construction schedule.

If we are not successful in obtaining financing to fund our planned projects and other expenditures, our ability to develop existing projects and to undertake additional development projects may be limited and our future profits and results of operations could be materially adversely affected. Our inability to obtain financing may affect our ability to construct or acquire additional land plots, shopping centers and hotels, and we may experience delays in planned renovation or maintenance of our hotels and commercial centers, or in completion of the construction of our trading property that could have a material adverse effect on our results of operations.

Lack of financing increases our dependence on realization of assets as the main source of cash flow. However, if we shall be unable to synchronize the realization cycle with our maturities or fail to implement our business plan, we might have insufficient cash reserve to repay our loans and notes when due.

The followings list describes major transactions and events in 2014, 2013 and 2012, which resulted in material changes in our liquidity:

Sources of Cash from Major Transactions and Events:

- On October 27, 2014 Elbit Fashion signed a sale agreement (the "Sale Agreement") with Fox-Wisel Ltd. ("Fox") with regards to the sale of the operation and business of "Mango" retail stores in Israel. Under the Sale Agreement, Elbit Fashion sold and assigned Fox all business activity, stores, investments in the leased properties, furniture and equipment, inventory and customer loyalty program and any and all rights relating thereto, free and clear of any third party rights, except as explicitly set in the Sale Agreement and net of certain liabilities related to the business activities of Mango. On January 5, 2015 Elbit Fashion have completed the sale of the operation and business of "Mango" retail stores in Israel from Elbit Fashion to Fox (the "Closing"), for consideration of approximately NIS 37.7 million. Following the Closing and consummation of the transaction, Elbit Fashion has ceased to operate the "Mango" retail stores activity.
- Effective beginning September 2014, PC completed the disposal of its commercial center, Kragujevac Plaza in Serbia for approximately Euro 38.6 million (NIS 181 million). Following the repayment of related bank loan of approximately Euro 28.2 million (NIS 132 million), PC received net cash from the disposal of approximately Euro 10.4 million (NIS 49 million). Restricted cash linked to the bank debt and other working capital balances of approximately Euro 2 million (approximately NIS 9.4 million) were also released following the transaction.
- During 2014 PC completed the selling of two plots in Romania (Targu Mures and Hunedoara) to a third party developers for a total consideration of EUR 4.7 million (approximately NIS 22 million).
- On September 22, 2014 Bucuresti as borrower, we as a guarantor, certain other subsidiaries of us as additional obligors and a leading international European bank, as lender ("Lender"), have entered into an amendment to the facilities agreement for a second drawdown of approximately Euro 9 million ("Tranche B Facility"). The proceeds of the Tranche B Facility were used in their entirety to repay shareholders loans of BUTU to us.
- In July 2014 we sold 1.7 million shares of Park Plaza Hotels Limited for a net consideration of GBP 6.0 million (approximately NIS 35 million);

2013

- In December 2013 the consortium of shareholders of Uj Udvar, in which PC indirectly holds a 35% stake, completed the sale of the Uj Udvar project to a private investor for consideration of EUR 2.4 million.
- On October 31, 2013 the consortium of shareholders of Dream Island, in which PC holds a 43.5% stake, has completed the sale of the Dream Island project land to the Hungarian State for approximately EUR 17 million. The proceeds of the transaction were used by the consortium to repay a proportion of the secured bank loan.
- In July 2013 PC completed the sale of 100% of its interest in a vehicle which holds the interest in the Prague 3 project ("Prague 3"), a logistics and commercial center in the third district of Prague. The transaction values the asset at approximately EUR 11 million (NIS 53 million) and, as a result, further to related bank financing and other adjustments to the statement of financial position, PC has received cash proceeds of net EUR 7.6 million.

- In July 2013 PC completed the sale of 100% of its interest in an entity which holds the interest in plot of land in Prague. The transaction values the asset at approximately EUR 1.9 million (NIS 9 million). The net cash consideration after deducting a liability to third party amounted to EUR 1.3 million.
- On May 29, 2013 PC completed the sale of its 50% interest in an Investee which mainly holds interests in an office complex project located in Pune, India. The total transaction value was EUR 33.4 million and, PC has received gross cash proceeds of approximately EUR 16.7 million in line with its holding.
- In June 2012, a fire event occurred at the Koregaon Plaza shopping center in Pune, India, which resulted in a temporary close-down of the shopping center. PC's subsidiary maintains comprehensive general liability and property insurance, including business interruption insurance. During 2013 PC received an amount of NIS 32 million from the insurance company.

2012

- On December 6, 2012, InSightec completed its issuance of Series C preferred shares for an aggregate amount of \$30.9 million, which included \$27.6 million invested by GE and \$3.9 million invested by other investors. According to the terms of the transaction, GE and we converted all the existing shareholders loans that had been granted to InSightec into InSightec's series B-1 preferred shares in accordance with the terms of those loans. The transaction reflected a post-money valuation of InSightec of approximately \$105.9 million (or pre-money valuation of \$75 million and following the conversion of the loans as described above). As part of such transaction, and a series of agreements between InSightec and GE (more fully discussed in this Item 5 "Operating and Financial Review and Prospects- "Overview") GE and InSightec signed the Cooperation Agreement that regulates the commercial relationship between the parties, including, among other things, with respect to product exclusivity, cooperation with respect to the development and sale of the parties' complementary products, distribution, marketing and sales, intellectual property rights and licenses, sale terms and conditions, and similar items. Under the Cooperation Agreement, InSightec is prohibited from developing systems that would be compatible with MRI systems manufactured by companies other than GE for a defined time period.
- In August 2012 we entered into a NIS 75 million note structured transaction with a certain financial institution pursuant to which we purchased a NIS denominated zero-coupon credit linked note due to mature on October 2, 2013 (the "CLN") from the other party. The CLN referenced a portfolio of our notes (having a market value of NIS 75 million). The note portfolio was purchased by us under our note repurchase program that was announced on May 23, 2011 and in the framework of the transaction we sold the note portfolio to other party. In consideration, the other party paid us the market value of the note portfolio and arranged for the issuance of the CLN at an issue price of NIS 37.5 million.

In addition, in November 2012 we entered into a NIS 150 million note structured transaction with another financial institution pursuant to which we received a NIS 75 million credit line for the purchase of a portfolio of our notes having an aggregate market value of up to NIS 150 million. We were allowed to purchase the note portfolio within a 10-week utilization period commencing at the effective date of the transaction. In the framework of the transaction, we had the right to sell to the other party notes that were acquired by us and which comprised the note portfolio in consideration for a payment by the other party of the agreed-upon financing amount not to exceed 50% of the aggregate market value of the note portfolio and that would be determined by the parties.

During the terms of the respective transactions, all the proceeds derived from the note portfolio (principal and interest) were to be retained by the other parties. Immediately following the scheduled respective termination date of each of the transactions, subject to no early termination event having occurred the other party to each transaction, respectively, was to deliver to us the remaining, unamortized portion of the respective note portfolio. Under the terms of the respective transactions, an early termination of the transaction could occur upon a trigger event linked to a decrease in the market value of the respective note portfolio below a pre-defined threshold.

In furtherance of the transaction as well as any other note repurchases, our board of directors approved the increase of the note repurchase program to allow repurchase of up to an additional NIS 125 million of our Series A through G and Series 1 notes.

- On February 20, 2013, the other parties notified us of the early termination of the transactions as a result of the decline in the market price of our outstanding Notes and consequent failure to meet the loan-to-value covenants under the agreements governing the transactions. Under the terms of the transactions, upon the early termination of the transactions as a result of a decline in the market price of the notes the financial institutions are permitted to sell the notes held by each of them as of the date of termination, and use the proceeds of the sales to redeem the respective credit-linked notes, either execute a cash settlement or physical settlement thereof and deliver to us the proceeds of the sale of the notes or the remainder of the notes not sold, in excess of the early termination amounts, which shall be retained by the financial institutions. The early termination amounts consist of the principal and interest (at the agreed-upon internal rate of return) under the respective credit-linked notes and unwind costs which are due to the financial institutions under the transactions. The sale of notes held by the financial institutions covered the termination amounts. The amounts of cash or notes to be returned to us will depend on the prices at which the notes are sold by the financial institutions. As discussed above in Item 5 "Operating and Financial Review and Prospects", in June 2012 the EPN Group sold 47 of the shopping centers it held to BRE DDR Retail Holdings LLC for a purchase price of \$1.43 billion. The total proceeds from the transaction, including cash and other net working capital items less property level financing which was repaid by the EPN Group or assumed by the buyer at closing (in the amount of approximately \$928 million), amounted to approximately \$530 million. The remaining two shopping centers were sold in July 2012 for \$41.0 million.
- On February 23, 2012, InSightec and InSightec's wholly owned subsidiary concluded a series of agreements with GEHC pursuant to which GEHC will provide financing to InSightec in the form of convertible notes up to a total of \$13,750,000, bearing interest at a rate of 6% per annum or a rate equivalent to the interest applicable to the financing provided by us and Elbit Medical. The convertible notes will be due and payable by October 1, 2016, and will be convertible into Series B-1 Preferred Shares of InSightec. In addition, we and Elbit Medical entered into a series of agreements with InSightec and GEHC pursuant to which, among other things, upon Elbit Medical obtaining the approval of its shareholders the financing granted to InSightec by us and Elbit Medical during 2010 and 2011 will be amended to provide similar loan terms and security mechanisms as set forth in this funding agreement, so that Elbit Medical and us will receive convertible notes convertible on the same terms and up to the same amounts as the GEHC notes. The convertible notes issued to GEHC and Elbit Medical and the note that will be issued to us will be secured, pari passu, by floating charges over the assets of InSightec and its wholly owned subsidiary. As for the conversion of such loans to Series B1 shares of InSightec – see Item 4. "Information on the Company" above.
- In April 2012, we completed the sale of all our shares in Elbit Trade & Retail Ltd. and all the interests in G.B. Brands, Limited Partnership, which was the franchisee of the Gap™ and Banana Republic™ brands, to Gottex for a purchase price of approximately NIS 54.3 million (including the payment for the inventory purchased by Gottex and certain working capital items included in the closing initial balance sheet), which amount is subject to adjustment based upon Elbit Trade & Retail Ltd.'s financial statements as of the closing date.
- In March 2012, we entered into a share purchase agreement with PPHE for the sale of our holdings in certain subsidiaries which own a 50% interest in the following hotels in the Netherlands: the Park Plaza Victoria Amsterdam Hotel, the Park Plaza Utrecht Hotel, the Arthotel Amsterdam and the Park Plaza Airport Hotel. These hotels were jointly owned by us and PPHE and were managed by PPHE. The transaction reflected an asset value of €169 million (for all four hotels). The total net consideration payable to us was €26.5 million. In addition, approximately €8 million (approximately \$75 million) of our subsidiaries' share (50%) of banks loans was assumed by PPHE by virtue of the purchase of those subsidiaries and were eliminated from our consolidated balance sheet. The consideration was paid to us in May 2012 as follows: (i) €23 million in cash; (ii) 700,000 ordinary shares of PPHE, with a market price of approximately €2.0 million, based on the quotation of such shares' price on the London Stock Exchange as of March 30, 2012; and (iii) an additional payment in the aggregate amount of up to €1.5 million that shall be made on the fourth anniversary of the date of transfer and shall be subject to certain adjustments, based on the PPHE shares' market price, as set forth in the agreement.

The following table sets forth the components of our cash flows statements for the periods indicated:

	Year ended December 31,			
	2014	2014	2013	2012
	Convenience translation in \$ thousands	NIS Thousands	NIS Thousands	NIS Thousands
Net cash provided by (used in) operating activities	72,293	281,135	(16,873)	(315,789)
Net cash provided by investing activities	10,067	39,150	354,517	1,455,511
Net cash used in financing activities	(75,731)	(294,518)	(544,674)	(1,152,882)
Increase (decrease) in cash and cash equivalents	6,629	25,767	(207,030)	(13,160)

Cash flow in or from operating activities

Our cash flow from operating activities is affected by our policy in respect of PC's commercial centers which are classified as trading property since it is PC's management goal to sell these commercial centers following their development. Accordingly, our cash flow from operating activities includes all the costs of acquisition and construction of a trading property and also the proceeds from sale of trading properties after their disposition. Therefore, in periods in which our investments in construction and/or acquisition of trading properties are higher than the proceeds from the sale of trading properties, we will have a negative cash flow from operating activities.

Net cash provided by operating activities was NIS 281 million (approximately \$72 million) in 2014 compared to net cash used in operating activities of NIS17 million in 2013 and NIS 316 million in 2012.

Our cash flow from operating activities in 2014, 2013 and 2012 was influenced by the following significant factors:

- (i) Cash flow from operating activities in 2014 included positive cash flow resulting from proceeds from sale of trading properties in an amount of NIS 214 million (\$55 million) mostly from the sale of Kragujevac Plaza in Serbia.
- (ii) Cash flow from operating activities in 2013 included negative cash flow resulting from the cost of purchase of trading properties in an amount of NIS 11 million, mostly regarding the development of the Koregaon park in India.
- (iii) Cash flow from operating activities in 2012 included negative cash flow resulting from the cost of purchase of trading properties and payments on the account of trading properties of NIS 80 million. Most of the acquisitions and investments in trading properties in 2012 were: India (Koregaon Park project) and Serbia (Krugajevac project).
- (iv) Cash flows from operating activities in 2014, 2013 and 2012 also included the proceeds from operations of our commercial centers, hotels and retail and image guided segments (which are included as cash flow from discontinued operations) less operating expenses of those segments (including research and development expenses, sales and marketing and general and administrative expenses attributable directly to those segments) as well as general and administrative expenses of our headquarters.

Cash used in or from investing activities

Cash flow provided by investing activities in 2014, 2013 and 2012 amounted to NIS 39 million (\$10 million), NIS 355 million and NIS 1,456 million, respectively.

Our cash flow provided by investing activities in 2014 was influenced by the following factors:

- (i) Proceeds from sale of property, plant and equipment, mainly PC's aircraft amounted to NIS 7 million (\$2 million).
- (ii) Purchase of property, plant and equipment and other assets in the amount of NIS 5 million (\$1 million) mainly attributable to our hotel segment.
- (iii) Disposition of short-term deposits and marketable securities, net, in the amount of NIS 47 million (approximately \$12 million).

Our cash flow provided by investing activities in 2013 was influenced by the following factors:

- (i) Proceeds from sale of investment property in the Czech Republic in an amount of NIS 37.6 million.
- (ii) Proceeds from realization of joint ventures entities (Kharadi in India, Dream island and Uj Udvar in Hungary) in an amount of NIS 96 million.
- (iii) Proceeds from realization of long term deposits and loans in an amount of NIS 45 million, mainly attributable to PC's operations.
- (iv) Proceeds from sale of available for sale marketable securities net of purchase of available for sale marketable securities amounted to NIS 51 million.
- (v) Purchase of property, plant and equipment, investment property and other assets in the amount of NIS 15 million mainly attributable to our hotel segment.

- (vi) Disposition of short-term deposits and marketable securities, net, in the amount of NIS 140 million.

Our cash flow provided by investing activities in 2012 was influenced by the following factors:

- (i) Proceeds from sale of a Joint venture holding U.S. real estate properties (which are classified as discontinued operations) in an amount of NIS 874 million.
- (ii) Proceeds from realization of our Joint venture holding hotels in the Netherlands in the total amount of NIS 114 million.
- (iii) Proceeds from realization of long term deposits and loans in an amount of NIS 276 million, mainly attributable to the sale of the long term structures by PC.
- (iv) Purchase of property, plant and equipment, investment property and other assets in the amount of NIS 12 million.
- (v) Investments in associates and other companies in an amount of NIS 27, mainly attributable to investment of the Group in InSightec.
- (vi) Proceeds from interest received from deposits in the amount of NIS 38 million.
- (vii) Proceeds from sale of available for sale marketable securities net of purchase of available for sale marketable securities amounted to NIS 73 million.
- (viii) Disposition of short-term deposits and marketable securities, net, in the amount of NIS 80 million.

Cash flow from financing activities

Cash flow used in financing activities in 2014, 2013 and 2012 amounted to NIS 295 million (\$76 million), NIS 545 million and NIS 1,153 million, respectively.

Our cash flow used in financing activities in 2014 was influenced by the following factors:

- (i) Proceeds from transaction with non-controlling interests, net in an amount of NIS 55 million (\$14 million) which is attributed to a rights issuance by PC as part of Amended PC Plan.
- (ii) Interest paid in cash by us in the amount of NIS 154 million (\$39 million) on our borrowings (mainly notes issued by us and by PC and loans provided to our hotels and commercial centers).
- (iii) Repayment of borrowings, net, of proceeds from loans in the amount of NIS 205 million (\$53 million), mainly attributable repayment of PC notes and repayments of loans provided to our operating commercial centers and our hotels.
- (iv) Proceeds from short-term credit in the amount of NIS 7 million (\$2 million).

Our cash flow used in financing activities in 2013 was influenced by the following factors:

- (i) Proceeds from re-issuance of our notes in an amount of NIS 76 million.
- (ii) Interest paid in cash by us in the amount of NIS 98 million on our borrowings (mainly notes issued by PC and loans provided to our hotels and commercial centers).
- (iii) Repayment of borrowings, net, of proceeds from loans in the amount of NIS 420 million, mainly attributable repayment of PC notes and repayments of loans provided to our operating commercial centers and our hotels.
- (iv) Purchase of a derivative in the amount of NIS 8 million.
- (v) Repayment of short-term credit in the amount of NIS 86 million.

Our cash flow used in financing activities in 2012 was influenced by the following factors:

- (i) Proceeds from re-issuance of our notes to financial institutions in an amount of NIS 58 million.

- (ii) Repurchase of notes by us and PC in the amount of NIS 184 million.
- (iii) Interest paid in cash by us in the amount of NIS 347 million on our borrowings (mainly notes issued by us and PC and loans provided to our hotels and commercial centers).
- (iv) Repayment of borrowings, net of proceeds from loans in the amount of NIS 642 million, mainly attributable to the repayment of notes by us and by PC and repayments of loans provided to our operating commercial centers and our hotels.
- (v) Proceeds from selling derivatives in the amount of NIS 62 million.
- (vi) Proceeds from short-term credit in the amount of NIS 194 million, mainly attributable to new loans raised by PC during 2012 in order to finance the construction of its trading property.
- (vii) Repayment of short-term credit in the amount of NIS 242 million.
- (viii) Net cash flow used in discontinued financing activities amounted to NIS 52 million mainly attributable to repayment of loans attributable to our U.S. real estate properties.

Major balance sheet changes

The following table discloses the balance sheet balances in NIS million and major balance sheet items as a percentage of total assets as of December 31, 2014, 2013 and 2012:

	2014		2013		2012	
	NIS million	%	NIS million	%	NIS million	%
Current assets	489	13%	694	15%	1,042	15%
Current liabilities	359	10%	4,794	105%	1,722	26%
Non-current assets	3,173	87%	3,870	85%	5,700	85%
Non-current liabilities	2,589	71%	179	4%	3,632	54%
Shareholders' equity (Deficiency):						
Attributable to our equity holders	232	6%	(1,033)	(23)%	289	4%
Non-controlling interest	481	13%	624	14%	1,100	16%

2014 compared to 2013

The decrease in current assets in the amount of NIS 205 million (\$53 million) in 2014 was mainly attributable to a decrease in each of: (i) short-term deposits and investment in the amount of NIS 34 million (\$9 million), mainly due to the sale of Park Plaza shares; and (ii) classification of Koregaon Park trading property from current assets to non-current assets due to the delay in its sale procedure in an amount of NIS 193 million (\$50 million).

This decrease was offset by: (i) increase in cash and cash equivalents due to net proceeds from the sale of trading property.

The decrease in current liabilities in the amount of NIS 4,435 million (\$1,140 million) in 2014 was mainly attributable to: (i) a decrease in our unsecured corporate debt due to our Debt Restructuring according to which unsecured financial debt in an amount of NIS 2.6 billion (\$669 million) was extinguished and new notes in a total amount of NIS 666 million (\$171 million) were issued, causing a decrease of NIS 1.8 billion (\$463 million) in our debts. Following our Debt Restructuring, these notes and a bank loan in an amount of NIS 180 million (\$46 million) were classified to non-current liabilities. (ii) a decrease due to the classification of PCs notes and loans from current liabilities to non-current liabilities in an amount of NIS 1,440 million (\$370 million) due to the Amended PC Plan (iii) a decrease in interest payable (mainly interest accrued on our notes which was not paid during 2013, but paid or included in the Debt Restructuring in 2014); and (iv) our hotels' loans in an amount of NIS 390 million (\$100 million) were classified from current liabilities to non-current liabilities due to the closing of our Debt Restructuring.

The decrease in non-current assets in the total amount of NIS 697 million (\$179 million) in 2014 was mainly attributable to (i) write-down of PC trading properties in an amount of NIS 528 million (\$136 million); which was set off by a classification of the trading property (Koregaon Park project) in the amount of NIS 193 million (\$50 million), due to delay in its sale procedure; (ii) a decrease in long term deposits in an amount of NIS 21 million (\$5.4 million); (iii) reversal of impairment of investments in joint ventures in an amount of NIS 16 million (\$4 million); and (iv) a decrease in property, plant and equipment in an amount of NIS 189 million (\$49 million) due to impairment of our hotels. The rest of the decrease is attributable to changes between the NIS and the foreign currency in which our subsidiaries operate.

The increase in non-current liabilities of NIS 2,410 million (\$620 million) in 2014 was mainly attributable to an increase in (i) classification of our notes and loans in an amount of NIS 730 million (\$188 million) from current liabilities to non-current liabilities due to our Debt Restructuring; (ii) classification of PCs notes and loans to non-current liabilities in an amount of NIS 1,440 million (\$370 million) due to the Amended PC Plan; (iii) classification of our hotel's loans from current liabilities due to our Debt Restructuring in an amount of NIS 390 million (\$100 million); and (iv) repayment of PCs notes and loans and the hotels loans in an amount of NIS 248 million (\$64 million).

2013 compared to 2012

The decrease in current assets in the amount of NIS 348 million in 2013 was mainly attributable to a decrease in each of: (i) short-term deposits and investment in the amount of NIS 240 million, mainly in PC Euro-deposits and available for-sale financial assets; and (ii) cash and cash equivalents in the amount of NIS 217 million discussed above;

This decrease was offset by: (i) proceeds from insurance company as indemnification of the fire in the Koregaon park in an amount of NIS 32 million; (ii) proceeds from a repayment from park plaza in an amount of NIS 44 million; and (iii) classification of Koregaon park trading property to current assets due to agreement we reached for its sale, which as of the balance sheet date has yet to occur.

The increase in current liabilities in the amount of NIS 3,072 million in 2013 was mainly attributable to: (i) an increase due to the classification of our and PCs notes and loans to current liabilities in an amount of NIS 2,964 million due to the default to repay the notes and part of the loans and cross default with regard to the rest of the loans; (ii) an increase in interest payable (mainly interest accrued on our notes which was not paid during 2013).

The decrease in non-current assets in the total amount of NIS 1,830 million in 2013 was mainly attributable to (i) write-down of PC trading properties in an amount of NIS 677 million (\$195 million); (ii) a classification of the trading property (Koregaon park project) in the amount of NIS 193 million, due to agreement we reached for its sale which as of the date of this Annual Report has yet to occur; (iii) a decrease in long term deposits in an amount of NIS 73 million; (iv) impairment of investments in joint ventures in an amount of NIS 336 million; and (v) a decrease in investment property in an amount of NIS 71 million due to the sale of the Prague 3 project.

The decrease in non-current liabilities of NIS 3,453 million in 2013 was mainly attributable to a decrease in (i) classification of our's and PC's notes and loans to current liabilities in an amount of NIS 2,964 million due to the default to repay the notes and part of the loans and cross default with regard to the rest of the loans; (ii) repayment of PCs notes and loans and the hotels loans in an amount of NIS 424 million.

Concentration of Credit Risk

We hold cash and cash equivalents, short term investments and long-term deposits at banks and financial institutions in various reputable banks and financial institutions. Our maximum credit risk exposure is equal to the financial assets presented in the balance sheet.

Due to the nature of their activity, our subsidiaries operating in the hotel, medical and fashion merchandise segments, are not materially exposed to credit risks stemming from dependence on a given customer. Our subsidiaries examine the credit amounts extended to their customers on an ongoing basis and, accordingly, record a provision for doubtful debts based on factors they believe to have an effect on specific customers. As of December 31, 2014 and 2013 our trade receivables do not include any significant amounts due from buyers of trading property.

Derivative Instruments

For information on financial instruments used, profile of debt, currencies and interest rate structure, see "Item 11. Quantitative and Qualitative Disclosure about Market Risks" below.

Other Loans

We have entered into or assumed liability for various financing agreements, either directly or indirectly through our subsidiaries, to provide capital for the purchase, construction, and renovation and operation of commercial and entertainment centers and hotels as well as for various investments in our other operations. Set forth below is certain material information with respect to material loans extended to us, our subsidiaries and our jointly controlled companies as of December 31, 2014.

The loans granted to our jointly controlled companies are presented in the following table at their 100% amount, unless otherwise specified.

Borrower	Lender	Original Amount	Amount Outstanding on Dec. 31, 2014	Interest	Payment Terms
EH	Series H Notes issued to the public as part of the debt Arrangement	NIS 418 million (approximately \$107 million)	NIS 447 million (approximately \$115 million)	6% per annum, linked to the Israeli CPI.	<ul style="list-style-type: none"> • One installment on May 31, 2018. • Interest payable by semi-annual installments commencing December 1, 2013.
Principal Security and Covenants	<ul style="list-style-type: none"> • First ranking floating charge granted by the Company, over all the Company's assets • First ranking fixed pledges granted by each of the Company and our wholly owned subsidiary Elscint Holding and Investment NV ("EH"), which is holding, indirectly, our Romanian and Belgium hotels), over the current and future shares of EH and all rights associated therewith. • First ranking fixed pledges granted by each of the Company and EH over all intercompany receivables and shareholders loans provided or that will be provided by us to EH. • First ranking fixed pledges granted by each of the Company and our wholly owned subsidiary EUL, which is holding our shares at PC, over the current and future shares of EUL and all rights associated therewith. • First ranking fixed pledges granted by each of the Company and EUL over all intercompany receivables and shareholders loans that may be provided by us to EUL. • Negative Pledge by each of the Company, EH and EUL, while with respect to EH the Negative Pledge shall apply to all its current and future assets and with respect to EUL the Negative Pledge applies to EUL's share in PC that have not already been pledged to Bank Hapoalim B.M. ("Bank Hapoalim"), including all rights associated therewith. • Corporate guaranty by each of EH and EUL, by which each of them guarantees the Company's obligations to the Series H and Series I Trustees. <p>It should be noted that the collaterals securing the Series I Notes are subordinated to the collaterals securing the Series H Notes and that all the Noteholders' pledges are subordinated to the pledges granted to Bank Hapoalim or any successor thereof. It should be noted, further, that those pledges are recorded in Israel, the Netherlands and Luxemburg, where applicable. The pledges include exemptions allowing the disposition of the pledged assets so long as the Company is not in default under the Notes nor Material Adverse Event (as defined under the Notes) shall have been occurred.</p>				
Other Information	Events of default include, among other things, the occurrence of event of default under the Notes or an event that would entitle the Trustees under the Notes or the Noteholders to accelerate and redeem the Notes, as well as cross default with the other series of notes and delisting from both the TASE and NASDAQ Global Select Market.				

Borrower	Lender	Original Amount	Amount Outstanding on Dec. 31, 2014	Interest	Payment Terms
EI	Series I public notes issued to the Public as part of the debt Arrangement	NIS 218 million	NIS 231 million	6% per annum, linked to the Israeli CPI.	Principal and accrued interest is paid in one installment on December 1, 2019.
Principal Security and Covenants	<p>Second ranking floating charge over all the Company's assets</p> <ul style="list-style-type: none"> • Second ranking fixed pledges granted by each of the Company and EH over the current and future shares of EH and all rights associated therewith. • Second ranking fixed pledges granted by each of the Company and EH over all intercompany receivables and shareholders loans provided or that will be provided by us to EH • Second ranking fixed pledges granted by each of the Company and EUL over the current and future shares of EUL and all rights associated therewith. • Second ranking fixed pledges granted by each of the Company and EUL over all intercompany receivables and shareholders loans that may be provided by us to EUL. • Negative Pledge by each of the Company, EH and EUL, while with respect to EH the Negative Pledge shall apply to all its current and future assets and with respect to EUL the Negative Pledge applies to EUL's share in PC that have not already been pledged to Bank Hapoalim B.M. ("Bank Hapoalim"), including all rights associated therewith. • Corporate guaranty by each of EH and EUL, by which each of them guarantees the Company's obligations to the Series H and Series I Trustees. <p>It should be noted that the collaterals securing the Series I Notes are subordinated to the collaterals securing the Series H Notes and that all the Noteholders' pledges are subordinated to the pledges granted to Bank Hapoalim or any successor thereof. It should be noted, further, that those pledges are recorded in Israel, the Netherlands and Luxemburg, where applicable. The pledges include exemptions allowing the disposition of the pledged assets so long as the Company is not in default under the Notes nor Material Adverse Event (as defined under the Notes) shall have been occurred.</p>				
Other Information	<p>The notes are registered for trade on the TASE.</p> <p>The notes are not registered under the Securities Act.</p> <p>Events of default include, among other things, the occurrence of an event of default under the Notes or an event that would entitle the Trustees under the Notes or the Noteholders to accelerate and redeem the Notes, as well as cross default with other series of notes and delisting from both the TASE and NASDAQ Global Select Market.</p>				

Borrower	Lender	Original Amount	Amount Outstanding on Dec. 31, 2014	Interest	Payment Terms
El	Bank Hapoalim B.M.	\$47.8 million	\$189 million	LIBOR + 5.1	One installment on February 20, 2017 subject to certain early mandatory prepayment as described below. The loan bears interest of LIBOR + 3.8% (to be paid on a quarterly basis) per annum plus an additional 1.3% which shall accrue and be paid in a single installment on the maturity date of the loan principal.
Principal Security and Covenants	<p>On February 20, 2014 we consummated a Refinancing Agreement with Bank Hapoalim that cancelled and replaced the previous loan agreement. Pursuant to the loan agreement, we have provided Bank Hapoalim the following pledges:</p> <ul style="list-style-type: none"> • We have agreed that the existing collateral securing the then outstanding loan, namely, a first ranking pledge over 86 million shares of Plaza Centers which represent approximately 13% of Plaza's share capital, shall secure also the new loans under the Refinancing Agreement. • a pledge that has been granted by BEA Hotels N.V. ("BEA Hotels") over all the issued and outstanding share capital of our wholly owned indirect subsidiary, Astrid Hotel Holding B.V. ("AHH", which indirectly holds the Radisson Blu Astrid hotel and the Park Inn hotel in Antwerp, Belgium) and a pledge over any proceeds that may become due to it under shareholders loans provided by it to AHH. • a pledge that has been granted by BEA Hotels over 99% of the issued and outstanding share capital of our wholly owned indirect subsidiary, Bea Hotels Eastern Europe B.V. ("BHEE", indirectly holds the Radisson Blu Bucharest hotel in Bucharest, Romania), and a pledge over any proceeds that may become due to it under shareholders loans provided by it to BHEE. • a pledge that has been granted by BEA Hotels over any proceeds that may become due to it under shareholders loans provided by it to Astridplaza N.V. ("Astridplaza"). • a pledge that has been granted by the Company over any proceeds that may become due to it under shareholders loans provided by it to Astridplaza. <p>In addition, BEA Hotels, AHH and BHEE had executed certain direct undertakings in favor of Bank Hapoalim, <i>inter alia</i>, not to engage in any other business or to incur any further indebtedness not in the ordinary course of their business or as allowed under such undertakings, not to change the holdings structure, to assume certain reporting obligations etc., all as set forth in such undertakings.</p> <p>The loan agreement contains a covenant that the ratio between the outstanding amount of the loan to the value of the pledged assets ("LTV") will not exceed 85% (or 75% following the sale of the Belgium and Romanian hotels).</p>				
Additional information in respect of Mandatory provision	<ul style="list-style-type: none"> • In the case of the sale of all of the rights or the sale of the control of BHEE or Bucuresti Turism SA ("BUTU") or BUTU's rights in the Radisson Blu hotel in Bucharest, the Company will undertake to prepay the Bank an amount of US\$32 million; in the case of the sale of part of those rights, after which the Company retains control over the asset – a proportionate share of such amount. The balance of the net cash flow from the sale (if any) will be used by the Company for their on-going operations. • In the case of the sale of all of the rights or the sale of the control over AHH or Astridplaza that holds the hotels in Belgium, the Company will undertake to prepay the Bank an amount of US\$5 million; in the case of the sale of part of the rights in the hotels in Belgium, after which the Company retains control of the assets – a proportionate share of such amount. The balance of the net cash flow from the sale (if any) will be used by the Company for their on-going operations. • In the case of a sale of Plaza Centers' shares which are held by the Company – the Company will undertake that the full net cash flow attributed to the shares held by the Company and pledged to the Bank will be used to prepay the loan to the Bank. • If and in the event that the Company shall prepay its debt to the Noteholders, in whole or any part thereof, from the Company's internal sources (i.e., other than from a raising of capital and/or alternative debt), then the Company shall prepay the Bank an amount equal to the amount paid to the Noteholders on such date multiplied by the ratio between the Company's debt to the Bank and the Company's total debt to the Bank and to the Noteholders as of such date. • In the case of a distribution as defined in the Israeli Companies Law, including payment of a dividend in any manner to the Company's shareholders, the Company shall prepay the Bank an amount equal to the amount paid to the shareholders on such date multiplied by the ratio between the Company's debt to the Bank and the total debt of the Company to the Bank and to the Noteholders as of such date. <p>In addition, Bank Hapoalim has been allotted shares constituting 3% of the Company's issued and outstanding share capital on a fully diluted basis immediately after the consummation of the Debt Restructuring.</p>				

Borrower	Lender	Adjusted Original Amount following debt restructuring	Amount Outstanding on Dec. 31, 2014	Interest	Payment Terms
PC	Series A Notes issued to the public	NIS 302 million (approximately \$77.65 million) Interest payments accrued and not paid until the end of 2013 were added to the principal and will be paid together with it.	NIS 251.6 million* (approximately \$64.7 million) ** Adjusted par value of Notes NIS 289.5 million	• 6% per annum, linked to the Israeli CPI.	<ul style="list-style-type: none"> • The Principal Balance of the Notes shall be called for repayment in five (5) equal payments to be paid as follows: on December 31, 2017, on July 1, and December 31, 2018 and on July 1, 2019 and 2020 • Notwithstanding the above, in the event that PC did not repay the Notes by December 1, 2016 the Principal of the Notes for the Three Series' in a total amount of at least NIS 434,000,000 excluding linkage differentials, and including repayment of the Principal of Notes (Series A) in a total of at least NIS 92,032,137 (excluding linkage differentials) then the repayment dates of the Unpaid Principal Balance of the Notes (Series A) shall be automatically advanced by one year in relation with the repayment dates • The interest shall be paid in biannual payments on July 1st and December 31st of each of the years between 2015 and 2019 and on July 1, 2020, each payment for the interest accrued in the six months ending on the date preceding each payment date as stated and subject to prepayment and deferral of payments
Principal Security and Covenants	<p>Negative pledge on all of the real estate assets of the Company and its subsidiaries.</p> <p>"Net asset value" coverage ratio - In case the up-to-date and adjusted "net asset value" coverage ratio against debt is lower than 118% ("Minimal Coverage Ratio") in two consecutive examination dates after the first examination date (in which a decline under the minimal coverage ratio was created) then cause for immediate prepayment will be created. In the period in which the coverage ratio declined below the minimal coverage ratio for the first time and as long as did not revert to the minimal ratio, the Company and the subsidiaries are not allowed to dispose of real estate assets or perform new investments in new real estate assets except for the investment of money in existing projects, limited to a ratio of no more than 20% of the construction cost approved by the lending bank, and subject to the foregoing LTC ratios.</p> <p>The "net asset value" coverage ratio is the ratio between: (a) the value of all assets including balances of cash and cash equivalents deducting preceding / specific bank debts, and (b) the Group's debts that are not preceding / specific and/or debts subordinate to the debts included in the restructuring.</p> <p>In the event that the Coverage Ratio is lower than the Minimum Coverage Ratio, then as from the first Examination Date on which a breach of the Coverage Ratio covenant has been established and for as long as the breach is continuing, the Company shall not perform any of the following: (a) a sale, directly or indirectly, of a Real Estate Asset owned by the Company or a Subsidiary, with the exception that it shall be permitted to transfer Real Estate Assets in performance of an obligation to do so that was entered into prior to the said Examination Date, (b) investments in new Real Estate Assets; or (c) an investments that regards an existing project of the Company or of a Subsidiary, unless it does not exceed a level of 20% of the construction cost of such project (as approved by the lending bank of these projects) and the LTC Ratio of the project remains equal to or greater than the Minimum LTC Ratio.</p>				
Other Information	<p>The Notes have been registered for trade on the TASE.</p> <p>Prepayments – PC is allowed at any time to prepay any debt balance at the adjusted par value of the note, but it will have to execute prepayment upon disposal, raising new financial debt or refinancing of assets (see Item 5 - "Operating and Financial Review and Prospects").</p> <p>The Notes are not registered under the Securities Act.</p>				

Borrower	Lender	Adjusted Original Amount Following debt restructuring	Amount Outstanding on Dec. 31, 2014	Interest	Payment Terms
PC	Series B Notes issued to the public	<p>NIS 610.1 million (approximately \$156.9 million)</p> <p>Interest payments accrued and not paid until the end of 2013 were added to the principal and will be paid together with it.</p>	<p>NIS 455.3 million* (approximately 117.1 million)</p> <p>**Adjusted par value of Notes NIS 289.5 million</p>	6.9% per annum, linked to the Israeli CPI	<p>The Unpaid Principal Balance of the Notes shall be called for repayment in two (2) equal payments to be paid on July 1, 2018 and July 1, 2019 (with the first payment being performed on July 1, 2018 and the final payment being performed on July 1, 2019).</p> <p>Notwithstanding the above, in the event where the Company did not pay, by December 1, 2016 the Principal of the Notes for the Three Series' in a total amount of at least NIS 434,000,000 excluding linkage differentials and including repayment of principal of Notes (Series B) in a total amount of at least NIS 305,000,000 (excluding linkage differentials), then the repayment dates of the Unpaid Principal Balance of the Notes (Series B) shall be automatically advanced by one year in relation with the repayment dates</p> <p>The interest shall be paid for the Unpaid Principal Balance in biannual payments on July 1st and December 31st of each of the years between 2015 and 2018 and on July 1, 2019, each payment for the interest accrued in the six months ending on the date preceding each payment date as stated, and subject to prepayment and deferral of payments.</p>
Principal Security and Covenants	<p>Negative pledge on all of the real estate assets of the Company and its subsidiaries.</p> <p>"Net asset value" coverage ratio - In case the up-to-date and adjusted "net asset value" coverage ratio against debt is lower than 118% ("Minimal Coverage Ratio") in two consecutive examination dates after the first examination date (in which a decline under the minimal coverage ratio was created) then cause for immediate prepayment will be created. In the period in which the coverage ratio declined below the minimal coverage ratio for the first time and as long as did not revert to the minimal ratio, the Company and the subsidiaries are not allowed to dispose of real estate assets or perform new investments in new real estate assets except for the investment of money in existing projects, limited to a ratio of no more than 20% of the construction cost approved by the lending bank, and subject to the foregoing LTC ratios.</p> <p>The "net asset value" coverage ratio is the ratio between: (a) the value of all assets including balances of cash and cash equivalents deducting preceding / specific bank debts, and (b) the Group's debts that are not preceding / specific and/or debts subordinate to the debts included in the restructuring.</p> <p>In the event that the Coverage Ratio is lower than the Minimum Coverage Ratio, then as from the first Examination Date on which a breach of the Coverage Ratio covenant has been established and for as long as the breach is continuing, the Company shall not perform any of the following: (a) a sale, directly or indirectly, of a Real Estate Asset owned by the Company or a Subsidiary, with the exception that it shall be permitted to transfer Real Estate Assets in performance of an obligation to do so that was entered into prior to the said Examination Date, (b) investments in new Real Estate Assets; or (c) an investments that regards an existing project of the Company or of a Subsidiary, unless it does not exceed a level of 20% of the construction cost of such project (as approved by the lending bank of these projects) and the LTC Ratio of the project remains equal to or greater than the Minimum LTC Ratio.</p>				
Other Information	<p>The Notes have been registered for trade on the TASE.</p> <p>Prepayments – PC is allowed at any time to prepay any debt balance at the adjusted par value of the note, but it will have to execute prepayment upon disposal, raising new financial debt or refinancing of assets (see Item 5 - "Operating and Financial Review and Prospects").</p> <p>The Notes are not registered under the Securities Act.</p>				

Borrower	Lender	Adjusted Original Amount Following debt restructuring	Amount Outstanding on Dec. 31, 2014	Interest	Payment Terms
PC	Private note issuance to Polish institutional investors	PLN 62.76 million Interest payments accrued and not paid until the end of 2013 were added to the principal and will be paid together with it.	PLN 56.5 million	6 Month WIBOR + 6%	Three years maturity, with balloon payment at the end of the maturity period. Interest payable by semi-annual installments commencing May 2011 through November 2013.
Principal Security and Covenants	<ul style="list-style-type: none"> • Certain circumstances shall be deemed events of default giving the note holders the right to demand early redemption, which include, inter alia, the following covenants (in addition to the abovementioned covenant under debt restructuring): • Breach of the Cash Position as a result of the payment of dividends or the buy-back program falling below €50 million. "Cash Position" means the sum of cash and cash equivalent of: cash, short and long interest bearing deposits with banks or other financial institutions, available for the sale of marketable securities, and restricted cash, calculated based on the consolidated financial statements. • Breach of financial ratios – the Net Capitalization Ratio exceeds 70%; "Net Capitalization Ratio" is the Net Debt divided by the Equity plus the Net Debt, as calculated by PC's auditor; "Net Debt" mean PC's total debt under: loans and borrowings, lease agreements, notes, other debt securities and other interest bearing or discounted financial instruments in issue, less related hedge derivatives, cash and cash equivalents, short and long-term interest bearing deposits with banks or other financial institutions, available for sale marketable securities and restricted cash, calculated based on the consolidated financial statements. • Breach of Minimum Coverage Ratio – a breach of the Minimum Coverage Ratio has occurred and continued throughout a period comprising two (2) consecutive Examination Dates following the first Examination Date on which such breach has been established; • Incurrence of Financial Indebtedness by PC - PC incurred new Financial Indebtedness, unless certain conditions are met • Breach of PC's negative pledge • Establishment of encumbrances by Subsidiaries – a Subsidiary created any Encumbrance on any of its assets, unless the relevant Encumbrance meets one of the conditions detailed under restructuring plan • Occurrence of Non-Permitted Disposal - the Issuer: <ul style="list-style-type: none"> (a) procured or permitted the occurrence of an Exercise Event with respect to any Real Estate Asset of the Group where the Net Cash Flow resulting from such Disposal was not used for Mandatory Prepayment upon Exercise Event in accordance with Clause 8 above; or (b) performed or permitted a Disposition, directly or indirectly, or a refinancing of the Shopping Malls, where the cumulative Net Cash Flow resulting from such Disposition or refinancing amounted to less than EUR 70 million. If the Disposition or the refinancing occurs only with respect to some but not all of the Shopping Malls, then such Disposition or refinancing shall constitute an Event of Default unless the Net Asset Value of the Unsold Shopping Malls plus the aggregate Net Cash Flows received from the intended Disposition or refinancing and from any previous Disposition or refinancing of a Shopping Mall amounts to at least EUR 70 million; • Occurrence of Non-Permitted Investment - PC made an investment in new or existing Real Estate Assets of the Group where following such investment the Cash Reserve was less than the Minimum Cash Reserve or the Coverage Ratio was less than the Minimum Coverage Ratio; • Exclusion from trading or listing of PC's shares; • Failure to repay material debt – PC fails to repay any matured and undisputable debt in the amount of at least €100 million within 30 days of its maturity; • Distributions to the shareholders by PC – PC made a Distribution, despite the fact that (i) less than 75% of the outstanding balance of the nominal value of the Plan Debt Securities as per the Plan Amendment Date has been repaid or the Coverage Ratio on the last Examination Date prior to such Distribution was less than 150% following such Distribution, or (ii) no Majority consented to the proposed Distribution. Notwithstanding the aforesaid, in the event an Additional Capital Injection occurs, then after one year following the date of the Additional Capital Injection, no restrictions other than those under the applicable law shall apply to dividend distributions in an aggregate amount up to 50% of such Additional Capital Injection. 				

Borrower	Lender	Facility Amount	Amount Outstanding on Dec. 31, 2014	Interest	Payment Terms
SIA DIKSNA ("Riga Plaza")	AS SEB Banka, Swedbank AS	€29.7 million *	€28.5million *	3 months Euribor + 2.9%	Expires on 2017 October 31. Quarterly annuity payments calculated according to 20 years amortization, with balloon payment.
Principal Security and Covenants	Registered first ranking mortgage on Riga Plaza commercial center; Assignment of all rights under relevant valid insurance policies; Charges over each quota owned by PC in the borrower or share pledge agreement; First ranking pledges on the borrowers' accounts; Prompt collection right to debit any of the bank accounts of the borrower; Maintain a Debt Service Cover Ratio of 1.2; Loan to Value ratio of 70%;				
Other Information	* Represents 50% of the loan, which is PC's shareholding in Riga Plaza. * SIA Diksna is an equity accounted investee of PC.				

Borrower	Lender	Original Amount	Amount Outstanding on Dec. 31, 2014	Interest	Payment Terms
Koregaon Park	AXIS, SBH (India)	INR 2,040 million - credit facility	INR 1,699 million	Base rate+3.25%	Maturity of the loan is in the first quarter of 2021.
Principal Security and Covenants	Assignment of all rights under insurance proceeds.				
Other Information	Corporate guarantee of PC on part of loan, totaling EUR 14.2 million. Pledge on assets of the project company.				

Borrower	Lender	Facility amount	Amount Outstanding on Dec. 31, 2014	Interest	Payment Terms
Liberec Plaza	MKB BANK Zrt., ERSTE Bank AG	€25 million	€20.5 million	3 months Euribor+ 1.5% per annum	Repayment schedule: EUR 200,000 p.a. principal payments. Maturity is at 31 October, 2018.
Principal Security and Covenants	Registered first ranking mortgage and purchase option right on the real estate; Assignment of all rights under relevant valid insurance policies; Share pledge agreement; First ranking pledges on the borrowers' accounts; Prompt collection right to debit any of the bank accounts of the borrower; Maintain Debt Service Cover Ratio of 1.15 (in place but waiver for full term); Loan to Value ratio of 80% (in place but waiver for full term); and Corporate guarantee of PC for Debt Service.				
Other Information					

Borrower	Lender	Original Amount *	Amount Outstanding on Dec. 31, 2014	Interest	Payment Terms
A: Valley View B: Primavera Tower	A: OTP Bank Nyrt. B: MKB Bank Zrt	A: €8.2 million B: €1.5 million	A: €8.2 million B: €1.5 million	A: Euribor + 6% p.a. B: Euribor + 4.5% p.a.	A: Expired. Only interest payments. Negotiations ongoing. B: Expired March 31, 2012. Only interest payments. Approval to sell project for EUR 240,000 and the rest will be written down by the bank.
Principal Security and Covenants	First ranking mortgage on the properties.				
Other Information					

Borrower	Lender	Original Amount	Amount Outstanding on Dec. 31, 2014	Interest	Payment Terms
Suwalki Plaza	ING Bank Slaski S.A	€33.5 million	€30.0 million	3 months Euribor + 1.65% per annum	Expires December 29, 2020. Quarterly payments with fixed principal amounts and balloon payment at maturity.
Principal Security and Covenants	First ranking mortgage on the property. Pledge on shares of borrower and pledge on bank accounts. Assignment of rights from insurance, guaranties and agreements. Maintain a debt service cover ratio of 1.2. Loan to value ratio of 0.7.				
Other Information					

Borrower	Lender	Original Amount	Amount Outstanding on Dec. 31, 2014	Interest	Payment Terms
Zgorzelec Plaza	Bank Zachodni WBK S.A.	€2.3 million	€2.0 million	3 months Euribor + 2.75% per annum for	Expired June 30, 2014. Negotiations about extension ongoing.
Principal Security and Covenants	<p>A first ranking mortgage on the property.</p> <p>Pledge on shares of borrower and pledge on bank accounts.</p> <p>Assignment of rights from insurances, guaranties and agreements.</p> <p>Maintain a debt service cover ratio of 1.15.</p> <p>Loan to value ratio of 0.75.</p>				
Other Information					

Borrower	Lender	Original Amount	Amount Outstanding on Dec. 31, 2014	Interest	Payment Terms
Torun Plaza	Bank PEKAO S.A.	€0.1 million	€47.0 million	3 months Euribor + 3% per annum	Expires December 31, 2017. Quarterly payments with fixed principal amounts and balloon payment at the end.
Principal Security and Covenants	<p>First ranking mortgage on the property.</p> <p>Pledge on shares of borrower and pledge on bank accounts.</p> <p>Assignment of rights from insurances, guaranties and agreements.</p> <p>Maintain a debt service cover ratio of 1.25.</p> <p>Loan to value ratio of 0.7.</p>				

Borrower	Lender	Original Amount	Amount Outstanding on Dec. 31, 2014	Interest	Payment Terms
Bucuresti Turism SA	Raiffeisen Bank International ("RBI")	€1.5 million	€62.5 million	Euribor + 4.6%	The principal is repayable in 20 quarterly installments of €0.65 million each, commencing September 2011, with a balloon payment of €58.5 million to be repaid on June 30, 2016.
Principal Security and Covenants	<p>First rank mortgage on the Complex which include the Radisson Blu Bucharest Hotel and the apartment Hotel Future and existing cash flow through the bank accounts opened at Raiffeisen Bank.</p> <p>Pledge over the shares of Bucuresti Turism SA and its subsidiary held by the majority shareholder (BEA Hotels Eastern Europe BV).</p> <p>Pledge of receivables arising from lease agreements and insurance policies concluded by the borrower.</p> <p>Guarantee of the yearly debt service from us.</p> <p>Title insurance over the mortgage asset.</p>				
Other Information	<p>On April 3, 2012, we concluded an agreement with RBI fixing the Euribor at 1.40% from January 1, 2013, until the end of the loan.</p> <p>On September 25, 2014 we have completed the drawdown of the second trench facility at the amount of €9 million.</p>				

Borrower	Lender	Original Amount	Amount Outstanding on Dec. 31, 2014	Interest	Payment Terms
Astrid Plaza Hotel NV	Bank Hapoalim	€24.4 million	€15.0 million	Euribor + 1.75%	Semi-annual principal repayment of €625,000 to be paid commencing December 31, 2007 and ending on December 31, 2016. €12,500,000 to be paid at the end of the term. Interest is payable on a semi-annual basis.
Principal Security and Covenants	First ranking pledge on Astrid Plaza shares First ranking mortgage over Astrid Plaza's real estate. A mortgage mandate over Astrid Plaza's real estate which was converted into a mortgage. First ranking pledge on a reserve fund of €1 million, which is blocked on a deposit account. Required to maintain a debt service cover ratio and minimum revenue per available room (RevPar).				
Other Information	We guaranty Astrid Plaza's undertakings under the loan agreement. The guaranty is unlimited in amount.				

Borrower	Lender	Original Amount	Amount Outstanding on Dec. 31, 2013	Interest	Payment Terms
Astrid Plaza Hotel NV, for the Park Inn Hotel	Fortis Bank	€7.5 million	€5.3 million	2.436%-2.963%	Repayment over a 15 year period.
Principal Security and Covenants	A first ranking mortgage on the Park Inn hotel and its assets. Subordination of loan granted by us to the borrower and undertaking not to reduce such loan below a given amount. Compliance with certain financial and operational covenants. Undertaking to maintain an equity/asset ratio. We have furnished the bank with a guarantee up to the amount of €1.37 million.				

Financial Instruments

For information on financial instruments used, profile of debt, currencies and interest rate structure, see “Item 11. Quantitative and Qualitative Disclosure about Market Risks” below.

Material Commitments for Capital Expenditure

See “ - Tabular Disclosure of Contractual Obligations” below.

C. RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES, ETC.

The Israeli government encourages industrial companies by funding their research and development activities through grants by the Office of the Chief Scientist (the "OCS").

Each of InSightec's and Gamida's research and development efforts has been financed, in part, through OCS grants. InSightec and Gamida (only for Gamida's NiCord development) have received or were entitled to receive grants totaling \$38 million and \$13.9 million, respectively, from the OCS since their respective inception and each of them is required to repay such grants through payment of royalties to the OCS from its respective revenues until the entire amount is repaid.

Each of InSightec's and Gamida's technology developed with OCS funding is subject to transfer restrictions, which may impair its ability to sell its technology assets or to outsource manufacturing. The restrictions continue to apply even after InSightec or Gamida has paid the full amount of royalties payable for the grants. In addition, the restriction may impair InSightec's or Gamida's ability to consummate a merger or similar transactions in which the surviving entity is not an Israeli company.

The total OCS grants received by InSightec during 2014, 2013 and 2012 were \$1.3 million, \$1.6 million and \$0.7 million, respectively, and the total OCS grants received by Gamida during 2014, 2013 and 2012 were \$2.5 million, \$1.2 million and \$3.8 million, respectively.

D. TREND INFORMATION

Commercial and Entertainment Centers

Our commercial and entertainment business is affected by trends in each of the geographic areas in which we operate.

The CEE region experienced some growth in the course of 2014, and this pace of growth is expected to accelerate further in the coming years. However, prospects remain slightly uncertain as a result of the ongoing Ukrainian crisis which has hit investor sentiment and consumer confidence, and could have a ripple effect far beyond the region.

As in previous years, economic growth in the CEE is broad ranging. The highest GDP growth in 2014 is expected to be announced in Poland (3.3%), Hungary (3.0%) and Slovenia (2.8%) followed by Romania (2.8%), Czech Republic (2.4%), the Baltic states (2.3%), while the weakest performers are expected to be Serbia and Croatia.

Until 2014/15, the geopolitical environment in Europe had not weakened investment activity within the CEE region, with the exception of Russia, compared to 2013. The continued development and growth of CEE investment relies heavily on favorable occupancy trends across the different sectors in all countries. Recent forecasts show that this positive trend should also continue in 2015, with no signs of a slow-down. Investor demand proved to be strong during 2014 and investment volume reached close to EUR 7.3 billion, which is approximately 30% higher than 2013.

During 2014, approximately half of the investment volume within the CEE region was realized in the office segment, followed by retail (32%) and then the industrial segment (21%). Hotels were the least favored by investors, representing only 5% of all the investment volume. Belgrade and Sofia still have the highest yields in the region, while the lowest yields were registered in Warsaw and Prague.

As confidence returned to the retail sector, it triggered a rise in new developments across the region. Overall there is a positive outlook for prime retail rents across the region, both for high street and traditional shopping centers, due to the continued increase in turnover. Despite the geopolitical tension in the region, retail investment sentiment has also been improving.

Poland - Investment activity in Poland continues to grow, the number of investors interested in the Polish property market is growing, whilst those who have entered the Polish market in recent years have become more confident. Annual investment volume in 2014 exceeded €3.1 billion, reflecting a slight drop of 5% year-on-year. Retail sector had the lowest share since 2004 which was a result of a limited supply of decent. The volume of retail transactions in 2014 amounted to €66 million.

Prime shopping center yields remain stable at approximately 5.75% for the Best shopping centres in Warsaw, approximately 6.00% for dominant shopping centres in major regional cities and approximately 7.25-7.75% for leading shopping centres in secondary cities.

Investors' sentiment for retail in Poland continues to be strong and volumes in 2015 are expected to significantly exceed those recorded in 2014.

2014 closed with 332,000 square meters of new shopping centre stock - less than in 2013 (466,000 square meters). Shopping centres were delivered predominantly in cities with fewer than 100,000 residents (45 percent), followed by cities with a population of between 100,000 and 200,000 (26 percent). The biggest shopping centres to enter the market in 2014 were: Atrium Felicity (75,000 square meters) in Lublin, Galeria Warمیńska (41,000 square meters) in Olsztyn, Galeria Siedlce (34,000 square meters) in Siedlce, and Galeria Amber (33,500 square meters) in Kalisz. In fourth quarter alone, shopping centre market expanded by 65,000 sq m in three new projects: Vivo! in Pila (23,800 square meters), Centrum Galardia in Starachowice (18,000 square meters), Galeria Dębiec in Poznań (9,800 square meters), and a number of extensions (11,800 square meters in CH Rywal in Biala Podlaska as the largest).

As of the end of 2014, over 707,000 square meters of shopping centres remained under construction, with almost 547,000 square meters scheduled for completion in 2015.

Most of recently completed shopping centres and retail parks were leased at 90% and higher upon opening, which confirms investors' more cautious approach to new projects being carefully planned and tailored to the local market requirements

The pace of new retailers' entries in 2014 was slower than in 2013, partly because of the lack of high quality vacant space in prime properties in Warsaw, which is traditionally the preferred location for the first store in Poland 24 foreign brands entered Poland's retail market in 2014. Among those who made their debut in the fourth quarter were: Kipling, JOOP! (furniture and home décor accessories), Nuna Lie, Twin-Set, Kiko-Milano, Imaginarium, Avon Studio and Calvin Klein Watch & Jewelry. Also, Inside, Olimp Live and Fight, Gattinoni Roma, NEO, Devred 1902, Sinequanone, Undiz or Kiehl's Since 1851, among others, entered the market earlier in 2014.

Czech Republic - Despite the tough start, 2014 was one of the most successful years in terms of investment volumes. Higher activity in commercial real estate investment in 2014 was the consequence of several favourable market conditions, such as low interest rates, surplus of capital and motivated sellers. In 2014, six transactions worth €314 million were concluded in the retail sector. In addition to Prague, demand is expected to spread to outlying regions as well.

The market recovery is noticeable. In 2012, 21 transactions were concluded on the Czech market; in 2013 the figure was 37 and in 2014 47 transactions were finalized with the average price of transaction increasing from €35.5 million in 2013 to €42.4 million in 2014. Foreign capital accounted for 83 percent of overall purchases in 2014, the remainder being domestic buyers. American capital was the most prevalent in Czech commercial real estate, accounting for 37 percent. With three large-scale deals totalling €800 million expected to close in the first quarter of 2015, the retail sector is expected to dominate the Czech investment market this year.

Five new shopping centres were opened during 2014. The total volume of stock exceeded 2,313,000 square meters at the end of 2014 resulting in a 3% increase year over year. Overall density in the Czech Republic is around 206 square meters per 1,000 people. After Poland the second highest in the CEE. Currently the real estate development is relatively limited. Only three shopping centers with almost 60,000 square meters are under construction, out of which only one will be finished in 2015.

The number of retailers which entered the Czech market was lower than 2013. This decrease was caused mainly by relatively high saturation and also lack of available space. However the Czech Republic remained a very attractive market for international retailers

Romania – With a total supply of approximately 70,000 square meters, 2014 was the scarcest year in terms of new deliveries of retail projects since 2006. However, encouraged by the surge in retail sales in 2014, the confidence of developers is starting to return and new projects are being planned or are in advanced stages of construction. The modern retail stock in Romania is currently estimated at approximately 2.62 million square meters, while the stock in Bucharest alone accounts for more than 35% of the total.

After a weak performance in 2013, retail sales registered approximately 7.4% growth in 2014, mainly due to the surge in non-food sales. The sustained economic growth, the strong increase in consumption and consumer confidence, which is at the highest level since 2008, are likely to push retailers to consider their cautious expansion plans in Romania. Existing shopping centers with proven good performance are still the main destination of new tenants, due to limited options in terms of new supply. The gap between demand and supply for prime and secondary stock continues to be significant.

In 2014 the most active retailer was H&M, which extended its network of stores by 8 new units to a total of 38 across Romania (the best market in CEE for the brand in terms of revenue)

Prime shopping center rents remained stable over the quarter at EUR 60-70 square meters/month. The highest rents are achieved in the most dominant and best performing shopping malls in Bucharest.

Approximately 167,000 square meters are expected to be delivered in 3 large projects in Romania in 2015: Coresi Retail Park (45,000 square meters) by Immochan in Brasov will be inaugurated in March, Mega Mall (72,000 square meters) by NEPI will open in April in a dominant shopping center in east Bucharest and Timisoara Shopping City (50,000 square meters) also developed by NEPI is planned to be delivered close to the end of the year.

Serbia – Being a small country outside the European Union, Serbia currently lacks the traits of an institutional investment destination. The country was granted EU candidate status as of March 2012. Formal EU accession negotiations with Serbia began in January 2014 with first chapters to be opened on financial regulation and rule of law. The Serbian government has set a goal to enter the EU in 2020.

The only significant retail project delivered in 2013 is the Stadion Shopping Centre in Belgrade with 30,000 sq.m GLA. The capital and the country as a whole suffer from a lack of modern retail space. Although Serbia is still underdeveloped when compared to the rest of the region, the retail market continues to pick up after the economic downturn. The current period is considered attractive for international retailers as they have the opportunity to position themselves in a market which is expected to grow following Serbia's anticipated EU accession.

The most significant new entrants in the Serbian retail market in 2013 and 2014 are H&M, Lidl, MAC and Apple. Other retailers looking to enter the market in 2015 such as Carrefour, LPP and Kaufland are all set for further expansion. Also, for several years now, IKEA plans to enter Serbian market by opening a few facilities across the country. Due to limited offer, prime shopping centers rarely see any vacant space.

Latvia – After a quick recovery, witnessed during the post crisis period in Latvia, the economy has entered in a stage of more balanced development. The internal determinants of GDP became less important and external obstacles largely determined the pace of growth in 2014. Escalating conflict between Ukraine and Russia, followed by reciprocal economic sanctions between the EU and Russia, increased consumer precaution towards the economic outlook and slowed down private spending. The transition to Euro currency served as an additional source of consumer prudence due to increased concerns about overpaying.

Retailing recorded positive growth, but at a slower pace (2014 versus 2013: +3.6%). The leading retail groups continued adding new stores to the market thus their growth rates are resembled by not only a modest increase in private consumption but also by new store openings. The market continued the trend of new brand entrants as well, such as department store Debenhams, and brand stores like Esprit, Wolford, Love by Mochino, Calvin Klein Jeans, Weekend by Max Mara, Rituals. Retailers are expected to continue to adjust their assortment to the latest market trends as Latvian consumers become more fastidious towards the quality of goods.

There are no vacancies in leading shopping centres and due to growing retailer interest shopping centres Alfa and Origo implemented their expansion plans. In the pipeline with the possible opening in year 2016/2017 is shopping centre Akropolis with GLA of 60'000 m2.

Hungary – In 2014 on the back of increasing performance of agriculture, manufacturing and construction, the seasonally adjusted year-on-year quarterly GDP growth was above 3% during the first three quarters of the year, which means that the country's economy expanded at its fastest pace in the last 8 years. Although the official statistics are not published yet, based on the latest forecast, a 3.2% annual growth is predicted for 2014. The rebounding economy is also having a positive impact on the labor market: Hungary's unemployment rate between October and December was 7.1%, which is a substantial improvement compared to the corresponding period of last year.

Based on the latest transactional evidence, the prime office yield stands at 7.30%. Prime retail is at 7.25% and prime logistics now stands at 9.25%. We expect a potential 25 basis point compression in the latter two asset classes in the upcoming quarters supported by the improving real estate environment and investment activity. According to our opinion, 2015 will see increasing interest for Hungarian assets from international investors and local funds. We also expect the National Bank to continue its real estate investment program. Based on the deal pipeline, we already foresee that the average ticket size will significantly increase in 2015 and that some landmark assets will be transacted, taking the transaction volume to at least €750-800 million.

Following the drag of retail sales growth between July and September, growth regained momentum in the fourth quarter peaking at 5.6% in December. The quarterly improvement was driven by the traditional holiday spending as well as the sharply falling oil prices, which pushed up vehicle fuel sales. As for the whole year, a 5.2% growth was recorded (approximately 4% if the effects of the data collection change are excluded) driven by a combination of factors: high consumer confidence, close to 0% inflation, improving labor market conditions (including wage growth), lower fuel prices and the mandatory connection of tills to the tax office. As for 2015, a similar strong growth is forecast at around 5%. Although the impressive growth rate of retail sales is a positive sign, it is worth mentioning that the volume of retail sales are still ~15% below their 2006 levels. While the end of the year proved to be successful and advantageous on a household level, the retail sector had to face various new, adverse legislations, which they need to adapt in the upcoming years. The Hungarian government approved several changes concerning the sector, of which the full extent to the market is yet to be seen. New legislation includes: the Sunday closure of shops (concerning shops above 400 square meters) coming into force on March 15, 2015, increased food supervisory fee (the former flat rate of 0.1% becomes progressive based on net revenue peaking at 6%), restricted sale of daily consumables (as from 2017) and the extent of the construction ban. The new legislation triggered loud opposition from various associations in the retail sector while the largest food hypermarket chains (eg. Tesco, Spar) have already announced significant measures (lay-offs, closures, hold back in investments, restructuring operation forms) to minimize the negative effects of them. Having said that, the impact of the legislations over the next 12 month period is yet to be seen.

During the fourth quarter of 2014, Zara Home opened its first Hungarian unit of 900 square meters at Fashion Street and Italian cosmetic brand, Pupa Milano, entered Duna Plaza and Westend Shopping Centre. At the beginning of 2015 Heinemann Duty Free opened a Victoria's Secret shop of 82 square meters at Terminal 2A of the Budapest Airport. This is the first opening of the American L Brand Group in Hungary. In 2015, we expect new brands to enter the country. The tenant mix of Andr ssy Avenue will keep on changing and a new luxury retailer is likely to open soon.

India -

Despite the global economic slowdown, the Indian economy remained relatively strong and was among the fastest growing economies of the world with an average GDP growth rate of 5% in 2014. The services sector grew by 7%, and its share in the Indian GDP was 60%. The government has reiterated its commitment to adhering to its fiscal deficit target. This factor has significantly reduced the momentum of inflation, and both near-term and longer-term inflation expectations have eased to single digit for the first time since September 2009. On current policy settings, inflation is likely to be below 6 per cent by January 2016. The recent wave of reforms by the Government of India to incentivize FDI in various sectors is bringing a new energy to the investment climate in India. In the construction development sector the Government has liberalized the FDI Policy by reducing the minimum built up to 20,000 sq meters from the existing 50,000 sq meters. The minimum capital requirement for such projects has also been brought down to \$5 million from \$10 million.

Hotel Business

Our hotel business is affected by trends in each of the geographic areas in which we operate.

The year 2014 presented primarily stagnation in hotel industry in comparison with 2013. Some major cities such as Paris, London & Amsterdam noted a slight increase in the industry, indicating recovery to a certain extent. In various markets an additional recovery was noted while in others there was additional decline. The hospitality industry was very unstable, with several last minute decisions and bookings.

For 2015 we generally expect to follow the European trend showing an expected revpar increase from 2 to 5%.

E. OFF-BALANCE SHEET ARRANGEMENTS

The following are our off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that we believe are material to investors:

- In the framework of the transactions for the sale of our holdings in certain subsidiaries or projects, or the realization and sale of certain business activities, we have undertaken to indemnify the respective purchasers for any losses and costs incurred in connection with the sale transactions. The indemnifications usually include: (i) Indemnifications in respect of integrity of title on the assets and/or the shares sold (i.e.: that the assets and/or the shares sold are owned by us and are free from any encumbrances and/or mortgage and the like). Such indemnifications generally survived indefinitely and are capped to the purchase price in each respective transaction. (ii) Indemnifications in respect of other representations and warranties included in the sales agreements (such as: development of the project, responsibility to defects in the development project, tax matters, employees and others). Such indemnifications are limited in time and are generally capped to certain percentages of the purchase price.

- As part of a lease agreement executed in July 2007 between us and the Israel Land Administration for a long-term lease of land in Tiberius, Israel, we had undertaken to finalize the construction until July 2013. We have provided the Israel Land Administration with two bank guarantees in the aggregate amount of NIS 14 million linked to the increase in the Israeli consumer price index in order to secure our undertakings included in the lease agreement. As a security for the guarantees, we pledged deposits in the same amount. In accordance with the terms of the lease agreement, in the event either of the parties does not comply with the terms of the agreement, the agreement can be terminated by the other party.
- A former subsidiary of PC incorporated in Prague ("Bestes"), which was sold in June 2006 is a party to an agreement with a third party ("Lessee"), for the lease of commercial areas in a center constructed on property owned by it, for a period of 30 years, with an option to extend the lease period by an additional 30 years, in consideration for €6.9 million (approximately \$8.5 million), which has been fully paid. According to the lease agreement, the Lessee has the right to terminate the lease, subject to fulfillment of certain conditions set forth in the agreement. As part of the agreement for the sale of Bestes to Klepierre in June 2006, it was agreed that PC will remain liable to Klepierre in case the Lessee terminates its contract. PC's management is of the opinion that this commitment will not result in any material amount due to be paid by it.
- On November 21, 2010, Elbit Medical's shareholders approved the assignment of our indemnification obligations in favor of Gamida and its affiliated parties to Elbit Medical, without a right of reimbursement from us. Elbit Medical also undertook to indemnify Gamida and Teva Pharmaceutical Industries Ltd., as the shareholders of the joint venture Gamida Cell - Teva Joint Venture Ltd. for damages on certain matters. These indemnification undertakings of Elbit Medical replaced similar undertaking formerly made by us to these parties.
- As required under the lease agreement for our new executive offices, in 2013 we provided bank guarantees to secure our compliance with the terms of the agreement in the total amount of approximately NIS 0.6 million.
- We have guaranteed certain of our Project Companies' obligations under the loans agreements with third parties up to an aggregate amount of NIS 419 million. In addition, PC is a guarantor to obligations under loan agreements of its project companies with third parties up to an aggregate amount of NIS 169 million.
- We have undertaken to provide guarantees for the benefit of the Israeli tax authority to secure Elbit Fashion's payment of customs duties and VAT, which are paid by way of direct debit authorization by Elbit Fashion, in the event that a debit authorization is rejected.
- We have undertaken to provide bank guarantees and corporate guarantees for the benefit of the Israeli Customs Authority in the framework of a dispute between Elbit Trade and Retail Ltd. (which was sold to Gottex) and Elbit Fashion and the Customs Authority regarding customs duties charged with respect to the importation of the Mango and GAP brands to Israel. The Customs Authority had agreed that the collection of the disputed Customs charges will be put on hold until the resolution of the Company's motion, subject to the deposition of the aforementioned guarantees.

F. TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

Our contractual obligations consist mainly of: (i) long-term borrowings (mainly loans from banks and financial institutions and non convertible notes); (ii) commitments towards suppliers, subcontractors and other third parties in respect of land acquisitions and operational lease; and (iii) other long term liabilities reflected in the balance sheet. Our contractual obligations are generally linked to foreign currencies (mainly Euro and U.S. dollar) and/or other indexes (such as the Israeli consumer price index). Below is a summary of our significant contractual obligations as of December 31, 2014 in NIS, based upon the representative exchange rate of the NIS as of the balance sheet date, against the currency in which the obligation is originally denominated or based on the respective index of the Israeli consumer price index as of December 31, 2014. Actual payments of these amounts (as are presented in our financial statements) are significantly dependent upon such exchange rates or indexes prevailing as at the date of execution of such obligation, and therefore may significantly differ from the amounts presented herein below.

Contractual Obligations as of December 31, 2014	Payments due by Period (in NIS thousands)				
	Total	Less than 1 Year	2-3 Years	4-5 Years	After 5 Years
Long-Term Debt ⁽¹⁾	3,345,408	345,745	1,566,644	1,306,931	126,088
Total	3,345,408	345,745	1,566,644	1,306,931	126,088

- (1) Long term debt includes interest that we will pay from January 1, 2015 through the loan maturity dates. Part of our loans bear variable interest rates and the interest presented in this table is based on the LIBOR rates known as of December 31, 2014. Actual payments of such interest (as presented in our financial statements) are significantly dependent upon the LIBOR rate prevailing as of the date of payment of such interest. For additional information in respect of the long term debt, see "Item 5.B. Liquidity and Capital Resources - Other Loans."

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. DIRECTORS AND SENIOR MANAGEMENT

As detailed in Item 5 “Operating and Financial Review and Prospects”, following the Debt Restructuring, all non-external members of our Board were replaced, and the position of our Chief Executive Officer was terminated. The following table sets forth information regarding our directors, executive officers and other key employees as of the date of this annual report except as otherwise noted below:

NAME	AGE	POSITION
Ron Hadassi	50	Chairman of the Board of Directors and Director
Alon Bachar	45	Director
Zvi Tropp ^{(1) (2)}	75	External Director
Eliezer Avraham Brender ⁽¹⁾	37	Director
Shlomi Kelsi ^{(1) (2)}	43	Director
Elina Frenkel Ronen ^{(1) (2)}	41	External Director
Yoav Kfir ⁽¹⁾	42	Director
Boaz Lifschitz	46	Director
Nadav Livni	41	Director
Ran Shtarkman ⁽³⁾	47	CEO of PC and former Co-Chief Executive Officer of the Company until 2012
Doron Moshe	44	Acting Chief Executive Officer and Chief Financial Officer
Zvi Maayan ⁽⁴⁾	48	General Counsel

(1) Member of the audit committee

(2) Member of the compensation committee

(3) Mr. Shtarkman has served us notice of his resignation, to enter into effect July 1, 2015

(4) Mr. Maayan has served us notice of his resignation, to enter into effect July 1, 2015

ALON BACHAR. Mr. Bachar, 45, serves as a director of Elbit Medical, as well as the Chief Financial Officer of the Bronfman-Fisher Group since 2006, and as the Chief Executive Officer of Isralom Properties Ltd. since 2012, and serves as a director of Palace Industries (P.I.) Ltd. and Shufersal Ltd. From 2003 until 2006, Mr. Bachar served as the Deputy Chief of the corporate division of Bank of Jerusalem Ltd. From 1999 until 2003, Mr. Bachar served as Credit Officer of the corporate division in the Industrial Development Bank of Israel Ltd. From 1996 until 1999, Mr. Bachar served as an Analyst and Credit Officer in the corporate division of Bank Leumi L'Israel B.M. Mr. Bachar holds a B.A in Economics from Tel Aviv University, as well as an MBA from Ben-Gurion University.

ELIEZER AVRAHAM BENDER. Mr. Brender, 37, has served as Founder, General Partner and Chief Investment Officer of Exigent Capital Management, a hedge fund manager, since 2008, as well as Founder, General Partner, directors of Liberty SBF, a commercial real-estate lender since 2011. From 2004 until 2008, Mr. Brender served as Managing Director of Poal Capital Partners, a commercial real-estate investor and operator. From 2000 until 2001, Mr. Brender served as a Foreign Exchange Analyst at JP Morgan Chase. Mr. Brender serves as a member of the Investment Committee of Shalem College, Jerusalem, and as a member of the board of directors of Ha'Am Ha'Yehudi (AISH Tel Aviv), a non-profit organization. Mr. Brender holds several professional licenses.

RON HADASSI. Mr. Hadassi, 50, serves as the chairman of the board of Elbit Medical and the board of PC, and as a Senior Manager of the Bronfman-Fisher Group, as well as the Vice Chairman of Super-Sol Ltd., Isralom Properties Ltd. and Palace Industries Ltd. Mr. Hadassi also serves as Executive Chairman and served as acting Chief Executive Officer of Nanette Real Estate Group N.V. until March 2014. From 2005 until 2012, Mr. Hadassi served as Chairman of the board of directors of Northern Birch Ltd. (IKEA Israel), where he continues to serve on the board and as Chairman of a subsidiary. Mr. Hadassi has served on the boards of public companies including Blue Square Israel Ltd., Blue Square Real Estate Ltd., Bet Shemesh Engines Holdings Ltd., Naaman Group (N.V.) Ltd. and Olimpia Real Estate Holdings as well as its subsidiaries. Mr. Hadassi is a banking and finance professor at Hebrew University, Jerusalem, the Interdisciplinary Centre, Herzeliya, and the College of Management, Rishon LeZiyon, holds a B.A in Economics and Political Science, an LL.B and an MBA, all from Tel Aviv University, and is a member of the Israeli Bar.

SHLOMI KELSI. Mr. Kelsi, 43, serves as a director of PC, and has served as the Managing Director and General Manager of all holding subsidiaries of Ampal-American Israel Corporation since 2013. From 2009 until 2012, Mr. Kelsi served as the Deputy Chief Executive Officer and director of Industrial Development Bank of Israel Ltd., up to its acquisition by the Israeli government. From 2002 until 2009, Mr. Kelsi served as co-CEO of Risk Modules, a consulting firm. From 1997 until 2002, Mr. Kelsi served as a Senior Manager at KPMG Somekh Chaikin. Mr. Kelsi holds a B.A in Accounting and Economics as well as an M.Sc. in Finance, both from Tel-Aviv University, and is a Certified Public Accountant.

YOAV KFIR. Mr. Kfir, 42, serves as a director of Elbit Medical as well as the Founder and Managing Director of the VAR Group. Mr. Kfir has served as interim Chief Executive Officer, Chief Financial Officer, advisor or court appointed officer with respect to various companies. Among his roles, Mr. Kfir served as a creditors' committee member in the restructuring process of the Company, receiver and trustee to Alvarion Ltd., financial advisor in the IDB Group take-over and restructuring process, trustee to Eshbal Technologies Ltd. and a court appointed expert to Sunny Electronics Ltd. Prior to founding VAR Group, Mr. Kfir managed audit cases as well as business development at Kesselman & Kesselman, a member of PwC International. Mr. Kfir is the sole non-government member of the Friends' Society of Jerusalem Mental Hospitals and serves as chairman of several audit committees of non-profit organizations. Mr. Kfir holds a B.A in Business Administration from the College of Management, Rishon LeZiyon, and is a Certified Public Accountant.

BOAZ LIFSCHITZ. Mr. Lifschitz, 46, is a co-founder and General Partner of Peregrine Ventures, a venture capital fund. Mr. Lifschitz previously served as Chief Operating Officer and Chief Financial Officer of VisionCare Ophthalmic Technologies. Mr. Lifschitz served on the board of Elbit Medical, InSightec, Gamida and Neovasc Inc. (NVC.V), serves as Chairman of Cartihealth Ltd. and board member of other privately held companies. Mr. Lifschitz holds a B.Sc. from Bar-Ilan University as well as a M.Sc. from Boston University jointly with Ben Gurion University.

NADAV LIVNI. Mr. Livni, 41, serves as a director of PC and is the founder and Managing Director of The Hillview Group, a privately-owned Merchant Bank based in London. Since 2006, The Hillview Group has expertly managed over \$3 billion of strategic capital market transactions across Central and Eastern Europe, Russia, Africa and USA. During his 20 year career, Nadav has advised governments, controlling shareholders and senior management on all aspects of capital markets transactions. In his previous roles at Deutsche Bank, Goldman Sachs and KPMG, Nadav participated in over \$100 billion of transactions in the real estate, financial services, healthcare and consumer sectors, specialising in mergers and acquisitions, structuring innovative funds and all aspects of capital raising in the public and private markets. Nadav is a qualified Chartered Accountant, holds a Bachelor of Commerce from the University of the Witwatersrand, an MSc. in Finance from City University Business School and is a guest speaker at London Business School on the topics of Private Equity and Real Estate Investment.

ELINA FRENKEL RONEN. Ms. Frenkel Ronen has served as one of our external directors since December 2008. Ms. Frenkel Ronen currently serves as a member of the board of the Institute of CPAs in Israel as the Chair of the CEOs, CFOs and Controllers Committee of the Institute of CPAs in Israel (since 1997), and as an external director of Tempo Beverages Ltd (since 2012) and as an external director of IDB Development Ltd. Ms. Frenkel Ronen has served as the Chairperson of the Board of Directors of Haifa Port Ltd (2008-2011), and an External Director Tao Tsuot Ltd (2008-2011). Ms. Frenkel Ronen served as an External Director of Micromedic Technologies Ltd (2011-2014). Ms. Frenkel Ronen served as the Public Representative for the Public Utility Authority – Electricity (2004-2007). Ms. Frenkel Ronen has headed her family's real estate business (2005-2013). Ms. Frenkel Ronen professional experience includes financial management (CFO) in Tnuva Industries and its 97 subsidiaries (1993-1999), and Orek Paper (2008-2012) and Sherutey Hashomrim group (security, cleaning, and information technology (IT) systems security) (1999-2002). Ms. Frenkel Ronen also managed the financial aspects of Chapter 11 procedures - nomination received from the trustee appointed by the Court of law. Ms. Frenkel Ronen holds a B.A. in accounting and economics and an Executive M.B.A., both from Tel-Aviv University. Ms. Frenkel Ronen is a Certified Public Accountant.

ZVI TROPP. Mr. Tropp has served as one of our external directors since September 2004. Since 2003, Mr. Tropp has been a senior consultant at Zenovar Consultant Ltd. From February 2006 until June 2007, Mr. Tropp served as the chairman of the board of Rafael Advanced Defense Systems Ltd. From 2000 until 2003, Mr. Tropp served as the Chief Financial Officer of Enavis Networks Ltd. Mr. Tropp has served as a board member of various companies, including Rafael (Armament Development Authority) Ltd., Beit Shemesh Engines Ltd., Rada - Electronic Industries Ltd. and has also served as the Chairman of the investment committee of Bank Leumi Le'Israel Trust Company Ltd. Mr. Tropp holds a B.Sc. in agriculture and an M.Sc. in agricultural economics and business administration from the Hebrew University in Jerusalem.

RAN SHTARKMAN. Mr. Shtarkman served as our Co-CEO from January 1, 2010 until August 1, 2012. Mr. Shtarkman has served as CEO of PC since September 2006, as Executive Director of PC since October 2006 and as President of PC since 2007. From 2004 until 2006 Mr. Shtarkman served as Chief Financial Officer of PC. Prior to that he served as Chief Financial Officer of SPL Software Ltd., Finance and Administration Manager for Continental Airlines' Israeli operations and Controller of Natour Ltd. Mr. Shtarkman holds an MBA from Ben Gurion University and is a Certified Public Accountant.

DORON MOSHE. On April 2, 2015, Mr. Moshe was appointed as our acting Chief Executive Officer. In addition, Mr. Moshe has served as our CFO from January 1, 2010. From January 2006 until January 2010, Mr. Moshe served as our Chief Controller. From 2001 until 2005, Mr. Moshe served as the Controller of our subsidiaries. Mr. Moshe also serves as Chief Finance Officer of Elbit Medical. From 2000 until 2001, he served as the Controller for a group of public companies in the fields of contracting, real estate, and technology, and from 1999 until 2000, he was a senior accountant at KPMG Israel. Mr. Moshe holds a B.A. in Accounting and Economics from the University of Haifa and is a Certified Public Accountant.

ZVI MAAYAN. Mr. Maayan has served as our General Counsel since October 2008. From 2007 until October 2008, Mr. Maayan served as our Assistant General Counsel. From 2000 until 2007 Mr. Maayan served as Assistant General Counsel for Israel Aerospace Industries Ltd. From 1996 until 2000, Mr. Maayan was a senior associate in the law firm Shugol, Ketzeff, Ehrlich, Kerner & Co., specializing in commercial and civil law, international commerce, banking and financing, bankruptcy, biopharmaceutical industry, real estate and litigation. From June 2010 until June 2011, Mr. Maayan served as a director of EDT. Since January 2011, Mr. Maayan is a member of the Executive Committee of the Real Estate Division of the Israel-America Chamber of Commerce. Mr. Maayan holds an LL.B. and an LL.M., *cum laude*, both from Bar-Ilan University, and is a member of the Israeli Bar Association.

B. COMPENSATION OF DIRECTORS AND OFFICERS

Aggregate 2014 Compensation of Directors and Officers

The aggregate compensation paid to or accrued on behalf of all persons as a group (17 persons – who served in the capacity of director or executive officer in the year ended December 31, 2014 (including compensation paid to our former CEO and our former chairman during 2014) was approximately NIS 11.5 million (approximately \$3 million). Such aggregate amount includes management fees, salaries and certain fringe benefits and accrued amounts in respect of pensions and retirement benefits, but does not include stock-based compensation expenses relating to options granted to our directors and officers. As detailed in Item 4A, under “Our Debt Restructuring”, all non-external members of our board of directors were replaced on March 13, 2014, which together with the replacement of our CEO and Chairman led to a relatively large group of persons receiving compensation during the preceding year. We note that no bonuses were awarded to our directors and executive officers with respect to the year ended December 31, 2014.

In addition, our directors and officers participate in share or option allocations pursuant to various plans adopted by us, our subsidiaries and our associates.

For information regarding the terms of grant and exercise under all plans, see “Item 6.E. Share Ownership - 2006 Employees, Directors and Officers Incentive Plan.”

Compensation Table

The table below reflects the compensation granted to our five most highly compensated office holders as such term is defined under the Companies Law (including former office holders) during or with respect to the year ended December 31, 2014. We refer to the five individuals for whom disclosure is provided herein as our “Covered Executives.”

For purposes of the table below, “compensation” includes salary cost, consultancy fees, bonuses, equity-based compensation, retirement or termination payments, benefits and perquisites such as car and social benefits and any undertaking to provide such compensation. All amounts reported in the table are in terms of cost to the Company, as recognized in our financial statements for the year ended December 31, 2014 plus compensation paid to such Covered Executive following the end of the year in respect of services provided during the year. Each of the Covered Employees was covered by our D&O liability insurance policy and was entitled to indemnification and exculpation in accordance with applicable law and our articles of association.

Name and Principal Position ⁽¹⁾	Salary Cost (NIS Thousands) ⁽²⁾	Consultancy Fees (NIS Thousands)	Bonus (NIS Thousands) ⁽³⁾	Equity-Based Compensation (NIS Thousands) ⁽⁴⁾	Total (NIS Thousands)
Ron Hadassi <i>Chairman of the Board and former acting CEO</i> ⁽⁵⁾	516	770	-	715	2,001
Shimon Yitzhaki <i>Former Chairman of the Board</i> ⁽⁶⁾	2,398	-	-	101	2,499
Ran Shtarkman <i>CEO of Plaza Centers N.V.</i>		2,557	-	93	2,650
Yaron Carmon <i>CEO of Elbit Fashion Ltd.</i> ⁽⁷⁾	1,196	-	702	-	1,898
Doron Moshe <i>CFO and Acting CEO</i>	1,176	-	-	150	1,326

- (1) Unless otherwise indicated herein, all Covered Executives are employed on a full-time (100%) basis. The positions of the Covered Executives in this table represent their position as of the date of this filing.
- (2) Salary cost includes the Covered Executive's gross salary plus payment of social benefits made by the Company on behalf of such Covered Executive. Such benefits may include, to the extent applicable to the Covered Executive, payments, contributions and/or allocations for savings funds (e.g., Managers' Life Insurance Policy), education funds (referred to in Hebrew as "*keren hishtalmut*"), pension, severance, risk insurances (e.g., life, or work disability insurance), payments for social security and tax gross-up payments, vacation, car, medical insurances and benefits, convalescence or recreation pay and other benefits and perquisites consistent with the Company's policies.
- (3) Represents annual bonuses granted to the Covered Executives based on formulas set forth in their respective employment agreements.
- (4) Represents the equity-based compensation expenses recorded in the Company's consolidated financial statements for the year ended December 31, 2014 based on the options' grant date fair value in accordance with accounting guidance for equity-based compensation. For a discussion of the assumptions used in reaching this valuation, see Note 2R to our consolidated financial statements included in this annual report on Form 20-F for the year ended December 31, 2014.
- (5) Mr. Hadassi devoted 90% of his business hours to the affairs of the Company during 2014.
- (6) Mr. Yitzhaki devoted 90% of his business hours to the Company. He ceased service as an office holder on February 20, 2014. A significant part of Mr. Yitzhaki's cost during 2014 represent notice period that Mr. Yitzhaki was entitled to in accordance with the term of his employment agreement.
- (7) Mr. Carmon was an office holder under the Companies Law, but not an executive officer as such term is defined in 17 CFR Section 240.3b-7.

Independent Director Compensation

The compensation of our external directors is governed by regulations promulgated under the Companies Law (the "Compensation Regulations"). According to the Compensation Regulations, we pay our external directors, both of whom have been designated as experts by our Board of Directors, the maximum annual fee set forth in the Compensation Regulations for non-experts and the maximum meeting attendance fee set forth in the Compensation Regulations for experts. The amounts payable by a company to external directors under the Compensation Regulations are based on the amount of the company's shareholders' equity as of the end of the previous year. Accordingly, in 2014, we paid our external directors NIS 37,115 (approximately \$10,824) per year and NIS 3,300 (approximately \$962) per meeting. The fees payable to our external directors in 2015 under the Compensation Regulations will be NIS 85,705 (approximately \$24,994) per year and NIS 4,390 (approximately \$1,280) per meeting, subject to adjustment for CPI changes pursuant to the Compensation Regulations.

Adoption of Compensation Policy

In August 2014, following our shareholders' approval, we adopted a compensation policy for our officers and directors (the "Compensation Policy"), an English translation of which was filed with the Securities and Exchange Commission. For further discussion regarding the Compensation Policy, please see Item 10B "Memorandum and Articles of Association" below and our Reports on Form 6-K filed on July 10, 2014 and August 14, 2014 which our incorporated herein by reference.

Services of our Chairman, Mr. Ron Hadassi

In August 2014, our shareholders approved a compensation plan for Mr. Hadassi for his services as the Chairman of our Board of Directors. The terms of the consideration for such services are as follows:

- A fixed cash fee of NIS 80,000 per month (the "Fixed Compensation"), reflecting a scope of 90% of Mr. Hadassi's business hours (based on a rate of NIS 89,000 per a full-time position).
- Additional payments, benefits and expenses, including a company car and related expenses, income tax and VAT in the total amount of 50% of the Fixed Compensation, including any applicable taxes deriving from the Fixed Compensation and benefits. Notwithstanding the foregoing, any amounts of VAT refundable to (or subject to offset by) the Company shall be in addition to the Fixed Compensation and such 50% addition.
- An annual cash bonus, to be determined by the Compensation Committee and Board of Directors in accordance with the Company's Compensation Policy, which shall in no event exceed an amount equal to the Fixed Compensation payable for 3.5 months of continued service. Mr. Hadassi shall not be entitled to a bonus or other variable compensation due to his success in meeting personal targets or discretionary bonuses.
- Options exercisable in to 5,703,793 ordinary shares, no par value, of the Company, constituting approximately 1.0% of the Company's issued and outstanding share capital on a fully diluted basis with a vesting period of 3 years, subject to Mr. Hadassi's continued service with the Company.
- These compensation terms shall be in effect until March 21, 2017, and shall be subject to annual review by the Compensation Committee, which shall determine if such terms require updating pursuant to the Company's requirements and business. Any modification or extension of such terms shall be made pursuant to the requisite corporate approvals and subject to Mr. Hadassi's annual re-election as a Director and continued appointment as Chairman.
- Mr. Hadassi shall be entitled to a period of notice prior to termination of his rights to receive the aforementioned compensation, calculated as follows: If notice of such termination is delivered during Mr. Hadassi's first year of service – one month's notice; during Mr. Hadassi's second year of service – one and a half months' notice; during Mr. Hadassi's third year of service and thereafter – two months' notice.
- Mr. Hadassi may be entitled to receive a retirement bonus up to an amount equal to the Fixed Compensation payable for 4 months of continued service, calculated as follows: If notice of termination of Mr. Hadassi's right to receive the aforementioned compensation is delivered during Mr. Hadassi's first year of service – an amount equal to the Fixed Compensation payable for 2 months of continued service; If notice of termination is delivered during Mr. Hadassi's second year of service – an amount equal to the Fixed Compensation payable for 3 months of continued service; If notice of termination is delivered during Mr. Hadassi's third year of service and thereafter – an amount equal to the Fixed Compensation payable for 4 months of continued service.
- Mr. Hadassi shall be covered under the Company's Directors and Officers Liability insurance policies and the Company's indemnification undertaking shall remain valid and binding and shall not be changed, cancelled or nullified by virtue of the aforementioned engagement.
- It was clarified that Mr. Ron Hadassi shall be entitled to no further compensation for his services as our Acting Chief Executive Officer.

Services of our Director, Mr. Boaz Lifschitz

In August 2014, our shareholders approved our entering into a consultancy agreement with Mr. Lifschitz for consultancy services relating to the life sciences field (the "Services") to the Company and its subsidiaries (and other related companies). In consideration for such services, the Company shall pay Mr. Lifschitz an annual fee of NIS 100,000 plus VAT, payable in quarterly installments in arrears as well as reimbursement for expenses incurred within the providing of the Services, in accordance with the Company's policy regarding reimbursement of expenses. Such fees shall be made in addition to the fees Mr. Lifschitz is entitled to in his capacity as a member of our Board. The Company will have the option to terminate this arrangement upon 30 days' notice.

C. BOARD PRACTICES

Corporate Governance Practices

We are incorporated in Israel and therefore are subject to various corporate governance practices under the Companies Law, relating to such matters as external directors, the audit committee, the internal auditor and approvals of interested-party transactions. These matters are in addition to the ongoing listing conditions of the NASDAQ Global Select Market and other relevant provisions of U.S. securities laws. Under the NASDAQ rules, a foreign private issuer may generally follow its home country rules of corporate governance in lieu of the comparable NASDAQ requirements, except for certain matters such as composition and responsibilities of the audit committee and the independence of its members. For further information, see "Item 16G. Corporate Governance."

Under the Companies Law, our board of directors must determine the minimum number of directors having financial and accounting expertise, as defined in the regulations promulgated under the Companies Law that our board of directors should have. In determining the number of directors required to have such expertise, the board of directors must consider, among other things, the type and size of the company and the scope and complexity of its operations. Our board of directors has determined that we require at least two directors with the requisite financial and accounting expertise and that two of our directors fulfill the requirements promulgated under the Companies Law.

Election of Directors

Our directors are generally elected by our shareholders at the annual meeting of the shareholders by a simple majority. Generally, the nominees for a director's office are recommended by our audit committee which also acts as our nominating committee. The directors hold office until the next annual meeting of our shareholders. Our board of directors may appoint additional directors to our board of directors in the event of a vacancy on or an enlargement of the board of directors. Any director so appointed will hold office until the next annual meeting of the shareholders. Our board of directors currently consists of nine members.

Alternate Directors

Our Amended and Restated Articles of Association provide that any director may, by written notice to us, appoint another person who is not a director to serve as an alternate director, subject to the approval of the chairman of the board. In the case of an appointment made by the chairman, such appointment shall be valid unless objected to by the majority of other directors. The term of appointment of an alternate director is unlimited in time and scope unless otherwise specified in the appointment notice, or until notice is given of the termination of the appointment. No director currently has appointed any other person as an alternate director. The Companies Law stipulates that a person who serves as a director may not serve as an alternate director except under very limited circumstances. An alternate director has the same responsibility as a director.

External Directors; Independent Directors

The Companies Law requires Israeli public companies (such as us) to appoint at least two external directors. The Companies Law provides for certain qualifications that a candidate for external directorship must comply with. Among such requirements, a person may not be appointed as an external director if: (i) such person or person's relative or affiliate has, at the date of appointment, or had at any time during the two years preceding such date, any affiliation with the company, a controlling shareholder thereof or their respective affiliates; or (ii) in a company that does not have a 25% shareholder, if such person has an affiliation with any person who, at the time of appointment, is the chairman, the chief executive officer, the chief financial officer or a 5% shareholder of the company. The term "affiliation" is broadly defined in the Companies Law, including an employment relationship, a business or professional relationship, control or service as a director or officer.

In addition, no person may serve as an external director if such person's position or other business creates, or may create, conflict of interest with the person's position as an external director, or if such position or other business may impair such person's ability to serve as an external director. Until the lapse of two years from termination of office, a company or its controlling shareholder may not give any direct or indirect benefit to the former external director.

External directors are to be elected by a majority vote at a general meeting of shareholders, provided that (i) such majority vote at the general meeting includes at least a majority of the total votes of non-controlling shareholders voted at such general meeting or (ii) the total number of votes of non-controlling shareholders that voted against such election does not exceed 2% of the total voting rights in the company.

The initial term of an external director is three years, and such term may be extended for up to two additional three-year terms. In addition, the service of an external director may be extended for additional terms of up to three years each, if both the audit committee and the board of directors confirm that, in light of the expertise and contribution of the external director, the extension of such external director's term would be in the interest of the company. Reelection of an external director may be effected through one of the following mechanisms: (1) the board of directors proposed the reelection of the nominee and the election was approved by the shareholders by the majority required to appoint external directors for their initial term; or (2) a shareholder holding 1% or more of the voting rights proposed the reelection of the nominee, or the nominee proposed themselves for reelection, and the reelection is approved by a majority of the votes cast by the shareholders of the company, excluding the votes of controlling shareholders and those who have a personal interest in the matter as a result of their relations with the controlling shareholders, provided that the aggregate votes cast in favor of the reelection by such non-excluded shareholders constitute more than 2% of the voting rights in the company. External directors may be removed only in a general meeting, by the same percentage of shareholders as is required for their election, or by a court, and in both cases only if the external directors cease to meet the statutory qualifications for their appointment or if they violate their duty of loyalty to us. Each committee of a company's board of directors that is authorized to exercise powers of the board of directors is required to include at least one external director, and all external directors must be members of the company's audit committee and compensation committee.

An external director is entitled to reimbursement of expenses and to monetary and other compensation as provided in regulations promulgated under the Companies Law, but is otherwise prohibited from receiving any other compensation, directly or indirectly, for his serving as a director of the company.

Mr. Zvi Tropp's fourth three-year term as an external director commenced on September 30, 2013, and Ms. Elina Frenkel Ronen's third three-year term as an external director commenced on January 8, 2015.

Under the NASDAQ rules, a majority of our directors are required to be "independent directors" as defined in NASDAQ's rules. The current composition of our board of directors consists of a majority of independent directors. Two of our independent directors also qualify as external directors as defined by the Companies Law.

Board Committees

Our board of directors has established an audit committee and a compensation committee, as described below.

Audit committee. The Companies Law requires public companies to appoint an audit committee. An audit committee must consist of at least three members, and include all of the company's external directors. The members of the audit committee must satisfy certain independence qualifications under the Companies Law, and the chairman of the audit committee is required to be an external director.

The responsibilities of the audit committee include identifying and examining flaws in the business management of the company and suggesting appropriate course of actions, recommending approval of interested party transactions, assessing the company's internal audit system and the performance of its internal auditor.

Our audit committee is comprised of three members, all of whom meet all requisite independence and other professional requirements. Our audit committee operates in accordance with a charter and written procedures governing approval of any proposed transactions with our external auditors. Within the framework of such governing documents, the audit committee oversees the appointment, compensation, and oversight of the public accounting firm engaged to prepare or issue an audit report on our financial statements. The audit committee's specific responsibilities in carrying out its oversight role include the approval of all audits and permitted non-audit services to be provided by the external auditor.

Our audit committee is also authorized to act as our "qualified legal compliance committee". As such, our audit committee will be responsible for investigating reports, made by attorneys appearing and practicing before the SEC in representing us, of perceived material violations of U.S. federal or state securities laws, breaches of fiduciary duty or similar material violations of U.S. law by us or any of our agents. Under NASDAQ rules, the approval of the audit committee is also required to effect related-party transactions that would be required to be disclosed in our annual report.

NASDAQ rules require that director nominees be selected or recommended for the board's selection either by a committee composed solely of independent directors or by a majority of independent directors. The compensation of a company's chief executive officer and other executive officers is required to be approved either by a majority of the independent directors on the board or a committee comprised solely of independent directors. Our audit committee also currently acts as our nominating committee and compensation committee.

Our audit committee has the authority to retain independent legal, accounting or other consultants as advisors, for which we will provide funding, and handle complaints relating to accounting, internal accounting controls or auditing matters.

The members of our audit committee are Shlomi Kelsi, Zvi Tropp, Elina Frenkel Ronen, Eliezer Brender and Yoav Kfir.

Compensation Committee

Under the Companies Law, the board of directors of a public company must establish a compensation committee. The compensation committee must consist of at least three directors who satisfy certain independence qualifications, include all of the outside directors who must maintain a majority of the committee members, and the chairman of which is required to be an outside director. Under the Companies Law, the role of the compensation committee is to recommend to the board of directors, for ultimate shareholder approval by a special majority, a policy governing the compensation of office holders based on specified criteria, to review modifications to the compensation policy from time to time, to review its implementation and to approve the actual compensation terms of office holders prior to approval by the board of directors, and to resolve whether to exempt the compensation terms of a candidate for chief executive officer from shareholder approval. The members of our compensation committee are Shlomi Kelsi, Zvi Tropp and Elina Frenkel Ronen.

Internal Auditor

Under the Companies Law, our board of directors is required to appoint an internal auditor proposed by the audit committee. The role of the internal auditor is to examine, among other things, whether our actions comply with the law and proper business procedure. The internal auditor may not be an interested party, an office holder, or a relative of any of the foregoing, nor may the internal auditor be our independent accountant or its representative. The Companies Law defines the term “interested party” to include a person who holds 5% or more of our outstanding share capital or voting rights, has the right to appoint one or more directors or the general manager or who serves as a director or as the general manager. Our internal auditor is Mr. Daniel Spira, a Certified Public Accountant in Israel.

For information on the duties of directors, officers and shareholders and requirements for the approval of related-party transactions, please see Item 10.B - “Memorandum and Articles of Association and General Provisions of Israeli Law.”

D. EMPLOYEES

As of March 31, 2015, we employed or contracted 26 persons as employees or consultants in investment, administration and managerial services, all of whom work out of our headquarters in Israel. As of March 31, 2015, PC had 120 employees, consultants and part time employees in the Netherlands, CEE, Greece and India. As of March 31, 2015, our Hotel division had 509 employees.

As of March 31, 2014, we employed or contracted 41 persons as employees or consultants in investment, administration and managerial services, all of whom work out of our headquarters in Israel. As of March 31, 2014, PC had 116 employees, consultants and part time employees in the Netherlands, CEE, Greece and India. As of March 31, 2014, our Hotel division had 509 employees. As of March 31, 2014, Elbit Fashion employed 548 employees.

As of March 31, 2013, we employed or contracted 49 persons as employees or consultants in investment, administration and managerial services, all of whom work out of our headquarters in Israel. As of March 31, 2013, PC had 160 employees, consultants and part time employees in CEE, Greece and India. As of March 31, 2013, our Hotel division had 522 employees. As of March 31, 2013, Elbit Fashion employed 488 employees.

As of March 31, 2013, we employed six employees in the United States, in investment, administration and managerial services for our U.S. investment platform.

We are not party to any collective bargaining agreement with our employees or with any labor organization.

E. SHARE OWNERSHIP

As of April 1, 2015, our directors and executive officers hold 15,700 options exercisable up to 14,895 of our ordinary shares¹, representing approximately 0.02% of our share capital. This figure includes options to purchase ordinary shares that were vested on such date or that were scheduled to vest within the following 60 days.

The following is a description of each of our option plans, including the amount of options currently outstanding and the exercise prices of such options.

Incentive Plan for the Chairman of our Board, Mr. Ron Hadassi

As part of the compensation plan for the Chairman of our Board, Mr. Ron Hadassi, approved at our General Meeting held on August 14, 2014 (the “Chairman’s Incentive Plan”), Mr. Hadassi was granted options exercisable in to 285,190 ordinary shares, no par value, of the Company, constituting approximately 1.0% of our then issued and outstanding share capital on a fully diluted basis. The exercise price of the options is NIS 17.2 per share, the closing price of our ordinary shares on the TASE on March 20, 2014 (as adjusted), the last trading day preceding the date of Mr. Hadassi’s appointment as Chairman (which occurred on March 21, 2014). The options will vest over a period of three years, in three equal annual installments on March 21 of each year (namely, the date of Mr. Hadassi’s appointment as Chairman of our Board), and will have a term of five years from the date of grant.

In event of and upon termination of Mr. Hadassi’s position as an Executive Chairman of our Board or termination of his services to the Company, all unvested options shall immediately expire.

¹ Not including options to purchase 95,063 of our ordinary shares, the grant of which was approved for the Chairman of our Board, but which have not been awarded to our Chairman as of the date hereof. For further detail, see below under “Incentive Plan for the Chairman of our Board, Mr. Ron Hadassi”.

In event of any reduction of Mr. Hadassi's services and the compensation he is entitled to thereof to an amount reflecting less than 90% of his business hours, an applicable amount of options equal to the product of (i) the unvested portion of options multiplied by (ii) such reduction in his business hours shall expire. For example, if Mr. Hadassi's services and the compensation he is entitled to thereof are reduced to an amount reflecting a reduction of 9% of his business hours, and as of the date of such reduction the unvested portion of his options amounts to 10,000,000 options, an amount equal to 1,000,000 of such options shall expire.

As of April 29, 2015, no award of the aforementioned options has been made.

2006 Employees, Directors and Officers Incentive Plan, As Amended

Our 2006 Employees, Directors and Officers Incentive Plan, as amended (the "2006 Plan"), provides for the grant of up to 2,300,000 options to employees, directors and officers of us and of companies controlled directly or indirectly by us. The original exercise price per option is the average closing price of our ordinary shares on the TASE during the 30-trading day period preceding the date of grant of such options or as otherwise determined by the board of directors.

The options are exercisable pursuant to a "cashless" exercise mechanism whereby, in lieu of paying the exercise price of the option in exchange for all the ordinary shares subject to the option, the holder is issued such number of ordinary shares whose market value equals the excess of (i) the market value of all the ordinary shares subject to the option over (ii) the aggregate exercise price.

Under the terms of the 2006 Plan, options vest over a period of three years, such that 33.33% of the options granted become exercisable on each of the first, second and third anniversaries of the date of grant. The options expire five years from the date of grant.

As of March 31, 2015, options to purchase 59,189 ordinary shares were outstanding under the 2006 Plan, all of which options were fully vested.

2010 Elbit Incentive Plan and Conversion Plan for InSightec Shares

Our 2010 Incentive Plan (the "2010 Incentive Plan for InSightec Shares") provides for the grant of options exercisable into up to 500,000 shares of InSightec to employees, directors and officers of us and of affiliate companies, at an exercise price per option to be determined by our board of directors.

Under the 2010 Incentive Plan for InSightec Shares, options vest gradually over a period of three years. The options expire seven years from the date of grant. Options are exercisable by payment of the exercise price in cash.

Prior to an IPO, the underlying shares are subject to certain "drag along" rights.

Prior to or after the consummation of a listing of securities of any parent company of InSightec, our board of directors may approve an exchange of options or underlying shares under the 2010 Incentive Plan for InSightec Shares with options or shares of such parent company, according to a formula set forth in the 2010 Incentive Plan for InSightec Shares.

As of March 31, 2015, options to purchase 430,000 shares were outstanding under the 2010 Incentive Plan for InSightec Shares all of which are fully vested.

2011 Elbit Employees and Officers Incentive Plan for Elbit Medical Technologies Ltd.'s Shares

In April 2011, our board of directors adopted the Elbit Employees and Officers Incentive Plan for Elbit Medical Technologies Ltd.'s shares (the "2011 Plan") for the grant of up to 158,637,000 options exercisable into 79,443,500 ordinary shares of Elbit Medical for an exercise price of NIS 0.40. The exercise price of each option will be reduced upon distribution of dividends, stock dividends etc. The exercise mechanism of the options into Elbit Medical's shares will be as follows: at the exercise date the Company shall transfer to each option holder shares equal to the difference between (A) the price of Elbit Medical's shares on the TASE on the exercise date, provided that if such price exceeds 100% of the exercise price, the opening price shall be set as 100% of the exercise price (the "Capped Exercise Price"); less (B) the exercise price of the options; and the result (A minus B) will be divided by the Capped Exercise Price. In November 2012, our board of directors adopted an amendment to the 2011 Plan increasing the number of options issuable from 158,637,000 to 187,708,000 and resolved to amend the exercise price per share to NIS 0.133 and extend the expiration date of such options to November 29, 2017 in respect of employees and officers who served at Elbit Group at that time.

In addition, in September 2014, our board of directors granted an additional 14,400,000 options to past and present officers of Elbit Medical with an exercise price of NIS 0.115 per share.

As of March 31, 2015, 174,704,500 options were granted to our employees and officers. As of March 31, 2015, 140,035,500 options were outstanding under the 2011 Plan of which 117,228,919 were vested

PC Share Option Scheme, as amended

PC's Option Plan, as amended in August 2007, November 2008 and November 2011 ("PC's First Option Plan") provides for the grant of up to 33,834,586 options to employees, directors, officers and other persons who provide services to PC, including our employees for no consideration. In November 2012 the number of options to be granted was increased by 14,000,000 additional options. ("PC's Second Option Plan"). The exercise price per option is the average closing price of PC's shares traded on the London Stock Exchange ("LSE") during the fifteen-day period prior to the date of grant.

Under the terms of both of PC's Option Plans, options vest over a period of three years, such that 33.33% of the options granted become exercisable on each of the first, second and third anniversaries of the date of grant.

Upon the occurrence of an event of change of control in PC (as defined in PC's Option Plan), the vesting of all the outstanding options granted by PC that were not exercised or did not expire by such date, shall be fully accelerated.

As of March 31, 2015, 24,442,373 options to purchase ordinary shares were outstanding under PC's Option Plan of which 23,115,706 options were vested.

PC India Holdings Public Company Limited ("PCI") Share Plan

On September 7, 2010, PCI adopted an incentive plan for the grant of options to officers and employees of PCI, us and of affiliate companies (the "2010 PCI Plan").

The 2010 PCI Plan provides for the grant of up to 14,697 options exercisable into Ordinary C Shares of PCI, to employees, directors and officers of PCI and/or affiliates of PCI including our employees. The exercise price per option shall be determined by the board or by the administrator of the plan. The options expire seven years from the date of grant and the exercise price of each option is EUR 227.

Under the terms of the 2010 PCI Plan, options vest over a period of three years, so that 33.33% of the options granted become exercisable on each of the first, second and third anniversaries of the date of grant.

As of March 31, 2015, options to purchase 14,212 Ordinary C Shares were outstanding under the 2010 PCI Plan all of which are fully vested.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. MAJOR SHAREHOLDERS

We had 27,572,429 ordinary shares outstanding as of April 1, 2015. The voting rights of all shareholders are the same. The following table sets forth certain information as of April 1, 2015, unless stated otherwise, concerning (i) persons or entities who, to our knowledge, beneficially own more than 5% of our outstanding ordinary shares and (ii) the number of our ordinary shares beneficially owned by all of our directors and officers as a group:

Name and Address	Number of Shares Beneficially Owned	Approximate Percentage of Shares
York Capital Management Global Advisers LLC and/or certain funds and/or accounts managed by it or its affiliates ⁽¹⁾	5,447,850	19.7%
Davidson Kempner Capital Management LP and/or certain funds and/or accounts managed by it or its affiliates ⁽²⁾	3,943,584	14.3%
All officers and directors as a group	14,895 ⁽³⁾	0.02%

⁽¹⁾ Based on information received from the shareholders on March 10, 2015.

⁽²⁾ Based on information received from the shareholders on March 26, 2015.

⁽³⁾ Includes options to purchase ordinary shares that were vested on March 10, 2015 or that were scheduled to vest within the following 60 days, but does not include options to purchase 95,063 of our ordinary shares, the grant of which was approved for the Chairman of our Board, but which have not been awarded to our Chairman as of the date hereof. For further detail, see Item 6E. above under "Incentive Plan for the Chairman of our Board, Mr. Ron Hadassi".

York Capital Management Global Advisers LLC and Davidson Kempner Capital Management LLC, together with their respective affiliates, were significant note holders of ours and became significant shareholders as a result of the Debt Restructuring.

Prior to the consummation of the Debt Restructuring on February 20, 2014, Mr. Mordechai Zisser, through companies under his control, beneficially owned 12,545,527 ordinary shares, which then constituted approximately 50% of our outstanding ordinary shares. Immediately following the closing of the Debt Restructuring, these shares constituted approximately 2.26% of our outstanding shares. The companies that hold such shares are currently under receivership as a result of having defaulted on secured loans owing to Bank Hapoalim.

B. RELATED PARTY TRANSACTIONS

InSightec Series D Investment Agreement

As detailed in Item 5 “Operating and Financial Review and Prospects”, on June 29, 2014, York Global Finance II S.à r.l., a company owned by York Capital Management Global Advisers LLC and affiliated with York Global Finance Offshore BDH (Luxembourg) S.à r.l (a significant note holder in PC) (the “Investor”), entered into the InSightec Investment Agreement with InSightec pursuant to which the Investor and certain other subsequent investors invested an aggregate amount of \$50 million in InSightec, reflecting a pre money valuation of InSightec of \$200 million (on a fully diluted, as-converted basis), subject to certain adjustments as specified in the InSightec Investment Agreement.

PC Debt Restructuring

As detailed in Item 5 “Operating and Financial Review and Prospects”, on June 23, 2014, subject to the application of certain conditions precedent, we undertook to exercise (or procure that other persons will exercise) all of our rights in PC’s offering of shares and to procure subscriptions for any unexercised portion of such offering. In relation to the above, we entered into a back-stop agreement with BLML (an affiliate of our shareholder Davidson Kempner Capital Management LP), pursuant to which BLML agreed to purchase under the offering up to €10 million of shares of PC, subject to similar conditions precedent. On December 19, 2014, PC announced that it had successfully completed the Rights Offering, and we announced that EUL had purchased 122,847,376 new ordinary shares of PC under the Rights Offering and the arrangements under the Undertaking for an aggregate amount of approximately €8.3 million and procured that BLML will purchase 163,803,197 new ordinary shares of PC for an additional amount of €11.05 million.

Joint venture agreement with PC

As detailed in Item 4B, “Business Overview”, in August 2008 we entered into the EPI Agreement with PC, under which, amongst other things, PC was allotted 47.5% of the EPI. EPI is holding two plots in India (in Bangalore and Chennai) in conjunction with local Indian partners and has engaged with certain third parties with respect of the Kochi Island project. As of the date of the execution of the EPI Agreement through the date of this annual report, the Kochi Island project was held through a special purchase vehicle other than EPI. We agreed that 50% of our rights in the Kochi Island project will be held in favor of PC, and we undertook and guaranteed to transfer the holdings in the Kochi project to EPI or 50% to PC within 12 months following the execution of the EPI Agreement, or alternatively to repay the consideration paid by PC for the rights in the project. This undertaking and guarantee have since been extended until August 25, 2013. On November 11, 2013, PC notified us of its demand that we repay the amount paid by PC for the Kochi Island project together with the interest accumulated thereupon, amounting to approximately €4.3 million (US\$ 5.2 million) due to alleged failure to timely meet certain conditions set forth in the EPI Agreement. On November 24, 2013 we rejected PC’s claims of such failure and demand for repayment.

Relationship Agreement with PC

On October 27, 2006, we entered into an agreement with PC pursuant to which we undertook, as long as we hold at least 30% of the issued share capital of PC, that neither we nor any person connected with us will compete with the business of PC related to the development of commercial and entertainment centers in Central and Eastern Europe or India or the development of the Dream Island or Casa Radio projects. The Relationship Agreement terminates in the event that PC’s issued share capital ceases to be admitted to the main market of the London Stock Exchange. In the framework of the Amended PC Plan we were required by the UK Listing Authority to enter into an amended and restated relationship agreement on basically the same terms, with minor adjustments due to regulatory changes not affecting the essence of the agreement.

Guarantee Agreement with PC

On October 27, 2006, PC agreed, with effect from January 1, 2006, to pay a commission to us in respect of any and all outstanding corporate and first demand guarantees which have been issued by us in favor of PC and which remain valid and outstanding (“EI Guarantees”). The amount of the commissions to be paid will be agreed upon between us and PC at the beginning of each fiscal year, and will apply to all EI Guarantees which remain outstanding during the course of that relevant fiscal year, subject to a cap of 0.5% of the amount or value of the relevant EI Guarantee, per annum. During 2013 no guarantees were provided by us to PC.

Indemnification, Insurance and Exemption

For information regarding the grant of insurance, exemption and indemnification to our directors and officers, by us or our subsidiaries, see "Item 10.B. Memorandum and Articles of Association and General Provisions of Israeli Law - Insurance, Indemnification and Exemption" below.

Inter-company Loans and Guarantees

From time to time we invest in our subsidiaries and jointly controlled companies, by way of equity or capital investments, or otherwise provide loans or guarantees to such companies, in order to finance their operations and businesses. All such investments are eliminated in our consolidated financial statements. Details as to material guarantees are provided in "Item 5.B. Liquidity and Capital Resources - Loans" above.

For amounts paid under our related party transactions, see note 27C to our annual consolidated financial statements incorporated herein by reference.

ITEM 8. FINANCIAL INFORMATION

A. CONSOLIDATED STATEMENTS AND OTHER FINANCIAL INFORMATION

See our annual consolidated financial statements on our current report on Form 6-K filed with the SEC on March 31, 2015, which is incorporated by reference herein.

Legal Proceedings

For information regarding the legal proceeding we are involved in, see "Item 4.A History and Development of the Company – Recent Events" and note 18B to our annual consolidated financial statements.

Dividend Distribution Policy

To date, we do not have a dividend distribution policy. Consequentially, our Board may issue dividends at its sole discretion.

It should be noted that under the Refinancing Agreement and the terms of the Series H and Series I notes certain limitations were imposed on the distribution of dividends prior to the redemption of such debt.

B. SIGNIFICANT CHANGES

There are no significant changes that have occurred since December 31, 2014, except as otherwise disclosed in this annual report and in our annual consolidated financial statements.

ITEM 9. THE OFFER AND LISTING

A. OFFER AND LISTING DETAILS

Our ordinary shares are listed on the NASDAQ Global Select Market under the symbol "EMITF" and on the TASE under the symbol "EMIT." As stated in the Special Explanatory Note to this Annual Report, share and share price information have been adjusted to reflect the 1-for-20 reverse share split effected by us on August 21, 2014.

Information regarding the price history of the stock listed

The annual high and low sale prices for our ordinary shares for the five most recent full financial years are:

Year Ended December 31,	NASDAQ		TASE	
	High (\$)	Low (\$)	High (\$)	Low (\$)
2014	26.4	1.25	26.48	1.21
2013	70	13.8	68.2	14.6
2012	66.4	36	64.6	34.8
2011	279.4	39.6	254.8	38.6
2010	495.2	241	501.6	247.4

The quarterly high and low sale prices for our ordinary shares for the two most recent full financial years and any subsequent period are:

Financial Quarter	NASDAQ		TASE	
	High (\$)	Low (\$)	High (\$)	Low (\$)
2015				
Q1	2.14	1.29	2.09	1.32
Q2 (through April 12, 2015)	1.5	1.22	1.46	1.21
2014				
Q1	26.40	3.20	26.48	3.42
Q2	4.69	3.40	4.68	3.38
Q3	4.40	2.97	4.38	2.94
Q4	3.00	1.25	2.93	1.21
2013				
Q1	70	28.6	68.2	30.6
Q2	48.4	40.2	48	40.2
Q3	42.4	20.4	40.8	20.4
Q4	25.6	13.8	24.4	14.6

The monthly high and low sale prices for our ordinary shares during the past six months were:

Month	NASDAQ		TASE	
	High (\$)	Low (\$)	High (\$)	Low (\$)
April 2015 (through April 28)	1.5	1.22	1.46	1.21
March 2015	1.76	1.29	1.73	1.30
February 2015	1.81	1.67	1.73	1.64
January 2015	2.14	1.73	2.09	1.65
December 2014	1.91	1.25	1.92	1.21
November 2014	2.60	1.95	2.54	1.95
October 2014	3.00	2.54	2.93	2.50

The closing prices of our ordinary shares listed on the TASE for each of the periods referred to in the tables above were originally denominated in NIS and were converted to U.S. dollars using the representative exchange rate between the U.S. dollar and the NIS published by the Bank of Israel for each applicable day in the presented period.

B. PLAN OF DISTRIBUTION

Not applicable.

C. MARKETS

Since our initial public offering in November 1996, our ordinary shares have been listed on the NASDAQ Global Select Market (then known as the NASDAQ National Market) under the symbol "EMITF" and on the TASE under the symbol "EMIT."

D. SELLING SHAREHOLDERS

Not applicable.

E. DILUTION

Not applicable.

F. EXPENSES OF THE ISSUE

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

A. SHARE CAPITAL

Not applicable.

B. MEMORANDUM AND ARTICLES OF ASSOCIATION

Purposes and Objects of the Company

We are a public company registered under the Companies Law as Elbit Imaging Ltd., registration number 52-004303-5.

Pursuant to Section 2 of our Amended and Restated Memorandum of Association, we are authorized to operate in any business or matter for profit purposes as shall be determined or defined by our board of directors from time to time. In addition, our Amended and Restated Articles of Association authorize us to donate reasonable amounts to any cause we deem worthy.

Approval of Certain Transactions

A recent amendment to the Companies Law imposes new approval requirements for the compensation of office holders. Every Israeli public company was required to adopt a compensation policy, recommended by the compensation committee, and approved by the board of directors and the shareholders, in that order, no later than January 12, 2014. The shareholder approval requires a majority of the votes cast by shareholders, excluding any controlling shareholder and those who have a personal interest in the matter (similar to the threshold described in the following paragraph regarding transactions with a controlling shareholder). In general, all office holders' terms of compensation – including fixed remuneration, bonuses, equity compensation, retirement or termination payments, indemnification, liability insurance and the grant of an exemption from liability – must comply with the company's compensation policy. In addition, the compensation terms of directors, the chief executive officer, and any employee or service provider who is considered a controlling shareholder must be approved separately by the compensation committee, the board of directors and the shareholders of the company (by the same majority noted above), in that order. The compensation terms of other officers require the approval of the compensation committee and the board of directors. In addition, under the Companies Law and our Amended and Restated Articles of Association, transactions with our officers or directors or a transaction with another person in which such officer or director has a personal interest must be approved by our audit committee, board of directors or authorized non-interested signatories, and if such transaction is considered an extraordinary transaction (as defined below) or involves the engagement terms of officers, the transaction must be approved by the audit committee and board of directors. Our Compensation Committee and Board adopted a compensation policy, which our shareholders subsequently approved at the annual general meeting of our shareholders held on August 14, 2014.

The compensation policy must serve as the basis for decisions concerning the financial terms of employment or engagement of office holders, including compensation, benefits, exculpation, insurance and indemnification. The compensation policy must take into account certain factors, including advancement of the company's objectives, the company's business plan and its long-term strategy, and creation of appropriate incentives. It must also consider, among other things, the company's risk management, size and the nature of its operations. The compensation policy must include certain principles, such as: a link between variable compensation and long-term performance and measurable criteria; the relationship between variable and fixed compensation; and the minimum holding or vesting period for variable, equity-based compensation. We believe that our Compensation Policy satisfies these requirements.

The Companies Law also requires that any extraordinary transaction with a controlling shareholder or an extraordinary transaction with another person in which a controlling shareholder has a personal interest must be approved by the audit committee, the board of directors and the shareholders of the company, in that order. The shareholder approval must be by a simple majority, provided that (i) such majority vote includes at least a simple majority of the total votes of shareholders having no personal interest in the transaction or (ii) the total number of votes of shareholders mentioned in clause (i) above who voted against such transaction does not exceed 2% of the total voting rights in the company. In addition, any such extraordinary transaction whose term is longer than three years requires further shareholder approval every three years, unless (with respect to transactions not involving management fees or employment terms) the audit committee approves that a longer term is reasonable under the circumstances.

The Companies Law prohibits any person who has a personal interest in a matter from participating in the discussion (and voting pertaining to such matter in the company's board of directors or audit committee except for in circumstances where the majority of the board of directors has a personal interest in the matter, in which case such matter must be approved by the company's shareholders.

An "extraordinary transaction" is defined in the Companies Law as any of the following: (i) a transaction not in the ordinary course of business; (ii) a transaction that is not on market terms; or (iii) a transaction that is likely to have a material impact on the company's profitability, assets or liability.

Under the Companies Law, a private placement of securities requires approval by the board of directors and the shareholders of the company if it will cause a person to become a controlling shareholder or if:

- the securities issued amount to 20% or more of the company's outstanding voting rights before the issuance;
- some or all of the consideration is other than cash or listed securities or the transaction is not on market terms; and
- the transaction will increase the relative holdings of a shareholder that holds 5% or more of the company's outstanding share capital or voting rights or that will cause any person to become, as a result of the issuance, a holder of more than 5% of the company's outstanding share capital or voting rights.

Fiduciary Duties of Directors and Officers

The Companies Law imposes a duty of care and a duty of loyalty on the directors and officers of a company. The duty of care requires a director or officer holder to act with the level of care with which a reasonable director or officer in the same position would have acted under the same circumstances. It includes a duty to use reasonable means to obtain information on the advisability of a given action brought for his approval or performed by him by virtue of his position and all other important information pertaining to these actions.

The duty of loyalty of a director or officer includes a general duty to act in good faith for the benefit of the company, and particularly to:

- refrain from any conflict of interest between the performance of his duties for the company and the performance of his other duties or his personal affairs
- refrain from any activity that is competitive with the company;
- refrain from exploiting any business opportunity of the company to receive a personal gain for himself or others; and
- disclose to the company any information or documents relating to a company's affairs which the director or officer has received due to his position as such.

The Companies Law requires that directors, officers or a controlling shareholder of a public company disclose to the company any personal interest that he or she may have, including all related material facts or documents in connection with any existing or proposed transaction by the company. The disclosure must be made without delay and no later than the first board of directors meeting at which the transaction is first discussed.

Duties of a Shareholder

Under the Companies Law, a shareholder, in exercising his rights and fulfilling his obligations to the company and the other shareholders, must act in good faith and in a customary manner and refrain from improperly exploiting his power in the company, including when voting at general or class meetings of shareholders on: (a) any amendment to the articles of association; (b) an increase of the company's authorized share capital; (c) a merger; or (d) the approval of related party transactions. In addition, a shareholder must refrain from prejudicing the rights of other shareholders. Furthermore, any controlling shareholder, any shareholder who knows that he possesses power to determine the outcome of the shareholders' vote at a general or a class meeting, and any shareholder that, pursuant to the provisions of the articles of association, has the power to appoint or prevent the appointment of an officer in the company or possesses any other power towards the company, is subject to a duty to act in fairness towards the company. The Companies Law does not detail the substance of this duty.

Board of Directors

In accordance with our Amended and Restated Articles of Association, the board of directors may, from time to time, in its discretion, cause us to borrow or secure the payment of any sum or sums of money for the purposes of the Company and may cause us to secure or provide for the repayment of such sum or sums in such manner, at such times and upon such terms and conditions in all respects as it deems fit, and in particular by the issuance of notes, perpetual or redeemable notes, debenture stock, or any mortgages, charges, or other securities on the undertaking or the whole or any part of our property (both present and future), including its uncalled or called but unpaid share capital for the time being.

Neither our Amended and Restated Memorandum of Association nor our Amended and Restated Articles of Association, nor the laws of the State of Israel require retirement of directors at a certain age or share ownership for director qualification, nor do any of them contain any restriction on the board of directors' borrowing powers.

Insurance, Indemnification and Exemption

General - our Amended and Restated Articles of Association set forth the following provisions regarding the grant of exemption, insurance and indemnification to any of our directors or officers, all subject to the provisions of the Companies Law. In accordance with such provisions and pursuant to the requisite approvals of our audit committee, board of directors and shareholders, we have obtained liability insurance covering our directors and officers, have granted indemnification undertakings to our directors and officers and have agreed to exempt our directors and officers (other than our Executive Chairman) from liability for breach of the duty of care. PC, InSightec and Gamida have also granted indemnification undertakings to their respective directors and officers.

Insurance - we may insure the liability of any director or officer to the fullest extent permitted by law. Without derogating from the aforesaid, we may enter into a contract to insure the liability of a director or officer for an obligation imposed on him in consequence of an act done in his capacity as such, in any of the following cases:

- (i) A breach of the duty of care *vis-a-vis* us or *vis-a-vis* another person;
- (ii) A breach of the duty of loyalty *vis-a-vis* us, provided that the director or officer acted in good faith and had reasonable basis to believe that the act would not harm us;
- (iii) A monetary obligation imposed on him in favor of another person;
- (iv) Reasonable litigation expenses, including attorney fees, incurred by the director or officer as a result of an administrative enforcement proceeding instituted against him. Without derogating from the generality of the foregoing, such expenses will include a payment imposed on the director or officer in favor of an injured party as set forth in Section 52(54)(a)(1)(a) of the Israeli Securities Law, 1968, as amended (the "Securities Law") and expenses that the director or officer incurred in connection with a proceeding under Chapters H'3, H'4 or I'1 of the Securities Law, including reasonable legal expenses, which term includes attorney fees; or
- (v) Any other matter in respect of which it is permitted or will be permitted under applicable law to insure the liability of our directors or officers.

Indemnification

We may indemnify a director or officer to the fullest extent permitted by law, either retroactively or pursuant to an undertaking given in advance. Without derogating from the aforesaid, we may indemnify our directors or officers for liability or expense imposed on him in consequence of an action taken by him in his capacity as such, as follows:

- (i) Any financial liability he incurs or imposed on him in favor of another person in accordance with a judgment, including a judgment given in a settlement or a judgment of an arbitrator, approved by a court, provided that any undertaking to indemnify be restricted to events that, in the opinion of the board of directors, are anticipated in light of our actual activity at the time of granting the undertaking to indemnify and be limited to a sum or measurement determined by the board of directors to be reasonable under the circumstances;
- (ii) Reasonable litigation expenses, including legal fees, incurred by the director or officer or which he was ordered to pay by a court, within the framework of proceedings filed against him by or on behalf of us, or by a third party, or in a criminal proceeding in which he was acquitted, or in a criminal proceeding in which he was convicted of a felony which does not require a criminal intent; and
- (iii) Reasonable litigation expenses, including legal fees he incurs due to an investigation or proceeding conducted against him by an authority authorized to conduct such an investigation or proceeding, and which was ended without filing an indictment against him and without being subject to a financial obligation as a substitute for a criminal proceeding, or that was ended without filing an indictment against him, but with the imposition of a financial obligation, as a substitute for a criminal proceeding relating to an offense which does not require criminal intent, within the meaning of the relevant terms in the Companies Law or in connection with an administrative enforcement proceeding or a financial sanction. Without derogating from the generality of the foregoing, such expenses will include a payment imposed on the director or officer in favor of an injured party as set forth in Section 52(54)(a)(1)(a) of the Securities Law, and expenses that the director or officer incurred in connection with a proceeding under Chapters H'3, H'4 or I'1 of the Securities Law, including reasonable legal expenses, which term includes attorney fees.

The aggregate indemnification amount payable by us pursuant to indemnification undertakings may not exceed the lower of (i) 25% of our shareholders' equity as of the date of actual payment by us of the indemnification amount (as set forth in our most recent consolidated financial statements prior to such payment) and (ii) \$40 million, in excess of any amounts paid (if paid) by insurance companies pursuant to insurance policies maintained by us, with respect to matters covered by such indemnification.

Exemption - we may exempt a director or officer in advance or retroactively for all or any of his liability for damage in consequence of a breach of the duty of care *vis-a-vis* us, to the fullest extent permitted by law.

Prohibition on the grant of exemption, insurance and indemnification - The Companies Law provides that a company may not give insurance, indemnification nor exempt its directors or officers from liability in the following events:

- (i) a breach of the duty of loyalty to the company, unless, with respect to insurance coverage or indemnification, the director or officer acted in good faith and had a reasonable basis to believe that the act would not harm us;
- (ii) an intentional or reckless breach of the duty of care;
- (iii) an act done with the intention of unduly deriving a personal profit; or
- (iv) a fine imposed on the officer or director.

Rights Attached to Shares

Our registered share capital consists of a single class of 35,000,000 ordinary shares, of no par value, of which 27,572,429 ordinary shares were issued and outstanding as of April 1, 2015.

Dividend and Liquidation Rights

Our board of directors may declare a dividend to be paid to the holders of ordinary shares on a pro rata basis. Dividends may only be paid out of our profits and other surplus funds, as defined in the Companies Law, as of our most recent financial statement or as accrued over the past two years, whichever is higher, or, in the absence of such profits or surplus, with court approval. In any event, a dividend is permitted only if there is no reasonable concern that the payment of the dividend will prevent us from satisfying our existing and foreseeable obligations as they become due. In the event of our liquidation, after satisfaction of liabilities to creditors, our assets will be distributed to the holders of ordinary shares on a pro rata basis. This right may be affected by the grant of preferential dividend or distribution rights to the holders of a class of shares with preferential rights that may be authorized in the future, subject to applicable law. For information on our dividend policy, see "Item 8.A. Financial Information – Consolidated Statements and Other Financial Information - Dividend Distribution Policy."

Voting Rights

Holders of ordinary shares have one vote for each ordinary share held by them on all matters submitted to a vote of the shareholders. Such voting rights may be affected by the creation of any special rights to the holders of a class of shares with preferential rights that may be authorized in the future in the manner provided for under the Companies Law and our Amended and Restated Articles of Association. The quorum required for an ordinary meeting of shareholders consists of at least two shareholders present in person or by proxy who hold or represent, in the aggregate, at least 33-1/3% of the issued voting share capital. In the event that a quorum is not present within half an hour of the scheduled time, the meeting shall be adjourned to the same day of the following week, at the same time and place, or to such other day, time and place as the board of directors shall determine by notice to the shareholders. If at such adjourned meeting a quorum is not present within half an hour of the scheduled time, the two members present in person or by proxy will constitute a quorum.

Modification of Class Rights Attached to Shares

The rights attached to any class, such as voting, liquidation and dividend rights, may be amended by written consent of holders of a majority of the issued shares of that class, or by adoption of a resolution by a simple majority of the shares of that class represented at a separate class meeting.

Annual and Special Meetings

In accordance with the Companies Law, the board of directors must convene an annual meeting of shareholders at least once every calendar year and no later than within 15 months from the last annual meeting. Notice of at least 14 days prior to the date of the meeting is required, subject to applicable law, which often requires notice of at least 21 or 35 days. An extraordinary meeting may be convened by the board of directors, either at its discretion or upon a demand of (i) any two directors or 25% of the serving directors; or (ii) one shareholder or more holding in the aggregate at least 5% of our issued capital and at least 1% of the voting rights in the Company or one shareholder or more holding at least 5% of the voting rights in the Company.

Limitations on the Rights to own Securities

Our Amended and Restated Memorandum of Association and Amended and Restated Articles of Association do not restrict in any way the ownership of our shares by non-residents of Israel and neither the Amended and Restated Memorandum of Association, the Amended and Restated Articles of Association or Israeli law restricts the voting rights of non-residents of Israel except that under Israeli law any transfer or issue of our shares to a resident of an enemy state of Israel is prohibited and shall have no effect.

Changes to our Capital

Changes to our capital are subject to the approval of our shareholders by a simple majority.

Anti-Takeover Provisions

The Companies Law prohibits the purchase of our shares if the purchaser's holding following such purchase increases above certain percentages without conducting a tender offer or obtaining shareholder approval. Our Amended and Restated Articles of Association increased the required amount of such tender offer to at least 10% of our outstanding ordinary shares See "Item 3.D. Risk Factors - Risks Relating to Israel - Provisions of Israeli law may delay, prevent or make more difficult a merger or other business combination, which may depress our share price." above.

Amendment of Articles of Association

Any amendment to our articles of association requires the approval of our shareholders by a simple majority.

Transfer Agent

Our transfer agent in the United States is American Stock Transfer and Trust Company whose address is 6201 15th Avenue, Brooklyn, New York 11219.

C. MATERIAL CONTRACTS

The following is a list of material contracts entered into by us or any of our subsidiaries during the two years prior to the filing of this annual report.

The Debt Restructuring

For a discussion of the Debt Restructuring, see above Item 4A, under "Our Debt Restructuring".

The Refinancing Agreement

For a discussion of the Refinancing Agreement entered with Bank Hapoalim see "Item 5. Operating and Financial Review and Prospects – Overview - 2014"

The PC Debt Restructuring

For a discussion of the Amended PC Plan, see above Item 4A, under "PC Debt Restructuring".

Medical

For information regarding the investment in InSightec by York Global Finance II S.à r.l., see "Item 5. Operating and Financial Review and Prospects – Overview - 2014".

D. EXCHANGE CONTROLS

In 1998, the government of Israel promulgated a general permit under the Israeli Currency Control Law, 5738 - 1978. Pursuant to such permit, substantially all transactions in foreign currency are permitted.

Our Amended and Restated Memorandum of Association and Articles of Association do not restrict in any way the ownership of our shares by non-residents, and neither our Amended and Restated Memorandum of Association nor Israeli law restricts the voting rights of non-residents.

E. TAXATION

The following is a discussion of certain tax laws that may be material to our shareholders, all as in effect as of the date of this report and all of which are subject to changes, possibly on a retroactive basis, to the extent that such laws are still subject to judicial or administrative interpretation in the future. This discussion is not intended, and should not be construed, as legal or professional tax advice and does not cover all possible tax considerations. For further information as to taxes that apply to us and our subsidiaries, see note 22 to our annual consolidated financial statements.

WE ENCOURAGE EACH INVESTOR TO CONSULT WITH HIS OR HER OWN TAX ADVISOR AS TO THE PARTICULAR TAX CONSEQUENCES TO SUCH INVESTOR OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF OUR ORDINARY SHARES, INCLUDING THE EFFECTS OF APPLICABLE ISRAELI, U.S. FEDERAL, STATE, AND LOCAL TAXES.

Taxation in Israel

The following is a summary of the material Israeli tax consequences to purchasers of our ordinary shares. This summary does not discuss all the aspects of Israeli tax law that may be relevant to a particular investor in light of his or her personal investment circumstances or to some types of investors subject to special treatment under Israeli law. To the extent that the discussion is based on new tax legislation which has not been subject to judicial or administrative interpretation, we cannot assure you that the views expressed in the discussion will be accepted by the appropriate tax authorities or the courts. The discussion is not intended, and should not be construed, as legal or professional tax advice and is not exhaustive of all possible tax considerations.

Capital Gains Tax on Sales of Our Ordinary Shares

Israeli law generally imposes a capital gains tax on the sale of capital assets by residents of Israel, and by non-residents of Israel if those assets either (i) are located in Israel; (ii) are shares or a right to a share in an Israeli resident company; or (iii) represent, directly or indirectly, rights to assets located in Israel, unless a specific exemption is available or unless a double tax convention concluded between Israel and the shareholder's country of residence provides otherwise. The law distinguishes between real gain and inflationary surplus. The inflationary surplus is equal to the increase in the purchase price of the relevant asset attributable solely to the increase in the Israeli CPI, or a foreign currency exchange rate, between the date of purchase and the date of sale. The real gain is the excess of the total capital gain over the inflationary surplus.

As of January 1, 2012, capital gains derived by individuals from the sale of shares, whether listed on a stock market or not, purchased on or after January 1, 2003, will be taxed at the rate of 25%. However, if the individual shareholder is a "Significant Shareholder" (*i.e.*, a person who holds, directly or indirectly, alone or jointly with others, 10% or more of one of the Israeli resident company's means of control) at the time of sale or at any time during the preceding 12 month period, such gains will be taxed at the rate of 30%. In addition, capital gains derived by an individual claiming a deduction of financing expenses in respect of such gains will be taxed at the rate of 30%. However, different tax rates may apply to dealers in securities and shareholders who acquired their shares prior to an initial public offering. Israeli companies are subject to the corporate tax rate (26.5% for the 2014 tax year and for future tax years) on capital gains derived from the sale of shares.

The tax basis of our shares acquired prior to January 1, 2003, will generally be determined in accordance with the average closing share price in the three trading days preceding January 1, 2003. However, a request may be made to the Israeli tax authorities to consider the actual adjusted cost of the shares as the tax basis if it is higher than such average price.

As of January 1, 2013, shareholders that are individuals who have taxable income that exceeds NIS 800,000 in a tax year (linked to the CPI each year) (NIS 811,560 in 2014) will be subject to an additional tax, referred to as High Income Tax, at the rate of 2% on their taxable income for such tax year that is in excess of NIS 800,000. For this purpose taxable income will include taxable capital gains from the sale of our shares and taxable income from dividend distributions.

Capital gains derived from the sale of our shares by a non-Israeli shareholder may be exempt under the Israeli Income Tax Ordinance from Israeli taxation provided the following cumulative conditions are met: (i) the shares were purchased upon or after the registration of our shares on the stock exchange, (ii) the seller doesn't have a permanent establishment in Israel to which the derived capital gains are attributed, and (iii) if the seller is a corporation, (a) 25% or less of its means of control or (b) less than 25% of the beneficial rights to the revenues or profits of such corporation, whether directly or indirectly, are held by Israeli resident shareholders. In addition, the sale of our shares by a non-Israeli shareholder may be exempt from Israeli capital gain tax under an applicable tax treaty.

Pursuant to the Convention between the Government of the United States of America and the Government of Israel with Respect to Taxes on Income, as amended, or the U.S.- Israel Tax Treaty, the sale, exchange or disposition of ordinary shares by a person who (i) holds the ordinary shares as a capital asset, (ii) qualifies as a resident of the United States within the meaning of the U.S.-Israel Tax Treaty and (iii) is entitled to claim the benefits afforded to such resident by the U.S.-Israel Tax Treaty generally will not be subject to Israeli capital gains tax unless (i) either such resident holds, directly or indirectly, shares representing 10% or more of the voting power in the company during any part of the 12-month period preceding such sale, exchange or disposition, subject to certain conditions, or (ii) the capital gains from such sale, exchange or disposition can be allocated to a permanent establishment of the shareholder in Israel. If the above conditions are not met, the sale, exchange or disposition of ordinary shares would be subject to such Israeli capital gains tax to the extent applicable; however, under the U.S.-Israel Tax Treaty, such residents should be permitted to claim a credit for such taxes against U.S. federal income tax imposed with respect to such sale, exchange or disposition, subject to the limitations in U.S. laws applicable to foreign tax credits. The U.S.-Israel Tax Treaty does not relate to state or local taxes.

In some instances where our shareholders may be liable to Israeli tax on the sale of their ordinary shares, the payment of the consideration may be subject to the withholding of Israeli tax at the source.

Taxation of Dividends Distribution

A distribution of dividends to an Israeli resident individual will generally be subject to income tax at a rate of 25%. However, a 30% tax rate will apply if the dividend recipient is a Significant Shareholder at the time of distribution or at any time during the preceding 12 month period. If the recipient of the dividend is an Israeli resident company, such dividend will be exempt from income tax provided that the income from which such dividend is distributed was derived or accrued within Israel. A distribution of dividends from income attributable to an "Approved Enterprise", "Benefited Enterprise" or "Preferred Enterprise" under the Israeli Law for the Encouragement of Capital Investments, 5719-1959 will generally be subject to tax in Israel at the rate of 15%, or 20% for distribution of such income from the 2014 tax year and onwards (including for companies unless the income is attributable to a "Preferred Enterprise").

For information with respect to the applicability of High Income Tax on distribution of dividends, see "Capital Gains Tax on Sales of Our Ordinary Shares".

Under the Israeli Income Tax Ordinance, a non-Israeli resident (either individual or company) is generally subject to Israeli income tax on the receipt of dividends at the rate of 25% (30% if the dividends recipient is a Significant Shareholder), unless a different rate is provided in a treaty between Israel and the shareholder's country of residence. Under the U.S.- Israel Tax Treaty, the following rates will apply in respect of dividends distributed by an Israeli resident company to a U.S. resident: (i) if the U.S. resident is a corporation which holds during that portion of the tax year which precedes the date of payment of the dividend and during the whole of its prior tax year (if any), at least 10% of the outstanding shares of the voting stock of the Israeli resident paying company, and not more than 25% of the gross income of the Israeli resident paying company for such prior taxable year (if any) consists of certain type of interest or dividends - the tax rate is 12.5%, (ii) if both the conditions mentioned in section (i) above are met and the dividend is paid from an Israeli resident company's income generated by an "Approved Enterprise", "Benefited Enterprise" or "Preferred Enterprise" which was entitled to a reduced tax rate under the Israeli Law for the Encouragement of Capital Investments, 5719-1959 - the tax rate is 15%, and (iii) in all other cases, the tax rate is 25%. The aforementioned rates under the U.S. - Israel Tax Treaty will not apply if the dividend income was derived through a permanent establishment of the U.S. resident in Israel.

We are generally obligated to withhold Israeli tax at the source upon the distribution of a dividend, at the aforementioned rates.

A non-resident of Israel who has dividend income derived from or accrued in Israel, from which tax was withheld at source, is generally exempt from the duty to file tax returns in Israel in respect of such income, provided such income was not derived from a business conducted in Israel by the shareholder.

U.S. Federal Income Tax Considerations

Subject to the limitations described herein, this discussion summarizes certain U.S. federal income tax consequences of the purchase, ownership and disposition of our ordinary shares to a U.S. holder. A U.S. holder is a holder of our ordinary shares who is:

- an individual citizen or resident of the United States for U.S. federal income tax purposes;
- a corporation (or another entity taxable as a corporation for U.S. federal income tax purposes) created or organized under the laws of the United States, any political subdivision thereof or the District of Columbia;
- an estate, the income of which may be included in the gross income for U.S. federal income tax purposes regardless of its source; or

- a trust if, in general, (i) a U.S. court is able to exercise primary supervision over its administration and one or more U.S. persons have the authority to control all of its substantial decisions, or (ii) that has in effect a valid election under applicable U.S. Treasury Regulations to be treated as a U.S. person.

Unless otherwise specifically indicated, this discussion does not consider the U.S. tax consequences to a person that is not a U.S. holder (a “non-U.S. holder”) and considers only U.S. holders that will own the ordinary shares as capital assets (generally, for investment).

This discussion is based on current provisions of the Internal Revenue Code of 1986, as amended (the “Code”), current and proposed Treasury Regulations promulgated under the Code and administrative and judicial interpretations of the Code, all as currently in effect and all of which are subject to change, possibly with retroactive effect. This discussion does not address all aspects of U.S. federal income taxation that may be relevant to any particular U.S. holder based on the U.S. holder’s particular circumstances. In particular, this discussion does not address the U.S. federal income tax consequences to U.S. holders who are broker-dealers; who have elected mark-to-market accounting; who own, directly, indirectly or constructively, 10% or more of our outstanding voting shares; U.S. holders that received ordinary shares as a result of exercising employee stock options or otherwise as compensation; U.S. holders holding our ordinary shares as part of a hedging, straddle or conversion transaction; U.S. holders whose functional currency is not the U.S. dollar, real estate investments trusts, regulated investment companies, insurance companies, tax-exempt organizations, qualified retirement plan or individual retirement account; financial institutions, grantor trusts, S corporations; certain former citizens or long term residents of the United States; and persons subject to the alternative minimum tax, who may be subject to special rules not discussed below. Additionally, the possible application of U.S. federal estate, or gift taxes or any aspect of state, local or non-U.S. tax laws is not discussed.

If a partnership (or other entity treated as a partnership for U.S. Federal income tax purposes) holds our ordinary shares, the tax treatment of the partnership and a partner in such partnership will generally depend on the status of the partner and the activities of the partnership. Such a partner or partnership should consult its tax advisor as to its consequences.

Each holder of our ordinary shares is advised to consult his or her tax advisor with respect to the specific U.S. federal, state, local and foreign tax consequences to him or her of purchasing, holding or disposing of our ordinary shares.

Distributions

Subject to the discussion below under “Tax Consequences if We are a Passive Foreign Investment Company,” a distribution paid by us with respect to our ordinary shares to a U.S. holder will be treated as dividend income to the extent that the distribution does not exceed our current and accumulated earnings and profits, as determined for U.S. federal income tax purposes. The amount of a distribution with respect to our ordinary shares will equal the amount of cash and the fair market value of any property distributed and will also include the amount of any non-U.S. taxes withheld from such distribution. Dividends that are received by U.S. holders that are individuals, estates or trusts will be taxed at the rate applicable to long-term capital gains (current maximum rate of 20%), provided that such dividends meet the requirements of “qualified dividend income.” For this purpose, qualified dividend income generally includes dividends paid by a non-U.S. corporation if certain holding period and other requirements are met and either (a) the stock of the non-U.S. corporation with respect to which the dividends are paid is “readily tradable” on an established securities market in the U.S. (e.g., the NASDAQ Global Select Market) or (b) the non-U.S. corporation is eligible for benefits of a comprehensive income tax treaty with the U.S. which includes an information exchange program and is determined to be satisfactory by the U.S. Secretary of the Treasury. The United States Internal Revenue Service (“IRS”) has determined that the U.S.-Israel income tax treaty is satisfactory for this purpose. Dividends that fail to meet such requirements, and dividends received by corporate U.S. holders are taxed at ordinary income rates. No dividend received by a U.S. holder will be a qualified dividend if (1) the U.S. holder held the ordinary share with respect to which the dividend was paid for less than 61 days during the 121-day period beginning on the date that is 60 days before the ex-dividend date with respect to such dividend, excluding for this purpose, under the rules of Code Section 246(c), any period during which the U.S. holder has an option to sell, is under a contractual obligation to sell, has made and not closed a short sale of, is the grantor of a deep-in-the-money or otherwise nonqualified option to buy, or has otherwise diminished its risk of loss by holding other positions with respect to, such ordinary share (or substantially identical securities); or (2) to the extent that the U.S. holder is under an obligation (pursuant to a short sale or otherwise) to make related payments with respect to positions in property substantially similar or related to the ordinary share with respect to which the dividend is paid. If we were to be a “passive foreign investment company” (as such term is defined in the Code) for any taxable year, dividends paid on our ordinary shares in such year and in the following taxable year would not be qualified dividends. See discussion below regarding our PFIC status at “Tax Consequences If We Are a Passive Foreign Income Company.” In addition, a non-corporate U.S. holder will be able to take a qualified dividend into account in determining its deductible investment interest (which is generally limited to its net investment income) only if it elects to do so; in such case, the dividend will be taxed at ordinary income rates.

The amount of any distribution which exceeds the amount treated as a dividend will be treated first as a non-taxable return of capital, reducing the U.S. holder’s tax basis in its ordinary shares to the extent thereof, and then as capital gain from the deemed disposition of the ordinary shares. Corporate holders will not be allowed a deduction for dividends received in respect of the ordinary shares.

Dividends paid by us in NIS will be generally included in the income of U.S. holders at the dollar amount of the dividend (including any non-U.S. taxes withheld therefrom), based upon the exchange rate in effect on the date the distribution. U.S. holders will have a tax basis in the NIS for U.S. federal income tax purposes equal to that dollar value. Any subsequent gain or loss in respect of the NIS arising from exchange rate fluctuations will generally be taxable as U.S. source ordinary income or loss.

Subject to certain conditions and limitations set forth in the Code and the Treasury Regulations thereunder, including certain holding period requirements, U.S. holders may elect to claim as a foreign tax credit against their U.S. federal income tax liability the non-U.S. income taxes withheld from dividends received in respect of our ordinary shares. The limitations on claiming a foreign tax credit include, among others, computation rules under which foreign tax credits allowable with respect to specific classes of income cannot exceed the U.S. federal income taxes otherwise payable with respect to each such class of income. In this regard, dividends paid by us generally will be foreign source “passive income” for U.S. foreign tax credit purposes. U.S. holders that do not elect to claim a foreign tax credit may instead claim a deduction for the non-U.S. income taxes withheld if they itemize deductions for U.S. federal income tax purposes. The rules relating to foreign tax credits are complex, and U.S. holders should consult their tax advisors to determine whether and to what extent they would be entitled to this credit.

Disposition of Ordinary Shares

Subject to the discussion below under “Tax Consequences If We Are a Passive Foreign Investment Company,” upon the sale, exchange or other disposition of our ordinary shares (other than in certain nonrecognition transactions), a U.S. holder will recognize capital gain or loss in an amount equal to the difference between the amount realized on the disposition and the U.S. holder’s tax basis in our ordinary shares. The gain or loss recognized on the disposition of the ordinary shares will be long-term capital gain or loss if the U.S. holder held our ordinary shares for more than one year at the time of the disposition. Under current law, long-term capital gains are subject to a maximum rate of 20%. Capital gain from the sale, exchange or other disposition of our ordinary shares held for one year or less is short-term capital gain and taxed at ordinary income tax rates. Gain or loss recognized by a U.S. holder on a sale, exchange or other disposition of our ordinary shares generally will be treated as U.S. source income or loss for U.S. foreign tax credit purposes. A U.S. holder that receives foreign currency upon the disposition of our ordinary shares and converts the foreign currency into dollars after the settlement date (in the case of a cash method taxpayer or an accrual method taxpayer that elects to use the settlement date) or trade date (in the case of an accrual method taxpayer) may have foreign exchange gain or loss based on any appreciation or depreciation in the value of the foreign currency against the dollar, which will generally be U.S. source ordinary income or loss.

Medicare Tax

Subject to certain limitations and expectations, certain non-corporate U.S. holders may be subject to an additional 3.8% Medicare surtax on all or a portion of their “net investment income,” which may include dividends on, or capital gains recognized from the disposition of, our ordinary shares. U.S. holders are urged to consult their own tax advisors regarding the implications of the additional Medicare tax on their investment in our ordinary shares.

Tax Consequences if we are a Passive Foreign Investment Company

We will be a passive foreign investment company, or PFIC, if either (1) 75% or more of our gross income in a taxable year is passive income or (2) 50% or more of the value, determined on the basis of a quarterly average, of our assets in a taxable year produce or are held for the production of passive income. If we own (directly or indirectly) at least 25% by value of the stock of another corporation, we will be treated for purposes of the foregoing tests as owning our proportionate share of that other corporation’s assets and as directly earning our proportionate share of that other corporation’s income. If we are a PFIC, a U.S. holder must determine under which of three alternative taxing regimes it wishes to be taxed.

The “QEF” regime applies if the U.S. holder elects to treat us as a “qualified electing fund” (“QEF”) for the first taxable year in which the U.S. holder owns our ordinary shares or in which we are a PFIC, whichever is later, and if we comply with certain reporting requirements. If a QEF election is made after the first taxable year in which a U.S. holder holds our ordinary shares and we are a PFIC, then special rules would apply. If the QEF regime applies, then for each taxable year that we are a PFIC, such U.S. holder will include in its gross income a proportionate share of our ordinary earnings (which is taxed as ordinary income) and net capital gain (which is taxed as long-term capital gain), subject to a separate election to defer payment of taxes, which deferral is subject to an interest charge. These amounts would be included in income by an electing U.S. holder for its taxable year in which our taxable year ends, whether or not such amounts are actually distributed to the U.S. holder. A U.S. holder’s basis in our ordinary shares for which a QEF election has been made would be increased to reflect the amount of any taxed but undistributed income. Generally, a QEF election allows an electing U.S. holder to treat any gain realized on the disposition of its ordinary shares as capital gain. Once made, the QEF election applies to all subsequent taxable years of the U.S. holder in which it holds our ordinary shares and for which we are a PFIC, and the QEF election can be revoked only with the consent of the IRS.

A second regime, the “mark-to-market” regime, may be elected so long as our ordinary shares are “marketable stock” (*e.g.*, “regularly traded” on the NASDAQ Global Select Market). If the mark-to-market election is made after the first taxable year in which a U.S. holder holds our ordinary shares and we are a PFIC, then special rules would apply. Pursuant to this regime, an electing U.S. holder’s ordinary shares are marked-to-market each taxable year that we are a PFIC, and the U.S. holder recognizes as ordinary income or loss the amount equal to the difference as of the close of the taxable year between the fair market value of our ordinary shares and the U.S. holder’s adjusted tax basis in our ordinary shares. Losses are allowed only to the extent of net mark-to-market gain previously included by the U.S. holder under the election for prior taxable years. An electing U.S. holder’s adjusted basis in our ordinary shares is increased by income recognized under the mark-to-market election and decreased by the deductions allowed under the election. Under the mark-to-market election, in a taxable year that we are a PFIC, gain on the sale of our ordinary shares is treated as ordinary income, and loss on the sale of our ordinary shares, to the extent the amount of loss does not exceed the net mark-to-market gain previously included, is treated as ordinary loss. Any loss on the sale of our ordinary shares in excess of net mark-to-market gain previously included is generally treated as a capital loss. The mark-to-market election applies to the taxable year for which the election is made and all later taxable years, unless the ordinary shares cease to be marketable stock or the IRS consents to the revocation of the election.

A U.S. holder making neither the QEF election nor the mark-to-market election is subject to the “excess distribution” regime. Under this regime, “excess distributions” are subject to special tax rules. An excess distribution is either (1) a distribution with respect to our ordinary shares that is greater than 125% of the average distributions received by the U.S. holder from us over the shorter of either the preceding three taxable years or such U.S. holder’s holding period for our ordinary shares prior to the distribution year, or (2) gain from the disposition of our ordinary shares (including gain deemed recognized if the ordinary shares are used as security for a loan).

Excess distributions must be allocated ratably to each day that a U.S. holder has held our ordinary shares. A U.S. holder must include amounts allocated to the current taxable year, as well as amounts allocated to taxable years prior to the first taxable year in which we were a PFIC, in its gross income as ordinary income for that year. All amounts allocated to other taxable years would be taxed at the highest tax rate for each such prior taxable year applicable to ordinary income and the U.S. holder also would be liable for interest on the deferred tax liability for each such taxable year calculated as if such liability had been due with respect to each such taxable year. A U.S. holder who inherits shares in a non-U.S. corporation that was a PFIC in the hands of the decedent generally is denied the otherwise available step-up in the tax basis of such shares to fair market value at the date of death. Instead, such U.S. holder would generally have a tax basis equal to the lesser of the decedent’s basis or the fair market value of the ordinary shares on the date of the decedent’s death.

We believe that we were not a PFIC in 2014. However, since the determination of whether we are a PFIC is based upon such factual matters as our market capitalization, the valuation of our assets, the assets of companies held by us in certain cases and certain assumptions and methodologies in which we have based our analysis, there can be no assurance that the IRS will agree with our position. In addition, there can be no assurance that we will not become a PFIC for the current taxable year ending December 31, 2015 or in any future taxable year. We will notify U.S. holders in the event we conclude that we will be treated as a PFIC for any taxable year to enable U.S. holders to consider whether or not to elect to treat us as a QEF for U.S. federal income tax purposes, or to “mark-to-market” the ordinary shares or to become subject to the “excess distribution” regime. If we are a PFIC, U.S. holders will generally be required to file an annual report with the IRS.

U.S. holders are urged to consult their tax advisors regarding the application of the PFIC rules, including eligibility for and the manner and advisability of making, the QEF election or the mark-to-market election.

Non-U.S. Holders

Subject to the discussion below under “Information Reporting and Back-up Withholding,” a non-U.S. holder of our ordinary shares generally will not be subject to U.S. federal income or withholding tax on the payment of dividends on, and the proceeds from the disposition of, our ordinary shares, unless, in the case of U.S. federal income taxes (i) the item is effectively connected with the conduct by the non-U.S. holder of a trade or business in the United States and in the case of a resident of a country which has a treaty with the United States, the item is attributable to a permanent establishment, or in the case of an individual, the item is attributable to a fixed place of business in the United States, or (ii) the non-U.S. holder is an individual who holds the ordinary shares as a capital asset, is present in the United States for 183 days or more in the taxable year of the disposition and certain other conditions are met.

Information Reporting and Backup Withholding

U.S. holders (other than certain exempt recipients such as corporations) generally are subject to information reporting requirements with respect to dividends paid on our ordinary shares in the United States or by a U.S. payor or U.S. middleman or the gross proceeds from disposing of our ordinary shares. U.S. holders generally are also subject to backup withholding (currently 28%) on dividends paid in the United States or by a U.S. payor or U.S. middleman on our ordinary shares and on the gross proceeds from disposing of our ordinary shares, unless the U.S. holder provides an IRS Form W-9 or is otherwise exempt from backup withholding.

Certain U.S. holders (and to the extent provided in IRS guidance, certain non-U.S. holders) who hold interests in “specified foreign financial assets” (as defined in Section 6038D of the Code) are generally required to file an IRS Form 8938 as part of their U.S. federal income tax returns to report their ownership of such specified foreign financial assets, which may include our ordinary shares, if the total value of those assets exceed certain thresholds. Substantial penalties may apply to any failure to timely file IRS Form 8938. In addition, in the event a holder that is required to file IRS Form 8938 does not file such form, the statute of limitations on the assessment and collection of U.S. federal income taxes of such holder for the related tax year may not close until three years after the date that the required information is filed. Holders should consult their own tax advisors regarding their tax reporting obligations.

Non-U.S. holders generally are not subject to information reporting or backup withholding with respect to dividends paid on our ordinary shares in the United States or by a U.S. payor or U.S. middleman or the gross proceeds from the disposition of our ordinary shares, provided that such non-U.S. holder certifies to its foreign status, or is otherwise exempt from backup withholding or information reporting.

The amount of any backup withholding may be allowed as a credit against a holder’s U.S. federal income tax liability and may entitle such holder to a refund provided that certain required information is timely furnished to the IRS.

F. DIVIDENDS AND PAYING AGENTS

Not applicable.

G. STATEMENT BY EXPERTS

Not applicable.

H. DOCUMENTS ON DISPLAY

We are subject to the informational requirements of the Exchange Act that are applicable to a foreign private issuer. As a foreign private issuer, we are exempt from the rules under the Exchange Act prescribing the furnishing and content of proxy statements, and our officers, directors and principal shareholders are exempt from the reporting and “short-swing” profit recovery provisions contained in Section 16 of the Exchange Act. In addition, we are not required under the Exchange Act to file periodic reports and financial statements with the SEC as frequently or as promptly as United States companies whose securities are registered under the Exchange Act.

However, we file annual reports with, and furnish other information to, the SEC. These materials, including this annual report and the exhibits hereto, may be inspected and copied at the SEC’s Public Reference Room at 100 F Street, N.E., Room 1580, Washington D.C. 20549. Copies of the materials may be obtained from the Public Reference Room of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. The public may obtain information on the operation of the SEC’s Public Reference Room by calling the SEC in the United States at 1-800-SEC-0330. Additionally, copies of the materials may be obtained from the SEC’s website at <http://www.sec.gov>.

I. SUBSIDIARY INFORMATION

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Management of financial risks

Our operations expose us to risks that relate to various financial instruments, such as market risks (including currency risk, fair value risk with respect to interest rates, cash flow risk with respect to interest rates and other price risk), credit risk and liquidity risk.

Market risk is the risk that the fair value of future cash flow of financial instruments will fluctuate because of changes in market prices.

Credit risk is the risk of financial loss to us if counterparty to a financial instrument fails to meet its contractual obligations.

Liquidity risk is the risk that we will not be able to meet our financial obligations as they become due.

Our comprehensive risk management program focuses on actions to minimize the possible negative effects on our financial performance. In certain cases we use derivatives financial instruments in order to mitigate certain risk exposures.

Our board of directors has overall responsibility for the establishment and oversight of our risk management framework. Our board of directors is managing the risks faced by us, and confirms that all appropriate actions have been or are being taken to address any weaknesses.

As of December 31, 2014, we had exposure to the following risks that are related to financial instruments:

Foreign currency risk

We have international activities in many countries and, therefore, we are exposed to foreign currency risks as a result of fluctuations in the different exchange rates. Foreign currency risks are derived from transactions executed and/or financial assets and liabilities held in a currency which is different than the functional currency of our entity which executed the transaction or holds these financial assets and liabilities. In order to minimize such exposure, our policy is to hold financial assets and liabilities in a currency which is the functional currency of that entity. Our functional currency is the NIS and our investees use different functional currencies (mainly the Euro, Indian Rupee, and the Romanian RON).

The following table details sensitivity analysis to a change of 10% in our main foreign currencies, as of December 31, 2014, against the relevant functional currency and their effect on the statements of income and the shareholder's equity (before tax and before capitalizing any exchange results to qualified assets):

	<u>Functional currency</u>	<u>Linkage currency</u> (in NIS thousands)	<u>Change in the exchange rate (%)</u>	<u>Profit (loss)</u>
Financial assets				
Cash and deposits	NIS	Euro	+10%	3,940
Cash and deposits	NIS	U.S. dollar	+10%	1,014
Cash and deposits	Euro	PLN	+10%	1,354
Cash and deposits	Euro	RON	+10%	1,041
Cash and deposits	Euro	U.S. dollar	+10%	729
Total				8,078
Financial Liabilities				
Loans at amortized cost	NIS	U.S. dollar	+10%	(18,329)
Loans at amortized cost	Euro	PLN	+10%	(6,249)
Notes at amortized cost	Euro	NIS	+10%	(70,697)
Loans at amortized cost	RON	Euro	+10%	(29,499)
Total				(124,774)

Credit risk

We hold cash and cash equivalents, short-term investments and other long-term investments in financial instruments in various reputable banks and financial institutions. These banks and financial institutions are located in different geographical regions, and it is our policy to disperse our investments among different banks and financial institutions. Our maximum credit risk exposure is approximately the financial assets presented in the balance sheet in our annual consolidated financial statements.

Due to the nature of their activity, our companies which operate in the hotels are not materially exposed to credit risks stemming from dependence on a given customer. Our companies examine on an ongoing basis the credit amounts extended to their customers and, accordingly, record a provision for doubtful debts based on those factors they consider having an effect on specific customers.

Interest rate risk

Fair value risk

A significant portion of our long-term loans and notes bear a fixed interest rate and are therefore, exposed to change in their fair value as a result of changes in the market interest rate. The vast majority of these loans and notes are measured at amortized cost and therefore changes in the fair value will not have any effect on the statement of income.

As of December 31, 2013, PC had issued two series of notes which were presented at FVTPL: Series A in a total aggregate amount of NIS 305 million (approximately \$78 million), and Series B in a total aggregate amount of NIS 799 million (approximately \$205 million). PC's Series A and B notes are linked to the Israeli consumer price index and bear a fixed interest rate of 4.5% to 5.4% per annum. Close to the date of their issuance, PC entered into cross currency Euro-NIS interest rate swap transactions in respect of the entire amount of Series A notes. Such swap transaction was settled in January 2009. The notes (other than those for which a swap transaction was not executed) were designated at fair value through profit and loss since it significantly reduced a measurement inconsistency with the said derivative. Until the date of the closing of the Amended PC Plan in December 2014, the notes were presented at FVTPL although the swap was settled. The notes were mainly exposed to changes in the Euro / NIS exchange rate, the Israeli consumer price index and the market interest rates. After the closing of the Amended PC Plan all PC's notes are presented at amortized cost. In respect of EURO-PLN cross currency interest rate swap related to PC PLN notes at amortized cost (see cash flow risk), this swap transaction was settled during March 2013 for a cash consideration of NIS 3.8 million.

Cash flow risk

Part of our long-term borrowings are bearing variable interest rates. Cash and cash equivalents, short-term deposits and short-term bank credits are mainly deposited in or obtained at variable interest rates. Changes in the market interest rate will affect our finance income and expenses and our cash flow.

In certain cases we use interest rate swap transaction in order to swap loans with a variable interest rate to fixed interest rate or alternatively entering into loans with a fixed interest rate.

The following table presents the effect of an increase of 2% in the LIBOR rate with respect to financial assets and liabilities as of December 31, 2014, which are exposed to cash flow risk (before tax and before capitalization to qualifying assets):

	Profit (loss) NIS thousands
Deposits linked to the Euro	359
Loans linked to the U.S. dollar	(3,666)
Loans linked to the Euro	(13,584)
Loans linked to the INR	(2,085)
Notes linked to the PLN	(1,250)
	<u>(20,595)</u>

The following table presents our long-term financial liabilities classified according to their interest rate and their contractual maturity date: (*)

Functional Currency	Linkage Currency	Interest Rate %	Average Interest Rate %	Repayment Years						Total
				1	2	3	4	5	6 and thereafter	
				NIS million						
€	PLN	8.48	8.48	-	-	64.7	-	-	-	64.7
€	€	Euribor + 1.5-5.5	4	167.9	12.6	213.7	98.7	5.2	110.3	608.4
€	€	Euribor + 1.75	2	5.9	65	-	-	-	-	70.9
€	NIS (linked to CPI)	6-6.9	6-6.9	-	57.9	400.1	327.5	57.9	-	843.4
€	€	2.436-2.963	2.436-2.963	2.3	2.4	2.5	2.6	2.6	12.7	25.1
NIS	U.S. dollar	Libor+5.1	5.36	-	-	186.4	-	-	-	186.4
NIS	NIS (linked to CPI)	6	6	-	-	-	446.5	217.3	-	663.8
RON	€	Euribor + 4.6	4.68	12.4	282.6	-	-	-	-	295
INR	INR	Base rate+3.25	13.25	11.6	13.2	15.1	17.2	19.7	31.4	108.2
				<u>200.1</u>	<u>433.7</u>	<u>882.5</u>	<u>892.5</u>	<u>302.7</u>	<u>154.4</u>	<u>2,865.9</u>

Israeli consumer price index risk

A significant portion of our borrowings consists of notes raised by us on the TASE and which are linked to the increase in the Israeli consumer price index above the base index at the date of the notes issuance. An increase of 3% in the Israeli consumer price index will cause an increase in our finance expenses for the year ended December 31, 2014 (before tax and capitalizations of finance expenses to qualified assets) in the amount of NIS 45.9 million (approximately \$12 million).

Fair value of financial instruments

Our financial instruments primarily include cash and cash equivalents, short and long-term deposits, marketable securities, trade receivables, short and long-term other receivables, short-term banks credit, other current liabilities and long-term monetary liabilities.

The fair value of traded financial instruments (such as marketable securities and notes) is generally calculated according to quoted closing prices as of the balance sheet date, multiplied by the issued quantity of the traded financial instrument as of that date. The fair value of financial instruments that are not traded is estimated by means of accepted pricing models, such as present value of future cash flows discounted at a rate that, in our assessment, reflects the level of risk that is incorporated in the financial instrument. We rely, in part, on market interest which is quoted in an active market, as well as on various techniques of approximation. Therefore, for most of the financial instruments, the estimation of fair value presented below is not necessarily an indication of the realization value of the financial instrument as of December 31, 2014. The estimation of fair value is carried out, as mentioned above, according to the discount rates in proximity to such date and does not take into account the variability of the interest rates from the date of the computation through the date of issuance of the financial statements. Under an assumption of other discount rates, different fair value assessments would be received which could be materially different from those estimated by us, mainly with respect to financial instruments at a fixed interest rate. Moreover, in determining the assessments of fair value, the commissions that could be payable at the time of repayment of the instrument have not been taken into account and they also do not include any tax effect. The difference between the balances of the financial instruments as of the balance sheet date and their fair value as estimated by us may not necessarily be realizable, in particular in respect of a financial instrument which will be held until redemption date.

Following are the principal methods and assumptions which served to compute the estimated fair value of the financial instruments:

- a) **Financial instruments included in current assets** - (cash and cash equivalents, deposits and marketable securities, trade receivables, other current assets and assets related to discontinued operations) - due to their nature, their fair values approximate to those presented in the balance sheet.
- b) **Financial instruments included in non-current assets** - the fair value of loans and deposits which bear variable interest rate is an approximation to those presented in the balance sheet.
- c) **Financial instruments included in current liabilities** - (short-term credit, suppliers, other current liabilities and liabilities related to discontinued operations) - due to their nature, their fair values approximate to those presented in the balance sheet. The fair value of derivatives (mainly swap transactions) is done mainly by relying on valuations performed by third party experts, which take into account the expected future cash flow based on the terms and maturity of each contract using market interest rates for a similar instrument prevailing at the measurement date.
- d) **Financial instruments included in long-term liabilities** - The fair value of the traded liabilities (notes) is determined according to closing prices as of December 31, 2014 quoted on the Tel Aviv and Warsaw Stock Exchanges, multiplied by the quantity of the marketable financial instrument issued as of that date. The fair value of non-traded liabilities at a fixed interest rate is determined according to the present value of future cash flows, discounted at a rate which reflects, in our estimation, the level of risk embedded in the financial instrument. The fair value of liabilities which carried variable interest rate is approximately the amounts presented in the balance sheet.

The following table presents the book value and fair value of our financial assets (liabilities), which are presented in the financial statements at other than their fair value:

	As of December 31, 2014	
	Book Value	Fair Value
Long- term loans at fixed interest rate	(322,675)	(322,675)
Debentures	(1,341,535)	(1,217,671)
	(1,664,210)	(1,540,346)

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Not applicable.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

On November 14, 2013, PC announced that its board has concluded that it will withhold payment of €15 million (approximately NIS 72 million) due from PC to its Polish note holders on November 18, 2013 and approximately €17 million (approximately NIS 81 million) due from PC to its Israeli note holders on December 31, 2013.

In addition, PC stated that in the meantime, PC will refrain from incurring additional material financial liabilities.

As reported by PC, as of the date of this annual report PC holds approximately €23 million (approximately NIS 110 million) of free cash balances while an additional approximately €10 million (approximately NIS 48 million) of cash is held as restricted cash on a consolidated basis. PC's financial statements for the period ending on December 31, 2013 include an emphasis of PC's liquidity situation and potential impact on PC's ability to continue operating as a going concern.

For more information regarding PC's debt restructuring plan, see "Item 5 - Operating and Financial Review and Prospects".

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

None.

ITEM 15. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures.

Our management, with the participation of our principal executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) as of December 31, 2014. Based on this evaluation, our principal executive officer and chief financial officer concluded that, as of December 31, 2014, our disclosure controls and procedures were effective, in that they provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over our financial reporting, as such term is defined in Rule 13a-15(f) under the Exchange Act. Internal control over financial reporting is designed to provide reasonable assurance to our management and the board of directors regarding the reliability of financial reporting and the preparation and fair presentation of published financial statements for external purposes in accordance with generally accepted accounting principles. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurances with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may decline.

Our management evaluated the effectiveness of our internal control over financial reporting established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on the above, our management has assessed and concluded that, as of December 31, 2014, our internal control over financial reporting is effective.

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

In accordance with NASDAQ Corporate Governance Rules, our board of directors has determined that both Mr. Zvi Tropp and Ms. Elina Frenkel Ronen are “audit committee financial experts” as defined in the instructions to Item 16A. of Form 20-F and are independent in accordance with the NASDAQ listing standards for audit committees applicable to us.

ITEM 16B. CODE OF ETHICS

Our principal executive officer, principal financial officer as well as all other directors, officers and employees are bound by a Code of Ethics and Business Conduct. Our Code of Ethics and Business Conduct is posted on and can be accessed via our web-site at www.elbitimaging.com. We will provide any person, without charge, upon request, a copy of our Code of Ethics. Such request should be submitted to our Corporate Secretary at 5 Kinneret St., Bnei-Brak 5126237, Israel and should include a return mailing address.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Fees billed by Brightman Almagor Zohar & Co., a firm of certified public accountants in Israel and a member firm of Deloitte Touche Tohmatsu, and other Deloitte member firms (“Deloitte”) for professional services for each of the last two fiscal years were as follows:

Services Rendered	2013 Fees	2014 Fees
Audit (a)	\$ 586,901	\$ 547,088
Audit-related (b)	\$ 49,970	-
Tax (c)	\$ 58,957	\$ 79,571
All other fees (d)	-	-
Total	\$ 708,286	\$ 626,659

(a) Audit Fees

“Audit Fees” are the aggregate fees billed for the audit of our annual financial statements; audit in accordance with section 404 of the Sarbanes-Oxley Act of 2002, statutory audits and services that are normally provided in connection with statutory and regulatory filings or engagements.

(b) Audit-Related Fees

“Audit-Related Fees” are the aggregate fees billed for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements and are not reported under Audit Fees.

In 2013, Audit-Related Fees included mainly work related to restatement our annual report for the year ended in December 31, 2012 following the SEC review. There were no such fees in 2014.

(c) Tax Fees

“Tax Fees” are the aggregate fees billed for professional services rendered for tax compliance, tax advice on actual or contemplated transactions and tax consultations regarding tax audits, tax opinions and tax pre-rulings.

(d) All Other Fees

“All Other Fees” are the aggregate fees billed for products and services provided by Deloitte other than as described above. There were no such fees in 2014 and 2013.

(e) Pre-Approval Policies and Procedures

Our audit committee oversees the appointment, compensation, and oversight of the registered public accounting firm engaged to prepare and issue an audit report on our financial statements. The audit committee's specific responsibilities in carrying out its oversight role include the approval of all audit and non-audit services to be provided by our registered public accounting firm and quarterly review of its non-audit services and related fees. These services may include audit services, audit-related services, permitted tax services and other services, as described above. The audit committee approves in advance the particular services or categories of services to be provided to us during the following yearly period and also sets forth a specific budget for such audit and non-audit services. Additional services may be pre-approved by the audit committee on an individual basis throughout the year.

None of the Audit-Related Fees, Tax Fees or Other Fees paid by us for services provided by Deloitte were approved by the audit committee pursuant to the *de minimis* exception to the pre-approval requirement provided by Section 10A of the Exchange Act.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE COMPANY AND AFFILIATED PURCHASERS

Purchases of equity securities by the Company

No purchases of any of our equity securities (either pursuant to or not pursuant to any publicly announced plans or programs) were made by or on behalf of us during 2014.

Repurchases of PC's notes by PC

In May 2011, PC's Board of Directors approved a repurchase plan in the aggregate amount of up to NIS 150 million (approximately \$39 million) of its Series A and B Notes. Following the expiration of the repurchase plan, on December 23, 2011, PC's Board of Directors approved another repurchase plan of up to NIS 150 million (approximately \$39 million) of its Series A and B Notes. In November 2012, PC's Board approved the extension of the repurchase plan to be concluded by December 31, 2014 with a maximum amount to be purchased of up to NIS 600 million (approximately \$158 million) instead of NIS 150 million.

The repurchases were and will be made either on the open market, privately negotiated transactions, or a combination of the two.

PC's subsidiary has secured a credit facility provided by a bank by granting first ranking charges on the repurchased notes.

ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

None.

ITEM 16G. CORPORATE GOVERNANCE

We follow the Companies Law, the relevant provisions of which are summarized in this annual report, rather than comply with the NASDAQ requirements relating to: (i) the quorum for adjourned shareholder meetings, as described in "Item 10.B. Memorandum and Articles of Association - Voting Rights"; (ii) executive sessions of independent directors, which are not required under the Companies Law; and (iii) shareholder approval with respect to issuance of securities under equity based compensation plans. NASDAQ rules generally require shareholder approval when an equity based compensation plan is established or materially amended, but we follow the Companies Law, which requires approval of the board of directors or a duly authorized committee thereof, unless such arrangements are for the compensation of directors, in which case they also require compensation committee and shareholder approval.

ITEM 16H. MINE SAFETY DISCLOSURE

Not applicable.

ITEM 17. FINANCIAL STATEMENTS

In lieu of responding to this item, we have responded to Item 18 of this annual report.

ITEM 18. FINANCIAL STATEMENTS

Our consolidated financial statements for the period ending December 31, 2013 are set forth in our current report on Form 6-K filed with the SEC on March 31, 2014, and are incorporated by reference herein.

The following financial statements and related auditors’ report are filed as Exhibit 15.2 to this annual report:

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PART III

ITEM 19. EXHIBITS

1.1	Amended and Restated Memorandum of Association (incorporated by reference to Exhibit 3.1 of our Registration Statement on Form F-1 filed on March 13, 2014).
1.2	Amended and Restated Articles of Association (incorporated by reference to Exhibit 3.2 of our Registration Statement on Form F-1 filed on March 13, 2014).
2.1	Form of ordinary share certificate (incorporated by reference to Exhibit 3.3 of our Registration Statement on Form F-1 filed on March 13, 2014).
4.1	Summary of the letter of undertaking dated March 21, 2013 among the Company and the trustees of the Company's Series 1, C, D, E, F and G note holders (incorporated by reference to Exhibit 99.1 of our Report on Form 6-K filed on March 21, 2013).
4.3	English translation of Deed of Trust dated January 31, 2008, between Plaza Centers N.V. and Reznik Paz Nevo, as amended on February 17, 2008 (incorporated by reference to Exhibit 4.6 of our Annual Report on Form 20-F filed on June 30, 2008).
4.4	English translation of Employees, Directors and Offices Incentive Plan of 2006, as amended (incorporated by reference to Exhibit 4.6 of our Annual Report on Form 20-F filed on June 26, 2009).
4.7	Agreement of Purchase and Sale, dated as of January 10, 2012, among certain sellers and BRE DDR RETAIL HOLDINGS LLC (incorporated by reference to Exhibit 4.10 of our Annual Report on Form 20-F filed on April 25, 2012).
4.8	First Amendment to Agreement of Purchase and Sale, dated as of January 24, 2012, among certain sellers and BRE DDR RETAIL HOLDINGS LLC (incorporated by reference to Exhibit 4.11 of our Annual Report on Form 20-F filed on April 25, 2012).
4.10	English translation of the Plan of Arrangement as approved by the Tel-Aviv Jaffa District Court on January 1, 2014 (incorporated by reference to Exhibit 4.10 of our Annual Report on Form 20-F filed on April 30, 2014).
4.11	English translation of the Company's compensation policy for officers and directors, adopted on August 14, 2014 (incorporated by reference to Exhibit 99.2 of our Report on Form 6-K filed on July 11, 2014).
4.12	Restructuring Plan of Plaza Centers N.V. as approved by the District Court of Amsterdam in the Netherlands on July 10, 2014.
4.13	Series D Preferred Share Purchase Agreement, dated as of June 26, 2014, among certain purchasers and InSightec, as amended on September 7, 2014 and on December 15, 2014.
4.14	Compensation Plan for the Chairman of our Board (incorporated by reference to Exhibit 99.2 of our Report on Form 6-K filed on July 11, 2014).
	Terms of Consultancy Agreement with our director Boaz Lifschitz (incorporated by reference to Exhibit 99.2 of our Report on Form 6-K filed on July 11, 2014).
8.1	List of subsidiaries (incorporated by reference to Exhibit 8.1 of our Annual Report on Form 20-F filed on April 30, 2014).
12.1	Certification of the principal executive officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
12.2	Certification of the principal financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
13.1	Certification of the principal executive officer and principal financial officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
15.1	Annual Consolidated Financial Statements as of December 31, 2014 for the years ended December 31, 2014, 2013 and 2012 (incorporated by reference to Exhibit 99.1 of our Report on Form 6-K filed on March 30, 2015).
15.2	Annual Condensed Financial Statements as of December 31, 2014 for the years ended December 31, 2014, 2013 and 2012.

SIGNATURES

The Registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to hereby sign this annual report on its behalf.

Elbit Imaging Ltd.

By: /s/ Ron Hadassi

Name: Ron Hadassi

Title: Chairman of the Board of Directors

Date: April 30, 2015

RESTRUCTURING PLAN
(akkoord)

proposed by

PLAZA CENTERS N.V.
a public company incorporated in the Netherlands,
registered with the Dutch Chamber of Commerce, no. 33248324 (the “**Company**”)

in accordance with Article 252 of the Dutch Bankruptcy Code

to

The holders of unsecured Israeli Series A Notes issued by the Company

The holders of unsecured Israeli Series B Notes issued by the Company

The holders of unsecured Polish Bonds issued by the Company

All other unsecured non-preferred creditors of the Company

This Plan becomes effective on the Effective Date

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1. EXPLANATORY STATEMENT TO THE PLAN

1.1. The Company

- 1.1.1. The Company (www.plazacenters.com) is a leading emerging markets developer of shopping and entertainment centres in central and eastern Europe. It focuses on constructing new shopping and entertainment centres and, where there is significant redevelopment potential, redeveloping existing centres in capital cities and important regional centres. The Company's shares are admitted to the premium listing segment of the Official List of the UK Listing Authority and to trading on the main market for listed securities of the London Stock Exchange plc and, as of 19 October 2007, on the Warsaw Stock Exchange (LSE: "PLAZ", WSE: "PLZ/PLAZACNTR"). The Company is an indirect subsidiary of Elbit Imaging Ltd., an Israeli public company whose shares are traded on both the Tel Aviv Stock Exchange in Israel and on the NASDAQ Global Market in the United States.

1.2. Background of the Plan

- 1.2.1. The Company has been faced with challenging market conditions for some years. Adverse market conditions have primarily been caused by the underlying economic situation in many of the countries in which the Company operates, combined with the lack of transactional liquidity in the investment markets for assets such as those owned by the Company and the on-going lack of traditional bank financing available to real estate developers and investors.
- 1.2.2. Although the Company's management team has made considerable progress in re-positioning the Company's business model to ensure that it is focused on the deleveraging of its balance sheet and the recycling of capital, primarily through the disposal of its non-core assets, the Company has not been able to complete these transactions within a timeframe that will enable it to meet its short term obligations towards Bondholders (as defined herein). As a result, the Company is faced with significant liquidity problems.
- 1.2.3. Notwithstanding the liquidity issues, the Company continues to have a strong balance sheet, with a significant positive current net asset value, and owns assets and development opportunities that offer significant potential to deliver returns over the medium to long term.
- 1.2.4. Accordingly, the Company believes that, on a going concern basis, it retains substantial value for its stakeholders and will be able to repay its creditors in full, while the Company is certain that a forced liquidation would cause creditors and shareholders to incur significant losses.

1.3. Purpose and Summary of the Plan

- 1.3.1. The Plan is addressed to, and only binds the ordinary unsecured creditors of the Company.
- 1.3.2. The purpose of the Plan is to provide the Company with the ability to preserve value for its creditors by giving it time to resolve its liquidity situation and thereby avoiding a liquidation scenario. This will primarily be achieved through a deferral of payment obligations. Apart from the proposed payment deferral, the terms of the Plan do not require Noteholders to take a loss on the par value of their outstanding exposures.
- 1.3.3. Under the proposed terms of the Plan the principal payments under the Notes will be deferred by a period of 1 – 4,5 years, depending on the circumstances, as set forth in section 3.1 below.
- 1.3.4. The Company shall use a certain portion (at least 75%, subject to adjustments) of the Net Cash Flow that it receives from Dispositions of Real Estate Assets or new financings (including re-financing) in certain events to make early prepayments on the Notes and will be entitled to make further or other early prepayments on the Notes at any time without incurring a penalty.
- 1.3.5. As compensation for the deferral the Noteholders will receive an additional 1.5% annual interest payable on the Notes. In addition, they will receive Company shares representing effectively ca. 13.21% of the outstanding share capital and the voting rights in the Company (post such issuance and post Capital Injection).
- 1.3.6. Under the proposed terms of the Plan, Guarantee Claims (as defined below) will be deferred for a period of four years and will only be enforceable after the collateral granted as security for the underlying loan has been realized. The amount of the Guarantee Claim will be reduced to the extent that the collateral is sold at a price below 90% of the fair market value as determined by a reputable appraiser. It is expected that creditors of Guarantee Claims will effectively be repaid in full with priority from the proceeds of the collateral provided for the underlying loans.
- 1.3.7. Claims of all other ordinary unsecured creditors will be deferred for a period of four years.
- 1.3.8. In order to further strengthen the position of the creditors, the Company shall raise additional capital in the amount of approximately EUR 20 million by means of a rights issue.

- 1.3.9. The Plan includes “negative pledge”, “no new Financial Indebtedness” and “Coverage Ratio” covenants (subject to certain exceptions) in favour of all creditors bound by this Plan and certain limitations on “Distributions” (including dividends). In addition, the Plan includes certain financial covenants with respect to the realization of certain Real Estate Assets of the Group and with respect to the purchase and development of Real Estate Assets.
- 1.3.10. The Plan includes a mutual “waiver from claims” provision, in favour of the Company, the shareholders of the Company, and their respective directors and officers, the Noteholders and the Israeli Trustees, and other affiliated parties, as detailed below.
- 1.3.11. The Company is confident that, upon implementation of the Plan, the long term viability of the Company will be secured and the Company will be able to repay its creditors in full in accordance with the terms of the Plan.

2. DEFINED TERMS AND INTERPRETATION

2.1. Defined Terms

- 2.1.1. In this Plan, the following words and expressions have, unless the context otherwise requires, the meanings set out below:

Additional Capital Injection	A capital injection into the Company after the Amendment Date either against issuance of Shares or in the form of Subordinated Debt, in an accumulated amount of at least EUR 20 million, which is in addition to and beyond the Capital Injection.
Additional Israeli Notes	The additional Israeli Notes issued to Israeli Noteholders in satisfaction of unpaid interest accrued on the Israeli Notes until 31 December 2013 in accordance with clause 3.1.4.
Additional Shares	The additional Shares to be issued to the Israeli Trustees in accordance with section 3.2.
Amendment Date	The Amendment Date is the date on which the amendment of the Original Terms of the Notes enters into effect as set by the Company in accordance with section 3.1.16. It is hereby clarified that in any event the Amendment Date will occur after 5 the Effective Date as defined below.

Annex

An annex to this Plan.

Asset Value

The value of the Company's rights in all assets held directly by the Company or indirectly through Subsidiaries or affiliated companies (in such case, the value of the relevant asset shall be multiplied by the effective holding percentage of the Company in the Subsidiary or the affiliated company which holds the relevant asset, as the case may be), all of which in accordance with the most up-to-date valuations as available to the Company on the date of determination of the Asset Value, and if and to the extent at such date, in the opinion of the Company's management, a devaluation occurs (with respect to the up-to-date valuation) with regard to any such asset, the value of the asset will be updated accordingly. For the purpose of calculating the Asset Value, the value of the Casa Radio project in Romania (a mixed use retail, leisure and office project comprising GBA 555,000 sqm including parking spaces) shall be: (i) EUR 50 million; or (ii) the fire sale value appraised on a distressed basis, in the event that: (a) an investor or a partner has entered into a participation (directly or indirectly) entitling him to at least 20% of the economic interest in the Casa Radio project or (b) a binding arrangement is reached with the relevant Romanian authorities with respect to the timetable for executing the Casa Radio project or an agreement is reached on the extension of the term of the lease of the land that is used for the Casa Radio project or (c) the Group has entered into a debt finance agreement for the project in an amount of no less than EUR 25 million; or (iii) the value based on an up-to-date valuation on a non-distressed basis in the event that nine (9) months have lapsed since an investor or a partner has entered into a participation (directly or indirectly) entitling him to at least 20% of the economic interest in the Casa Radio project or the Group has entered into a debt finance agreement for the project in an amount of no less than EUR 25 million.

	The Asset Value as defined above is only relevant for the purpose of calculating the Coverage Ratio.
Business Day	A day which is a business day on which banks conduct regular operations in the Netherlands, Israel and Poland.
Capital Injection	A capital injection into the Company of at least EUR 20 million minus the aggregate nominal value of the Noteholder Shares and the Additional Shares, by means of a rights issue.
Cash Reserve	The aggregate balance of all cash and cash equivalents (that may be included in the Company's consolidated financial statements under the items cash and cash equivalents and under the items short term deposits, financial assets held for trading or long term deposits of the Group ("additional Cash Value", provided that such Additional Cash Value can be converted into cash immediately and without limitation on its use by the Group).
Commencement Date	18 November 2013, being the date on which the preliminary suspension of payment proceedings of the Company commenced.
Company	Plaza Centers N.V.
Coverage Ratio	Is equal to $(A) - (B) / (D) \times 100\%$, where (A) is equal to the Asset Value plus the cash and cash equivalents; (B) is equal to the liabilities of the Group owed to banks that are secured by an Encumbrance over any rights or assets of the Group or structurally or otherwise rank in priority ahead of the Plan Claims; and (D) is equal to the aggregate amount of remaining Plan Claims plus all other liabilities of the Group that rank pari passu with the Plan Claims and that are not Subordinated Debt. An example of the calculation of the Coverage Ratio is attached as Annex 1 .

DBC	The Dutch Bankruptcy Code (<i>Faillissementswet</i>).
Deferred Debt Ratio	Series A – 21.23%, Series B – 70.44%, Polish Bonds – 8.33%. In the event, that the one of series of Notes has been repaid in full prior to the full repayment of the other series of Notes, then as of such date, the Deferred Debt Ratio, shall be divided pro-rata between the remaining series of Notes based on the aforesaid ratios.
Disposition	Sale, lease, assignment, grant, transfer, encumbrance or any other disposal of assets, rights, property, or any part thereof.
Distribution	A distribution of dividend to the Company's shareholders and/or any other dividend-like distribution to the Company's shareholders, including share repurchase.
Effective Date	The date on which the Plan becomes effective and binding on all Plan Creditors, being the date on which the confirmation decision (<i>homologatiebeslissing</i>) of the Amsterdam District Court becomes irrevocable (<i>in kracht van gewijsde gegaan</i>);
Elbit	Elbit Ultrasound (Luxembourg) B.V./S.à.r.l. together with Elbit Imaging Ltd.
Encumbrance	Any pledge, charge, assignment by way of pledge or any other form of security.
Examination Date	The date of approval of the Company's consolidated audited annual financial statements or its consolidated reviewed quarterly financial statements, as the case may be.
Exercise Event	Any of the following events: (i) a Disposition of a Real Estate Asset of the Company or a Subsidiary, (ii) the incurrence of any new Financial Indebtedness by the Company or a Subsidiary but excluding new Financial Indebtedness incurred for the purpose of purchase of, investment in or development of a Real Estate Asset, or (iii) the refinancing of a Real Estate Asset, but excluding a refinancing for the purpose of an investment in or the development of a Real Estate Asset.

Financial Indebtedness

A debt that is owed to a financial creditor of the Company or a Subsidiary, including debts owed under guarantees that have been granted and/or which the Company and/or a Subsidiary will grant, but excluding:

- (i) guarantees and/or undertakings granted in connection with completion and performance of a project regarding the construction or development of a Real Estate Asset (cost overrun guarantees);
- (ii) guarantees granted in the ordinary course of business in a cumulative amount which shall not exceed EUR 200,000-;
- (iii) loans granted directly to the Company by one or more of its shareholders, provided that: (a) the interest rate of the loan is not higher than the lowest interest rate due under the Notes, (b) in the event the loan is not repaid within a period of six (6) months, it shall become Subordinated Debt; and (c) the lenders are not permitted to call for an immediate repayment of the loan or to demand the Company's liquidation in connection with such loan; and
- (iv) Subordinated Debt.

First Interest Payment Date

The date after 12 calendar days have lapsed from the First Record Date or such other the date as the Tel Aviv Stock Exchange may determine.

First Record Date

The first Trading Day following the day on which the Noteholder Shares and the Additional Israeli Notes have been issued.

Group

The Company together with all Subsidiaries.

Guarantee Claim

Any claim of a Plan Creditor against the Company guaranteeing or otherwise securing one or more claims that such Plan Creditor has against a Subsidiary or third party.

Guarantee Creditor	A Plan Creditor with a Guarantee Claim.
Israeli Noteholders	Series A Noteholders and Series B Noteholders.
Israeli Notes	Series A Notes and Series B Notes.
Israeli Trustees	The Series A Trustee and the Series B Trustee jointly.
Koregaon Park Project	The project known as Koregaon Park Plaza located in Pune, India.
London Stock Exchange	London Stock Exchange, plc.
LTC Ratio	The amount of the loan used to finance the relevant project, divided by the cost of the project as estimated on the date of the granting of the loan, multiplied by 100% ("loan to cost"). For the purpose of calculating the LTC Ratio, the "cost of the project" shall include the construction cost of the project, including the entire construction, planning, and development costs, as well as the cost of the land.
Majority	Any of the Plan Creditors whose remaining Plan Claims aggregate more than 67% of the total Plan Claims held by the Plan Creditors that have voted at a particular meeting convened for the purpose of voting on a particular matter.
Minimum Cash Reserve	Shall mean: <ul style="list-style-type: none"> (i) the amount estimated by the Company's management required to pay all administrative and general expenses and interest payments to the Noteholders falling due in the following six (6) months, minus sums of proceeds from transactions that have already been signed (by the Company or a Subsidiary) and closed and that to the expectation of the Company's management have a high probability of being received during the following six (6) months; or

- (ii) in the event an Additional Capital Injection has occurred: an amount calculated in accordance with sub-section (i) above whereby the aforesaid period of six (6) months is reduced to three (3) months.

After repayment or prepayment of an aggregate amount of at least NIS 434,000,000¹ of the principal of the Notes, excluding linkage differentials, the Minimum Cash Reserve as calculated under sub-sections (i) or (ii) above (as applicable) shall be reduced by 50%.

Minimum Coverage Ratio

A Coverage Ratio equal to (i) 118%, or (ii) 115% in the event that an Additional Capital Injection occurs or (iii) 120% in the event any of the following circumstances occur in relation to the Casa Radio project: (a) a third party investor or partner has entered into a participation (directly or indirectly) entitling him to at least 20% of the interest in the Casa Radio project; or (b) a binding arrangement with the relevant Romanian authorities has been reached with respect to the timetable for executing the Casa Radio project, or an agreement has been reached on the extension of the lease period for the land that is used for the Casa Radio project; or (c) the Company has entered into a debt finance agreement for the project in amount of at least EUR 25 million.

Minimum LTC Ratio

The minimum LTC Ratio shall be:

- (i) 50% or,
- (ii) 40% in the event that a partner enters, directly or indirectly, the relevant existing project against a cash or cash equivalent investment (but excluding against offsetting debt) and is entitled, directly or indirectly, to at least 20% of the rights in the project.

¹ If the repayment is not in NIS – pursuant to the exchange rate of the foreign currency compared to the NIS on the repayment date.

Net Asset Value of the Unsold Shopping Malls	The amount equal to the value of the Unsold Shopping Malls based on the most recent valuation in the Company's possession minus the balance of the Financial Indebtedness of the Subsidiaries holding (the rights to) the relevant Unsold Shopping Malls. In the event of a sale of part of the rights in one of the said malls, then the value of the unsold rights in the said mall shall be added to the Net Asset Value of the Unsold Shopping Malls, for the purpose of calculating the Coverage Ratio.
Net Cash Flow	The net proceeds in cash actually received by the Company, as the result of an Exercise Event that occurred after 15 May 2014. For the avoidance of doubt: net proceeds means the proceeds actually received by the Company, after deducting: (1) the full debt amount that has to be repaid to banks as a result of the Exercise Event, (2) the full debt amounts repaid to the banks in case of a refinancing, (3) in case the relevant Exercise Event occurred in a Subsidiary – the sums required for repaying the existing undertakings towards the creditors of that Subsidiary due to such Exercise Event; and (4) all direct expenses related to the asset, such as fees, and direct sale expenses to third parties, brokerage expenses, loan expenses and tax expenses (as the case may be) but excluding overhead and costs of the Group's officers and employees.
NIS	New Israeli Shekel.
Noteholder Shares	The Shares issued to the Noteholders in accordance with clause 3.2.
Noteholders	Series A Noteholders, Series B Noteholders and Polish Noteholders.
Notes	The Series A Notes, the Series B Notes and the Polish Bonds, jointly;

Original Terms of the Notes	The original terms and conditions of the Series A Trust Deed, the Series B Trust Deed, and the Polish Bond Terms as those applied before being amended and restated pursuant to this Plan.
Other Claims	All unsecured non-preferred claims against the Company other than claims arising out of Notes or Guarantee Claims.
Other Creditors	All creditors with Other Claims.
Outstanding Notes Debt	The Unpaid Principal Balance of the Notes plus the accrued and unpaid interest due pursuant to the terms of the Notes outstanding at any relevant time in respect of the Notes.
Plan	This restructuring plan (<i>akkoord</i>) including all Annexes.
Plan Claims	All unsecured non-preferred claims against the Company that are subject to this Plan pursuant to Article 273 DBC.
Plan Creditors	All creditors with Plan Claims.
Polish Bond Terms	The original terms and conditions of the series A bonds with a nominal value of PLN 100,000 per bond and total nominal value of PLN 60,000,000 issued by the Company on 16 November 2010 under Polish law with ISIN: NL0009524107, as set forth in the offering memorandum dated 16 November 2010, and subsequently amended and restated pursuant to this Plan.
Polish Bonds	All notes issued and outstanding pursuant to the Polish Bond Terms.
Polish Bonds Deferred Interest	The interest accrued and not yet paid for the principal of the Polish Bonds until December 31, 2013. As per December 31, 2013, the Polish Bonds Deferred Interest amounts to PLN 2,764,997, which amounts to EUR 665,574.71 using the exchange rate per close of business on 31 December 2013 as published by the European Central Bank.

Polish Noteholders	Plan Creditors that are holders of Polish Bonds;
Real Estate Asset	Rights in lands or in real estate projects of various types (such as: residential, malls and mixed-use projects of commercial and residential property) as well as rights in an entity holding any of the aforesaid assets.
Series A Deferred Interest	The interest accrued and not yet paid on the principal of the Series A Notes until December 31, 2013, linked to the Israeli consumer index pursuant to the Series A Trust Deed. As per December 31, 2013, the Series A Deferred Interest amounts to NIS 6,652,927, which amounts to EUR 1,389,500.21, using the exchange rate per close of business on 31 December 2013 as published by the European Central Bank.
Series A Noteholders	Holders of Series A Notes.
Series A Notes	All notes issued and outstanding pursuant to the Series A Trust Deed;
Series A Trust Deed	The Trust Deed dated 4 July 2007 by and between the Company and Hermetic Trust (1975) Ltd. as trustee to the Series A Noteholders, as amended by Amendments No. 1 and 2. to that Trust Deed dated 31 January 2008 and March 10, 2014, respectively as subsequently amended and restated pursuant to this Plan.
Series A Trustee	Hermetic Trust (1975) Ltd.
Series B Deferred Interest	The interest accrued and not yet paid on the principal of the Series B Notes until December 31, 2013, linked to the Israeli consumer index pursuant to the Series B Trust Deed. As per December 31, 2013, the Series B Deferred Interest amounts to NIS 16,055,758, which amounts to EUR 3,353,332.92, using the exchange rate per close of business on 31 December 2013 as published by the European Central Bank.

Series B Noteholders	Holders of Series B Notes.
Series B Notes	All notes issued and outstanding pursuant to the Series B Trust Deed;
Series B Trust Deed	The trust deed dated 31 January 2008 by and between the Company and Reznik Paz Nevo Trust Ltd. as trustee as amended by Amendment No. 1 to that trust deed dated 17 February 2008, and March 10, 2014, as subsequently amended and restated pursuant to this Plan.
Series B Trustee	Reznik Paz Nevo Trust Ltd.
Shares	Ordinary shares in the Company of EUR 0.01 par value each.
Shopping Malls	The four shopping malls (directly or indirectly) held by Subsidiaries of the Company known as Torun Plaza and Suwalki Plaza located in Poland, Kragujevac Plaza in Serbia, and Riga Plaza in Latvia.
Subordinated Debt	Means debt that is subordinated to the Plan Claims. Debt shall be considered to be subordinated to the Plan Claims if such debt may not be repaid, before the Plan Claims have been satisfied in full, and shall also be a subordinated debt in case of liquidation.
Subsidiary	All corporations, limited liability companies, partnerships, joint ventures, joint stock companies and other entities in which the Company holds, directly or indirectly, at least 50% of the capital or the rights (as the case may be) or an entity controlled, directly or indirectly, by the Company.
Suspension of Payment Proceedings	The preliminary suspension of payment proceedings (<i>voorlopige surseance van betaling</i>) applicable to the Company.

TASE	Tel Aviv Stock Exchange Ltd.
Terms of the Notes	The terms and conditions set forth in the Series A Trust Deed, the Series B Trust Deed and the Polish Bond Terms.
Trading Day	A day on which trading occurs on the TASE.
Trust Deeds	The Series A Trust Deed and the Series B Trust Deed.
Unpaid Principal Balance of the Notes	The Unpaid Principal Balance of the Series A Notes, the Unpaid Principal Balance of the Series B Notes, and the Unpaid Principal of the Polish Bonds, jointly, all expressed in euro's using the exchange rate as published by the European Central Bank at the relevant time. As of December 31, 2013, the aggregate Unpaid Principal Balance of the Notes amounts to EUR 205,804,336.91, using the exchange rate per close of business on 31 December 2013 as published by the European Central Bank.
Unpaid Principal Balance of the Polish Bonds	The outstanding balance, as it may be from time to time, of the nominal value of the unpaid Polish Bonds plus, for the purpose of this definition, the Polish Bonds Deferred Interest. As of December 31, 2013, this balance amounts to PLN 62,764,997 (including the Polish Bonds Deferred Interest) which amounts to EUR 15,108,441.13 using the exchange rate per close of business on 31 December 2013 as published by the European Central Bank.
Unpaid Principal Balance of the Series A Notes	The outstanding balance, as it may be from time to time, of the nominal value of the unpaid Series A Notes (which as of January 1, 2014 will also include the Series A Deferred Interest), all of which is linked to the Israeli consumer index as set forth in the Series A Trust Deed. As of December 31, 2013, this balance amounts to NIS 302,338,505 (including the Series A Deferred Interest), which amounts to EUR 63,145,051.17, using the exchange rate per close of business on 31 December 2013 as published by the European Central Bank.

2.2.	Unpaid Principal Balance of the Series B Notes	The outstanding balance, as it may be from time to time, of the nominal value of the unpaid Series B Notes (which as of January 1, 2014 will also include the Series B Deferred Interest), all of which is linked to the Israeli consumer index as set forth in the Series B Trust Deed. As of December 31, 2013, this balance amounts to NIS 610,713,444 (including the Series B Deferred Interest), which amounts to EUR 127,550,844.61, using the exchange rate per close of business on 31 December 2013 as published by the European Central Bank.
	Unsold Shopping Malls	The remaining (rights in any) Shopping Malls at any time (or any part thereof) that have not yet been sold.

Rules of Interpretation and Annexes

2.2.1. For purposes of this Plan, unless otherwise provided herein:

- (i) whenever from the context it is appropriate, each term, whether stated in the singular or the plural, will include both the singular and the plural;
- (ii) the Annexes form a binding and integral part of this Plan and any reference to this Plan shall include a reference to the Annexes.

3. TERMS OF THE PLAN

3.1. Terms Applicable to Noteholders

As of the Amendment Date the Original Terms of the Notes shall be amended as follows:

Deferral of principal payments

- 3.1.1. Each principal payment under the Notes due in the years 2013, 2014 and 2015 pursuant to the Original Terms of the Notes shall be deferred by exactly four and a half (4,5) years and each principal payment due pursuant to the Original Terms of the Notes in subsequent years (i.e., 2016 and 2017) will be deferred by exactly one (1) year.
- 3.1.2. In the event that the Company does not succeed in prepaying an aggregate amount of at least NIS 434,000,000² of the principal of the Notes, excluding linkage differentials within a period of two years from the Amendment Date or before 1 December 2016 (whichever is earlier), then all principal payments under the Notes deferred in accordance with clause 3.1.1. above, shall be advanced by one (1) year (i.e., shall become due one (1) year earlier).

²If the repayment is not in NIS – pursuant to the exchange rate of the foreign currency compared to the NIS on the repayment date.

3.1.3. The revised payment schedules under the Notes are attached as **Annex 2**.

Interest payments

- 3.1.4. All unpaid interest accrued on the Israeli Notes until and including 31 December 2013 shall be paid by the Company by issuing shortly following the Amendment Date such additional number of Series A Notes to the Series A Noteholders and such additional number of Series B Notes to the Series B Noteholders (Additional Israeli Notes) that the total notional amount of the Additional Israeli Notes increased with the linkage differential accrued until and including December 31, 2013, is at least equal to the amount of unpaid interest accrued until and including 31 December 2013. The Additional Israeli Notes shall be issued in satisfaction of the unpaid interest accrued until said date for no further consideration.
- 3.1.5. All unpaid interest accrued on the Polish Bonds until and including 31 December 2013 shall be paid on the earlier of (i) the early redemption date, (ii) the call option redemption date or (iii) the redemption date as defined in the Polish Bond Terms together with all annually compounded interest calculated as from the Amendment Date with the same interest periods and rates as applicable to the principal due under the Polish Bonds.
- 3.1.6. On the First Interest Payment Date, the Company shall make an interest payment to the Noteholders in an amount that is equal to the higher of: (i) EUR 11.6 million, or (ii) the accrued and unpaid interest on the Notes as of January 1 2014 until the last day prior to the First Interest Payment Date. If the amount of EUR 11.6 million is the higher, then this amount will be divided among and paid to the Noteholders as follows: Series A – EUR 2.50 million, Series B – EUR 8.17 million, Polish Bonds – EUR 0.93 million. These amounts shall first be applied towards payment of unpaid interest accrued on the Notes as of 1 January 2014 until the First Interest Payment Date. Any remainder shall be an advance on and be set-off against future interest payments.
- 3.1.7. The amount to be paid to the Israeli Noteholders in accordance with section 3.1.6 above, shall be deposited in a trust account or with a nominee company prior to the Amendment Date as stipulated in the Trust Deeds.
- 3.1.8. All interest accrued on the Notes after the First Interest Payment Date shall be paid on the ordinary (bi-annual) interest payment dates in accordance with the Terms of the Notes.

3.1.9. Interest rate
Effective from 1 January 2014, the interest rate applicable to the Notes shall increase by 1.5% per annum.

3.1.10. Discretionary Early Prepayments of the Notes
The Company shall be allowed to make early prepayments on any part of the Outstanding Notes Debt without any penalty becoming due.

3.1.11. Mandatory Early Prepayment of the Notes
(I) *Calculating the Mandatory Prepayment Amount*
Upon the Occurrence of an Exercise Event as a result of which a positive Net Cash Flow is generated, the Company shall make an early prepayment of the Outstanding Notes Debt, in a total amount that is equal to the Mandatory Prepayment Amount (as defined below), which will include the following amounts and be calculated as follows:

- (a) "Interest Prepayment Amount" - the amount of interest on the Unpaid Principal Balance of the Notes that has accrued in the given interest period (until the early repayment date) but has not yet fallen due, plus any applicable linkage differentials on such interest; and
- (b) "Principal Prepayment Amount" - 75% of the Balance of the Net Cash Flow (as defined below).

However, in the event an Additional Capital Injection occurs and 50% or 60% of the Unpaid Principal Balance of the Notes outstanding on the Amendment Date has already been repaid³, the aforesaid 75% ratio will be decreased to 60% or 50%, respectively.

The Interest Prepayment Amount and the Principal Prepayment Amount, are hereinafter collectively referred to as the: "**Mandatory Prepayment Amount**".

(II) *Balance of the Net Cash Flow*
"Balance of the Net Cash Flow" shall mean: the balance (if any) of the Net Cash Flow generated as a result of an Exercise Event, after deducting: (1) 100% (or less, at the Company's discretion) of the Interest Prepayment Amount - in case the Exercise Event is related to the Shopping Malls; or (2) 50% (or less, at the Company's discretion) of the Interest Prepayment Amount in case the Exercise Event is unrelated to the Shopping Malls, provided, that such balance is positive.

³ Excluding repayment of Notes which were sold by a Subsidiary following the Amendment Date.

(III) *The Use of the Amounts under the Mandatory Early Prepayment*

The Interest Prepayment Amount shall be used for the prepayment of interest that has accrued on the Notes in the given interest period but not yet fallen due. The Principal Prepayment Amount shall be used for the prepayment of the Unpaid Principal Balance of the Notes to be allocated among the Noteholders in proportion to the Deferred Debt Ratio, and shall be applied towards repayment of the first principal payments falling due in accordance with the Terms of the Notes.

(IV) *Minimum Prepayment Amount*

Any early prepayment under this section 3.1.11 shall be made only in case the Mandatory Prepayment Amount is higher than EUR 2 million. In the event, the Mandatory Prepayment Amount is not higher than EUR 2 million ("**Minimum Amount**") it will be paid together with a future Mandatory Early Prepayment if and when the sum exceeds the Minimum Amount.

(V) *Timing of Mandatory Early Prepayment*

Mandatory Early Prepayment shall be performed, if required, within a calendar quarter following the date on which Company has received the Net Cash Flow, and no more than once in each calendar quarter.

Notwithstanding the aforesaid, in case the receipt of Net Cash Flow triggering the Early Mandatory Prepayment provisions in this section 3.1.11 occurs during the period that begins on May 15, 2014 and ends on the Amendment Date, then such Early Prepayment shall be made on the First Interest Payment Date.

(VI) *Receipt of Net Cash Flow by a Subsidiary*

In the event that the Net Cash Flow from the relevant Exercise Event is received by a Subsidiary, the Company will perform any action reasonably required in order to procure that the Net Cash Flow is transferred from the relevant Subsidiary to the Company no later than 14 days following receipt of the proceeds by the Subsidiary, unless such transfer is not possible within the said timeframe due to legal and/or other regulatory limitations or due to other limitations which are not under the Company's or the Subsidiary's control. In case such limitations exist, the Company shall act to remove the relevant limitations and transfer the relevant Net Cash Flow to the Company on the date on which such limitation is removed and during that period the Subsidiary will not use the relevant Net Cash Flow and this amount will be deposited in solid bank deposit. Sums which were not transferred from the relevant Subsidiary to the Company within 14 days following receipt of the proceeds by the Subsidiary, due to limitations which are not under the Company's or the Subsidiary's control, shall only be used, once transferred to the Company, for repayment of principal.

(VII) Mandatory Early Prepayment of the Outstanding Notes Debt under this section 3.1.11 shall not be made by way of purchase of the Notes.

(VIII) Notwithstanding the aforesaid, the Mandatory Early Prepayment obligation shall not apply to any proceeds from Koregaon Park Project.

Restrictions on Issuance of Additional Notes

3.1.12. The Company undertakes not to issue any additional Notes other than as expressly provided for in this Plan.

Issuance of additional Securities

3.1.13. Subject to the terms of this Plan and the Terms of the Notes, the Company shall be entitled to issue, at any point in time, without the need to obtain any approval of the Noteholders or the Israeli Trustees, other notes or other series of notes or other securities of any kind or type whatsoever, and on such terms as the Company shall deem fit.

Restrictions on Amendments to the Terms of the Notes

3.1.14. The Company shall not be entitled to amend the Terms of the Notes, with the exception of purely technical changes, unless such amendment is approved under the terms of the relevant series and the applicable law and the Company also obtains the approval of the Noteholders of all other series of notes issued by the Company by ordinary majority.

Amendment of the Original Terms of the Notes

3.1.15. The amendment of the Original Terms of the Notes shall enter into effect on The Amendment Date. Before the amendment of the Original Terms of the Notes pursuant to this Plan becomes effective, the Company shall do all that is necessary to procure that by no later than 30 November 2014:

- (i) a Capital Injection has occurred;
- (ii) the Shares of the Company have been listed on the Tel Aviv Stock Exchange;

- (iii) a pre-ruling from the Israeli tax authority is received on the tax implications for the Israeli Note Holders resulting from the amendment of the Original Terms of the Notes.
- (iv) the Israeli Trustees have received signed undertakings from the Subsidiaries as set forth in section 3.5.14 below⁴.
- (v) the amount of interest to be paid to the Israeli Noteholders on the First Interest Payment Date pursuant to section 3.1.6 of this Plan, has been deposited in a Trust Account or with the Nominee Company as defined and stipulated in the Trust Deeds;
- (vi) an amount of NIS 25,000 has been deposited with each of the Israeli Trustees as required under section 4c of the Trust Deeds.

- 3.1.16. The Company shall set a date that lies within a period of 10 Trading Days after completion of the actions set forth in section 3.1.15 above, on which date the amendment of the Original Terms of the Notes pursuant to this Plan shall take effect (the Amendment Date).
- 3.1.17. As of the Amendment Date the Original Terms of the Notes shall be amended and restated as set forth in **Annex 3** (Series A Trust Deed), **Annex 4** (Series B Trust Deed) and **Annex 5** (Polish Bond Terms).
- 3.1.18. During the period between the Effective Date and the Amendment Date (assuming the Effective Date will occur before the Amendment Date) (i) the Original Terms of the Notes shall remain in effect, albeit that Noteholders shall not be entitled to demand payment or enforce any claims under the Notes, unless and to the extent expressly provided otherwise in this Plan, and (ii) the Company shall do nothing that is forbidden under the terms of this Plan.
- 3.1.19. If the Company has failed to procure that all of the actions set forth in section 3.1.15 are completed before 30 November 2014, or fails to procure that the Additional Israeli Notes and the Noteholder Shares are issued in accordance with the terms of this Plan within 10 Trading Days following the Amendment Date, this Plan shall cease to be effective and the Original Terms of the Notes shall return to full force and effect.
- 3.1.20. The Terms of the Notes should be interpreted in conjunction with the terms of the Plan. In the event of a conflict between the terms of the Plan and the Terms of the Notes, the Terms of the Notes shall prevail.

⁴ Any future new Subsidiary established following the Amendment Date, shall sign and deliver to the Israeli Trustees a respective undertaking following its establishment.

3.2. Capital Injection and Issuance of Shares to Noteholders

Capital Injection by means of rights issue

3.2.1. The Company shall procure that a Capital Injection occurs after the Effective Date and before 30 November 2014 by means of a rights issue.

Issue of Noteholder Shares

3.2.2. Following the Amendment Date the Company shall issue new Shares representing on an aggregate basis (post issuance) 13.2106% of the Company's Shares issued and outstanding following the Capital Injection, to the Noteholders recorded as such on the Amendment Date (with the exception of a Subsidiary that holds Notes) at nominal value (EUR 0.01).

3.2.3. The Noteholder Shares shall be allocated among the Noteholders recorded as such on the Amendment Date as follows: Series A - 2.8660%; Series B - 9.2197%; Polish Bonds - 1.1249%. Noteholders shall not be entitled to fractional shares and the number of shares to be allocated to each Bondholder shall be rounded down to the nearest integer.

3.2.4. The Company shall procure that the Noteholder Shares and the Additional Israeli Notes are listed for trade on the TASE, as soon as practicable after issuance.

Payment of nominal value by issue of Additional Shares

3.2.5. Simultaneously with the issue of the Noteholder Shares to the Noteholders, the Company shall issue Additional Shares to the Israeli Trustees.

3.2.6. The number of Additional Shares to be issued shall be equal to:

$$(N \times \text{EUR } 0.01) / (S - \text{EUR } 0.01) \text{ rounded down to the nearest integer}$$

where:

N = the number of Noteholder Shares to be issued

S = the subscription price of the rights issue for the Capital Injection expressed in euro's using the exchange rate (if applicable) as published by the ECB on the date that Elbit deposits the purchase price for the Additional Shares as stipulated below.

3.2.7. The Additional Shares shall be allocated among the Israeli Trustees as follows:

$$\begin{array}{ll} \text{Series A Trustee:} & (A + P) / T \\ \text{Series B Trustee:} & B / T \end{array}$$

Where

A = the number of Noteholder Shares allocated to the Series A Noteholders

B = the number of Noteholder Shares allocated to the Series B Noteholders

P = the number of Noteholder Shares allocated to the Polish Noteholders

T = the total number of Noteholder Shares.

- 3.2.8. The Israeli Trustees shall, and are hereby instructed to, sell the Additional Shares to be received by each of them to Elbit at a purchase price per Share that is equal to the subscription price of the rights issue for the Capital Injection.
- 3.2.9. Elbit shall deposit the purchase price (the “**Purchase Price**”) for the Additional Shares allocated to each of the Israeli Trustees in an account designated by them, before the Noteholder Shares and the Additional Shares are issued.
- 3.2.10. The Series A Trustee shall, and is hereby instructed to, use the Purchase Price received by it to pay the nominal capital contribution of EUR 0.01 per share that is due to the Company for the issue of Noteholder Shares to the Series A Noteholders and the Polish Bondholders and for the issue of Additional Shares allocated to the Series A Trustee.
- 3.2.11. The Series B Trustee shall, and is hereby instructed, to use the Purchase Price received by it to pay the nominal capital contribution of EUR 0.01 per share that is due to the Company for the issue of Noteholder Shares to the Series B Noteholders and for the issue of Additional Shares allocated to the Series B Trustee.
- 3.2.12. Simultaneously with the payment of the nominal contribution due to the Company for the issue of the Noteholder Shares and the Additional Shares, the Israeli Trustees shall, and are instructed to, transfer the Additional Shares held by each of them to Elbit.
- 3.2.13. The Noteholders hereby release the Israeli Trustees from and waive any (potential) liability in connection with the issue, sale and transfer of the Additional Shares and the application of the Purchase Price towards payment of the nominal capital contribution for the Noteholder Shares and Additional Shares as set out above.

3.3. Terms Applicable to Guarantee Creditors

- 3.3.1. Guarantee Creditors shall not exercise their rights under any Guarantee Claim for a period of four (4) years from the Effective Date. After said four (4) year period, a Guarantee Creditor is allowed to enforce its Guarantee Claim provided that:
- (i) all collateral granted as security for the underlying guaranteed obligation has been realised; and
 - (ii) without prejudice to any further limitation contained in the relevant guarantee or undertaking, if the actual proceeds are lower than 90% of the fair market value of the realized collateral, the remaining Guarantee Claim shall be reduced by the difference between 90% of the fair market value of the collateral as determined by an external appraiser (to be agreed between the relevant Guarantee Creditor and the Company and failing such agreement the President of the District Court of Amsterdam) within a period of not more than three months prior to the sale of the asset on the one hand and the actual proceeds realized by the relevant Guarantee Creditor on the other hand.

3.4. Terms Applicable to Other Creditors

- 3.4.1. All Other Claims will be deferred by a period of four (4) years as of the Effective Date.

3.5. Terms Applicable to all Plan Creditors

Coverage Ratio covenant

- 3.5.1. In the event that the Coverage Ratio is lower than the Minimum Coverage Ratio, then as from the first Examination Date on which a breach of the Coverage Ratio covenant has been established and for as long as the breach is continuing, the Company shall not perform any of the following: (a) a sale, directly or indirectly, of a Real Estate Asset owned by the Company or a Subsidiary, with the exception that it shall be permitted to transfer Real Estate Assets in performance of an obligation to do so that was entered into prior to the said Examination Date, (b) investments in new Real Estate Assets; or (c) an investment that regards an existing project of the Company or of a Subsidiary, unless it does not exceed a level of 20% of the construction cost of such project (as approved by the lending bank of these projects) and the LTC Ratio of the project remains equal to or greater than the Minimum LTC Ratio.
- 3.5.2. The Coverage Ratio will be examined four (4) times per year on the approval date of the Company's consolidated audited annual financial statements and of its consolidated reviewed quarterly financial statements and the Company shall report on compliance with this covenant on each Examination Date.

- 3.5.3. If a breach of the Minimum Coverage Ratio covenant has occurred and continued throughout a period comprising two (2) consecutive Examination Dates following the first Examination Date on which such breach has been established, then such breach shall constitute an event of default under the Trust Deeds and Polish Bond Terms, and the group of (i) Series A Noteholders, (ii) Series B Noteholders, (iii) Polish Bondholders, and (iv) Guarantee and Other Creditors shall, each as a separate group acting by Majority vote, be entitled to declare by written notice to the Company that all or a part of their respective (remaining) Plan Claims become immediately due and payable.

Limitations on Incurring new Financial Indebtedness by the Company and the Subsidiaries

- 3.5.4. The Company undertakes not to incur any new Financial Indebtedness (including by way of refinancing an existing Financial Indebtedness with new Financial Indebtedness) until the Outstanding Notes Debt has been repaid in full, except in any of the following events:
- (i) the new Financial Indebtedness is incurred for the purpose of investing in the development of a Real Estate Asset, provided that: (a) the LTC Ratio of the investment is not less than the Minimum LTC Ratio; (b) the new Financial Indebtedness is incurred by the Subsidiary that owns the Real Estate Asset or, if the Financial Indebtedness is incurred by a different Subsidiary, any Encumbrance created as security for such new Financial Indebtedness is permitted under section 3.5.7(i) below; and (c) following such investment the Cash Reserve is not less than the Minimum Cash Reserve;
 - (ii) the new Financial Indebtedness is incurred by a Subsidiary for the purpose of purchasing a new Real Estate Asset by such Subsidiary, provided that following such purchase the Cash Reserve is not less than the Minimum Cash Reserve.
 - (iii) at least 75% of the Net Cash Flow resulting from the incurrence of new Financial Indebtedness is used to for a Mandatory Early Prepayment of the Notes under section 3.1.11 above. It shall be clarified that, subject to the terms of this Plan, the Group may also refinance existing Financial Indebtedness if this does not generate Net Cash Flow.
- 3.5.5. Notwithstanding the aforesaid, in the event that an Additional Capital Injection occurs then the restrictions under section 3.5.4 shall not apply to investments in an aggregate amount less than or equal to the amount of the Additional Capital Injection.

Negative Pledge on Real Estate Assets of the Company

- 3.5.6. The Company undertakes that until the Outstanding Notes Debt has been repaid in full, it shall not create any Encumbrance on any of the Real Estate Assets, held, directly or indirectly, by the Company except in the event that the Encumbrance is created over the Company's interests in a Subsidiary as additional security for Financial Indebtedness incurred by such Subsidiary which is secured by Encumbrances on assets owned by that Subsidiary as permitted by the terms of this Plan.

Negative Pledge on the Real Estate Assets of Subsidiaries

- 3.5.7. The Subsidiaries shall undertake that until the Outstanding Notes Debt has been repaid in full, none of them will create any Encumbrance on any Real Estate Assets except in the event that:

- (i) the Subsidiary creates an Encumbrance over a Real Estate Asset owned by such Subsidiary exclusively as security for new Financial Indebtedness incurred for the purpose of purchasing, investing in or developing such Real Estate Asset; Notwithstanding the aforesaid, Subsidiaries shall be entitled to create an Encumbrance on land as security for Financial Indebtedness incurred for the purpose of investing in and developing, but not for purchasing, a Real Estate Asset held by a different Group company (hereinafter: a **"Cross Pledge"**), provided the total value of the lands owned by the Group charged with Cross Pledges after the Commencement Date does not exceed EUR 35 million, calculated on the basis of book value (the **"Sum of Cross Pledges"**). When calculating the Sum of Cross Pledges, lands that were charged with Cross Pledges created prior to the Commencement Date or created solely for the purpose of refinancing an existing Financial Indebtedness shall be excluded.
- (ii) the Encumbrance is created over an asset as security for new Financial Indebtedness that replaces existing Financial Indebtedness and such asset was already encumbered prior to the refinancing. For the avoidance of doubt, any Net Cash Flow generated from such refinancing, shall be subject to the Mandatory Early Prepayment provision in section 3.1.11 above;
- (iii) the Encumbrance is created over interests in a Subsidiary as additional security for Financial Indebtedness incurred by such Subsidiary which is secured by Encumbrances on assets owned by that Subsidiary as permitted by sub-section (i) above, or
- (iv) the Encumbrance is created as security for New Financial Indebtedness that is incurred for purposes other than the purchase of and/or investment in and development of a Real Estate Asset, provided that at least 75% of the Net Cash Flow generated from such new Financial Indebtedness is used for Mandatory Early Prepayment in accordance with section 3.1.11 above.

Permitted Disposals

- 3.5.8. The Company and the Subsidiaries shall not procure or permit the occurrence of an Exercise Event with respect to any Real Estate Asset of the Group unless the Net Cash Flow resulting from such Disposal is used for Mandatory Early Prepayment in accordance with section 3.1.11 above.
- 3.5.9. The Company and the Subsidiaries shall not perform or permit a Disposition, directly or indirectly, or a refinancing of the Shopping Malls, unless the cumulative Net Cash Flow resulting from such Disposition or refinancing amounts to at least EUR 70 million. If the Disposition or the refinancing occurs only with respect to some but not all of the Shopping Malls, then such Disposition or refinancing shall not be permitted unless the Net Asset Value of the Unsold Shopping Malls plus the aggregate Net Cash Flows received from the intended Disposition or refinancing and from any previous Disposition or refinancing of a Shopping Mall amounts to at least EUR 70 million.

Permitted Investments

- 3.5.10. The Company agrees that an investment in new or existing Real Estate Assets of the Group shall only be permitted provided following such investment the Cash Reserve is not less than the Minimum Cash Reserve and the Coverage Ratio not less than the Minimum Coverage Ratio.
- 3.5.11. In the event the Coverage Ratio is lower than the Minimum Coverage Ratio, investments in existing projects of the Company or of Subsidiaries shall only be permitted if the investment does not exceed a level of 20% of the construction cost of such project (as approved by the lending bank of these projects) and the LTC Ratio of the project remains equal to or greater than the Minimum LTC Ratio in accordance with section 3.5.1(c) above.

No Distributions

- 3.5.12. The Company shall not make any Distributions, unless (i) at least 75% of the Unpaid Principal Balance of the Notes as per the Amendment Date has been repaid⁵ and the Coverage Ratio on the last Examination Date prior to such Distribution is not less than 150% following such Distribution, or (ii) a Majority of the Plan Creditors consents to the proposed Distribution.

⁵ For the purpose of this examination, the repayment of Notes sold by a Subsidiary of the Company after the Amendment Date shall not be considered as repaid Notes.

3.5.13. Notwithstanding the aforesaid, in the event an Additional Capital Injection occurs, then after one year following the date of the Additional Capital Injection, no restrictions other than those under the applicable law shall apply to dividend distributions in an aggregate amount up to 50% of such Additional Capital Injection.

Undertakings of Subsidiaries

3.5.14. Each of the Subsidiaries shall undertake (subject to the Plan becoming effective and the amendment of the Original Terms of the Notes pursuant to this Plan entering into effect) to act in accordance with and to be bound by and to comply with the obligations and undertakings set forth in sections 3.1.11(VI), 3.5.1, 3.5.4, 3.5.7, 3.5.8, 3.5.9 and 3.5.11 of this Plan and shall issue such undertaking no later than 4 June 2014.

Waiver of Claims

3.5.15. Each Plan Creditor hereby releases, to the extent permitted by law, the Company and all other companies of the Group, the current and former directors and officers of the Group, all direct and indirect shareholders of the Group (and their respective directors, officers, employees, agents, counsels or anyone acting on their behalf), from any and all liability under any applicable law other than with respect to claims or demands regarding which the grounds are fraud or malice or other ground for which a release is not permitted by law.

3.5.16. Without derogating from the aforesaid, full and binding mutual waiver of claims with respect to the Series A Noteholders and the Series B Noteholders, will enter into effect on the Amendment Date, attached as **Annex 6** to this Plan.

3.6. Miscellaneous

The Company shall as from the Effective Date publish its annual reviewed consolidated financial statements to the public, no later than three (3) calendar months following the end of the calendar year. In addition, as of the Effective Date and until the Outstanding Notes Debt has been repaid in full, the Company undertakes to publish reviewed consolidated financial statements on a quarterly basis, no later than two (2) months following the end of each of the first three (3) calendar quarters of each year. The Company shall include, within the quarterly and annual financial statements, a detailed report regarding its compliance with the undertakings under sections 3.5.1, 3.5.4, 3.5.6, 3.5.7, 3.5.8, 3.5.9, 3.5.10, 3.5.11 and 3.5.12 of this Plan and the performance of Mandatory Early Prepayments under section 3.1.11 of this Plan.

- 3.6.1. The Company will use reasonable endeavours to ensure that the general and administrative expenses, based on the Company's current level of operations, does not exceed an amount of EUR 7.5 million per year.
- 3.6.2. Each Plan Creditor shall provide all cooperation and take all such further actions as may be required to give effect to, execute and implement this Plan and the debt restructuring contemplated thereby.
- 3.6.3. This Plan will not be binding and will not create any rights or obligations and no rights can be derived or inferred from the Plan before the Effective Date.
- 3.6.4. Any notice or request made to the Company in connection with this Plan shall be made in writing and made by courier or certified mail to:

Plaza Centers N.V.
Prins Hendrikkade 48-S
1012 AC Amsterdam
The Netherlands
Attention: Mr. Uzi Eli
Email: uzi.eli@plazacenters.com.

In each case with copy (which shall not constitute notice hereunder) to:

RESOR N.V.
PO Box 75965
1070 AZ Amsterdam
The Netherlands
Attention: Mr. N.W.A. Tollenaar
Email: nico.tollenaar@resor.nl

- 3.6.5. This Plan, as well as all rights and obligations arising out of or in connection with this Plan, shall be governed by the laws of the Netherlands, without prejudice to the fact that the Series A Trust Deed, the Series B Trust Deed and the Polish Bond Terms are and shall continue to be governed by Israeli and Polish law respectively.
- 3.6.6. The Court of Amsterdam, the Netherlands shall have exclusive jurisdiction over any dispute arising out of or in connection with this Plan, without prejudice to the fact that any dispute arising from the Series A Trust Deed, the Series B Trust Deed and the Polish Bond Terms is and shall remain subject to the (exclusive) jurisdiction of the Israeli and Polish courts, as applicable.

SERIES D PREFERRED SHARE

PURCHASE AGREEMENT

DATED AS OF JUNE 26, 2014

AMONG

YORK GLOBAL FINANCE II S.À R.L.

AND

INSIGHTEC LTD.

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**SERIES D PREFERRED SHARE
PURCHASE AGREEMENT**

THIS SERIES D PREFERRED SHARE PURCHASE AGREEMENT (this "Agreement") is made as of June 26, 2014 among InSightec Ltd., a private limited company organized and existing under the laws of Israel (the "Company") and York Global Finance II S.à.r.l. (the "Purchaser" or "York").

WHEREAS, the Company is in need of additional funding in order to maintain and further develop its business, and the Purchaser is willing to provide funding, in exchange for Series D Preferred Shares to be issued by the Company, subject to the terms and conditions set forth in this Agreement;

NOW THEREFORE, the parties hereto agree as follows:

SECTION 1. DEFINITIONS AND RELATED MATTERS.

1.1 Definitions. For the purposes of this Agreement, the following terms have the meanings set forth below (such meanings to be applicable to both the singular and plural forms of the terms defined):

"Affiliate" of any particular Person means any other Person directly or indirectly controlling, controlled by or under common control with such particular Person. The term "control" means the possession, directly or indirectly, of the power to direct the management and policies of a Person whether through the ownership of voting securities, by contract or otherwise. Notwithstanding the foregoing or anything else herein to the contrary, neither General Electric Company ("GE Parent"), York, Elbit Imaging Ltd. ("EI") nor Elbit Medical Technologies td. ("ET") shall be considered an Affiliate of the Company for purposes of this Agreement. In addition, York's "Affiliates" shall include York Capital Management Global Advisors LLC, a company incorporated in the State of New York, its affiliates and any funds or accounts managed by it or its affiliates

"Applicable Law" means, with respect to any Person, any domestic or foreign, federal, state or local statute, law, ordinance, rule, administrative action, regulation, directive, standard, guideline, guidance, policy, order, writ, injunction, judgment, extension order, decree or other requirement of any Governmental Authority, and any requirements imposed by common law or case law, applicable to such Person or any of its Affiliates or any of their respective properties, assets, officers, directors, employees, consultants or agents (in connection with their activities on behalf of such Person or any of its Affiliates).

"Articles" means the June 26, 2013 Amended and Restated Articles of Association of the Company in the form of Exhibit A.1 attached hereto.

"Business Day" means any day other than a Saturday, Sunday or public holiday under the laws of Israel or the State of New York or other day on which banking institutions are authorized or obligated to close in Israel or New York City, New York.

“Capital Lease” means any lease of any property (whether real, personal or mixed) by any Person as lessee that, in conformity with GAAP, is or should be accounted for as a capital lease on the balance sheet of that Person.

“Contract” means any contract, agreement, lease, license, commitment (including an outstanding bid or proposal), sale or purchase order or other binding instruments of any kind, whether written or oral.

“Designated Directors” has the meaning set forth in the New Articles.

“Dividend” means any distribution by a corporation or other entity with respect to its capital stock or other ownership interests whether in cash, securities (including common and preferred stock) or other property.

“Environmental Law” means any and all applicable international, national regional and local treaties, statutes, laws (including case or common law), regulations, ordinances, rules, judgments, orders, decrees, codes, injunctions, permits concessions, grants, franchises or licenses relating to or addressing safety, human health, pollution or protection of the environment, emissions discharges or releases of Hazardous Materials or the investigation, cleanup or other remediation thereof.

“Fully Diluted Number of Shares” means all Ordinary Shares issued and outstanding and any and all Ordinary Shares issuable assuming the conversion, exchange or exercise of all outstanding options, warrants, preferred shares, and any other equity security directly or indirectly convertible into or exercisable for any Ordinary Shares, including Ordinary Shares into which the Series B Preferred Shares, Series B-1 Preferred Shares, Series C Preferred Shares and Series D Preferred Shares are convertible into.

“Federal Health Care Program” means any plan or program that provides health care benefits, whether directly, through insurance, or otherwise, that is funded directly, in whole or in part, by the government of the United States of America (other than the Federal Employees Health Benefits Program), including the Medicare, Medicaid and TRICARE programs (described in Title XVIII of the SSA, Title XIX of the SSA, and Title 10, Chapter 55 of the U.S.C., respectively), or any state health care program (as defined in Section 1128(h) of the SSA).

“GAAP” means generally accepted accounting principles as in effect in the United States.

“Governmental Authority” means any domestic or foreign, federal, territorial, state or local governmental authority, quasi-governmental authority, instrumentality, court, commission or tribunal or any regulatory, administrative or other agency, or any political or other subdivision, department or branch of any of the foregoing.

“Guarantee” means any guarantee of the payment or performance of any Indebtedness or other obligation and any other arrangement whereby credit is extended (or continued) to one obligor on the basis of any promise of another Person, whether that promise is expressed in terms of an obligation to (a) pay the Indebtedness or other liabilities of such obligor, (b) purchase an obligation owed by such obligor, (c) purchase goods and services from such obligor pursuant to a take-or-pay contract, (d) maintain the capital, working capital, solvency or general financial condition of such obligor, or (e) otherwise assure any creditor of such obligor against loss (including by way of an agreement to repurchase or reimburse), whether or not any such arrangement is listed on the balance sheet of such other Person or referred to in a footnote thereto, but shall not include endorsements of items for collection in the ordinary course of business. The amount of any Guarantee shall be equal to the amount of the obligation so guaranteed or otherwise supported or, if not a fixed or determined amount, the maximum amount guaranteed or supported.

“Hazardous Materials” means any material that is toxic, ignitable, reactive, corrosive, radioactive, caustic, capable of causing harm to human health or the environment or regulated as a hazardous substance, contaminant, toxic substance, toxic pollutant, hazardous waste, special waste or pollutant, including petroleum, its derivatives, by-products and other hydrocarbons, polychlorinated biphenyls and asbestos, regulated under, or which is the subject of, applicable Environmental Laws.

“Indebtedness” means at a particular time, without duplication, (a) any indebtedness for borrowed money or issued in substitution for or exchange of indebtedness for borrowed money (including any shareholder loans), (b) any indebtedness evidenced by any note, bond, debenture or other debt instrument or debt Contract, (c) any indebtedness for the deferred purchase price of property or services with respect to which a Person is liable, contingently or otherwise, as obligor or otherwise (other than trade payables and other current liabilities incurred in the ordinary course of business consistent with past practice which are not more than 120 days past due unless the same are being contested in good faith by appropriate legal proceedings and with respect to which the Company or one of its Subsidiaries has set aside in its financial statements adequate reserves therefor in accordance with GAAP consistently applied), (d) commitments or obligations by which a Person assures a creditor against loss (including contingent reimbursement obligations with respect to letters of credit), (e) any obligations for which a Person is obligated pursuant to a Guarantee, (f) any obligations under Capital Leases with respect to which a Person is liable, contingently or otherwise, as obligor, guarantor or otherwise, or with respect to which obligations a Person assures a creditor against loss, (g) any indebtedness secured by a Lien on a Person’s assets, (h) obligations under Interest Rate Agreements and (i) and obligations or commitments to repay deposits or other amounts advanced by and owing to third parties.

“Intellectual Property Rights” means all (a) patents, patent applications, patent disclosures and inventions, (b) trademarks, service marks, trade dress, trade names, logos and corporate names and registrations and applications for registration thereof, together with all of the goodwill associated therewith, (c) copyrights (registered or unregistered) and copyrightable works and registrations and applications for registration thereof, (d) mask works and registrations and applications for registration thereof, (e) computer software, data, data bases and documentation thereof, (f) trade secrets and other confidential information (including, without limitation, ideas, formulas, compositions, inventions (whether patentable or unpatentable and whether or not reduced to practice), know-how, manufacturing and production processes and techniques, research and development information, drawings, specifications, designs, plans, proposals, technical data, copyrightable works, financial and marketing plans and customer and supplier lists and information), (g) other intellectual property rights and (h) copies and tangible embodiments thereof (in whatever form or medium).

"Interest Rate Agreements" means any interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedging agreement or other similar agreement or arrangement, each of which is for the purpose of hedging the interest rate exposure associated with the operations of the Company and its Subsidiaries and not for speculative purposes.

"Interest Withholding" means the amount of tax that the Company is required to deduct and withhold with respect to the payment of the relevant interest under Israeli Tax law (to the extent applicable under applicable law), subject to any confirmation from the Israeli Tax Authority with respect to an exemption from or reduction of such withholding tax provided to the Company to its reasonable satisfaction.

"Knowledge" means (i) with respect to any natural person, the actual knowledge of such person, and (ii) with respect to the Company, (1) the actual knowledge of the officers of the Company, provided that such officers shall have made due and diligent inquiry of such employees whom such officers reasonably believe would have knowledge of the facts or matters in question, and (2) the actual knowledge of the directors of the Company; "Know" and "Known" shall have correlative meanings.

"Liens" means any mortgage, pledge, security interest, encumbrance, lien, easement, charge, option, right of preemption, right of first offer or refusal, or right to accept any offer, deed of trust, right of way, restriction on the use of real property, license to third party or parties or other restriction of any kind whatsoever (including any conditional sale or other title retention agreement or lease in the nature thereof), any sale of receivables with recourse against the Company or any of its Subsidiaries, the interest of a lessor under a Capital Lease, any financing lease having substantially the same economic effect as any of the foregoing, any filing or agreement to file a financing statement as debtor under the Uniform Commercial Code or any similar statute other than (a) to reflect ownership by a third party of property leased to the Company or any of its Subsidiaries under a lease which is not in the nature of a conditional sale or title retention agreement or (b) in connection with a refinancing of Indebtedness permitted hereunder.

"Material Adverse Effect" means any matter or matters which would, or is reasonably likely to, alone or in the aggregate, have a materially adverse effect on (i) the financial condition, operating results, business, assets, liabilities, operations, condition (financial or otherwise) or business relationship or prospects of the Company and its Subsidiaries taken as a whole or (ii) the ability of the Company to perform any of its material obligations under any of the Transaction Documents or to consummate the transactions contemplated thereby.

“Medical Product Regulatory Authority” means any Governmental Authority that is concerned with the safety, efficacy, reliability, manufacture, sale, import, export or marketing of medical products, including state governments, the FDA, the U.S. Customs and Border Protection, OFAC and the U.S. Bureau of Industry and Security, the relevant competent authorities of the EU member states and the institutions of the EU.

“New Articles” means the Amended and Restated Articles of Association of the Company in the form of Exhibit A.2 attached hereto, which shall be adopted by the Company at Closing.

“NIS” means the currency that is the legal tender in the State of Israel.

“Officer’s Certificate” means a certificate signed by the Company’s chief executive officer or its chief financial officer on behalf of the Company, stating that (i) the officer signing such certificate has made or has caused to be made such investigations as are necessary in order to permit him to verify the accuracy of the information set forth in such certificate and (ii) such certificate does not misstate any material fact and does not omit to state any fact necessary to make the certificate not misleading.

“Open Source License” means any license meeting the Open Source Definition (as promulgated by the Open Source Initiative) or the Free Software Definition (as promulgated by the Free Software Foundation) or any substantially similar license, including any copyleft license.

“Ordinary Shares” means the ordinary shares of the Company, par value NIS 0.01 per share.

“Permitted Liens” means:

- (a) Liens for Taxes which are not yet due and payable or which are expressly permitted pursuant to the terms hereof;
- (b) Liens arising in connection with worker’s compensation, unemployment insurance, old age pensions which are not overdue or are being contested in good faith by appropriate proceedings diligently pursued, provided that in the case of any such contest any proceedings commenced for the enforcement of such liens shall have been duly suspended and such provision for the payment of such liens has been made on the books of the Company as may be required by GAAP;
- (c) Liens and pledges with respect to hardware, machines, equipment (including development, manufacturing, testing and packing equipment and machinery) and such other supporting equipment, if procured under customary third party financial leasing schemes subject to first ranking specific charge and pledge to secure the procurement;
- (d) Liens of up to \$100,000 in favor of an Israeli bank in connection with the issuance of a bank Guarantee of up to US \$100,000 for the lease of Company’s US offices and liens in an amount of 1,000,000 NIS in connection with the issuance of a bank Guarantee of up to US \$600,000 for the lease of the Company’s Israeli offices; and
- (e) Liens existing on the date hereof and listed on Section 1.1 of the Disclosure Schedule.

“Person” means an individual, a partnership, a corporation, a limited liability company, an association, a joint stock company, a trust, a joint venture, an unincorporated organization, a governmental entity or any department, agency or political subdivision thereof and any other entity.

“Securities Act” means the Securities Act of 1933, as amended, or any similar federal law then in force.

“Series B Preferred Shares” means Series B Convertible Preferred Shares, having a par value of NIS 0.01 per share, of the Company.

“Series B-1 Preferred Shares” means Series B-1 Convertible Preferred Shares, having a par value of NIS 0.01 per share, of the Company.

“Series C Preferred Shares” means Series C Convertible Preferred Shares, having a par value of NIS 0.01 per share, of the Company.

“Series D Preferred Shares” means Series D Convertible Preferred Shares, having a par value of NIS 0.01 per share, of the Company.

“Series D Purchase Price” means \$1.94 per share, subject to adjustments as provided under the Section 2.4 hereto.

“Shares” means the Series D Preferred Shares issued to the Purchaser(s) pursuant to this Agreement.

“Seventh Amended and Restated Securityholders Agreement” means the Seventh Amended and Restated Securityholders Agreement among the Company, York, GE Parent, ET, EI and Elbit Ultrasound Ltd. in the form attached hereto as Exhibit B.

“Subsidiary” means, with respect to any Person, any corporation, limited liability company, partnership, association or other business entity of which (i) if a corporation, a majority of the total voting power of shares of stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person or a combination thereof, or (ii) if a limited liability company, partnership, association or other business entity, a majority of the partnership or other similar ownership interests thereof is at the time owned or controlled, directly or indirectly, by any Person or one or more Subsidiaries of that Person or a combination thereof. For purposes hereof, a Person or Persons shall be deemed to have a majority ownership interest in a limited liability company, partnership, association or other business entity if such Person or Persons shall be allocated a majority of limited liability company, partnership, association or other business entity gains or losses or shall be or control (or have the power to be or control) a managing director, manager or general partner of such limited liability company, partnership, association or other business entity.

“Transaction Documents” means this Agreement, the Seventh Amended and Restated Securityholders Agreement, the New Articles and each of the other agreements, documents and instruments expressly contemplated hereby and thereby.

1.2 Other Defined Terms. The following terms are defined in this Agreement in the Sections set forth below:

<u>Term</u>	<u>Section</u>
Actual 2014 and 2015 Revenues	2.4
Additional Shares	2.4
Adjustment Amount	2.4
Agreement	Preamble
Certificates of Approval	5.17
Closing	2.2
Company	Preamble
Data Subject	5.13(d)
Disclosed Contracts	5.18(b)
Disclosure Schedule	5.3
EI	1.1
ET	1.1
Employees	5.16(a)
Existing Shareholders	2.1
FDA	5.23(b)
Financial Statements	5.8
GE Parent	1.1
GO	2.1
Governmental Permits	5.23(a)
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OCS Certificates of Approval	5.17
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Privacy Commitments	5.13(b)
Purchaser	Preamble
Purchaser Required Majority	3.1(a)xvi
Reduced PPS	2.4
Subsequent Closing	2.3
Subsequent Investment Option Period	2.1
Subsequent Investor	2.1
Subsequent Purchased Shares	2.3
SSA	5.23(c)
Tax	5.15
U.S. Economic Sanctions	5.22(a)

- 1.3 **Other Interpretive Matters.** In this Agreement and each other Transaction Document to which the Purchaser(s) and one or more of the Company or any of its Subsidiaries are the sole parties thereto, unless a clear contrary intention appears: (i) the singular number includes the plural number and vice versa; (ii) reference to any Person includes such Person's successors and assigns but, if applicable, only if such successors and assigns are permitted by this Agreement or such other Transaction Document, and reference to a Person in a particular capacity excludes such Person in any other capacity or individually; (iii) reference to any gender includes each other gender; (iv) reference to any agreement (including this Agreement and the Schedules hereto), document or instrument means such agreement, document or instrument as amended or modified and in effect from time to time in accordance with the terms thereof and, if applicable, the terms hereof (and without giving effect to any amendment or modification that would not be permitted in accordance with the terms hereof); (v) reference to any applicable law means such applicable law as amended, modified, codified or reenacted, in whole or in part, and in effect from time to time, including rules and regulations promulgated thereunder and reference to any particular provision of any applicable law shall be interpreted to include any revision of or successor to that provision regardless of how numbered or classified; (vi) reference to any Article, Section or Exhibit means such Article or Section hereof or such Exhibit hereto; (vii) "hereunder," "hereof," "hereto" and words of similar import shall be deemed references to this Agreement as a whole and not to any particular Section or other provision hereof; (viii) "including" (and with correlative meaning "include") means including without limiting the generality of any description preceding such term; (ix) relative to the determining of any period of time, "from" means "from and including" and "to" and "through" mean "to and including"; (x) "or," "either" and "any" are not exclusive; (xi) references to any Subsidiary of a Person shall be given effect only at such times as such Person has one or more Subsidiaries, and references to "consolidated" and "consolidating" financial statements shall be given effect only at such time as, such Person has one or more Subsidiaries; and (xii) references to "\$" or "dollars" shall mean United States dollars.

SECTION 2. PURCHASE AND ISSUANCE; CLOSING.

- 2.1 **Purchase of Series D Preferred Shares.** At the Closing, the Purchaser agrees to purchase, subject to the terms and conditions set forth herein, and the Company agrees to sell and issue to the Purchaser, 19,333,212 Series D Preferred Shares, at the Series D Purchase Price, for aggregate consideration of \$37,500,000. The sale and purchase of up to an additional 12,888,808 Series D Preferred Shares (the "**Subsequent Purchased Shares**"), in consideration for up to US\$25,000,000, at the Series D Purchase Price, by existing shareholders of the Company that have a right to participate in this investment pursuant to Section 7.6 of the Articles (the "**Existing Shareholders**") and/or Shanghai Go Capital Group Hengtong Investment Limited ("**GO**") (each a "**Subsequent Investor**") and/or the Purchaser, shall take place at one or more Subsequent Closings (as defined below) pursuant to the terms of Section 2.3 below. The Series D Preferred Shares shall be issued at the Series D Purchase Price and in accordance with the breakdown provided in Schedule 1 attached hereto, as may be updated from time to time by the Company in order to reflect the investment by any Subsequent Investors, and reflecting a pre-money, as-converted and fully-diluted valuation of US\$200,000,000, as set forth in the capitalization table attached hereto as Schedule 2.1, showing the authorized and issued share capital of the Company and all outstanding subscriptions, options and warrants immediately following the Closing and the Subsequent Closing. Schedule 2.1 reflects each Purchaser's percentage of the Company's Fully Diluted Number of Shares and of the Company's issued and outstanding shares, on an as converted basis, in each case immediately following each Closing.

2.2 Closing. Subject to the satisfaction or waiver of the conditions set forth in Section 3.1, the closing (the "Closing") of the issuance and purchase of the Shares shall take place (i) via an electronic closing in which separate counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument, will be first delivered by a facsimile or electronic mail exchange of signature pages, with originals to follow addressed to each applicable party's counsel or (ii) if a physical closing is agreed by the Company and the Purchaser, at the offices of Gross, Kleinhendler, Hodak, Halevy, Greenberg & Co., One Azrieli Center, Tel Aviv, Israel, or at such other place as may be mutually agreeable to the Company and the Purchaser. The Closing shall take place five (5) Business Days after satisfaction or waiver of all conditions to Closing or on such other date as may be mutually agreeable to the Company and the Purchaser, provided that such satisfaction or waiver is within 60 days following the execution of this Agreement. At the Closing, (i) the Company shall deliver each of the documents and certificates to be delivered by the Company as described in Section 3, and (ii) the Purchaser shall deliver each of the documents to be delivered by the Purchaser as described in Section 3.

2.3 Subsequent Closing.

(a) Following the date hereof, but in any event not later than promptly following the Closing, the Company will notify GO and the Existing Shareholders in writing in a form approved by the Purchaser that each has an opportunity to purchase a portion of the Subsequent Purchased Shares as follows:

- (i) GO will have the option to purchase 6,444,404 Series D Preferred Shares, at the Series D Purchase Price, for an aggregate consideration of \$12,500,000; and
- (ii) the Existing Shareholders will have the option to purchase up to 6,444,404 Series D Preferred Shares, at the Series D Purchase Price, for an aggregate consideration of up to \$12,500,000.

Each of GO and the Existing Shareholders will be required to notify the Company of its election to purchase the Series D Preferred Shares offered to them within forty five (45) days of the Closing (the "Subsequent Investment Option Period"). Each of the Existing Shareholders may extend the Subsequent Investment Option Period, by written notice to the Company, by additional forty five (45) day period if necessary to raise capital to invest at the Subsequent Closing.

If GO does not notify the Company within such forty five (45) day period of its election purchase all of the Series D Preferred Shares offered to it or the Existing Shareholders does not notify the Company within such forty five (45) day period (or the extended ninety (90) days period, if applicable) of its election purchase any portion of the Series D Preferred Shares offered to it, GO or the Existing Shareholders, as applicable, will be deemed to have elected not to exercise and to waive such right. In the event the Subsequent Investors together elect to purchase Subsequent Purchased Shares for an aggregate consideration of less than \$25,000,000, York will have the right, but not the obligation, to purchase any shortfall so that the aggregate consideration payable for Subsequent Purchased Shares purchased by the Subsequent Investors and York is up to \$25,000,000, provided that if the Subsequent Investors together elect to purchase Subsequent Purchased Shares for an aggregate consideration of less than \$12,500,000 York will be obligated to purchase at least such number of Subsequent Purchased Shares so that the aggregate consideration payable for Subsequent Purchased Shares purchased by the Subsequent Investors and/or York is at least \$12,500,000.

- (b) The purchase and sale of the Subsequent Purchased Shares pursuant to Section 2.3(a) shall take place remotely via the exchange of documents and signatures, at such time and place as the Company and the applicable Subsequent Investors mutually agree upon orally or in writing and in no event later than fifteen (15) days following the end of the Subsequent Investment Option Period (the "Subsequent Closing"). The Subsequent Closing shall be subject to the same conditions as the Closing, *mutatis mutandis*, provided that each Subsequent Investor (other than the Purchaser) shall have previously executed and delivered a counterpart of this Agreement which shall include an updated Schedule 1 and the Seventh Amended and Restated Securityholders Agreement (if such Subsequent Investor is not already a party thereto). Following the Subsequent Closing, each Subsequent Investor shall be considered a "Purchaser" hereunder.

2.4 Issuance of Additional Shares in the Event of Valuation Adjustment. In the event the Company's aggregate revenues, determined in accordance with GAAP, for fiscal years 2014 and 2015 as reflected in the Company's annual audited financial statements for such fiscal years (the "Actual 2014 and 2015 Revenues") are less than \$60,000,000, the Series D Purchase Price will be adjusted and the Purchaser(s) shall be issued additional Series D Preferred Shares as follows:

- (a) The Series D Purchase Price shall be reduced to equal the product of the Series D Purchase Price multiplied by a factor equal to one minus the Adjustment Amount. The result shall be referred to as the "Reduced PPS".
- (b) For purposes hereof, the "Adjustment Amount" means (a) \$60,000,000 minus Actual 2014 and 2015 Revenues, divided by (b) \$60,000,000, *provided* that such amount will not be greater than 0.08.
- (c) The Purchaser(s) shall be issued additional Series D Preferred Shares (the "Additional Shares") in an amount equal to the difference between (i) the number of Series D Preferred Shares issued in the relevant Closing; and (ii) the number of Series D Preferred Shares that would have been issued if the Reduced PPS had been applicable at such Closing.

- (d) Within seven (7) days of the delivery of the Company's audited financial statements for the fiscal year 2015 pursuant to the Seventh Amended and Restated Securityholders Agreement, the Company shall provide a notice to the Purchaser(s) specifying the Actual 2014 and 2015 Revenues and the number of Additional Shares, if any, that the Company will issue to each Purchaser pursuant to this Section. Once the Purchaser(s) shall become entitled to be issued the Additional Shares pursuant to this Section, the Company shall take all required actions to effect such issuance of the Additional Shares to the Purchaser(s) as promptly as possible and in any event no later than seven (7) days following such notice.

SECTION 3. CONDITIONS TO CLOSING.

3.1 Conditions to the Closing .

- (a) The obligation of the Purchaser(s) to effect the purchase of the Series D Preferred Shares pursuant to the terms hereunder at the Closing is subject to the fulfillment as of the Closing of the following conditions to the Purchaser's satisfaction, in its sole discretion:
- (i) Representations, Warranties and Covenants. The representations and warranties contained in Section 5 hereof shall be true and correct at and as of the Closing (both immediately prior to and immediately after giving effect to the transactions contemplated by the Transaction Documents) as though then made, the Company shall have performed all of the covenants required to be performed by it hereunder and under the other documents, agreements and instruments executed in connection herewith that are to be complied with or performed by the Company on or prior to the Closing.
 - (ii) Amendment of Articles of Association and Memorandum of Association. The Company shall have made all corporate proceedings required in connection with adoption of the New Articles and the amendment of the Memorandum of Association in accordance with the terms and conditions of this Agreement and the change of the authorized share capital of the Company (whether or not issued) so that, among other things, at the Closing the Articles shall have been replaced with the New Articles as set forth in Exhibit A.2 attached hereto.
 - (iii) Board of Directors. On or before the Closing, the following persons shall have been duly appointed to serve on the Board of Directors pursuant to Article 23.4(f) of the New Articles effective as of Closing: (i) Robert Sigal; and (ii) Morry Blumenfeld.
 - (iv) No Actions. No injunction or order of any Governmental Authority will be in effect, and there shall be no actual or threatened litigation or claims that would reasonably be expected to materially adversely affect the Closing, the purchase and issuance of the Series D Preferred Shares or the transactions contemplated by this Agreement.

- (v) Proceedings. All corporate and other proceedings taken or required to be taken by the Company in connection with the transactions contemplated hereby to be consummated at or prior to the Closing and all documents incident thereto shall be satisfactory in form and substance to the Purchaser Required Majority (as defined below).
- (vi) No Material Adverse Effect. Since March 31, 2014, there shall have been no Material Adverse Effect.
- (vii) Securities Law Compliance: Consents and Approvals. The Company shall have made all filings, if any, under all applicable federal and state securities laws necessary to consummate the issuance of the Series D Preferred Shares pursuant to this Agreement and all consents, waivers, permits, approvals (or transfers) and other actions of Governmental Authorities and other third parties required by Applicable Law or contract for the issuance of the Series D Preferred Shares pursuant to this Agreement shall have been obtained including but not limited to the Office of the Chief Scientist, the Investment Center of the Ministry of Industry, Trade and Labor, and the Company shall have delivered to the Purchaser copies of all applicable or necessary consents, approvals, authorization and waivers in connection with the Series D Purchase and the transactions contemplated in connection therewith. To the extent necessary, the Purchaser shall execute and deliver to the Company an undertaking in customary form if required by the Office of the Chief Scientist in connection with the aforementioned filing.
- (viii) Execution of Transaction Documents. The Purchaser shall have delivered to the Company duly executed copies of each Transaction Document to which it is a party, and the Company shall have delivered to the Purchaser duly executed copies of each Transaction Document to which the Company is a party.
- (ix) Opinion of the Company's Counsel. The Purchaser shall have received from Gross, Kleinhendler, Hodak, Halevy, Greenberg & Co., counsel for the Company, an opinion with respect to the matters set forth in Exhibit C attached hereto, which shall be addressed to the Purchaser, dated the date of the Closing and in form and substance satisfactory to the Purchaser.
- (x) Completion of Due Diligence. Satisfactory completion of a customary due diligence review of the Company and InSightec Inc., including reviews of intellectual property, technology, financial, legal, operational, commercial, environmental, health and safety, quality, regulatory and other matters including access to any due diligence materials that have been prepared for investors to date, with sufficient access to the Company and its personnel to conduct the due diligence.

- (xi) Compliance with Applicable Laws. The issuance of the Series D Preferred Shares by the Company hereunder shall not be prohibited by any Applicable Law and shall not subject the Purchaser to any penalty, liability or, in the Purchaser's sole judgment, other onerous condition under or pursuant to any Applicable Law, and the issuance of the Series D Preferred Shares hereunder by the Company in accordance with the terms thereof shall be permitted by laws, rules and regulations of the jurisdictions and governmental authorities and agencies to which the Purchaser is subject.
- (xii) Insurance and Indemnification Agreements for Directors. The Company shall execute and deliver indemnification agreements (in the same form executed for all of the Company's directors) to each of the new directors specified in Section 3.1(a)(iii) and any director designated by York prior to the Closing, and the Company shall include such new directors within the coverage of its directors' and officers' insurance policy. The Company shall bring for the approval of the Company's board of directors a resolution to increase the maximum indemnification amount to the Company's Office Holders under the indemnification agreements such it shall not exceed the higher of an aggregate indemnification amount of US \$10 million or US \$2 million for an Office Holder.
- (xiii) Cooperation Agreement Amendment. The Company shall have delivered to the Purchaser a copy of an amendment to that certain Technology, Co-Operation and Distribution Agreement between GE Healthcare and the Company, dated October 17, 2012, in the form attached hereto as Exhibit D, duly executed by GE Healthcare and the Company.
- (xiv) Closing Purchaser Documents. The Company shall have delivered to the Purchaser all of the following documents:
 - (A) Share Certificates: A share certificate evidencing the Series D Preferred Shares to be purchased by the Purchaser, issued in the name of the Purchaser or its nominee;
 - (B) Officer's Certificate: An Officer's Certificate, dated the date of the Closing, stating that the conditions specified in Sections 3.1(a)(i) through 3.1(a)(vii), inclusive, have been fully satisfied (assuming for this purpose that all documents which must be satisfactory to the Purchaser are in fact satisfactory to the Purchaser);
 - (C) Board Resolutions: Certified copies of the resolutions duly adopted by the Company's board of directors authorizing the execution, delivery and performance of each of the Transaction Documents, the issuance and sale of the Series D Preferred Shares and the consummation of all other transactions contemplated by this Agreement;

- (D) Secretary's Certificate: A certificate of the secretary of the Company certifying the names and the signatures of the directors and officers of the Company authorized to sign this Agreement, the share certificates representing the Series D Preferred Shares and each of the Transaction Documents;
 - (E) Shareholders Resolutions: Certified copies of (1) the resolutions of the shareholders of the Company (a) adopting the New Articles and (b) by which the authorized share capital of the Company was changed as described in the New Articles, and (c) by which the Memorandum of Association of the Company was amended to reflect such change of share capital set forth in such resolutions, together with a duly completed notice(s) of such changes to the Israeli Registrar of Companies, and (2) a copy of the New Articles of the Company as in effect at the Closing;
 - (F) Notice of Issuance of Series D Preferred Shares to the Purchaser: The Company shall have delivered to the Purchaser a duly completed and certified notice of the Series D Preferred Shares issuance to the Israeli Registrar of Companies, in form and substance acceptable for immediate filing with the Israeli Registrar of Companies, which filing shall be made by the Company within five (5) Business Days after the Closing;
 - (G) Consents: The Company shall have delivered to the Purchaser copies of all third party and governmental consents, approvals and filings required in connection with the consummation of the transactions hereunder, including from the Investment Center of the Israel Ministry of Industry and Trade and the filing to the Office of the Chief Scientist; and
 - (H) Waiver: To the extent not provided for by the resolutions referred to in paragraph (E) above or in the Seventh Amended and Restated Securityholders Agreement, a waiver or consent executed by all of the shareholders of the Company entitled to rights of first offer and/or preemptive rights in the Company under which they consent to: (1) the waiver of such rights of first offer and/or preemptive rights in regard to the transactions contemplated herein; (2) the provisions of the Seventh Amended and Restated Securityholders Agreement (to the extent any such shareholder has not executed the Seventh Amended and Restated Securityholders Agreement); and (3) the provisions of the New Articles. With regard to any incorporated shareholder, such waiver shall be accompanied by a signatory-rights certificate issued by such shareholder's general counsel confirming authority to sign the same, unless such waiver is already included in any of the Transaction Documents to which such shareholder is a party.
- (xv) Schedules 2.1. Schedules 2.1 shall have been updated and be current as of the Closing date.

- (xvi) Investment Center Approval. The Company will have received the approval of the Investment Centre of the Israeli Ministry of Industry, Trade and Labor to the Transaction.
 - (xvii) Waiver. Any condition specified in this Section 3.1 may be waived if consented to by Purchasers holding a majority of the Series D Preferred Shares (aggregating for such purpose Series D Preferred Shares already issued with shares proposed to be issued in the applicable Closing, provided that the Purchasers participated in that Closing) (the "Purchaser Required Majority").
- (b) The obligation of the Company to consummate the Closing is subject to the fulfillment as of the Closing of the following conditions to the Company's satisfaction in its sole discretion:
- (i) Representations, Warranties and Covenants. The representations and warranties contained in Section 6.5 hereof shall be true and correct at and as of the Closing (both immediately prior to and immediately after giving effect to the transactions contemplated by the Transaction Documents) as though then made, and the Purchaser shall have performed all of the covenants required to be performed by it hereunder and under the other documents, agreements and instruments executed in connection herewith that are to be complied with or performed by it on or prior to the Closing;
 - (ii) Securities Law Compliance; Consents and Approvals. All consents, waivers, permits, approvals (or transfers) and other actions of Governmental Authorities and other third parties required by Applicable Law or contract for the issuance of the Series D Preferred Shares pursuant to this Agreement shall have been obtained including but not limited to the Office of the Chief Scientist, the Investment Center of the Ministry of Industry, Trade and Labor, and the Purchaser shall have received copies of all applicable or necessary consents, approvals, filings, authorization and waivers in connection with the Series D Purchase and the transactions contemplated in connection therewith;
 - (iii) Execution of Transaction Documents. The Purchaser shall have delivered to the Company duly executed copies of each Transaction Document to which it is a party;
 - (iv) No Actions. No injunction or order of any Governmental Authority will be in effect, and there shall be no actual or threatened litigation or claims that would reasonably be expected to materially adversely affect the Closing, the purchase and issuance of the Series D Preferred Shares or the transactions contemplated by this Agreement;
 - (v) Payment of Purchase Price. Payment by the Purchaser (and with respect to each Subsequent Closing, payment by the respective Subsequent Investor) of the Series D Purchase Price for the Shares (and Subsequent Purchased Shares, as applicable), by wire transfer of immediately available funds to an account designated by the Company;

- (vi) Registrar Documents. The Company shall have received from the Purchaser all documents that may be required by the Israeli Registrar of Companies, which may include a notarized certificate of incorporation, certificates of good standing, and any equivalent document regarding the Purchaser.
- (vii) York, and as a condition to the applicable Subsequent Closing, Go-Capital, shall have executed an undertaking in customary form, in which the Purchaser undertakes to comply with the Law for the Encouragement of Industrial Research and Development, 1984 as amended or supplemented from time to time and all regulations promulgated thereunder.

SECTION 4. COVENANTS.

4.1 Affirmative Covenants. The Company covenants that it shall:

- (i) use the proceeds from the issuance and sale of the Series D Preferred Shares solely for working capital to support the growth of the business and operations of the Company including, without limitation, research and development of its products. Unless otherwise approved by the Board of Directors of the Company, none of the proceeds from the transactions contemplated hereby will be used for the payment of any Dividends or other distributions to any Affiliate or holder of capital of the Company, to fund changes in compensation for current or former directors, or to fund changes in compensation for officers or employees of the Company, except annual year-end performance-based compensation adjustments consistent with the on-going operating budget;
- (ii) submit the New Articles and the amendments to the Memorandum of Association to the Israeli Registrar of Companies not later than four Business Days following the Closing.
- (iii) pay within 10 days following the Closing the debt to the OCS specified in Section 5.17(b) of the Discloser Schedule.

4.2 Securities Filings. The Company shall make all filings and reports, if any, relating to the offer, sale and issuance of the Series D Preferred Shares required under applicable securities laws of the states of the United States or the State of Israel following the Closing.

4.3 Compliance with Laws Covenant. Section 3.08 of the Seventh Amended and Restated Securityholders Agreement (the “Compliance Covenant”) is hereby incorporated into this Agreement, *mutatis mutandis*, such that the Compliance Covenant will take effect as of the date of this Agreement notwithstanding the fact that the Seventh Amended and Restated Securityholders Agreement will not be executed until a later time; provided that upon the due execution of the Seventh Amended and Restated Securityholders Agreement by all parties thereto, this Section 4.3 shall terminate and be of no further force and effect and all rights and obligations under the Compliance Covenant shall thereafter be only under the Seventh Amended and Restated Securityholders Agreement. For the avoidance of doubt, references in the Compliance Covenant to “the date hereof” shall be read as referring to the date of this Agreement and not the date of the Seventh Amended and Restated Securityholders Agreement.

SECTION 5. REPRESENTATIONS AND WARRANTIES OF THE COMPANY.

As a material inducement to the Purchaser(s) to enter into this Agreement and purchase the Series D Preferred Shares, the Company hereby represents and warrants to the Purchaser(s) as of the date hereof and, if applicable, as of the date of the Closing that:

- 5.1 Corporate Existence and Power. The Company and each of its Subsidiaries is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization and has all corporate power and authority and all material authorizations from Governmental Authorities required to carry on its business. The Company has furnished to the Purchaser a true and complete copy of the Company's memorandum of association, as currently in effect (its "Memorandum of Association"), and a true and complete copy of the Company's Amended and Restated Articles of Association, as currently in effect, in both cases, certified by its corporate secretary.
- 5.2 Corporate Authorization and Validity. The execution, delivery and performance by the Company of each of the Transaction Documents to which it is or will be a party and any other instruments and agreements to be executed and delivered by the Company as contemplated thereby are within its corporate powers and, other than approval of the Company's shareholders, which shall be obtained prior to the Closing, have been duly authorized by all necessary corporate action on its part and no other corporate action on the part of the Company or its shareholders is necessary to authorize the execution, delivery and performance of each Transaction Document and such other instruments and agreements by the Company and the consummation of the transactions contemplated hereby and thereby, including the issuance of any Subsequent Purchased Shares in the Subsequent Closing. Each of the Transaction Documents to which it is or will be a party has been or shall have been duly executed and delivered by the Company and constitutes or will constitute a legal, valid and binding agreement of the Company enforceable against the Company in accordance with its terms.
- 5.3 Non-Contravention. Subject to the receipt of the consents listed in Sections 5.3 and 5.4 of the disclosure schedule (the "Disclosure Schedule") attached hereto, the execution, delivery and performance by the Company of the Transaction Documents to which it is or will be a party do not and will not:
- (i) contravene or conflict with the Company's organizational documents,
 - (ii) assuming compliance with the matters referred to in Section 5.4 below, contravene or conflict with any Applicable Law, or
 - (iii) contravene or conflict with, constitute a default under, accelerate any obligations under or give rise to any right of termination, loss of benefit or other adverse action under, any material Contract or other material agreement of the Company or any of its Subsidiaries by which any of the assets of the Company or any of its Subsidiaries are or may be bound or any license, permit or other authorization.

- 5.4 Consents. The execution, delivery and performance by the Company of the Transaction Documents to which it is or will be a party require no action by or in respect of, or consent or approval of, or filing with, any Governmental Authority or any other Person other than consents, approvals or filings listed on Section 5.4 of the Disclosure Schedule.
- 5.5 Finder's Fees. No broker, finder or other intermediary or representative acting on behalf of the Company is entitled to any fee or commission from any party in connection with this Agreement, except as described on Section 5.5 of the Disclosure Schedule.
- 5.6 Capitalization. As of the date of this Agreement, the authorized share capital of the Company consists solely of: (i) 29,000,000 Series C Preferred Shares, of which 27,519,390 Series C Preferred Shares are issued and outstanding; (ii) 33,000,000 Series B-1 Preferred Shares, of which 32,201,524 Series B-1 Preferred Shares are issued and outstanding; (iii) 15,000,000 Series B Preferred Shares, of which 14,037,888 Series B Preferred Shares are issued and outstanding; and (iv) 110,000,000 Ordinary Shares, of which 15,257,512 Ordinary Shares are issued and outstanding. Immediately after the Closing, the authorized and issued share capital of the Company and all outstanding subscriptions, options and warrants shall be as stated in Schedule 2.1. The Company has reserved sufficient Series D Preferred Shares that may be issued in accordance with this Agreement and the New Articles, including any Additional Shares to be issued in the Subsequent Closing. Section 5.6 of the Disclosure Schedule sets forth the aggregate number of authorized but unissued Ordinary Shares of the Company subject to outstanding options. Except as set forth on Section 5.6 of the Disclosure Schedule, there are no outstanding securities convertible into or exchangeable for Ordinary Shares or for shares of capital stock of any Subsidiary of the Company and there are no outstanding options, rights, preemptive or otherwise, or similar right or other right, contract, agreement, commitment or understanding of any kind or warrants to purchase or to subscribe for any shares of such stock or other securities of the Company or any Subsidiary of the Company, or obligating the Company or any of its Subsidiaries to issue any additional shares of capital stock or to redeem, repurchase or otherwise acquire any shares of its capital stock. The issued and outstanding ordinary shares of the Company are held by the shareholders listed, and in the amounts set forth, on Section 5.6 of the Disclosure Schedule.
- 5.7 Validity of Shares: Issuance. Each of the Series D Preferred Shares, when issued, allotted and paid for at the Closing in accordance with this Agreement, will be duly authorized, validly issued, fully paid and nonassessable, and free of any preemptive rights or Liens, will have the rights, preferences, privileges and restrictions set forth in the New Articles and will be duly registered in the name of the Purchaser, in the Company's register of shareholders. All outstanding Ordinary Shares of the Company and each of its Subsidiaries are validly issued, fully paid and nonassessable, and free of any Liens, and are issued in compliance with all applicable federal and state securities laws.

5.8 Financial Statements. The Company has previously made available to the Purchaser accurate and complete copies of the Company's audited consolidated financial statements (including a balance sheet, income statement, statement of cash flows and statement of operations) as of and for the period ended December 31, 2013 and its unaudited consolidated financial statements (including a balance sheet, income statement, statement of cash flows and statement of operations) as of and for the three months ended March 31, 2014 (together, all such financial statements are referred to as the "Financial Statements"). The Financial Statements (including the related notes, where applicable) fairly present in all material respects the results of the consolidated operations and consolidated financial condition and cash flows of the Company for the respective fiscal periods or as of the respective dates therein set forth and the changes in their financial condition for the periods indicated; each of such statements (including the related notes, where applicable) comply with applicable accounting requirements and each of such statements (including the related notes, where applicable) are true and accurate and has been prepared in accordance with GAAP consistently applied during the periods involved; except, in all cases, that the unaudited consolidated financial statements were or are subject to normal and recurring year-end adjustments that are not expected to be material in amount. As at such dates of the Financial Statements the Company has no liabilities, debts or obligations, whether accrued, absolute or contingent that are required to be stated in the Financial Statements other than liabilities reflected or reserved against in the Financial Statements. The Company maintains and will continue to maintain a standard system of accounting established and administered in accordance with GAAP. The books and records of the Company have been, and are being, maintained in all material respects in accordance with GAAP and any other applicable legal and accounting requirements. The books of account, ledgers, order books, records and documents of the Company and its Subsidiaries accurately and completely reflect all material information relating to the business of the Company and its Subsidiaries, the location of their respective assets, and the nature of all transactions giving rise to the obligations or accounts receivable of the Company and its Subsidiaries. There are no special purpose vehicles created for the purpose of accruing off-balance sheet liabilities, claims, or obligations of any nature, whether absolute, contingent, anticipated, or otherwise, whether due or to become due, that are not disclosed or provided for in the Financial Statements and which are required by GAAP to be so disclosed or provided for. The Financial Statements are not affected by any materially unusual or non-recurring items. The Financial Statements: (i) make full provision for depreciation of the fixed assets of the Company having regard to their original cost and estimated life; (ii) make due provision for any bad or doubtful debts; (iii) make full provision for severance pay, vacation pay and all other relevant social benefits due to employees; (iv) set out correctly all such reserves or provisions for Taxes as are necessary on the basis of the rates of such Taxes now in force to cover all Taxes (present and future) in respect of any transaction occurring prior to the date of the Financial Statements, liable to be assessed on the Company for which the Company is accountable up to such date; and (v) fully disclose all assets of the Company.

5.9 Assets. The Company and its Subsidiaries have good, valid and marketable title to all properties and assets owned by them, including, without limitation, all properties and assets included in the Financial Statements (except for leased or licensed assets and for properties or assets reflected in such Financial Statements which have been sold or otherwise disposed of in the ordinary course of business), free and clear of all Liens except Permitted Liens. Such properties or assets are sufficient for the conduct of the Company's business as currently conducted. All personal property of the Company and its Subsidiaries is in good operating condition and repair and is suitable and adequate for the uses for which it is intended or is being used. The Company and its Subsidiaries own, or have a valid leasehold interest in, all assets necessary for the conduct of their businesses as presently conducted.

5.10 **Intellectual Property.** The Company and its Subsidiaries own exclusively (or jointly, as described in the Disclosure Schedule), licenses, uses, or has the right to use under valid licenses, sublicenses, agreements, or permissions all Intellectual Property Rights currently used by them or developed by them in the conduct of their business or as their business is contemplated to be conducted, free and clear of all Liens. No such Intellectual Property Right requires the payment of a royalty to any third party other than as set forth in Section 5.10(a) of the Disclosure Schedule. To the Company's Knowledge, the Company and its Subsidiaries either (i) own, license, use, or have the right to use under valid licenses, sublicenses, agreements, or permissions all material Intellectual Property Rights or (ii) shall be able to obtain or acquire rights to use all of the Intellectual Property Rights required for their business as currently conducted. Other than as set forth in Section 5.10(a) of the Disclosure Schedule, the Company is unaware of any Intellectual Property Right required for the Company's or any of its Subsidiaries' business as currently conducted or, the use of which by the Company or such Subsidiary requires or would require the payment of a royalty to a third party (other than royalties to the Office of the Chief Scientist pursuant to applicable law). The registered Intellectual Property Rights owned by the Company (whether exclusively or jointly, as described in the Disclosure Schedule) are described in Section 5.10(b) of the Disclosure Schedule, including a full list of all registrations and applications for registrations of Intellectual Property and Rights renewals thereof, the applicable jurisdiction, registration number (or application number) and date issued (or date submitted). The Company has not received notice or allegation that any product or service offered or Intellectual Property Right used by the Company or any of its Subsidiaries has infringed or infringes any rights or patents or other Intellectual Property Right of any other person and to the Knowledge of the Company, no third party has asserted any claim regarding the use of, or challenging or questioning the Company's or any of its Subsidiaries' right or title in, any of such Intellectual Property Rights. Section 5.10(c) of the Disclosure Schedule contains a complete and accurate list of all licenses granted by the Company or any of its Subsidiaries to any third party with respect to any Intellectual Property Rights and all licenses and other rights granted by any third party to the Company or any of its Subsidiaries with respect to any Intellectual Property Rights, in each case identifying the subject Intellectual Property Rights. No written claim of invalidity of any patents included in the Intellectual Property Rights has been made by any Person, and no proceedings are pending or, to the Knowledge of the Company, threatened that challenge the validity, ownership, or use of any of the Company's Intellectual Property Rights. To the Knowledge of the Company, no written claim of invalidity of any patents included in the Intellectual Property Rights licensed to the Company has been made by any Person and no proceedings are pending or, to the Knowledge of the Company, threatened that challenge the validity, ownership, or use of any the Intellectual Property Rights licensed to the Company. The Company does not have any obligation to convey any ownership interest in, or any obligation to grant any license of rights to, its Intellectual Property Rights to any Person other than as set forth in Annex B in Section 5.10(b) of the Disclosure Schedule. Other than as set forth in Annex B in Section 5.10(b) of the Disclosure Schedule, no Person other than the Company presently has any ownership interest in or license rights to the Company's Intellectual Property Rights. The transactions contemplated by this Agreement shall have no material effect on the Company's right, title and interest in and to its Intellectual Property Rights. The Company and each of its Subsidiaries has taken and is taking such action to maintain and protect each item of Intellectual Property Right that it owns or uses, which actions are reasonable and customary in the industry in which the Company or such Subsidiary operates. All the confidential information of the Company and each of its Subsidiaries is being and has been continuously maintained in confidence by the Company or such Subsidiary, by taking reasonable precautions to protect and prevent its disclosure to unauthorized parties. All Intellectual Property Rights that have been developed or are currently being developed on behalf of the Company or any of its Subsidiaries by any current or former employee or independent contractor of the Company or such Subsidiary or other third party is or shall be the sole property of the Company or such Subsidiary. Except as set forth in Section 5.10(b) of the Disclosure Schedule, all current employees, consultants and independent contractors of the Company who had developed or are developing Intellectual Property Rights as aforesaid, have executed written contracts with the Company that assign to the Company all Intellectual Property Rights developed by such employee, consultant or independent contractor (including their alleged right to receive consideration, compensation, remuneration or benefits for their contribution to Company Intellectual Property), and each such person with access to confidential information or trade secrets of the Company have entered into a non-disclosure and proprietary rights assignment agreement (which would include a non-solicitation provision) with the Company. Other than as set forth in Section 5.10(b) of the Disclosure Schedule, there are no restrictions on the ability of the Company to sell, offer to sell, license, lease, transfer, import, use, reproduce, distribute, modify or otherwise exploit any of its Intellectual Property Rights other than legal requirements relating to the export or reexport of Intellectual Property Rights or otherwise requiring a license set forth in Section 5.10(d) of the Disclosure Schedule. Other than as set forth in Section 5.10(e) of the Disclosure Schedule. Except as set forth in Section 5.10(e) of the Disclosure Schedule, the Company has not (i) incorporated any Open Source License into, or combined software used by the Company pursuant to an Open Source License with, the Company's Intellectual Property Rights or products or services; (ii) distributed software subject to Open Source License in conjunction with any Company Intellectual Property Rights or Company products or services; or (iii) used software subject to Open Source License; in such a way that, with respect to clause (i), (ii), or (iii), creates, or purports to create obligations for the Company with respect to any Company Intellectual Property Rights or grants, or purport to grant, to any third party, any rights or immunities under any Company Intellectual Property Rights (including using any software subject to Open Source License that require, as a condition of use, modification or distribution of such Open Source License software that Company Intellectual Property Rights incorporated into, derived from or distributed with such Open Source License software be (1) disclosed or distributed in source code form, (2) be licensed for the purpose of making derivative works, or (3) be redistributable at no charge). The Company has not received any notice that any o current employee, consultant or independent contractor of the Company: (i) has been or is in material violation of any term or covenant of any employment contract, patent disclosure agreement, invention assignment agreement, nondisclosure agreement, noncompetition agreement or any other Contract with any other party by virtue of such employee's, consultant's or independent contractor's being employed by, or performing services for, the Company or using trade secrets or proprietary information of others without permission; or (ii) has developed any technology, software or other copyrightable, patentable or otherwise proprietary work for the Company or during a period of time during which they were working for the Company that is subject to any Contract (other than any Contract to which the Company is a party) under which such employee, consultant or independent contractor has assigned or otherwise granted to any third party any rights (including Intellectual Property) in or to such technology, software or other copyrightable, patentable or otherwise proprietary work. Except as provided in Schedule 5.10(f) of the Disclosure Schedule, all current Israeli Employees of the Company engaged in the research and development of the Company Intellectual Property Rights have expressly and irrevocably waived the right to receive compensation in connection with "Service Inventions" under Section 134 of the Israeli Patent Law-1967 or any other similar provision under any Applicable Law of any applicable jurisdiction, and waived any and all Moral Rights as applicable, with respect to the Company Intellectual Property Rights. To the Company's knowledge, neither the employment of any employee of the Company, nor the use by the Company of the services of any consultant or independent contractor subjects the Company to any Liability to any third party for improperly soliciting such employee, consultant or independent contractor to work for the Company, whether such Liability is based on contractual or other legal obligations to such third party. Other than as set forth in Section 5.10(a) and Section 5.17 of the Disclosure Schedule, no government funding, facilities of a university, college, other educational institution or research center or funding from third parties (other than OCS Grants, BIRD, FP-7) was used in the development of the Company-Owned IP Rights. No current or former employee, consultant or independent contractor of the Company who was involved in, or who contributed to, the creation or development of any Company Intellectual Property Rights has performed services for the government, for the government-owned institution or branch including without limitation, for a university, college or other educational institution or for a research center during a period of time during which such employee, consultant or independent contractor was also performing services for the Company.

- 5.11 Subsidiaries. Except for (i) InSightec Inc., a Delaware corporation, in which the Company owns all of the outstanding capital stock and rights to acquire capital stock, and (ii) InSightec Japan Y.K., a Japanese corporation, in which the Company owns all of the outstanding capital stock and rights to acquire capital stock, the Company does not directly or indirectly own any outstanding capital stock or other ownership interest in any other corporation, partnership, limited liability company, association, joint venture or other business entity.
- 5.12 Litigation; Disputes. Except as disclosed on Section 5.12 of the Disclosure Schedule, there is no action, suit, investigation, order, claim or proceeding pending or, to the best of the Company's Knowledge, threatened against or affecting the Company or any of its Subsidiaries before any Governmental Authority which, if adversely determined or resolved, may reasonably be expected to result in any material liability or loss to the Company or such Subsidiary or which in any manner challenges or seeks to prevent, enjoin, alter or materially delay the transactions contemplated by this Agreement. Without limiting the foregoing, neither the Company nor any of its Subsidiaries has been given notice by a Governmental Authority of, any actual or potential violation by the Company or its Subsidiaries of the Foreign Corrupt Practices Act, 15 U.S.C. 78dd et seq., or any other United States or foreign laws concerning corrupt payments, nor, to the Knowledge of the Company, is the Company or any of its Subsidiaries currently being, or has been, investigated by any Governmental Authority with respect to, any actual or potential violation by the Company or its Subsidiaries of the Foreign Corrupt Practices Act, 15 U.S.C. 78dd et seq., or any other United States or foreign laws concerning corrupt payments.
- 5.13 Compliance with Laws.
- (a) Neither the Company nor any of its Subsidiaries has violated or infringed, and does not violate or infringe, in any material respect any Applicable Law (including all laws regulating the manufacture or sale of medical devices, or employee rights and benefit plans, health or safety, or environmental protection) or any order, writ, injunction or decree of any Governmental Authority.
- (b) Without limiting Section 5.13(a), except as set forth on Section 5.13 of the Disclosure Schedule, the Company and its Subsidiaries have operated their business in compliance with all requirements relating to medical records and medical information privacy promulgated by the Joint Commission on Accreditation of Healthcare Organizations and all contractual requirements that regulate or limit the maintenance, use or transmission of medical records, patient information or other personal information made available to or collected by the Company and its Subsidiaries in connection with the operation of their business and comply with all confidentiality, security and other protective measures required by Applicable Laws and contractual requirements and have implemented all such measures required by the Standards for Privacy of Individually Identifiable Health Information, Security Standards and Standards for Electronic Transactions and Code Sets promulgated under the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"). With respect to privacy and security commitments for personally identifiable information maintained by the Company and its Subsidiaries (the "Privacy Commitments"), the Company and its Subsidiaries are in compliance with the Privacy Commitments, and the Privacy Commitments have not been rejected by any applicable certification organization which have reviewed such Privacy Commitments or to which any such Privacy Commitment has been submitted. The transactions contemplated by this Agreement will not violate any of the Privacy Commitments. Neither the Company nor any of its Subsidiaries has received any inquiries from the Federal Trade Commission or any other Governmental Authority regarding the Privacy Commitments, nor have there been any lawsuits, claims, suits, proceedings, notices of violation or investigations from any party regarding the Privacy Commitments. Except as set forth on Section 5.13 of the Disclosure Schedule, the Company and its Subsidiaries have entered into "business associate" agreements with all of its applicable customers and suppliers in accordance with Applicable Law. Without limiting the foregoing, the Company and its Subsidiaries comply with the privacy and security requirements of HIPAA, as amended by the Health Information Technology for Economic and Clinical Health ("HITECH") Act (Pub. L. No. 111-5).

- (c) Except as set forth on Section 5.13(c) of the Disclosure Schedule, all non-public information relating to an identified or identifiable natural or legal Person (“Personal Data”) has been collected, maintained, used, transmitted and disclosed at all times in compliance with (i) Applicable Laws, (ii) the requirements of contracts to which the Company or any its Subsidiaries is a party, including but not limited to HIPAA “business associate agreements,” and (iii) policies and practices of Company relating to Personal Data, or if any gap was identified a process and plan to close it in place.
- (d) Except as set forth on Section 5.13 of the Disclosure Schedule, when the Company has changed its policies or practices relating to Personal Data, the Company has, to the extent required by the applicable policy in effect prior to the change, provided notice to the affected Person about whom the Personal Data relates (“Data Subject”) prior to using the Personal Data relating to them in a manner inconsistent with the policy or practice previously communicated to the Data Subject.
- 5.14 Absence of Undisclosed Liabilities. Except as set forth on the Financial Statements or incurred in the ordinary course of business consistent with past practice, the Company has no Indebtedness or liability, whether accrued, fixed or contingent, other than liabilities expressly disclosed in this Agreement.
- 5.15 Taxes. (i) Each of the Company and its Subsidiaries has paid all taxes, including, without limitation, income taxes, estimated taxes, excise taxes, sales taxes, value added taxes, use taxes, gross receipts taxes, franchise taxes, national insurance taxes, employment and payroll related taxes, property taxes and import duties, whether or not measured in whole or in part by net income (hereinafter, “Taxes” or, individually, a “Tax”) which have come due and are required to be paid by it through the date hereof, and all deficiencies or other additions to Tax, interest and penalties owed by it in connection with any such Taxes; (ii) each of the Company and its Subsidiaries has timely submitted or caused to be submitted all returns for Taxes that it is required to submit on and through the date hereof (including all applicable extensions), and all such Tax returns are accurate and complete in all material respects; (iii) with respect to all Tax returns of the Company and its Subsidiaries, (a) there is no unassessed Tax deficiency proposed or, to the Knowledge of the Company, threatened against the Company or its Subsidiaries and (b) no audit is in progress with respect to any return for Taxes, no extension of time is in force with respect to any date on which any return for Taxes was or is to be submitted and no waiver or agreement is in force for the extension of time for the assessment or payment of any Tax; (iv) all provisions for Tax liabilities of the Company and its Subsidiaries have been made consistent with GAAP consistently applied, and all liabilities for Taxes of the Company and its Subsidiaries attributable to periods prior to or ending on the date hereof have been adequately provided for; (v) there are no liens for Taxes on the assets of the Company or its Subsidiaries; (vi) all monies required to be withheld by the Company (including from employees for income Taxes and social security and other payroll Taxes) have been collected or withheld, and either paid to the respective taxing authorities, set aside in accounts for such purpose, or accrued, reserved against and entered upon the books of the Company; (vii) to the best Knowledge of the Company, there are no circumstances which will or may, whether by lapse of time or the issue of any notice of assessment or otherwise, give rise to any dispute with any relevant taxation authority in relation to the Company’s or its Subsidiaries’ liability or accountability for taxation under currently enacted statutes and regulations, any claim made by any of them, any relief, deduction, or allowance afforded to any such company, or in relation to the status or character of the Company or its Subsidiaries under or for the purpose of any provision of any legislation relating to taxation; (viii) the Company has duly collected all amounts on account of any sales transfer taxes or VAT, including goods and services, harmonized sales and provincial or territorial sales taxes, required by law to be collected by it, and has duly and timely remitted to the appropriate governmental authority any such amounts required by law to be remitted by it; (ix) the Company has not refunded or deducted any input VAT that it was not so entitled to deduct or refund; (x) any related party transactions subject to Section 85A of the Israeli Income Tax Ordinance conducted by the Company have been on an arms-length basis in accordance with Section 85A of the Ordinance; (xi) the Company does not and has never performed and was not part of any action or transaction that is classified as a “reportable transaction” under section 131(g) of the Israeli Income Tax Ordinance and the regulations promulgated thereunder; and (xii) all the agreements that the Company has signed with the Israeli Tax Authority and all the rulings and decisions received by the Company from the Israeli Tax Authority are detailed in Section 5.15 of the Disclosure Schedule..

5.16 Employees .

- (a) A list of all the directors, officers, employees and consultants (excluding those receiving less than \$100,000 per year, lawyers and accountants) of the Company and its Subsidiaries (the "Employees") is set forth on Section 5.16(a) of the Disclosure Schedule. The Company has provided to the Purchaser a schedule of benefits payable or which the Company is bound to provide (whether now or in the future) to each Employee, including salary, bonuses, accrued severance pay, vacation days entitlement (to the extent in excess of that provided by Applicable Law) and accrued vacation days, recuperation pay, sick pay entitlement (to the extent in excess of that provided by Applicable Law), accrued sick days and start date.
- (b) A list of all the directors, officers, employees and consultants entitled to a notice period of more than 30 days (exclude) upon termination of employment with the Company - of the Company and its Subsidiaries is set forth on Section 5.16(b) of the Disclosure Schedule.

- (c) The Company has made available to the Purchaser true copies of its employment agreements and complete copies of its consultancy agreements (including agreements between the Company or its Subsidiaries and any such Employee concerning intellectual property, confidentiality and non-competition) under which the Employees or consultants are engaged.
- (d) There are no agreements or arrangements for the payment of any pensions, allowances, lump sums or other like benefits on retirement or on death or termination or during periods of sickness or disablement for the benefit of any Employee or former employee or consultant of the Company or its Subsidiaries or for the benefit of the dependents of any such person in operation at the date hereof except as described in Section 5.16(d) of the Disclosure Schedule. The Company and its Subsidiaries have fulfilled all of their obligations under the law to the Employees.
- (e) Section 5.16(e) of the Disclosure Schedule sets forth the collective agreements and extension orders that apply to all or any of the Employees except for extension orders of common application to all employees in Israel. Except for the collective agreements and extension orders set forth in Section 5.16(e) of the Disclosure Schedule and for extension orders of common application to all employees in Israel the Company is not a party or subject to any collective bargaining agreement with any labor union or any local or subdivision thereof. There is no current union organizing activity among any of the Employees or any union representative petition pending or threatened. No labor union has requested the Company or, to the Company's knowledge, has sought to represent any of the employees, representatives or agents of the Company or the Subsidiaries. The Company is not a party to any pending or, to the Knowledge of the Company, threatened, labor dispute, including any strike, work stoppage or work slowdown. There are no claims pending, or to the Knowledge of the Company, threatened to be brought, before any Governmental Authority by any Employee for compensation, pending severance benefits, vacation time or pay, pension benefits, claims for employment discrimination, harassment, unfair labor practices, grievances, wrongful discharge, work related injuries or otherwise, except as specified in Section 5.16(e) of the Disclosure Schedule.
- (f) There are no customs, customary practices and unwritten entitlements regarding the Employees that are material (individually or in the aggregate) and could reasonably be deemed to be binding on the Company.
- (g) Each of the Company and each Subsidiary have entered into agreements regarding works for hire, confidential information and no solicitation of customers and employees with each employee or consultant to the Company, except as set forth in Section 5.16(g) of the Disclosure Schedule.
- (h) Section 5.16(h) of the Disclosure Schedule contains a true and complete copy of all restricted share, stock option or similar plans approved by the Company or its Subsidiaries. Section 5.16(h) of the Disclosure Schedule sets forth in tabular form the name of each equity incentive plan currently in existence or authorized by the Board of Directors, setting forth the following: name of plan, date approved by the Board of Directors, number of shares authorized for issuance under the plan, number of grants outstanding, exercised and available for future grant, a schedule naming each optionee and each grant specifying date of grant and exercise price, a schedule of any grants approved but not yet documented, and the vesting provisions of each grant including vesting start date. Copies of each plan and grant documentation have been made available to the Purchaser.

- (i) The Company has good labor relations, and to the Company's knowledge (i) there are no facts indicating that the consummation of the transactions contemplated hereunder will have a material adverse effect on the labor relations of the Company, and (ii) no Company Employees or consultants have provided the Company with written notice regarding their intention to terminate their employment or engagement with the Company.

5.17 Approved Enterprise; Office of Chief Scientist. The Company has been granted the status of an approved enterprise by the Investment Center of the Israel Ministry of Industry and Trade pursuant to the Certificates of Approval referred to in Section 5.17 of the Disclosure Schedule (the "Investment Center Certificates of Approval"). The Company has received funding for purposes of research and development from the Office of the Chief Scientist of the Israel Ministry of Industry and Trade pursuant to the Certificates of Approval referred to in Section 5.17 of the Disclosure Schedule (the "OCS Certificates of Approval", and together with the Investment Center Certificates of Approval, the "Certificates of Approval"). The Certificates of Approval are in full force and effect, have not been revoked or modified and the Company is in compliance with all material terms thereof. To the Company's Knowledge, subject to the receipt of the Investment Center approval, the consummation of the Transaction will not have any adverse effect on the Certificates of Approval. Except as set forth on Section 5.17 of the Disclosure Schedule, neither the Company nor any Subsidiary has received any other grants, incentives and subsidies, or submitted applications therefor from the government of the State of Israel or any agency thereof, or from any foreign governmental or administrative agency.

5.18 Material Contracts .

- (a) Except as set forth in Section 5.18 of the Disclosure Schedule, neither the Company nor any of its Subsidiaries is a party to any written or oral:
 - (i) Contract or agreement (other than sales or service contracts made in the ordinary course of business, including extended warranties and other than contracts and agreements subject to disclosure under clause (ii) below) material to the business of the Company and its Subsidiaries or any Contract not made in the ordinary course of business that involves obligations of, or payments to, the Company in excess of \$25,000;
 - (ii) consulting agreement or Contract for the employment of any officer, employee or other person on a full-time, part-time or consulting basis (other than those delivered to such Purchaser in accordance with Section 5.16 above and excluding at-will employees receiving less than \$100,000 per year) that involves obligations of the Company in excess of \$25,000 per year;

- (iii) agreement, mortgage, indenture, loan or credit agreement, security agreement, guaranty or indemnity or other agreement or instrument relating to the borrowing or lending of money or extension of credit or providing for the mortgaging or pledging of, or otherwise placing a lien or security interest on, any assets or properties of the Company or any of its Subsidiaries, that involves obligations of the Company in excess of \$25,000 per year;
 - (iv) option, warrant or other Contract for the purchase of any debt or equity security of any corporation, or for the issuance of any debt or equity security, or the conversion of any obligation, instrument or security into debt or equity securities, of the Company or any of its Subsidiaries;
 - (v) agreement under which it has granted any Person any registration rights;
 - (vi) settlement agreement of any administrative or judicial proceedings within the past five years;
 - (vii) intellectual property (including trademark) licensing agreement; or
 - (viii) Contract or agreement limiting the ability of the Company or any of its Subsidiaries to engage in any line of business or to compete with any person or entity.
- (b) Neither the Company nor any of its Subsidiaries is in material breach of or in default under any of the Contracts, obligations or commitments set forth in Section 5.18 of the Disclosure Schedule (collectively, the “Disclosed Contracts”), and no event has occurred that, with the giving of notice or lapse of time or both, would constitute such a material breach or default. All of the Disclosed Contracts are valid, binding and enforceable in accordance with their respective terms. Except as set forth in Section 5.18 of the Disclosure Schedule, the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby will not (i) violate, or conflict with, or result in a breach of any provision of or constitute a default (or an event which, with the giving of notice, the passage of time or otherwise would constitute a default) under, or entitle any party (with the giving of notice, the passage of time or otherwise) to terminate, accelerate or call a default under, or result in the creation of any lien, security interest, charge or encumbrance upon any of the properties or assets of the Company or any of its Subsidiaries under, any of the terms or conditions of any Disclosed Contract or (ii) require the consent of any party (other than the Company or any of its Subsidiaries) to any Disclosed Contract. The Company has furnished the Purchaser with a true and complete copy of all Disclosed Contracts set forth in Section 5.18 of the Disclosure Schedule, and with accurate descriptions of all oral Disclosed Contracts set forth in Section 5.18 of the Disclosure Schedule.

- 5.19 Insurance. Neither the Company nor any of its Subsidiaries is in default with respect to its obligations under any insurance policy maintained by it, and neither the Company nor any of its Subsidiaries has been denied insurance coverage. The insurance coverage of the Company is customary for prudent corporations of similar size engaged in similar lines of business. Except as set forth on Section 5.19 of the Disclosure Schedule, the Company does not have any self-insurance or co-insurance programs, and the reserves set forth on the Financial Statements are adequate to cover all anticipated liabilities with respect to any such self-insurance or co-insurance programs.
- 5.20 Transactions with Related Parties.
- (a) Except as set forth in Section 5.20 of the Disclosure Schedule, there are no outstanding notes payable to, accounts receivable from or advances by the Company or any of its Subsidiaries to, and neither the Company nor any of its Subsidiaries is otherwise a creditor of, any shareholder or former shareholder of the Company or any relative or affiliate of any shareholder or former shareholder of the Company. Except for as set forth in Section 5.20 of the Disclosure Schedule, since December 31, 2013, neither the Company nor any of its Subsidiaries has incurred any obligation or liability to, or become a creditor of any shareholder or former shareholder of the Company or any relative or affiliate of any shareholder or former shareholder of the Company.
- (b) Since December 31, 2013, the Company has neither declared any Dividends nor paid any dividends to any shareholder or former shareholder of the Company or any relative of any shareholder or former shareholder of the Company.
- 5.21 Improper Payments. (a) Neither the Company nor any director, officer, employee, agent or representative of the Company nor any other third party acting on behalf of the Company, has offered, made, paid or received, directly or indirectly, any bribes, kickbacks or other similar payments or transfers of value in connection with obtaining or retaining business or to secure an improper advantage, (b) no director, officer, employee, agent or representative of the Company has been an official of any government or of any agency thereof, an official of a political party or a candidate for political office in any country outside of the United States, (c) the Company has complied with the Foreign Corrupt Practices Act, 15 U.S.C. 78dd et seq and all other applicable anti-corruption laws, (d) the internal accounting controls of the Company are adequate to detect any of the improper payments referenced in clause (c) above, and (e) the books and records of the Company accurately and fairly reflect the nature of the transactions and disposition of the assets reflected therein, in accordance with 15 U.S.C. 78m (b)(2).
- 5.22 Sanctions Matters.
- (a) The Company and each of its Subsidiaries has been and is in compliance with all Applicable Laws related to economic sanctions, including United States economic sanctions implemented (unilaterally or multilaterally) under statutory authority or Executive Order for, among others, foreign policy reasons and involving, inter alia, the blocking of assets and the prohibition on commerce, including trade and investment (collectively, "U.S. Economic Sanctions").

- (b) To the Knowledge of the Company, neither the Company nor any of its Subsidiaries has, on its own behalf or in acting on behalf of any other Person, directly or indirectly, engaged in any transactions, or otherwise dealt with, any Person (i) organized, domiciled or located in, or that is a national of, Bahrain, Cuba, Iran, Lebanon, Liberia, Libya, North Korea, Oman, Qatar, Republic of Yemen, Sudan, Syria or Angola (including any Governmental Authority within any such country) or (ii) targeted by U.S. Economic Sanctions, including any Person that appears on the Specially Designated Nationals and Blocked Persons List of the Office of Foreign Assets Controls of the United States Department of the Treasury.

5.23 Governmental Permits; Compliance.

- (a) The Company and its Subsidiaries own, hold or possess all licenses, franchises, permits, privileges, variances, immunities, approvals, clearances and other authorizations from Governmental Authorities that are necessary to entitle them to own or lease, operate and use their properties and assets and to carry on and conduct their business substantially as conducted (collectively, the "Governmental Permits"). Section 5.23(a) of the Disclosure Schedule sets forth a list and brief description of each Governmental Permit. All of the Governmental Permits are valid and in full force and effect and all information submitted to the applicable Governmental Authority in order to obtain each Governmental Permit was true, accurate and complete when submitted. The Company and its Subsidiaries have fulfilled and performed their respective obligations under each of the Governmental Permits, and no event has occurred or condition or state of facts exists that constitutes or, after notice or lapse of time or both, would constitute a breach or default under any such Governmental Permit or that permits or, after notice or lapse of time or both, would permit revocation, termination, or nonrenewal of any such Governmental Permit, or that might adversely affect the rights of the Company or its Subsidiaries under any such Governmental Permit. No notice of deficiency, cancellation, default or of any dispute concerning any Governmental Permit, or of any event, condition or state of facts described in the preceding clause, has been received by or is Known to the Company. No proceeding is pending or threatened to revoke, terminate or amend any Governmental Permit. The execution, delivery, and performance of this Agreement and the consummation of the transactions contemplated by this Agreement will not result in a modification, impairment, revocation, suspension or limitation of any Governmental Permit or any breach, default or forfeiture of any rights thereunder. No Governmental Permit requires the consent, approval or act of, or the making of any filing with, any Governmental Authority in order to remain in full force and effect after the execution and delivery of this Agreement. Complete and correct copies of all of the Governmental Permits and any supporting documents have heretofore been delivered to the Purchaser.

- (b) Without limiting the foregoing, the Company and its Subsidiaries are in compliance with all Applicable Laws administered or issued by the U.S. Food and Drug Administration ("FDA") or any other Medical Product Regulatory Authority. There are no facts that furnish any reasonable basis for any Form FDA-483 inspectional observations or warning or untitled letters from the FDA, or other similar communications from the FDA or any other Medical Product Regulatory Authority; and there have been no warning or untitled letters, recalls, field notifications, alerts or seizures requested or threatened relating to the products of the Company and its Subsidiaries. The products of the Company and its Subsidiaries, where required, are being manufactured in compliance with the Quality System Regulation and marketed under valid 510(k) or Pre-Market Approval Applications exclusively owned by the Company and its Subsidiaries, and promoted in compliance with all Applicable Laws. There is no reason to believe that the FDA or any other Medical Product Regulatory Authority is or may consider limiting, suspending or revoking any such clearances or approvals or changing the marketing classification or labeling of any such products. There has been no false or misleading information or significant omission in any product application or product-related submission or report made by the Company or any of its Subsidiaries to the FDA or any other Medical Product Regulatory Authority. The Company and its Subsidiaries are in compliance with all Applicable Laws relating to the conduct of clinical trials, including the clinical trial reporting and disclosure requirements of 42 U.S.C. Section 282(j).
- (c) None of the Company, any of its Subsidiaries or any Affiliate of the Company or any of its Subsidiaries, nor the officers, directors, employees, agents, or individuals with direct or indirect ownership interests (or any combination thereof) of 5% or more (as those terms are defined in 42 C.F.R. § 1001.1001) in the Company, any of its Subsidiaries or any of its Affiliates: (i) have engaged in any activities that are prohibited under, or are cause for civil or criminal penalties or mandatory or permissive exclusion from, any Federal Health Care Program under Sections 1128, 1128A, 1128B or 1877 of the Social Security Act ("SSA"), Section 3729 of Title 31 of the United States Code, or related state or local statutes, including knowingly and willfully offering, paying, soliciting or receiving any remuneration (including any kickback, bribe or rebate), directly or indirectly, overtly or covertly, in cash or in kind in return for, or to induce, the purchase, lease or order, or the arranging for or recommending of the purchase, lease or order, of any good, facility, item, or service for which payment may be made in whole or in part under any such program; (ii) have had a civil monetary penalty assessed against them under Section 1128A of the SSA; (iii) have been excluded from participation under any Federal Health Care Program under Section 1128 of the SSA; or (iv) have been convicted (as defined in 42 C.F.R. § 1001.2) of any of the categories of offenses described in Sections 1128(a) or 1128(b)(1), (b)(2) or (b)(3) of the SSA.
- (d) The Company and its Subsidiaries are not currently, nor have they been in the past: (i) under investigation by the Department of Justice, the Office of the Inspector General of the U.S. Department of Health and Human Services, the Centers for Medicare and Medicaid Services, any state Attorney General, state Medicaid Agency or the FDA for promotional or fraud and abuse or related issues; (ii) excluded from participation under any Federal Health Care Program under Section 1128 of the SSA; (iii) employing or contracting with Persons excluded from participation in any Federal Health Care Program; or (iv) suspended or debarred from contracting with the federal government. The Company and its Subsidiaries have not engaged in any activity constituting fraud or abuse under any Applicable Laws relating to healthcare insurance or reimbursement, and no payments of either cash or other consideration to any Person by or on behalf of the Company or any of its Subsidiaries have been made in violation of any Applicable Laws.

- (e) Neither the use of the Company's or any of its Subsidiaries' products nor the provision of services by the Company or any of its Subsidiaries have been determined by any audits by any Governmental Authority or its agents to have been improperly reimbursed.

5.24 Product Liabilities .

- (a) Except as set forth in Section 5.24(a) of the Disclosure Schedule, neither the Company nor any of its Subsidiaries has received any claim for or based upon breach of product warranty (other than warranty service and repair claims in the ordinary course of business not material in amount or significance), strict liability in tort, negligent manufacture of product, negligent provision of services or any product complaint, adverse event report, or any other similar allegation of liability, including or resulting in product recalls, arising from the materials, design, testing, manufacture, packaging, labeling (including instructions for use) or sale of its products or from the provision of services; and, to the best Knowledge of the Company, there is no basis for any such claim. The products sold or delivered or services rendered by the Company and its Subsidiaries comply with all contractual requirements, warranties or covenants applicable thereto and are not subject to any term, condition, guaranty, warranty or other indemnity beyond the applicable standard terms and conditions of sale for such products and services, copies of which have previously been delivered or made available to the Purchaser.
- (b) Section 5.24(b) of the Disclosure Schedule contains a list of all product recalls, market withdrawals, product corrections, and product removals conducted by the Company and its Subsidiaries since January 1, 2010.
- (c) Section 5.24(c) of the Disclosure Schedule contains a list of products of the Company and its Subsidiaries in development and planned introductions. The product and service, engineering, development, manufacturing and quality control processes that have been and are being followed by the Company and its Subsidiaries are designed to produce products and services that (i) are consistent with the claims made about them in the sales brochures of the Company and its Subsidiaries and other statements made about them by or on behalf of the Company and its Subsidiaries, (ii) otherwise meet the reasonable expectations of customers of the Company and its Subsidiaries, (iii) comply with Applicable Law and (iv) avoid claims of the type described in Section 5.24(a) and 5.13.
- (d) Except as set forth in Section 5.24(d) of the Disclosure Schedule, neither the Company nor any of its Subsidiaries has made any sales to customers that are contingent upon (i) providing future enhancements of existing products, (ii) adding features not currently available on existing products or (iii) otherwise enhancing the performance of existing products (other than beta or similar arrangements pursuant to which customers of the Company from time to time test or evaluate products).

5.25 Warranties. Section 5.25 of the Disclosure Schedule sets forth (a) a specimen copy of the form of written warranties covering products sold and services provided by the Company and its Subsidiaries which have not yet expired and (b) a summary of the warranty expense incurred by the Company and its Subsidiaries during each of its last three (3) fiscal years. The reserve for liabilities with respect to warranty claims contained in the consolidated balance sheet of the Company as of December 31, 2013 fairly reflects in all material respects the amount required in accordance with generally accepted accounting principles to be shown thereon as of such date. Since December 31, 2013, there have been no claims against the Company or any of its Subsidiaries alleging any defects in the Company's and its Subsidiaries' services or products or alleging any failure of the Company's and its Subsidiaries' products to meet specifications. The Company's liability for breach of warranty is limited to repair or replacement of nonconforming parts, including labor related to such repairs or replacements.

5.26 Environmental Matters. The operations of the business of the Company and the Subsidiaries comply and have complied with all applicable Environmental Laws. The Company has obtained all environmental, health and safety governmental permits necessary for the operation of the business of the Company and the Subsidiaries or the use and operation by the Company or the Subsidiaries of the property leased by the Company and the Subsidiaries as currently conducted, used and operated, all such governmental permits are in full force and effect. The Company and the Subsidiaries are and have been in compliance with all material terms and conditions of such governmental permits, there is no action or proceeding pending, alleged in writing or to the Knowledge of the Company threatened against the Company or the Subsidiaries to revoke or modify such governmental permits, and neither the execution or delivery of this Agreement nor compliance by the Company with any of the provisions herein will result in the termination or revocation of any governmental permit issued to the Company pursuant to any Environmental Law with respect to the operation of its business.

There has been no release by the Company of (i) any Hazardous Materials at the property leased by the Company or the Subsidiaries or (ii) to the Knowledge of the Company, at any third party location to which the Company or the Subsidiaries sent Hazardous Materials for treatment or disposal.

SECTION 6. MISCELLANEOUS.

6.1 Notices. All notices and communications to be given or made under this Agreement shall be in writing and delivered by hand-delivery, registered first class mail (return receipt requested), facsimile, air courier guaranteeing overnight delivery or shall be by e-mail, addressed as set forth on the signature pages hereof, or to such other Person or address as a party may designate by notice. Each such notice or other communication shall be deemed to have been duly given or served on the date on which personally delivered, with receipt acknowledged, telecopied and confirmed by telecopy answer back or receipt confirmed by return e-mail from the recipient. Such notices and communications shall be sent to the Company and the Purchaser at the following addresses.

if to InSightec Ltd.:
Nahum Het 5
Tirat Carmel Israel
Attention: Kobi Vortman
Email: kobiv@insightec.com_
Facsimile: 04-8131322

if to York:
York Capital Management
767 Fifth Avenue
New York, NY 10153, U.S.A
Attention: General Counsel
Email: RSwanson@yorkcapital.com
Facsimile: +1 (212) 300-1301

- 6.2 Amendments; Waivers. Except as otherwise expressly provided herein, the provisions of this Agreement may be amended and the Company may take any action herein or therein prohibited, or omit to perform any act herein or therein required to be performed by it, only if the Company has obtained the written consent of the Purchaser Required Majority. No other course of dealing between the Company and the Purchaser(s) or any delay in exercising any rights hereunder shall operate as a waiver.
- 6.3 Expenses. The Company shall pay all reasonable costs and expenses of York incurred in connection with the transactions contemplated by this Agreement in an amount up to US\$100,000, plus VAT.
- 6.4 Remedies. The Purchaser(s) shall have all rights and remedies set forth in this Agreement and the rights of the Series D Preferred Shares, as applicable (as set forth in the New Articles and the other Transaction Documents). Unless expressly specified otherwise in writing, no remedy hereunder or thereunder conferred is intended to be exclusive of any other remedy, and each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or thereunder or now or hereafter existing at law or in equity or by statute or otherwise. Any Person having any rights under any provision of this Agreement shall be entitled to enforce such rights specifically (without posting a bond or other security), to recover damages by reason of any breach of any provision of this Agreement and to exercise all other rights granted by law.
- 6.5 Purchaser Investment Representations. Each Purchaser represents that:
- (a) Purchase For Own Account. the Purchaser is acquiring the Series D Preferred Shares purchased hereunder for its own account with the present intention of holding such securities for purposes of investment, and that it has no intention of selling such securities in a public distribution in violation of the United States securities laws or any applicable state securities laws.

- (b) Organization; Authority. The Purchaser is an entity duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization with the requisite corporate power and authority to enter into and to consummate the transactions contemplated hereby and otherwise to carry out its obligations hereunder. The purchase by the Purchaser of the Series D Preferred Shares hereunder has been duly authorized by all necessary action on the part of the Purchaser. This Agreement has been duly executed by the Purchaser, and when delivered by such Purchaser in accordance with the terms hereof, will constitute the valid and legally binding obligation of the Purchaser, enforceable against it in accordance with its terms, subject to applicable bankruptcy, reorganization, insolvency, moratorium or similar laws affecting creditors' rights generally.
- (c) Purchaser Status. The Purchaser is an "accredited investor" as defined in Rule 501(a) under the Securities Act, or is not a "U.S. Person" as such term is defined in Regulation S promulgated under the Securities Act.
- (d) Experience. The Purchaser, either alone or together with its representatives, has such knowledge, sophistication and experience in business and financial matters so as to be capable of evaluating the merits and risks of the prospective investment in the Series D Preferred Shares hereunder and has so evaluated the merits and risks of such investment. The Purchaser is able to bear the economic risk of such investment and, at the present time, is able to afford a complete loss of such investment.
- (e) Independent Investment Decision. The Purchaser has independently evaluated the merits of its decision to purchase the Series D Preferred Shares hereunder pursuant to this Agreement, and the Purchaser confirms that it has not relied on the advice of any other Purchaser's business and/or legal counsel in making such decision.
- (f) Restricted Securities. The Purchaser (acknowledges that the Series D Preferred Shares are "restricted securities" as defined in Rule 144 under the Securities Act.
- (g) Legend. Each certificate or instrument representing Series D Preferred Shares or Ordinary Shares issued upon conversion thereof shall be imprinted with two legends in substantially the following forms:

"THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED OR REGISTERED OR QUALIFIED UNDER ANY STATE OR FOREIGN SECURITIES LAWS. THE SECURITIES REPRESENTED BY THIS CERTIFICATE MAY NOT BE SOLD, TRANSFERRED, PLEDGED OR HYPOTHECATED UNLESS SUCH SALE, TRANSFER, PLEDGE OR HYPOTHECATION IS IN ACCORDANCE WITH SUCH ACT AND APPLICABLE STATE AND FOREIGN SECURITIES LAWS."

"THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE ENTITLED TO THE BENEFIT OF AND ARE SUBJECT TO CERTAIN OBLIGATIONS SET FORTH IN THE SEVENTH AMENDED AND RESTATED SECURITYHOLDERS AGREEMENT DATED June 26, 2014, AS AMENDED AND MODIFIED FROM TIME TO TIME. A COPY OF SUCH AGREEMENT IS AVAILABLE AT THE EXECUTIVE OFFICES OF THE COMPANY."

- 6.6 Survival of Agreement. All representations and warranties contained in this Agreement shall survive the execution and delivery of this Agreement, regardless of any investigation made by the Purchaser or on their behalf.
- 6.7 Successors and Assigns. All covenants and agreements contained in this Agreement by or on behalf of any of the parties hereto shall bind and inure to the benefit of the respective successors and assigns of the parties hereto whether or not so expressed; provided that the Company shall not be permitted to assign its rights or obligations under this Agreement and the ability of the Purchaser to assign shall be subject to the restrictions on transfer set forth in the New Articles and the Seventh Amended and Restated Securityholders Agreement. Subject to compliance with the foregoing by the Purchaser seeking to make an assignment, and whether or not any express assignment has been made, the provisions of this Agreement which are for the Purchaser's benefit as a purchaser or holder of Series D Preferred Shares or Ordinary Shares issued upon conversion thereof are also for the benefit of, and enforceable by, any permitted subsequent holder of such Series D Preferred Shares or Ordinary Shares issued upon conversion thereof. Except as otherwise expressly provided herein, nothing expressed in or implied from this Agreement is intended to give, or shall be construed to give, any Person, other than the parties hereto and their permitted successors and assigns, any benefit or legal or equitable right, remedy or claim under or by virtue of this Agreement or any such other document.
- 6.8 Governing Law. This Agreement and all disputes, controversies or claims arising out of or relating to this Agreement or a breach thereof shall be governed by the laws of the State of Israel without reference to the principles of conflicts of law that would apply the law of another state.
- 6.9 Severability. If application of any one or more of the provisions of any Transaction Document shall be unlawful under Applicable Law, then the parties will attempt in good faith to make such alternative arrangements as may be legally permissible and which carry out as nearly as practicable the terms of such Transaction Document. Should any portion of any Transaction Document be deemed unenforceable by a court of competent jurisdiction, the remaining portion thereof shall remain unaffected and be interpreted as if such unenforceable portions were initially deleted.

- 6.10 Aggregation. For purposes of this Agreement, all holdings of Series D Preferred Shares by Persons who are Affiliates of each other shall be aggregated for purposes of meeting any threshold tests under this Agreement.
- 6.11 Counterparts; Effectiveness. Each Transaction Document may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures to each were upon the same instrument. This Agreement and each Transaction Document shall become effective when each party thereto shall have received a counterpart thereof signed by each other party thereto.
- 6.12 Captions. The captions in any Transaction Document are included for convenience of reference only and shall be ignored in the construction or interpretation hereof.
- 6.13 Construction. The parties hereto have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties hereto, and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any of the provisions of this Agreement. The parties intend that each representation, warranty, and covenant contained herein shall have independent significance. If any party has breached any representation, warranty, or covenant contained herein in any respect, the fact that there exists another representation, warranty, or covenant relating to the same subject matter (regardless of the relative levels of specificity) which such party has not breached shall not detract from or mitigate the fact that such party is in breach of the first representation, warranty, or covenant.
- 6.14 Entire Agreement. This Agreement, the other Transaction Documents (and any other agreements contemplated hereby or thereby) and any agreements executed and delivered simultaneously herewith and expressly referring to this Agreement constitute the entire agreement among the parties with respect to the subject matter of any Transaction Document and supersede all prior agreements, understandings and negotiations, both written and oral, between the parties with respect to the subject matter hereof or thereof. No representation, warranty, inducement, promise or understanding not set forth in any Transaction Document and any agreements executed and delivered simultaneously herewith and expressly referring to this Agreement has been made or relied upon by any party to any Transaction Document. The Transaction Documents are not intended to confer upon any person other than the parties any rights or remedies thereunder. The Annexes, Schedules and Exhibits to any Transaction Document are and shall be deemed to be a part of such Transaction Document.
- 6.15 No Third Party Beneficiaries. All parties agree that there are no third party beneficiaries to this Agreement.

6.16 Indemnification. In consideration of the execution and delivery of this Agreement by the Purchaser(s) and purchase of the Series D Preferred Shares hereunder and in addition to all of the Company's other obligations under this Agreement and in addition to all other rights and remedies available at law or in equity, the Company and each of its Subsidiaries shall defend, protect and indemnify the Purchaser(s) and all of their respective officers, directors, shareholders, partners, affiliates, employees, agents, representatives, successors and assigns (including those retained in connection with the transactions contemplated by this Agreement) (collectively, the "Indemnitees"), and save and hold each of them harmless from and against, and pay on behalf of or reimburse such party on demand as and when incurred, any and all actions, causes of action, suits, claims, losses (including direct and indirect damages and diminutions in value of the Series D Preferred Shares purchased pursuant to this Agreement, but excluding consequential damages), costs, penalties, fees, liabilities and damages and reasonable out-of-pocket expenses in connection therewith (irrespective of whether any such Indemnitee is a party to the action for which indemnification hereunder is sought), including reasonable attorneys' fees and disbursements, interest and penalties and all amounts paid in investigation, defense or settlement of any of the foregoing and claims relating to any of the foregoing (the "Liabilities"), incurred by any Indemnitee as a result of, or arising out of, or relating to any of the following:

- (a) any breach or non-performance by the Company of this Agreement, any other Transaction Document (other than the New Articles) or any document delivered pursuant to this Agreement;
- (b) any breach of any of the representations and warranties of the Company contained in this Agreement, any other Transaction Document or any falsity of any certificate or other instrument furnished or to be furnished by the Company hereunder or under any other Transaction Document;
- (c) third party claims against any Indemnitee relating to any activities, action or inaction by the Company or its Affiliates and their respective officers, directors, shareholders, partners, affiliates, employees, agents, representatives, successors and assigns except in each case to the extent any such Liabilities are caused by the particular Indemnitee's gross negligence or willful misconduct;

the breach, non-performance, or enforcement of the New Articles, including, without limitation, the terms of the Series D Preferred Shares (as set forth in the New Articles).

Notwithstanding the foregoing, in the absence of fraud, the Company shall not be obligated to:

- (x) make any payments under clauses (a) or (b) to each Purchaser for Liabilities in amounts in excess of the aggregate purchase price paid by each Purchaser for all Series D Preferred Shares purchased by such Purchaser hereunder, plus reasonable attorneys' fees and disbursements and all amounts paid in investigation, defense or settlement of any such action by such Purchaser, and
- (y) make payments for Liabilities under clause (c) to the extent such Liabilities consist of the diminutions in value of the Preferred Shares purchased by Indemnitees.

Furthermore, for the avoidance of doubt, to the extent any particular Indemnitee is entitled to indemnification from the Company for the same Liability both under this Section 6.16 and under another agreement between such Indemnitee and the Company, such Indemnitee shall not be entitled to duplicate recovery for the same Liability (to the extent actually paid to such Indemnitee).

- 6.17 Payment Set Aside. To the extent that the Company makes a payment or payments any Purchaser hereunder or under the terms of the Series D Preferred Shares (as set forth in the New Articles) or such Purchaser enforces its rights or exercises its right of setoff hereunder or thereunder, and such payment or payments or the proceeds of such enforcement or setoff or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside, recovered from, disgorged by or are required to be refunded, repaid or otherwise restored to the Company, a trustee, receiver or any other Person under any law (including any bankruptcy law, state or federal law, common law or equitable cause of action), then to the extent of any such restoration the obligation or part thereof originally intended to be satisfied shall be revived and continued in full force and effect as if such payment had not been made or such enforcement or setoff had not occurred.

* * * *

IN WITNESS WHEREOF, the parties hereto have executed this Series D Preferred Share Purchase Agreement on the date first written above.

INSIGHTEC LTD.

By: _____
Name: _____
Its: _____

YORK GLOBAL FINANCE II S.À R.L.

By: _____
Name: _____
Its: _____

[Signature Page to Series D Preferred Share Purchase Agreement]

Schedule 1

INVESTORS & CLOSING PURCHASE PRICE

Name	Purchase Price (US\$)	No. of Purchased Preferred D Shares
York Global Finance II S.À R.L	\$ 37,500,000	19,333,212
Subsequent Investors (to be updated in accordance with the terms of the Agreement)	up to \$25,000,000	up to 12,888,808
TOTAL	Up to \$62,500,000	Up to 32,222,020

[Signature Page to Series D Preferred Share Purchase Agreement]

EXHIBIT A.1

Current Amended and Restated Articles of Association

EXHIBIT A.2

Form of New Articles

Exhibit A - 2

EXHIBIT B

Form of Seventh Amended and Restated Securityholders Agreement

EXHIBIT C

Form of Opinion of Counsel

I, Doron Moshe, certify that:

1. I have reviewed this annual report on Form 20-F of Elbit Imaging Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a- 15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a- 15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the resistant's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 30, 2015

By: /s/ Doron Moshe
Name: Doron Moshe
Title: Acting Chief Executive Officer

I, Doron Moshe, certify that:

1. I have reviewed this annual report on Form 20-F of Elbit Imaging Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a- 15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a- 15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the resistant's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 30, 2015

By: /s/ Doron Moshe
Name: Doron Moshe
Title: Chief Financial Officer

Section 906 Certification by Principal Executive Officer and Principal Financial Officer

In connection with the Annual Report of Elbit Imaging Ltd. (the "Company") on Form 20-F for the year ended December 31, 2014, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Doron Moshe, in my capacities as the Company's principal executive officer and principal financial officer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that, to the best of my knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as amended; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 30, 2015

By: /s/ Doron Moshe
Name: Doron Moshe
Title: Acting Chief Executive Officer and
Chief Financial Officer

CONDENSED FINANCIAL INFORMATION OF REGISTRANT

ELBIT IMAGING LTD.

CONDENSED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2014

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
To the Board of Directors and Shareholders of
Elbit Imaging Ltd.

We have audited the consolidated financial statements of Elbit Imaging Ltd. and subsidiaries (the "Company") as of December 31, 2014 and 2013, and for each of the three years in the period ended December 31, 2014, and have issued our report thereon dated March 29, 2015; such financial statements and report are included in 8-K dated March 29, 2015 and are incorporated herein by reference. Our audits also included the financial statement schedule No. 15.2 of the company listed in item 18. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, such financial statement schedule, when considered in relation to the basic financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

/s/ Brightman Almagor Zohar & Co.
Brightman Almagor Zohar & Co.
Certified Public Accountants
A Member Firm of Deloitte Touche Tohmatsu

Tel Aviv, Israel
March 29, 2015

Tel Aviv - Main Office	Trigger Foresight	Ramat-Gan	Jerusalem	Haifa	Beer-Sheva	Eilat
1 Azrieli Center	3 Azrieli Center	6 Ha-rakun	12 Sarei Israel	5 Ma'aleh Hashichrur	Omer Industrial Park	The City Center
Tel Aviv, 6701101	Tel Aviv, 6702301	Ramat Gan, 5252183	Jerusalem, 9439024	P.O.B. 5648	Building No. 10	P.O.B. 583
P.O.B. 16593				Haifa, 3105502	P.O.B. 1369	Eilat, 8810402
Tel Aviv, 6116402					Omer, 8496500	
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ELBIT IMAGING LTD.
CONDENSED BALANCE SHEETS

		December 31		
		2 0 1 4	2 0 1 3	2 0 1 4
				Convenience translation (note 2D)
	Note	(in thousand NIS)		U.S.\$'000
Current Assets				
Cash and cash equivalents		95,086	120,483	24,450
Short-term deposits and investments		777	11,603	200
Other receivables		1,716	9,319	441
Assets related to discontinued operations		33,437	-	8,598
		<u>131,016</u>	<u>141,405</u>	<u>33,689</u>
Non-Current Assets				
Deposits, loans and other long-term balances		16,355	16,069	4,205
Loans and investments in subsidiaries, associates and joint venture	3	894,983	1,668,989	230,132
Property, plant and equipment		1,962	5,542	504
Deferred expenses		-	94	-
		<u>913,300</u>	<u>1,690,694</u>	<u>234,841</u>
		<u>1,044,316</u>	<u>1,832,099</u>	<u>268,530</u>

ELBIT IMAGING LTD.
CONDENSED BALANCE SHEETS

	Note	December 31	
		2 0 1 4	2 0 1 3
		2 0 1 4	
			Convenience translation (note 2D)
		(in thousand NIS)	U.S.\$'000
Current Liabilities			
Short-term credits		-	2,639,286
Payables and other credit balances		29,289	196,240
		29,289	2,835,526
Non-Current Liabilities			
Borrowings		755,538	-
Other liabilities		27,434	29,213
		782,972	29,213
Commitments, Contingencies, Liens and Collaterals			
Shareholders' Equity			
Share capital and share premium		1,055,056	927,228
Reserves		(755,872)	(704,519)
Retained earnings		(67,129)	(1,086,828)
Treasury stock		-	(168,521)
		232,055	(1,032,640)
		1,044,316	1,832,099

Doron Moshe
Chief Financial Officer

Zvi Tropp
Chairman of the audit committee

Ron Hadassi
Chairman of the board and Acting Chief Executive Officer

Approved by the Board of Directors on: March 29, 2015

ELBIT IMAGING LTD.

CONDENSED STATEMENTS OF INCOME

	Year ended December 31			
	2 0 1 4	2 0 1 3	2 0 1 2	2 0 1 4
				Convenience translation (Note 2D)
				U.S.\$'000
Note	(in thousand NIS)			
Revenues from providing management services	461	1,965	30,379	119
General and administrative expenses	(37,315)	(58,964)	(50,749)	(9,595)
Financial expenses, net	(97,619)	(119,187)	(141,637)	(25,101)
Financial gain from debt restructuring	1,791,644	-	-	460,695
Initiation expenses	(168)	(438)	(1,114)	(43)
Other income (expense)	(5,020)	2,460	(34,808)	(1,291)
Profit (loss) before income taxes	1,651,983	(174,164)	(197,929)	424,784
Income tax expenses	-	6,298	3,500	-
	1,651,983	(180,462)	(201,429)	424,784
Company's share in results of investee companies	(641,801)	(982,900)	(121,034)	(165,030)
Profit (loss) from continuing operations	1,010,182	(1,163,362)	(322,463)	259,754
Profit (loss) from discontinued operations, net	(1,175)	7,717	6,717	(302)
Profit (loss) for the year	1,009,007	(1,155,645)	(315,746)	259,452

ELBIT IMAGING LTD.

CONDENSED STATEMENTS OF CASHFLOWS

	Year ended December 31			
	2 0 1 4	2 0 1 3	2 0 1 2	2 0 1 4
				Convenience translation (Note 2D)
				U.S.\$'000
	(in thousand NIS)			
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit (loss) for the year from continued operations	1,010,182	(1,163,362)	(322,463)	259,452
Income tax expenses (tax benefit) recognized in profit and loss	-	6,298	3,500	-
Finance expenses recognized in profit and loss	97,619	119,187	141,637	24,311
Financial gain from debt restructuring	(1,791,644)	-	-	(460,695)
Income tax paid in cash	-	(8,000)	-	-
Depreciation and amortization	3,636	3,825	10,350	935
Share in losses of associates, net	641,801	982,900	121,034	166,211
Stock based compensation expenses	3,147	(11,335)	14,848	809
Other	(4,209)	1,286	62	(1,082)
Receivables and other debit balances	8,595	2,580	19,228	2,121
Trading property	-	-	(12,793)	-
Payables and other credit balances	(6,910)	81,511	21,025	1,405
Net cash provided by (used in) operating activities of continued operations	(37,783)	14,890	(3,572)	(6,533)
Net cash provided by (used in) discontinued operating activities	-	-	-	-
Net cash provided by (used in) operating activities	(37,783)	14,890	(3,572)	(6,533)

ELBIT IMAGING LTD.

CONDENSED STATEMENTS OF CASHFLOWS

	Year ended December 31			
	2 0 1 4	2 0 1 3	2 0 1 2	2 0 1 4
				Convenience translation (Note 2D)
	(in thousand NIS)			U.S.\$'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property plant and equipment, investment property and other assets	(22)	(984)	(1,751)	(6)
Proceeds from realization of investments in subsidiaries and associates	6,954	169,698	-	1,789
Investments and loans to subsidiaries and associates	27,598	(59,242)	198,272	7,096
Proceed from realization of (investment in) long-term deposits and long-term loans	(711)	100	9,461	(183)
Interest received in cash	3,098	2,697	5,945	797
Short-term deposits and marketable securities, net	5,678	34,081	74,236	1,460
Net cash provided by continued investing activities	42,595	146,350	286,163	10,953
Net cash provided by discontinued investing activities	-	-	36,529	-
Net cash provided by investing activities	42,595	146,350	322,692	10,953
CASH FLOWS FROM FINANCING ACTIVITIES				
Interest paid in cash	(33,075)	(20,911)	(177,217)	(11,686)
Repayment of long-term borrowings	-	-	(329,220)	-
Repayment of short-term credit	-	(54,840)	(133)	-
Net cash used in financing activities	(33,075)	(75,751)	(506,570)	(11,686)
Increase (decrease) in cash and cash equivalents	(28,263)	85,489	(187,450)	(7,266)
Cash and cash equivalents at the beginning of the year	120,483	30,637	217,642	30,980
Net effect on cash due to currency exchange rate changes	2,866	4,357	445	736
Cash and cash equivalents at the end of the year	95,086	120,483	30,637	24,450

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

NOTE 1 - GENERAL

- A. Elbit Imaging Ltd. ("the Company") was incorporated in Israel. The Company's registered office is at 5 Kinneret Street Bney-Brak, Israel. The Company's shares are registered for trade on the Tel Aviv Stock Exchange and in the United States on the NASDAQ Global Select Market.
- B. The Group engages, directly and through its investee companies, in Israel and abroad, mainly in the following areas:
- Commercial centers - initiation, construction, and sale of commercial centers and other mixed-use property projects, predominantly in the retail sector, located in Central and Eastern Europe and in India. In certain circumstances and depending on market conditions, the Group operates and manages commercial centers prior to their sale.
 - Hotels - hotels operation and management, primarily in major European cities.
 - Medical industries and devices - (a) research and development, production and marketing of magnetic resonance imaging guided focused ultrasound treatment equipment, and (b) development of stem cell population expansion technologies and stem cell therapy products for transplantation and regenerative medicine.
 - Residential projects - initiation, construction and sale of residential units or plots designated for residential located primarily in India.
- Fashion apparel - distribution and marketing of fashion apparel and accessories in Israel. On October 27, 2014 Elbit Fashion signed a sale agreement with Fox-Wisel Ltd. with regard to the sale of the operation and business of "Mango" retail stores in Israel (See note 23 of the annual consolidated financial statements). The transaction was closed on January, 5 2015. Accordingly this operation is classified in these financial statements as discontinued operations.
- During 2012, the Company finalized a transaction to sale all its investments in commercial centers in the US (see note 23 of the annual consolidated financial statements) and lost control over its holding in a subsidiary that operates in the medical industry (see note 23 of the annual consolidated financial statements). Accordingly, these operations are presented in these financial statements as discontinued operations.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

NOTE 1 - GENERAL (CONT.)

C. Financial position:

With respect to the Company's financial position, including the consummation of the Plan of Arrangement, see note 1C of the annual consolidated financial statements.

D. Definitions:

- | | | |
|-----------------|---|--|
| The Company | - | Elbit Imaging |
| Elscint | - | A formerly 100% subsidiary of the Company, merged with the Company in 2010. |
| Group | - | The Company and its Investees |
| Investees | - | Subsidiaries, joint ventures and associates |
| PC | - | Plaza Centers N.V. ("PC") Group, a material subsidiary operating mainly in the field of commercial centers and is traded in the Main Board of the London Stock Exchange, the Warsaw Stock Exchange and Tel Aviv Stock Exchange. As of December 31, 2014 the Company holds 44.9% in Plaza Centers. For Plaza Centers Plan of Arrangement see note 3B of the annual consolidated financial statements. |
| Elbit Medical | - | Elbit Medical Technologies Ltd., a public Israeli company traded on the Tel Aviv Stock Exchange. As for December 31, 2014, the Company holds 82.71% of Elbit Medical on a fully diluted basis. |
| Related parties | - | As defined in International Accounting Standard ("IAS") no. 24. For details see note 21 of the annual consolidated financial statements |

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

A. Statement of compliance:

The condensed financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB").

B. Basis for preparation:

The condensed financial statements have been prepared on the historical cost basis except for (i) financial instruments measured at fair value; (ii) certain trading property measured at net realizable value; (iii) certain property, plant and equipment (hotels) presented at the revaluation model (based on fair value) and (iv) investment property measured at fair value. The principal accounting policies are set out below. See note 2X of the consolidated financial statements for critical judgments in applying accounting policies and use of estimations.

C. Presentation of the income statements:

The Groups operations are characterized by diverse activities. Accordingly, management believes that its income statements should be presented in the "Single - step form". According to this form, all costs and expenses (including general and administrative and financial expenses) should be considered as continuously contributing to the generation of the overall revenues and gains. Management also believes that its operating expenses should be classified by function to: (i) those directly related to each revenue (including general and administrative expenses and selling and marketing expenses relating directly to each operation); and (ii) overhead expenses which serve the business as a whole and are to be determined as general and administrative expenses.

D. Convenience translation:

The balance sheet as of December 31, 2014 and statement of income, statement of other comprehensive income and statement of cash flows for the year then ended have been translated into U.S. Dollar using the representative exchange rate as of that date (\$1= NIS 3.889). Such translation was made solely for the convenience of the U.S. readers. The dollar amounts so presented in these financial statements should not be construed as representing amounts receivable or payable in dollars or convertible into dollars but only a convenience translation of reported NIS amounts into U.S. Dollar, unless otherwise indicated. The convenience translation supplementary financial data is unaudited and is not presented in accordance with IFRSs.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

NOTE 3 - LOANS AND INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE

- A. As part of the EPI transaction (as described in note 9B of the annual consolidated financial statements) PC has provided the Company with an advance on account of the Kochi project which as of December 31, 2014 amounted to Euro 4.5 million. In order to secure the advance granted by PC the Company provided PC with a guarantee, which shall be exercised in the event the Company fails to transfer all its rights in the Kochi Island to EPI (or alternatively to transfer 50% of the said rights to PC). The guarantee expired in August 2013. The Company and PC are negotiating in order to reach an amicable solution to this matter.